

Project Connect Anti-Displacement Community Acquisition Program (ADCAP) Guidelines

1. Purpose

- 1.1. Purpose – The purpose of the Project Connect Anti-Displacement Community Acquisition Program (ADCAP) is to provide community-based 501c3 non-profit organizations with funds to acquire real property for the development, preservation, and renovation of affordable housing to be leased or sold to low-income households in gentrifying areas within one mile of proposed Project Connect rail and bus lines.

2. Definitions

- 2.1. Affordable Rate – The maximum rent or sales price limit that may be charged for Qualifying Affordable Units funded with the ADCAP, by bedroom count.

Anti-Displacement Community Acquisition Program Maximum Rent and Sales Price Limit, Effective 12/28/2021					
Tenure	Unit Bedroom Count				
	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom	4 Bedroom
Rent	\$866	\$928	\$1,113	\$1,286	\$1,435
Owner-occupied	\$211,400	\$211,400	\$249,400	\$285,000	\$320,200

The maximum rent charged shall be equal to or less than the Maximum Rent Limit reduced by a utility allowance, where the utility allowance shall be the sum of all tenant-paid utilities. Utility allowances can be calculated by summing the value of all assumed values for all tenant-paid utilities as indicated here:

[Utility Allowance](#)

- 2.2. Affordability Period – The period for which Qualifying Affordable Units funded with the ADCAP must be rented or made permanently affordable for rental and owner-occupied units. The Affordability Period for ADCAP-funded Qualifying Affordable Units is forty years for rental housing, and ninety-nine years for owner-occupied housing.
- 2.3. Affordability Requirements – The affordable housing requirements described in the Loan Documents.
- 2.4. Development Proceeds – The proceeds resulting from the sale of the development, or any portion thereof, a refinancing of senior debt on the development in which there is a cash distribution to the development owner entity, or the long-term lease of the development where the borrower acts as the lessor, or any other event in which proceeds from a capital or other material event are paid to the borrower.
- 2.5. Eligible Property – A Property meeting the Eligibility Requirements described in Section 3 of these Guidelines.
- 2.6. Hard Construction Costs – The sum of the costs of all materials and labor associated with the construction of a physical building and any associated facilities or amenities.
- 2.7. Loan Documents – The Loan Agreement and all associated documents executed by the Borrower that specify the terms under which the AHFC provides the Loan to the Borrower, as well as describes the ongoing obligations and commitments of the Borrower to the AHFC associated with the Loan.

- 2.8. Qualifying Affordable Unit – Dwelling units rented or sold at an Affordable Rate to households earning at or less than fifty percent or eighty percent of the area median family income for rental or owner-occupied housing, respectively. The Austin-Round Rock Metropolitan Statistical Area Median Family Income Limits, which apply to this Program, may be found here:

[Austin-Round Rock MSA Median Family Income Limits](#)

- 2.9. Qualifying Low-Income Household – Households whose income does not exceed fifty percent of the area median family income (for rental housing) or eighty percent of the area median family income (for owner-occupied housing).
- 2.10. Reporting Requirements – Those requirements described in the Loan Documents that discuss ongoing reporting from the Borrower to Lender to substantiate compliance with the Affordability Requirements and other requirements of the Loan Documents.
- 2.11. Small Site – Properties whose land area is one-acre or less in size.
- 2.12. Total Development Costs – The sum of all costs associated with the development of a property.

3. Eligibility Requirements

- 3.1. Eligible Owner Entity – Funds provided through the ADCAP shall be reserved exclusively for registered 501c3 non-profit organizations with experience acquiring real property, developing, renovating, leasing and selling income-restricted housing affordable to low-income households in the City of Austin.
- 3.2. Eligible Use – Funds provided through the ADCAP shall be reserved exclusively for the acquisition of vacant and improved real property on Small Sites to be developed, renovated, leased, and sold to Qualifying Low-Income Households in the city of Austin, at an Affordable Rate for a period not less than forty or ninety-nine years for rental and owner-occupied housing, respectively. At least one-half of the existing or to-be-developed dwelling units on a property purchased with ADCAP funds shall be reserved as Qualifying Affordable Units.
- 3.3. Eligible Location – Funds provided through the ADCAP shall be reserved exclusively for an Eligible Use by an Eligible Owner Entity in gentrifying areas no more than one-mile from a proposed Project Connect bus or rail line in the Full Purpose Jurisdiction of the City of Austin. A map of Eligible Locations may be found here:

