

RENTAL HOUSING DEVELOPMENT ASSISTANCE (RHDA)

Application for Rental Development Financing

Adh
10-1-10

PLEASE NOTE: AHFC Reserves the right to fund projects at a lower amount than requested, and the right to deny applications that do not coincide with the City's FY 2010-11 Action Plan goals and policy direction from the Austin City Council.

Project Name: Suburban Lodge SRO Renovation (final name to be determined)

Project Address: 2501 S. IH 35, Austin, TX Zip Code 78741

Total # units to be assisted with RHDA Funding: 120 permanent supportive housing units

Total # units in project/property: 120 units

Project type: ☐ Acquisition ☒ Rehabilitation ☐ New construction ☐ Refinance ☐ Rent Buy-Down

Amount of funds requested: \$2,000,000 Terms Requested: 0% interest, deferred forgivable

Role of applicant in Project (check all that apply): ☐ Owner ☒ Developer ☒ Sponsor

1. Applicant Information (If applicant is not acting as the developer, please provide all of the information below for the developer as well as for the applicant. If the developer involves multiple entities, is a partnership or joint venture, please provide duplicative information for each, and identify the entity that will serve as the "lead" organization).

Foundation Communities, Inc.

Name

3036 S. 1st Street, Suite 200

Street Address

Austin

City

TX, 787074

State, Zip

512-447-2026

Telephone #

Jennifer Hicks

Contact Person

512-610-4025

Telephone #

jennifer.hicks@foundcom.org

E-mail address

74-2563260

Federal Tax ID Number or SS#

The applicant/developer certifies that the data included in this application and the exhibits attached hereto are true and correct. Unsigned/undated submissions will not be considered.

Foundation Communities, Inc.

Legal Name of Developer

Walter H. Hines

Signature of Authorized Officer

Director

Title

9-30-10

Date

2. **For non-profit applicants/developers only, include copies of the following:**
- a. Articles of Incorporation – **ATTACHMENT 1**
 - b. Certificate of Incorporation filed with the State of Texas – **ATTACHMENT 2**
 - c. Federal IRS certification granting non-profit status – **ATTACHMENT 3**
 - d. Names, addresses and phone numbers of current board members – **ATTACHMENT 4**
 - e. Certified financial audit for most recent year which include the auditor's opinion and management letters. - **ATTACHMENT 5**
 - f. Board resolution approving the proposed project and authorizing the request for funding - **ATTACHMENT 6**

3. **Project Type (Please check any that apply.)** This project is considered:

☐ **Traditional Rental Housing** (serving low-income households, and resident services may or may not be provided)

☒ **Transitional Housing** (case management services provided and residency limited to a certain length of time)

☒ **Permanent Supportive Housing** (long-term rental housing for very low-income families and individuals who are among the hardest to serve and who are most vulnerable to homelessness).
If you checked Permanent Supportive Housing, please complete the Permanent Supportive Housing Addendum on Page 10.

4. **Project Description.** In no more than two pages, describe the project with respect to the following:

Foundation Communities is applying for \$2,000,000 in City of Austin General Obligation Bond funding to cover the rehabilitation costs associated with the acquisition and adaptive reuse of a declining extended stay hotel into 120 single room occupancy units of permanent supportive housing for homeless and extremely low income adults living alone. 20 of the 120 units will be reserved for chronic homeless persons as defined by the HEARTH act. While we are not reserving any further units for "chronic homeless" the balance of the units will be lower barrier than our typical family properties accepting persons with specified criminal histories, as well as persons coping with substance abuse and mental health challenges. In addition, 10% of the units will be available for persons being placed through the Tenant Based Rental Assistance program in partnership with the Passages collaboration. These units will be transitional, but allow for residents to transition in place to permanent housing once milestones have been achieved.

The Suburban Lodge SRO Renovation will be built on the success of Foundation Communities' flagship SRO projects, Garden Terrace, Spring Terrace and Skyline Terrace. All properties were adaptive reuses of existing buildings and have remained 100% occupied with full waiting lists since opening their doors. All three properties have been used as a best practice model of permanent supportive housing by practitioners and funders across the nation.

The Suburban Lodge SRO Renovation is truly an exciting development opportunity that will leverage \$2,000,000 in City of Austin GO Bonds with over \$6,000,000 in Neighborhood Stabilization Program Funding already awarded through the Texas Department of Housing and Community Affairs. The Neighborhood Stabilization Program (NSP) funding will be utilized for the acquisition and all due-diligence and closing costs. Pairing the NSP funding with the City of Austin GO Bond funding will enable the property to be developed without any hard third-party debt. Due to low rents and higher than average operating costs, a supportive housing property is not able to support third-party debt. All three Terrace properties have been successfully developed and operated utilizing this model.

The Suburban Lodge Extended Stay Hotel is located in an amenity-rich area on the east access road of IH 35 just South of Oltorf Street. The site is adjacent to a bus stop served by multiple bus routes. The surrounding neighborhood offers a wealth of service-based employment opportunities as well as grocery, medical, recreational and educational amenities all within walking distance. Although in a superb location, the building has had dwindling success as a hotel resulting in a run-down property that has unfortunately attracted less than desirable activities and clientele. The building itself is in sound condition. The property is less than 10 years old and offers a solid frame and adaptable layout for conversion into permanent supportive housing. The building contains 137 rooms. A portion of these units will be converted into common area spaces such as resident lounge, computer lab, supportive service staff offices and resident meeting rooms. The balance of 120 units will need finish and appliance updates as well as the addition of unit furniture. An outdoor green space will be created for resident use and to break up the concrete of the overly abundant parking on the site.

