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Recommendation for Board Action

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| Austin Housing Finance Corporation | Item ID | 12316 | Agenda Number | 2. |
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| Meeting Date: | 3/8/2012 | Department: | Neighborhood and Community Development |
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Subject

Approve the negotiation and execution of a loan to AUSTIN PEOPLETRUST in an amount not to exceed \$310,500 for the purchase of nine newly-constructed single-family homes to be sold to low- to moderate-income buyers.

Amount and Source of Funding

Funding is available in the Austin Housing Finance Corporation Fiscal Year 2011-2012 Operating Budget.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

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| Purchasing Language: | |
| Prior Council Action: | |
| For More Information: | Contact Elizabeth A. Spencer, Treasurer, Austin Housing Finance Corporation, 974-3182. |
| Boards and Commission Action: | |
| MBE / WBE: | |
| Related Items: | |

Additional Backup Information

Approval of this item will authorize the Austin Housing Finance Corporation (AHFC) to negotiate and execute a loan to Austin PeopleTrust for the purchase of nine newly-constructed homes in the Riverside Villas subdivision near the corner of East Riverside Drive and Faro Drive.

Funding Request

- The \$310,500 requested will fund a portion of the acquisition of nine homes. All AHFC funding will “buy down” the cost of the home, thus making the homes affordable to low- to moderate-income buyers.
- If funding is approved, AHFC funds will represent \$34,500 per house. The funding request amounts to 25 percent of the total project cost.
- The requested funding for acquisition is available in the Fiscal Year 2011-2012 budget allocation for the AHFC. The request is consistent with the City of Austin’s currently approved Consolidated Plan and the AHFC’s strategy to provide assistance through below market-rate financing for the development of affordable rental housing for low- and moderate-income households and persons with special needs.

Estimated sources and uses of funds for the project are as follows:

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| <u>Sources:</u> | | <u>Uses:</u> | |
| Homebuyer Contributions | \$ 76,496 | Acquisition | \$1,529,910 |
| Mortgage Loans to Buyers | 1,165,414 | Soft and | |
| Proposed AHFC Funds | <u>310,500</u> | Carrying Costs | <u>22,500</u> |
| TOTAL | \$1,552,410 | TOTAL | \$1,552,410 |

Project Characteristics

- The homes will be sold under a Shared Equity ownership model that will be managed by PeopleTrust to ensure long-term affordability. Buyers will sign a second lien note that will reduce the amount of the first lien mortgage, thus making the home affordable to low- and moderate-income buyers. The sales prices will range from approximately \$155,000 to \$170,000, but the shared equity second lien note plus contributions from the buyer at closing will reduce the amount of the homebuyer’s first lien mortgage to a more affordable range of \$115,000 to \$130,000.
- Upon resale, PeopleTrust will recover the amount of the second lien note plus receive a proportionate share of the increase in the home’s value, if any. PeopleTrust will use these funds to make the home affordable to the next buyer.
- The homes will be new construction, detached, single-family homes built to S.M.A.R.T. Housing™ standards. The two- and three-bedroom homes will range in size from 1,100 to 1,300 square feet, with attached single- or double-car garages.

Population Served

The homes will be made available to households with incomes at or below 80 percent of the Median Family Income

The Applicant

Austin PeopleTrust is a 501(c)(3) non-profit organization formed in 2005 for the purpose of providing affordable homeownership opportunities and preserving long-term affordability through the shared equity model of ownership. The organization’s goal is to create permanent affordability by establishing and operating one or more community land trusts.