[Eligible Location Map](#)

4. Underwriting Requirements

- 4.1. Maximum Austin Housing Finance Corporation Subsidy - The Maximum Austin Housing Finance Corporation (AHFC) subsidy, including all sources regardless of program shall be limited to no more than as follows for each Qualifying Affordable Unit in the proposed housing development:
 - 4.1.1. Efficiency – up to \$80,000 per unit
 - 4.1.2. 1 or more bedrooms – up to \$120,000 per bedroom per unit
- 4.2. Maximum Developer Fee – The Maximum Developer Fee that the Developer shall receive as payment for renovating or developing the property acquired with this Program shall be no more than fifteen percent of Hard Construction Costs, or the maximum amount allowed by the Texas Department of Housing and Community Affairs Low-Income Housing Tax Credit Program effective at the time an application is submitted for the ADCAP.

- 4.3. Minimum and Maximum Debt Coverage Ratio – The Debt Coverage Ratio for the proposed development shall be not less than 1.15 or greater than 1.30.
- 4.4. Maximum Net Sales Revenue – The Maximum Net Sales Revenue that the Owner Entity shall receive upon the sale of all Owner-occupied homes sold on a property funded with ADCAP funds shall be no more than fifteen percent of Total Development Costs.

5. Financing Terms

- 5.1. Funding Source – The ADCAP is funded with Project Connect Anti-Displacement funds approved through Proposition A passed by City residents on November 3, 2020. Funds provided through the ADCAP will comply with the City of Austin Proposition A Contract with the Voters, found here:

[Resolution Creating Proposition A](#)

Following the approval of Proposition A, the Austin City Council passed a City Resolution directing that the first annual allocation of Project Connect Anti-Displacement funds be provided to registered 501c3 non-profit corporations to develop and preserve affordable housing on small sites. Funds provided through the ADCAP will comply with the City Resolution passed on February 4, 2021, found here:

[Resolution Directing Initial Allocation of Project Connect Anti-Displacement Funds](#)

- 5.2. Funding Instrument – Developments funded by the ADCAP will be funded with a zero percent interest forgivable or non-forgivable loan with a term and amortization period determined by the AHFC.
- 5.3. Encumbering Instrument – ADCAP loans will be secured with a Deed of Trust or other collateral allowed by the AHFC.
- 5.4. Lien - AHFC will place a lien on the property for which a loan has been made. AHFC will generally agree to subordinate its lien position to the primary (senior) lender. In such situation, AHFC will require a second lien deed of trust. If there are other subordinate loans with respect to the development, AHFC will determine, in its sole discretion, whether it will further subordinate its Loan. Further subordination may require a change in the Loan terms. The AHFC lien shall remain in effect until all Loan terms and conditions have been fulfilled. The lien will be released only upon full repayment/forgiveness of the Loan and/or fulfillment of all terms and conditions of the Loan.
- 5.5. Development Proceeds - If, during the Affordability Period or term of the Loan, the Borrower sells the subject property or any portion thereof, refinances the senior debt and pulls out cash equity, or acts as the lessor on a long-term lease for an AHFC-assisted property, all or a portion of the net proceeds on the sale, cash-out refinancing, or long-term lease would be considered Development Proceeds and must be reported promptly to AHFC. Net operating income generated from rent revenues or other income expressly acknowledged in the original pro forma submitted to AHFC is not considered Development Proceeds.
- 5.6. Loan Repayment – The repayment of any Principal on the Loan may be forgiven or deferred as determined by AHFC in its sole discretion. Any required ongoing repayment of the Loan Principle shall be paid from development revenues to the extent required by the AHFC. Generally, AHFC will permit the Loan to be repaid from surplus cash (that is, cash available after

payment of operating expenses and senior loan debt service), but will in its sole discretion establish the priority of the Loan repayment in the surplus cash “waterfall” (and the portion – whether 100% or less -- of the surplus cash flow required to be used to repay the Loan). Before closing on the Loan, AHFC must approve, in writing, the priority of the repayment of its Loan on the development owner’s cash flow distribution priority list. All or a portion of the Loan may be required to be repaid if the Borrower ever realizes Development Proceeds, such as when the senior loan is refinanced.