The Suburban Lodge SRO Renovation will move the City of Austin 20 units closer to meeting its goal of creating 350 units designated for chronic homeless individuals and families over the next four years as set by the historic Permanent Supportive Housing resolution passed on March 25, 2010 and further defined by the City of Austin's Permanent Supportive Housing Strategy released September 30, 2010. In addition, the Suburban Lodge property will contribute 120 units toward the goal of 1,889 PSH units over the next 10 years established by the Corporation for Supportive Housing as laid out in "The Plan to End Community Homelessness in Austin – Travis County." Finally, 20 units will be available for residents engaged in transitional housing programs operated by partners such as: Salvation Army, Caritas, Front Steps, Green Doors and Lifeworks.

a. Describe the tenant population, income levels, and services, if any, to be provided to or made available to residents.

A total of 120 units will be available for very low income and homeless single adults. Half of the property (60 units) will be reserved for individuals with incomes below 50% of the Median Family Income and the remaining half (60 units) will be reserved for individuals with incomes below 30% of the Median Family Income. The reality is that most residents will have incomes below 30% MFI. The target population for the majority of units will be individuals who are homeless or at-risk of homelessness. Foundation Communities is partnering with Caritas of Austin to apply for Supportive Housing Program leasing dollars for 20 units through HUD's Continuum of Care process. These units will be set aside for chronic homeless individuals as defined by HEARTH. The contract rent on the units will be the FMR for zero-bedroom apartment or \$688. The resident rent will be based on 30% of their income. Foundation Communities also plans to seek out additional voucher funding through the Veterans Administration and the City of Austin Housing Authority.

Supportive services will be made available to all residents at the Suburban Lodge SRO. The goal of the supportive services will be to promote stable housing through programs that increase access to health assistance, promote increased and stable income, and provide services that support self-development. Services to be available to residents include:

- Case management
- Adult education classes
- Money management classes
- Information and referral to community services
- Home health assistant
- Education savings program
- Free tax preparation
- Financial stability programs

- 24-hour computer lab
- Monthly food pantry
- Welcome Home Baskets

Please see Section 15(a) for a more detailed explanation of services to be provided at the Suburban Lodge SRO.

- b. **Include the type of structure (multi-family or single-family), number and size of units in square feet.**

The Suburban Lodge hotel is a three-story, 57,814 square foot building which will be converted for use as Single Room Occupancy (SRO) housing. SRO housing offers residents a private efficiency unit with kitchenette and bathroom for a very affordable rent. Common spaces for resident use include a lounge, computer lab, community meeting room, community laundry and community kitchen. At project completion, there will be 120 units which vary in size between 250 to 400 square feet.

The unit mix for the property is as follows:

Unit Type	# of Units	Square Footage
0 bedroom/0 bath	43	260 sq. ft.
0 bedroom/0 bath	71	300 sq. ft.
0 bedroom/0 bath	6	330 sq. ft.
TOTAL	120	34,460 sq. ft.

- c. **Indicate whether the property is occupied at the time this application is being submitted.**

At the time of submission, the property is being operated as a hotel. The property will be vacant when the property is acquired.

- d. **Indicate whether the project meets the requirements of the City's Vertical Mixed-Use (VMU) Ordinance, or is in a Planned-Unit Development (PUD) or Transit Oriented Development (TOD).**

The Suburban Lodge is not located in a VMU, PUD or TOD. However, it is the adaptive reuse of an existing building on a commercial corridor in Austin.

- e. **Indicate whether the project will preserve existing affordable rental units.**

The project involves the acquisition of an extended stay hotel for conversion into single room occupancy rental units for persons who were formerly or at-risk of homelessness. The hotel does not operate as rental housing. The renovation of the hotel into permanent supportive housing will create 120 new rental units affordable to persons with very low and extremely low incomes.

- f. **If there are existing structures, provide documentation from the taxing authority or another third-party source indicating the year the structure was built.**

The property was built in 2002. Please see **ATTACHMENT 7** for documentation from the Travis Central Appraisal District.

g. Indicate the number of units reserved for Housing Choice Voucher holders (Section 8).

We will not be reserving units for Section 8 voucher holders. Instead, vouchers will be accepted at our property with no limit on the number of holders.

h. Indicate the number of units that are or will be made accessible and adaptable for persons with mobility, sight or hearing disabilities.

At a minimum, 10% of the total units (12) will be designed for persons with Mobility Impairments using Section 504 and Fair Housing Accessibility as guidelines. In addition, at a minimum, 2% of total units (2) will be made accessible for persons with hearing and visual impairments.

i. Demonstrate the Project's compatibility with current Neighborhood Plan (if applicable).

The Suburban Lodge SRO Renovation project fits with many of the explicit and implicit goals and visions for the East Riverside/Oltorf Neighborhood Plan which contains the project site. Outside of the traditional single and multifamily areas of the neighborhood, this development will support the following goals as laid out in the plan:

- Preserve and enhance the character of the existing residential neighborhood;
- Improve the appearance, vitality and safety of existing commercial corridors and community amenities and encourage quality urban design and form that ensures adequate transition between commercial properties and adjacent residential neighborhoods;
- Provide affordable housing opportunities through redevelopment of existing multifamily developments; and
- Promote multifamily structures that relate well to the surrounding environment, utilize a variety of building forms, have a thoughtful parking scheme, provide public open space, and include a variety of appropriate landscape options.

Further, this project will support the follow Priority issues for the neighborhood as laid out in the plan:

- Improve the appearance of retail corridors and preserve downtown views;
- Identify and protect all critical environmental features; and
- Create lively, inviting attractive and safe commercial and office street environments.

To do this, Foundation Communities will develop the projects using our existing successful model of sustainable design and a holistic approach to provision of housing and services for residents.

- The renovated Suburban Lodge will adhere to the City of Austin Green Building program and follow the Enterprise Community Partners Green Communities Criteria for affordable housing. This will mean a reduced impact on critical neighborhood resources, as well as an increase in green space and decrease of impervious cover on the property.
- This project will serve formerly homeless adults typically earning less than 30% of the Area Median Income. These individuals will have access to services such as public benefits applications, case managers and counseling as necessary on site.
- Currently, the Suburban Lodge provides temporary lodging to individuals as an extended stay hotel with high traffic and transiency. Once renovated, residents of the building will be stable, long term community members who are required to pass background checks and are supported by staff at all levels. Further, all guests at the property are required to sign in and speak with a front desk worker before being allowed access to the building.

