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Recommendation for Board Action

Austin Housing Finance Corporation	Item ID	24466	Agenda Number	3.
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Meeting Date:	6/6/2013	Department:	Neighborhood and Community Development
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Subject

Authorize an increase in the amount of \$1,265,000 to an existing loan to Chestnut Neighborhood Revitalization Corporation for a total loan amount not to exceed \$2,640,268 for development and construction of a mixed-use development located at 1212, 1301, 1301 ½, 1305, 1309 Chicon Street, and 1807 East 13th Street to include 33 attached ownership units to be sold to low- to moderate-income buyers.

Amount and Source of Funding

Funding is available in the Fiscal Year 2012-2013 Capital Budget of the Austin Housing Finance Corporation.

Fiscal Note

A fiscal note is attached.

Purchasing Language:	
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Prior Council Action:	
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For More Information:	Contact Elizabeth A. Spencer, Treasurer, Austin Housing Finance Corporation, 974-3182; or David Potter, Housing Development Manager, Neighborhood Housing and Community Development Office, 974-3192.
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Boards and Commission Action:	March 8, 2012 – Austin Housing Finance Corporation Board approved negotiation and execution of a loan of \$1,375,268 to acquire each of the properties.
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MBE / WBE:	
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Related Items:	
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Additional Backup Information

If approved, this item will authorize the Austin Housing Finance Corporation (AHFC) to increase the existing loan with Chestnut Neighborhood Revitalization Corporation (CNRC) to develop six properties at 13th and Chicon Streets for a mixed-use development that would include no fewer than 33 units of affordable ownership housing.

Funding Request

- The \$1,265,000 requested will help fund the construction costs of the properties. The loan is requested to be forgivable so that the sales prices of the ownership units would be affordable for low- to moderate-income buyers. In addition, CNRC intends to put the property in a Community Land Trust to ensure permanent affordability.

- The requested funds are part of the \$10 million budget transfer for affordable housing that the Austin City Council approved on February 12, 2013.
- If funding is approved, AHFC funds will represent \$80,008 per housing unit. The total loan amount represents 38 percent of the total project cost.
- 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:

Sources		Uses	
AHFC RHDA Funds	\$2,640,268	Acquisition	\$1,023,225
Mercy Loan Fund	<u>4,266,713</u>	Residential Construction	3,513,005
TOTAL	\$6,906,981	Commercial Construction	728,960
		Site Work	676,156
		Fees and Soft Costs	501,400
		Financing	314,235
		Developer Fee	<u>150,000</u>
		TOTAL	\$6,906,981

Project Characteristics

- The Chicon Corridor Project is located on six properties on Chicon, 13th and 14th Streets. The properties will be redeveloped into a mixed-use, mixed-income development with ground-floor retail/office space and two to three stories of housing above. Because the six properties are not contiguous, the development will take place on three separate sites.
- The homes will be new construction; attached ownership units built to S.M.A.R.T. Housing™ standards and will be designed to achieve a three-star Austin Energy Green Building rating.
- The units to be constructed will have one, two, or three bedrooms and range in size from approximately 650 to 1,200 square feet. If it is determined feasible to construct more than 33 units, the additional units will be offered at the market rate.
- The homes will be sold by CNRC under a Shared Equity or Community Land Trust ownership model that will be managed by the non-profit organization, HomeBase, to ensure long-term affordability. The sales prices will range from approximately \$114,000 to \$210,000. AHFC's contribution to the development will translate into a direct subsidy to each buyer that will be secured by a second lien note which reduces the amount of the first lien mortgage, thus making the home affordable to low- and moderate-income buyers. The shared equity second lien note, plus contributions from the buyer at closing, will reduce the amount of the buyer's first lien mortgage to a more affordable range of \$100,000 to \$150,000, depending on the size of the unit purchased and the buyer's income.
- Upon resale, CNRC will recover the amount of the second lien note plus receive a proportionate share of the increase in the home's value, if any. CNRC will use these funds to make the home affordable to the next buyer.

Neighborhood Support

AHFC has received letters of support for the Chicon Corridor project from:

- The Davis-Thompson Neighborhood Association
- The Rosewood Neighborhood Plan Contact Team
- The Chestnut Neighborhood Plan Contact Team
- A neighbor living next door to one of the properties.

Population Served

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

Income (MFI), with some units being targeted toward households with incomes at or below 65 percent MFI.

The Applicant

CNRC is a 501(c) (3) non-profit community-based development corporation established in 1998 to address affordable housing and community development needs in the Chestnut Neighborhood and surrounding areas. CNRC has built and sold affordable single-family homes and most recently completed the award-winning Franklin Gardens 22-unit senior development located at E.M. Franklin and East MLK Boulevards.