- 5.7. Loan Re-subordination – AHFC in its sole discretion will determine whether to re-subordinate its Loan in whole or part. Generally, AHFC will re-subordinate its loan if the refinancing is not a “cash-out” refinancing and the interest rate on the senior loan is reduced. With respect to any “cash-out” refinancing whereby Development Proceeds are realized, AHFC will require repayment of the Loan in whole or in part prior to any equity distributions to the Owner Entity.
- 5.8. Sale of Property – AHFC shall be provided a Right of First Refusal to purchase the property from the original Borrower prior to the Borrower offering the Property for sale to another entity. This Right of First Refusal shall be incorporated into the Loan Documents. If AHFC chooses not to exercise its Right of First Refusal, any outstanding loan principle shall be repayable, as determined by AHFC in its sole discretion upon the sale of any development constructed on property acquired with ADCAP funds.
- 5.9. Reserved Rights – The AHFC reserves the right to modify any previously agreed to loan terms and conditions post-award but prior to Loan Execution if AHFC determines in its sole discretion that a material change has been made to the underlying assumptions used to underwrite the initial application or loan.
- 5.10. Occupancy and Construction Timeline Requirement – If the development funded with the ADCAP is existing housing that requires no renovations, the Owner Entity shall be required to begin leasing or selling each Qualifying Affordable Unit funded with the ADCAP within twenty months from the date the Loan is made. If the development funded with the ADCAP is property planned to be developed with Qualifying Affordable Units or is existing housing planned to be renovated and subsequently sold or leased to Qualifying Low Income Households, the Owner Entity shall begin construction not more than twenty months from the date the Loan is made. If the AHFC determines in its sole discretion that the Owner Entity has defaulted on this Requirement, AHFC reserves the right to exercise an option, to be incorporated into the Loan Documents, to purchase the property acquired by the Owner Entity with the ADCAP funds.

6. Application Review, Approval, and Award

- 6.1. Review Period – Applications are accepted for this program at any time. Applicants shall provide a full and complete ADCAP application including all required Supplemental Documents listed in the Application for AHFC review. AHFC shall have ten business days from the day a full and complete application has been provided to determine whether the Applicant and Application meets the Eligibility and Underwriting Criteria of the Program. If following initial AHFC review, AHFC requires more information to consider the Application, AHFC shall work with diligence with the Applicant to compile and review all remaining required materials or information necessary to determine whether the Applicant or Application meets the Eligibility and Underwriting Criteria of the Program with reasonable expeditiousness.
- 6.2. Recommendation for Award – Following AHFC’s review, AHFC shall make a determination whether the Applicant and Application meets the Program’s Eligibility and Underwriting Requirements. If the Application meets the Program’s Eligibility and Underwriting

Requirements and funds are available, AHFC will award or recommend the Application for award. If the Application does not meet the Program's Eligibility and Underwriting Requirements, AHFC may deny the Application. AHFC shall notify all Applicants of the status of their Application not more than ten business days following a final determination on a recommendation for award by AHFC. AHFC reserves the right to deny an application for any reason, but particularly Applications whom AHFC feels if awarded funds would represent a significant liability.

- 6.3. Funding Award – Following an AHFC Recommendation for Award, AHFC shall work with the Borrower to finalize and execute the Loan Documents to provide funds to the Applicant for the purpose of purchasing real property based on the following timelines:
 - 6.3.1. Awards Less than \$300,000 – Awards less than \$300,000 may be approved administratively by AHFC. These funds can be made available to the Borrowers not more than twenty-five business days following a Recommendation for Award.
 - 6.3.2. Awards \$300,000 or greater – Awards \$300,000 or more may only be conditionally-approved by AHFC Executive Leadership and require final approval by the AHFC Board of Directors. If approved, these funds can be made available to Borrowers not more than fifty business days following the initial AHFC Recommendation for Award.
- 6.4. Loan Execution – AHFC and Borrower shall execute loan documents and record any AHFC-required encumbering instruments ensuring the proposed affordable housing requirements and the Borrower's loan obligations.
- 6.5. Funding – Following the full execution of the Loan Documents funds will be provided to Borrowers one of the following ways:
 - 6.5.1. Closing – Funds will be provided by AHFC as a check or wire transfer made to the Title Company insuring the transaction, to be held in escrow and applied to the purchase at the time of closing.
 - 6.5.2. Reimbursement – For Eligible Properties which a Borrower has already purchased, funds may be provided by AHFC as a check or wire transfer made directly to the Borrower as reimbursement to the Borrower for the purchase. Only Eligible Properties purchased after February 4, 2021, the City Council approval date of the Resolution directing staff to create this Program shall be considered eligible for reimbursement under this Program.