- j. In addition to providing an Itemized Development Budget through your response to Question 12 below, summarize the key financials of the project, clearly indicating the total project cost, the amount and intended use of AHFC funds being requested, and the amount(s) and provider(s) of other funding and the stage of those funding commitments.

The total project cost to acquire the Suburban Lodge hotel and rehabilitate the building for operation as a 120-room SRO community is \$8,495,000. The sources of funds for this project include:

Neighborhood Stabilization Program funding through TDHCA, in the amount of \$6,095,000, contract executed September 1, 2010. The NSP funds will be used for the acquisition of the property at the contract price of \$5,300,000. The balance of funding will be used to cover due diligence costs such as environmental clearance, appraisal, property condition assessment, architect, engineer, legal, consultant, title insurance and closing costs. The NSP funding will be in the form of a deferred, forgivable loan. Please see **ATTACHMENT 8** for contract.

City of Austin, in the amount of \$2,000,000, submitted in this application October 1, 2010. The City funds will be used for property rehabilitation costs including the adaptation of units into common area spaces, updating cabinetry, appliances, furniture and finishes in units, creating an outdoor green space, adding green efficiencies to the plumbing and HVAC systems, exterior paint and repair, landscaping and site improvements, new fencing and signage and the creation of a front desk secure area upon entry of the building. Since this project is serving a population that can only afford to pay a minimal amount in monthly rent, the project will only be feasible if there is no debt service to repay. This application requests the awarded funds from the City to be in the form of a grant or non-performing loan.

NeighborWorks America, in the amount of \$400,000, application submitted October 15, 2010 with notification in early December 2010. NeighborWorks America has supported the development of all three of our existing Terrace communities and is eager to support the development of another permanent supportive housing community in Austin. Funding from NeighborWorks America is awarded as a grant and will be used for project rehabilitation costs.

Foundation Communities will be the developer, manager and social service provider of the Suburban Lodge SRO Conversion. The owner of the property will be FC Austin One Housing Corporation, a nonprofit affiliate of Foundation Communities, Inc.

Please attach the following to the description of the above items:

- k. A map (8 1/2" x 11") indicating the property location and the distance to the nearest Capital Metro Transit Stop to which residents will have access.

Please see **ATTACHMENT 9** for a map of the property location and distance to nearest Capital Metro Transit Stop.

- l. Locate the property on the "Opportunity Map of Austin" attached to the Program Guidelines.

Please see **ATTACHMENT 10** for location of property on "Opportunity Map of Austin." The Suburban Lodge is located in a very low opportunity census tract according to the Kirwin Institute. However, some of the factors considered by the Kirwin Institute are not relevant for the population to be served at the Suburban Lodge once it has been reprogrammed for formerly homeless single adults in Single Room Occupancy units. For instance, the schools into which this property is districted, Travis High School, Fulmore Middle School, and Linder Elementary were

rated Academically Acceptable by the Texas Education Agency. While this is problematic for developments supporting families, our residents will not be using the school facilities. Moreover, the property is located less than 3 miles to downtown, South Congress, and the Veterans Affairs outpatient clinic, and all are accessible by frequent bus service from Oltorf Street, roughly a block away from the property. Finally, Oltorf and the surrounding area has access to low skilled job opportunities for the residents of our properties, as well as shopping amenities for daily needs. Bus access to shopping along Ben White is also easily accessible. While we agree that the location might not be the best suited for families with children, it is a very high opportunity area for single adults working to gain self-sufficiency.

5. Site Control and Demonstration of Value

Please find attached **ATTACHMENT 11:** Earnest Money Contract and **ATTACHMENT 12:** Current Tax Documentation. We are currently under contract for an acquisition price of \$5,300,000. The Travis Central Appraisal District has established an appraised value of \$2,705,556. We are in the process of ordering an appraisal and expect the appraised value to exceed \$5,300,000. The calculated value based on replacement cost is between \$6.3 and \$7M. The assessed value based on comparable sales is \$6,495,000.

6. Zoning

Please find attached documentation verifying that a request to change the current zoning has been submitted to DRID. City staff is recommending a zoning change from GR-NP to GR-MU-NP. Please see **ATTACHMENT 13** for zoning application.

7. S.M.A.R.T. Housing.

Please find attached a letter that indicates the project has been reviewed and meets SMART Housing requirements. Please see **ATTACHMENT 14: SMART Housing Certification.**

- 8. Development Team.** Identify the persons or entities anticipated to be involved in the project, such as lenders, attorneys, accountants, architects, engineers, general contractor, sub-contractors, property managers and consultants. Also, indicate if any person or entity involved is certified by the City of Austin as a minority or women-owned business enterprise (**MBE/WBE**), or if any of the entities are also **non-profit** organizations.

	Name(s) & Any Comments on Role	MBE ? (Mark X if Yes)	WBE ? (Mark X if Yes)	Non- profit? (Mark X if Yes)
Owner	FC Austin One Housing Corporation			X
Developer	Foundation Communities, Inc.			X
Architect	Olicon Design			
Engineer	TBD			
Construction Lender	Not Applicable			
Other Lenders	Not Applicable			
Attorney	A. Rick Hightower			
Accountant	Foundation Communities, Inc. (in-house staff)			

General Contractor	TBD			
Consultant (if Applicable)	Not Applicable			
Property Management Provider	Foundation Communities, Inc.			X
Social Service Provider:	Foundation Communities, Inc.			X

9. **Development Schedule.** Complete the grid below. You may re-order the steps according to the appropriate sequence for your project and to add in any other significant steps integral to your project's development. If the multiple properties are involved, provide a development schedule for each property.

	DATE(S)
Acquisition and/or holding	<u>June 2011*</u>
Environmental and/or historic review (AHFC)	<u>September 2010**</u>
Securing and packaging project financing	<u>September – December 2010</u>
Construction Specifications and Cost estimates	<u>Jan – April 2011</u>
Construction Bids	<u>May 2011</u>
Construction Start	<u>June 2011</u>
Anticipated Draws (list all)	<u>June 2011, July 2011, August 2011, September 2011, October 2011, November 2011</u>
End Construction	<u>December 2011</u>
Start of Rent-up	<u>January 2012</u>
Completion & Operation	<u>March 2012</u>

*The property currently has a loan with a sizable pre-payment penalty due to seller that does not expire until June 2011. While we would be ready to proceed before June 2011, it is in the best interest of the deal to hold tight until that date. Meanwhile, we plan to get all due diligence, design and construction plans completed before June, so we can mobilize immediately upon acquisition.

**The NSP program requires a HUD environmental clearance. We have already engaged a consultant who is completing the review.

10. **Accessible and Adaptable Units.** Indicate the number of units proposed to be **accessible and adaptable** for persons with mobility, sight and hearing disabilities as required by RHDA Program Guidelines.

_____ Units adaptable for persons with mobility disabilities

12 _____ Units accessible for persons with mobility disabilities

_____ Units adaptable for persons with sight and hearing disabilities

2 _____ Units accessible for persons with sight and hearing disabilities

11. Experience and Qualifications – Rental Development and Property Management

a. Is this the developer's first housing project? ☐ Yes ☒ No

b. Completed projects (complete table below):

COMPLETED PROJECTS				
Address	Number of Units	New or Rehab	Type of Property (apartments, SF units, etc.)	Year Completed
Buckingham Place 743-B Yarsa, Austin, TX, 78748	166	Rehab	Duplexes	1991
Cherry Creek 5510-B Fernview, Austin, TX 78745	122	Rehab	Duplexes	1989
Crossroads 8801 McCann, Austin, TX 78757	92	Rehab	Apartments	1990
Daffodil 6009 Daffodil, Austin, TX 78744	40	Rehab	Apartments	1996
Garden Terrace 1015 W. William Cannon, Austin, TX 78745	103	Rehab	SRO	2003 and 2008
Peters Colony 1810 E. Peters Colony Rd., Carrollton, TX 75007	160	Rehab	Apartments	1995
Shadow Brook 2020 S. Cooper, Arlington, TX 76013	403	Rehab	Apartments	1995
Sierra Ridge 201 W. St. Elmo, Austin, TX 78745	149	Rehab	Apartments	1991
Sierra Vista 4320 South Congress Ave., Austin, TX 78745	238	Rehab	Apartments	201-2011
Sleepy Hollow 3903 Ichabod Circle, Arlington, TX 76013	128	Rehab	Apartments	1995
Southwest Trails 8405 Old Bee Caves Rd., Austin, TX 78735	160	New	Apartments	2001
Spring Terrace 7101 N. I-35, Austin, TX 78752	142	Rehab	SRO	2006
Skyline Terrace 1212 W. Ben White Blvd. Austin, TX 78704	100	Rehab	SRO	2008
Trails at the Park 815 W. Slaughter Lane, Austin, TX 78748	200	New	Apartments	2000
Vintage Creek 7224 Northeast Drive, Austin, TX 78723	200	Rehab	Apartments	2000
TOTAL UNITS	2,403			

c. Describe the experience and qualifications and the developer's ability and capacity to implement the proposed project.

Foundation Communities has 20 years of experience contracting for and overseeing the construction and rehabilitation of affordable housing. As the owner and manager of 12 affordable housing properties (1,712 units) in Austin and 3 affordable housing properties (691 units) in North Texas, Foundation Communities has built a strong development team and has worked together on many projects. Thirteen of our communities were purchased as existing properties. Each has greatly improved with renovations, green spaces and playscapes, learning centers, landscaping, signage, lighting and green building features (solar panels and rain water harvesting). Two of our properties were new construction projects, Southwest Trails and Trails at the Park, utilizing the Low Income Housing Tax Credit Program (LIHTC).

Finance Experience - Our finance experience also includes work with the following programs:

- City of Austin – General Obligation Bond Funding
- City of Austin – Housing Implementation Program (HIP)
- City of Austin – HOME Program
- City of Austin – CDBG Program
- TDHCA – 9% and 4% Housing Tax Credits
- TDHCA – Housing Trust Fund
- TDHCA – SECO Energy Grant Program
- TDHCA – HOME Program
- 501(c)(3) Bond Program
- Federal Home Loan Bank (Affordable Housing Program)
- Resolution Trust Corporation – Affordable Housing Disposition Program
- Multi-family Private Activity Bonds
- City of Arlington – CDBG Program
- NeighborWorks America Grant Program
- HUD Section 8 Moderate Rehabilitation SRO Program
- HUD Supportive Housing Program
- HUD Shelter Plus Care Program
- HUD Tenant Based Rental Assistance Program

Housing Development Team - Our Housing Development Team consists of the following FC staff (Please see **ATTACHMENT 15** for resumes):

Walter Moreau, Executive Director, oversees asset management and provides overall organizational leadership. For new developments, oversees and assists with project development and financing. Walter has 20 years of housing development experience.

Sunshine Mathon, Design and Development Director, assists in the programming, design and construction management of all development projects. He has a focus on green building and sustainability issues, such as energy and water conservation, use of recycled content materials and indoor environmental quality.

Sandra Lumley, Property Director, oversees all aspects of property management all units in Austin, ensuring FC's high quality standards. Sandra has extensive knowledge of the compliance requirements for a variety of funding programs at the local, state and Federal level. Sandra has 30 years of housing development experience.

Wicki McDonald, Asset Manager, oversees the income and assets of the FC portfolio. She has over 30 years of experience in owning and managing multifamily, office and retail developments. For the past 25 years, she has owned and operated Vista Properties, a real estate firm specializing in the management, leasing and brokerage of income producing assets.