7. Compliance and Other Requirements

- 7.1. Fair Housing Requirement – Borrowers shall comply with Fair Housing Requirements for any housing leased or sold on a Property purchased with ADCAP funds.
- 7.2. Right to Return Preference Requirement – Borrowers shall be required to comply with the City's Right to Return Preference Policy that prioritizes housing for persons previously displaced from the area.
- 7.3. Tenant Relocation Requirement – If a Borrower is renovating existing housing the Borrower must submit a Tenant Relocation Plan that complies with the City's [Tenant Relocation Program Rules](#).
- 7.4. Owner Entity Insurance Requirement – the Owner Entity shall be required to maintain Business and Property Insurance for any property funded with the ADCAP. AHFC shall have exclusive discretion to set the minimum insurance requirements to be further defined in the Loan Documents.
- 7.5. Contractor Requirements and Debarment – Borrowers shall only contract with appropriately qualified, licensed, and insured Contractors when constructing and operating housing

developed on a property acquired with ADCAP funds. Borrowers are prohibited from employing contractors who've been debarred from using Federal, State, or Local funds.

- 7.6. S.M.A.R.T. Housing Requirement – The development of new construction on property acquired with funds from ADCAP shall be certified under the City of Austin S.M.A.R.T. Housing Program.
 - 7.7. No Source of Income Discrimination – Developments constructed, renovated, leased or sold on property acquired with funds from the ADCAP may not, for the term of the Affordability Period discriminate against a prospective tenant's source of income and unduly prohibit them for leasing and purchasing a property. Owner Entities operating rental housing developed, renovated, leased, or sold on property acquired with ADCAP funds must accept tenants with Housing Choice Vouchers.
 - 7.8. Ongoing Reporting and Compliance Requirements – Borrowers shall on an ongoing basis for the term of the stated Affordability Period comply with all Affordability and Reporting Requirements described in the executed Loan Documents.
 - 7.9. Ongoing Monitoring Requirements – AHFC shall perform ongoing monitoring of the Affordability Requirements during construction and for the duration of the required Affordability Period. AHFC ongoing monitoring shall include an annual or as needed site audit of tenant files and physical inspections both during and post-construction by AHFC-staff or contractors. Borrowers shall make available, upon request, all necessary or required documents, materials, and property funded with the ADCAP to AHFC with urgent but reasonable expediency so AHFC may confirm ongoing compliance with the Affordability Requirements of the Loan.
 - 7.10. Borrower Default – The AHFC reserves the right to take any legal action necessary to remedy any default made by a Borrower. Default for the purpose of this Program shall include any continued non-compliance with Loan Document and Program Guideline requirements, or any action taken or not taken which violates Local, State, or Federal law.
 - 7.11. Community Engagement – If Borrowers are proposing new multifamily development they shall conduct a minimum of one public meeting prior to the development of the project with Priority Populations as identified in Section 3.2.2 of the [Project Connect Tri-Party Joint Powers Agreement](#). Borrowers are required to send an electronic invitation to AHFC to attend the public meeting and must submit a record of attendance.
8. Appeals

- 8.1. Appeals - Persons aggrieved by any action or inaction made by staff while implementing this Program who wish to notify AHFC leadership or appeal said action or inaction may do so by submitting a letter to AHFC discussing the nature and substance of the grievance or appeal to the following address:

Attn: ADCAP Appeal
Rosie Truelove
1000 E. 11th Street Suite 200
Austin, Texas 78702

AHFC leadership shall have thirty days from the date the appeal is received to respond to the Appellee in writing.