Jennifer Hicks, Director of Housing Finance, pursues new development opportunities and identifies and applies for subsidy and conventional financing for multi-family housing. Jennifer has 9 years of housing development experience.

Julian Huerta, Director of Programs, develops and directs all educational and asset-building programs that assist families residing in FC housing communities. Huerta has 15 years of resident service provision experience.

Project Similar in Size and Scope

Foundation Communities has completed the acquisition and rehabilitation of three prior permanent supportive housing communities - Garden Terrace, Spring Terrace and Skyline Terrace. Garden Terrace, a former nursing home, was rehabilitated into 88 units of single room occupancy housing completed in 2003. Later in 2008, a phase II of 15 units was added to Garden Terrace utilizing unused common area space. In 2006, Foundation Communities completed the rehabilitation of Spring Terrace, a former extended stay hotel, into 140 units of single room occupancy housing. Skyline Terrace, completed in 2008, involved the conversion of a Ramada Inn Hotel into 100 SRO units. The Suburban Lodge SRO Renovation will be modeled after these three existing properties.

- d. Indicate who will provide property management services. Provide documentation to demonstrate the entity's level of experience and track record in operating properties of similar size, particularly income-restricted properties.**

Foundation Communities performs all leasing, maintenance, accounting, compliance and other property management functions for its 12 Austin properties. Foundation Communities earns property management and asset management fees that help support the overall nonprofit mission. The success of Foundation Communities' property management is demonstrated through its high occupancy (usually averaging more than 95 percent), low turnover (under 32 percent), ability to keep all properties performing within their operating budgets, completion of capital repairs of over \$535/unit, and a relatively high percentage of move outs going to homeownership (20 percent).

A majority of Foundation Communities' 15 properties feature a federal source of funding. Specifically, Foundation Communities' staff has experience with the compliance and reporting requirements of the Low Income Housing Tax Credit program, HOME program, and HUD Continuum of Care Funding Programs. The average size of FC properties is 158 units, with the largest project being 403 units.



City of Austin

P.O. Box 1088, Austin, TX 78767
www.cityofaustin.org/housing

Neighborhood Housing and Community Development Department

Gina Copic, S.M.A.R.T. Housing Program Manager
(512) 974-3180, Fax: (512) 974-3112, regina.copic@city.austin.tx.us

September 30, 2010

S.M.A.R.T. Housing Certification
Foundation Communities, Inc.: 2501 South IH 35- Suburban Lodge

TO WHOM IT MAY CONCERN:

Foundation Communities, Inc. (development contact: Sunshine Mathon (512-610-4019 (o), sunshine.mathon@foundcom.org) or Walter Moreau (512-610-4016 (o), walter.moreau@foundcom.org) is planning to convert a **120-unit** development for a multi-family use at **2501 S. IH-35** in the Parker Lane Neighborhood Planning area.

NHCD certifies that the proposed construction meets the S.M.A.R.T. Housing standards at the pre-submittal stage. Since **100%** of the units will serve households at or below **50%** Median Family Income (MFI) or below (50% of units serving households at **50% MFI** or below and the other 50% of units will serve households at **30% MFI** or below), the development will be eligible for **100%** waiver of the fees listed in Exhibit A of the S.M.A.R.T. Housing Resolution adopted by the City Council. The expected fee waivers include, but are not limited to, the following fees. Expected fee waivers include, but are not limited to, the following fees:

Capital Recovery Fees
Building Permit
Concrete Permit
Electrical Permit
Mechanical Permit

Site Plan Review
Misc. Site Plan Fee
Building Plan Review
Construction Inspection
Misc. Subdivision Fee

Zoning Verification
Parkland Dedication (*by separate ordinance*)
Land Status Determination
Plumbing Permit

Prior to filing of building permit applications and starting construction, the developer must:

- ◆ Ensure that the proposed plans and specifications will meet applicable Green Building standards for a S.M.A.R.T. Housing multi-family rehabilitation & change of use. (Austin Energy: Katherine Murray at 482-5351).

Before a Certificate of Occupancy will be granted, the development must:

- ◆ Pass a final inspection and obtain a signed Final Approval from the Green Building Program. (Separate from any other inspections required by the City of Austin or Austin Energy).
- ◆ Pass a final inspection by NHCD to certify that visitability, accessibility and transit-oriented standards have been met.

The applicant must demonstrate compliance with the reasonably-priced standard after the completion of the units, or repay the City of Austin in full the fees waived for this S.M.A.R.T. Housing certification.

Please contact me at 974-3154 if you need additional information.

Javier V. Delgado, Neighborhood Housing and Community Development Office

CC: Gina Copic, NHCD
Kath. Murray, Austin Energy
Robby McArthur, WWV Taps
Maurcen Meredith, PDRI

Deborah Fonseca, PDRI
Danny McNabb, WPIR
Chris Yanez, PARID
Heidi Kasper, Aus. Energy

Hillary Holery PDRI
George Zapalac, PDRI
Laurie Shaw, CapMetro

Suburban Lodge SRO Renovation

Unit Type	# of units	Unit Size	Rent Limit	Utility Allowance	Net Rent	Actual Rent Charged	Monthly Income	Annual Income
0 BR/0 BA - 30% MFI Rent	22	260	\$646	\$0	\$646	\$365	\$8,030	\$96,360
0 BR/0 BA - 50% MFI Rent	21	260	\$688	\$0	\$688	\$445	\$9,345	\$112,140
0 BR/0 BA - 30% MFI Rent	35	300	\$646	\$0	\$646	\$375	\$13,125	\$157,500
0 BR/0 BA - 50% MFI Rent	16	300	\$688	\$0	\$688	\$460	\$7,360	\$88,320
0 BR/0 BA - 50% MFI Rent								
SHP Voucher Units	20	300	\$688	\$0	\$688	\$688	\$13,760	\$165,120
0 BR/0 BA - 30% MFI Rent	3	330	\$646	\$0	\$646	\$385	\$1,155	\$13,860
0 BR/0 BA - 50% MFI Rent	3	330	\$688	\$0	\$688	\$475	\$1,425	\$17,100
FULL OCCUPANCY ANNUAL INCOME					\$650,400			
Less Vacancy Loss (Indicate % & Amount of Loss)					(\$32,520)	(5% vacancy and collection loss)		
Other Income					\$30,000			
GROSS ANNUAL INCOME					\$647,880			
Inflation Factor - Income			2%					
Inflation Factor - Expenses			3%					
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20
Gross Annual Income	\$647,880	\$660,838	\$674,054	\$687,535	\$701,286	\$774,277	\$854,864	\$943,839
EXPENSES								
Utilities	\$150,000	\$154,500	\$159,135	\$163,909	\$168,826	\$195,716	\$226,888	\$263,026
Taxes/Insurance	\$36,520	\$37,616	\$38,744	\$39,906	\$41,104	\$47,650	\$55,240	\$64,038
Maintenance/Repair	\$66,000	\$67,980	\$70,019	\$72,120	\$74,284	\$86,115	\$99,831	\$115,731
Management Fee	\$33,000	\$33,990	\$35,010	\$36,060	\$37,142	\$43,058	\$49,915	\$57,866
Marketing	\$2,800	\$2,884	\$2,971	\$3,060	\$3,151	\$3,653	\$4,235	\$4,910
Administrative	\$30,000	\$30,900	\$31,827	\$32,782	\$33,765	\$39,143	\$45,378	\$52,605
Payroll	\$205,000	\$211,150	\$217,485	\$224,009	\$230,729	\$267,479	\$310,081	\$359,469
Replacement Reserves	\$36,000	\$37,080	\$38,192	\$39,338	\$40,518	\$46,972	\$54,453	\$63,126

Supportive Services	\$60,000	\$61,800	\$63,654	\$65,564	\$67,531	\$78,286	\$90,755	\$105,210
TOTAL EXPENSES	\$619,320	\$637,900	\$657,037	\$676,748	\$697,050	\$808,072	\$936,777	\$1,085,981
NET OPERATING INCOME (NOI)	\$28,560	\$22,938	\$17,018	\$10,788	\$4,236	(\$33,796)	(\$81,913)	(\$142,143)
TOTAL ANNUAL DEBT SERVICE	\$1	\$1	\$1	\$1	\$1	\$1	\$1	\$1
Cash flow After Debt Service	\$28,561	\$22,939	\$17,019	\$10,789	\$4,237	(\$33,795)	(\$81,912)	(\$142,142)
Debt Coverage Ratio	28,560	22,938	17,018	10,788	4,236	-33,796	-81,913	-142,143

12. Detailed Project Budget. Use the following table, or comparable format, to provide a complete project budget. Add line-items as necessary. If this project has already received funding from AHFC, indicate by line item the amounts from the prior award.

DETAILED PROJECT BUDGET				
	Cost	Prior award of RHDA Funds (if any)	RHDA Funds Requested	Description or Comments
PREDEVELOPMENT				
Appraisal	\$6,000			Funded by NSP
Environmental Review	\$16,000			Funded by NSP
Physical Condition Assessment	\$3,000			Funded by NSP
Survey	\$5,000			Funded by NSP
Architectural	\$40,000			Funded by NSP
Engineering	\$5,000			Funded by NSP
Interior Design	\$8,000			Funded by NSP
Landscape Architect	\$2,000			Funded by NSP
TOTAL PREDEVELOPMENT	\$85,000			
ACQUISITION				
Site and/or Land				
Structures	\$5,300,000	\$0	\$0	Funded by NSP
Other (specify)				
TOTAL ACQUISITION	\$5,300,000	\$0	\$0	
CONSTRUCTION				
Infrastructure	\$0			
Site work	\$100,000	\$0	\$100,000	Funded by City GO Bond
Demolition	\$25,000	\$0	\$25,000	Funded by City GO Bond
Concrete	\$40,000	\$0	\$40,000	Funded by City GO Bond
Elevator	\$25,000	\$0	\$25,000	Funded by City GO Bond
Masonry	\$20,000	\$0	\$20,000	Funded by City GO Bond
Rough carpentry	\$80,000	\$0	\$80,000	Funded by City GO Bond
Finish carpentry	\$35,000	\$0	\$35,000	Funded by City GO Bond
Waterproofing & Insulation	\$45,000	\$0	\$45,000	Funded by City GO Bond
Roofing & Sheet Metal	\$100,000	\$0	\$100,000	Funded by City GO Bond
Plumbing/Hot Water	\$150,000	\$0	\$150,000	Funded by City GO Bond
HVAC	\$125,000	\$0	\$125,000	Funded by City GO Bond
Electrical	\$120,000	\$0	\$120,000	Funded by City GO Bond
Doors/Windows/Glass	\$45,000	\$0	\$45,000	Funded by City GO Bond
Lath & Plaster/ Drywall & Acoustical	\$10,000	\$0	\$10,000	Funded by City GO Bond
Tile work	\$200,000	\$0	\$200,000	Funded by City GO Bond
Soft & Hard Floor	\$50,000	\$0	\$50,000	Funded by City GO Bond
Paint/Decorating/Blinds/Shades	\$195,000	\$0	\$195,000	Funded by City GO Bond

Specialties/Special Equipment	\$60,000	\$0	\$60,000	Funded by City GO Bond
Cabinetry/Appliances	\$55,000	\$0	\$55,000	Funded by City GO Bond
Carpet	\$0	\$0	\$0	
Other (Please specify) Furniture, Fixtures and Equipment	\$350,000	\$0	\$350,000	Unit, common area and office furniture, equipment, phone system, signage, fencing - Funded by City GO Bond
Contractor Overhead and Profit	\$240,000	\$0	\$170,000	Funded by City GO Bond
Construction Contingency	\$180,000	\$0	\$0	Funded by NWA
TOTAL CONSTRUCTION	\$2,250,000	\$0	\$2,000,000	
SOFT & CARRYING COSTS				
Legal	\$10,000	\$0	\$0	Funded by NSP
Audit/Accounting	\$5,000	\$0	\$0	Funded by NSP
Title/Recording	\$15,000	\$0	\$0	Funded by NSP
Architectural (Inspections)				
Construction Interest				
Construction Period Insurance	\$5,000	\$0	\$0	Funded by NSP
Construction Period Taxes				
Relocation				
Marketing				
Davis-Bacon Monitoring				
Other: (Specify)				
TOTAL SOFT COSTS	\$35,000			
DEVELOPER FEE				
Developer Overhead and Fee	\$525,000	\$0	\$0	Funded by NSP/NWA
TOTAL DEVELOPER FEE	\$525,000			
RESERVES				
Lease up and Operating Reserve	\$300,000	\$0	\$0	Funded by NSP/NWA
TOTAL RESERVES	\$300,000			
TOTAL PROJECT BUDGET	\$8,495,000	\$0	\$2,000,000	

13. Funds Proposal. Provide the following information to facilitate financial review of the proposed project:

- Sources and Uses of Funds** – Complete Tables A & B below, identifying all sources and uses of funds to implement project and include evidence of funds anticipated (financial statements, commitment letters, etc.).
- Leveraging** – Complete Table C below. Include evidence of other funds leveraged by AHFC funds to implement the project such as owner equity and commitments from private and/or other public resources.
- Operating Proforma** –
Please see **ATTACHMENT 16** for Operating Proforma. The project is permanent supportive housing and is structured without third party debt; therefore, a denominator of 1 was used to calculate the DCR.

TABLE A: SOURCES OF FUNDS SUMMARY					Intended Use of Funds (Predevelopment, Acquisition, Construction, Soft Costs)
	Term	Interest Rate	Amount	Evidence (Deed, Sales Contract)	
Owner Equity					
Private Financing (List Lenders)					
Other Sources (List Below)					
Neighborhood Stabilization Program	30 yrs	0%	\$6,095,000	Contract	Acquisition/Pre-Dev/Soft Costs
NeighborWorks America	n/a	n/a	\$400,000	Applying 10/2010	Rehabilitation/Soft Costs
City of Austin Proposed App	99 yrs	0%	\$2,000,000	Application	Rehabilitation
Proposed RHDA Funds			\$8,495,000		

TABLE B: USES OF FUNDS SUMMARY		
	Total Cost	Cost/Unit
Predevelopment	\$85,000	\$708
Acquisition	\$5,300,000	\$44,167
Hard Costs	\$2,250,000	\$18,750
Soft & Carrying Costs	\$335,000	\$2,792
Other Costs	\$525,000	\$4,375
Total Project Costs	\$8,495,000	\$70,792

TABLE C: LEVERAGE SUMMARY	
TOTAL RHDA FUNDS	\$2,000,000
TOTAL OTHER FUNDS	\$6,495,000
LEVERAGE (%)	77%

14. Neighborhood Support.

At all 15 of the properties Foundation Communities owns, we cultivate strong relationships with the community, understanding that being part of a community is important for both our residents and the neighborhood as a whole. To this end, we have met with neighborhood leaders in the Oltoft area to explain the project and give a tour of our similar successful Terrace SRO properties located in other

neighborhoods. Leaders included on this tour were Fred Krebs of the Prince of Peace Lutheran Church, Carl Braun of the Burleson Parker Neighborhood Association and Jan Long of the Southeast Austin Neighborhood Alliance. The leaders were impressed with our track record and supportive of further discussions on the development. We are in the process of getting on the meeting agenda of the East Riverside/Oltorf Neigh Plan Contact Team to discuss the project to the full membership and seek a letter of support. The letter will be submitted once received.

15. Description of Supportive Services.

a. A description of the supportive services to be provided to residents and/or clients.

With Foundation Communities' Terrace properties, we know that the provision of units alone does not end homelessness. Our strategy of 'wrap around' supportive services at the Terraces helps our clients maintain housing and avoid a return to the streets. The Suburban Lodge SRO Renovation will be staffed by a Supportive Services Coordinator who will assist residents with maintaining housing through accessing rental assistance, increasing income through employment, accessing public benefits to meet basic needs (such as food stamps, SSI/SSDI, unemployment benefits, etc), assisting with educational opportunities, and addressing behavioral issues. The Supportive Service Coordinator will also work closely with property management to help tenants negotiate payment plans or take steps to address the issues preventing them from being self-sufficient. Other services to be provided include: an on-site food pantry residents can access monthly and on an emergency basis, computer classes, cooking classes, literacy tutoring, and counseling. We will further leverage services through partnerships and innovations including:

- Good Chemistry group meetings
- Medication management and home chore assistance through a contract with Family Eldercare (funded by an individual donor)
- A collaboration including Austin Travis County Integrated Care, Austin Recovery, and NAMI Austin funded through a grant from the Substance Abuse and Mental Health Services Administration (SAMHSA) that provide clinical services to residents with substance abuse, mental health, or co-occurring issues.
- A direct assistance fund that case managers can strategically use to support client goals (eg. books for school or clothing for employment)
- Receive and give referrals from many area agencies.

b. The number and types of residents/clients expected to be served annually.

All residents will be eligible to participate in supportive services at the Suburban Lodge SRO Conversion Project. The number of residents to be served annually is 150 (120 residents x 25% turnover).

c. Describe the developer's experience and qualifications in providing the services to be offered.

Foundation Communities, as the main supportive service provider at the Suburban Lodge SRO Renovation, has 20 years experience in the provision of supportive services to its residents. At all of our properties, we enable our residents to increase their personal development, education, safety, and health at one convenient location in their neighborhood. FC has enabled 400+ adults gain skills in computer use, GED, and ESL classes. In addition, FC staff runs an Emergency food pantry at most properties and provides family referrals for basic needs, utility assistance, medical help, insurance, employment and job training assistance, parenting classes, etc. Foundation Communities also enables individuals to increase their financial literacy, build assets and achieve their financial goals. Since 1997,

the Individual Development Account matched savings program has enabled 125 FC residents to attend college, buy a home or start a business. FC has also educated 400+ low-income families in financial literacy and money management. In 2005, FC began providing the citywide Community Tax Center program, which enables over 20,000 working families and individuals to file their income tax forms, prepared free by IRS-trained volunteers.

In 2009, FC provided permanent supportive housing (PSH) to over 800 homeless adults and children, making us the largest provider of PSH in Austin. Since 2003 we have served Austin's homeless population through our "Terrace" or Single Room Occupancy communities - which annually provide housing and services for approximately 400 single, homeless adults. At our three permanent supportive housing communities – Garden Terrace, Spring Terrace, and Skyline Terrace – we have had significant success in helping our residents maintain stable housing, as evidenced below:

- 70% of residents maintained permanent housing at SRO property for one year or more.
- 95% of residents maintained or increased their income.

In addition to housing units, FC provides a wide range of supportive services to help clients maintain housing and achieve stability. At each of the Terrace properties a Supportive Service Coordinator and case managers (through AmeriCorps, partnerships with other agencies, etc.) help residents access rental assistance, increase their income through employment, and access public benefits to meet their basic needs. Terrace residents also have access to a visiting nurse and a new grant provides clinical care for residents with mental health and substance abuse challenges.

- d. **If services are not provided by the developer of the project, include a description of the organization(s) providing the services and a memorandum of understanding or some other type of agreement that indicates the relationship between the developer and service provider.**

Foundation Communities, the developer, will be providing supportive services at the Suburban Lodge SRO Renovation Project.

- e. **Provide resumes of key personnel who will be actively involved in the delivery of services. Resumes should include information about certifications, licenses, years of experience, and education.**

Foundation Communities has been providing services to residents for 20 years. Service expansions in recent years have allowed us to grow our supportive services staff. Key staff involved in the provision of supportive services at the Suburban Lodge SRO Renovation Project include:

Julian Huerta, Director of Programs. Julian joined FC in 1998 and brings more than 20 years of experience in nonprofit administration, program development and the provision of affordable housing. In 2007, Julian was awarded a Community Sabbatical Research Grant through the UT to study and document best practices from around the country in the development and provision of supportive housing for homeless families. Julian oversees all of Foundation Communities resident service programs.

Mario Cortez, Director of Supportive Housing. Mario has 15 years of experience working with homeless and low-income populations, and holds a Masters in Social Work. Prior to joining Foundation Communities, he spent 3 years developing the Keep Austin Housed AmeriCorps project. He Co-Chairs the Social Services Case Management Network & the Housing Stability Committee of the Basic Needs Coalition, sits on the Executive Committee of the Basic Needs Coalition, and leads planning for Stand Up and Be Counted. Mario oversees all supportive housing programs.

Tim Miles, Support Services Director. Tim has been working professionally in the nonprofit social service field since 1990. His experience includes managing group homes, coordinating community mental health services for children and families, and providing wraparound services to homeless, dually-diagnosed, mentally ill adults. Tim is a U.S. Army veteran, and holds graduate degrees in theology and social work from Harvard University and The University of Texas at Austin respectively. Tim oversees supportive services at the single room occupancy communities.

The *Supportive Service Coordinator* will be the key on-site supportive staff member at the Suburban Lodge SRO property. Working closely with the property manager, they will develop creative programs and establish and oversee partnerships that support residents in successfully maintaining housing, accessing education and employment services and contributing to a positive sense of community.

Please see **ATTACHMENT 17** for resumes.

- e. Demonstrate financial capacity to provide support services and/or operate a supportive services program by providing the following information:

1. **Sources of Funds:** Identify sources and amounts of funds that will be utilized to provide supportive services.

A portion of the staffing and program costs for the Supportive Service programming at the Suburban Lodge SRO Renovation project is included as a line-item in the property's operating pro-forma. Cash flow from the property will be used to fund the salary of the full-time Social Service Coordinator plus other smaller program expenses (i.e. direct aid to residents.) The remaining portion of the services will be funded through the US Department of Health and Human Services Substance Abuse and Mental Health Services Administration 5-year grant awarded to Foundation Communities in 2009.

Sources:

Project Cash Flow w/in Operating budget	\$60,000
SAMHSA Grant	\$70,175
TOTAL	\$130,175

Please see **ATTACHMENT 16** for the Suburban Lodge Operating Proforma and **ATTACHMENT 18** for a detailed Supportive Service budget.

2. **Budget:** Include a supportive services budget which reflects current and anticipated funding and expenses associated with the provision of services for three (3) years.

Please see **ATTACHMENT 18** for a detailed supportive services budget for the Suburban Lodge SRO Renovation.

16. **Anti-Lobbying Agreement for applications subject to review by the Housing Bond Review Committee.** Applications for projects that are likely to be funded with Affordable Housing General Obligation (G.O.) Bond funds are subject to review by the Housing Bond Review Committee (HBRC).

For applications subject to review by the HBRC, the applicant/developer, its employees, representatives, or agents agree not to discuss the contents of this application with any member of the AHFC Board of Directors or their respective staffs, the members of the HBRC, or staff of NHCD/AHFC other than the designated Single Point of Contact **prior** to the HBRC's meeting to review the application.

The Anti-Lobbying Agreement does not apply to applications likely to be funded with non-G.O. Bond funding (i.e, CDBG, HOME, Housing Trust Fund, University Neighborhood Overlay Trust Fund, or General Fund). If you have questions as to whether this application is subject to review by the HBRC, please contact the AHFC Housing Development Manager at 512/974-3192.

ATTENTION:

**Please submit with the Application a completed “self-evaluation”
using the following Scoring Criteria.**