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Recommendation for Board Action

Austin Housing Finance Corporation	Item ID	40502	Agenda Number	9.
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Meeting Date:	2/12/2015	Department:	Neighborhood and Community Development
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Subject

Authorize negotiation and execution of a loan agreement with Denison Development & Construction, Inc., or an affiliate, in an amount not to exceed \$1,860,000, for a proposed multi-family rental development to be known as Merritt Cornerstone, located at the northeast corner of West Howard Lane and McNeil-Merrill Town Road, with the loan being conditioned on the award of low income housing tax credits from the Texas Department of Housing and Community Affairs and annexation of the property by the City.

Amount and Source of Funding

Funding is available in the Fiscal Year 2014-2015 Capital Budget of the Austin Housing Finance Corporation.

Fiscal Note

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

Purchasing Language:	
Prior Council Action:	
For More Information:	Betsy Spencer, NHCD Director, 512-974-3182; David Potter, NHCD Program Manager, 512-974-3192
Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

If approved, the Austin Housing Finance Corporation (AHFC) would be authorized to enter into a loan agreement with Denison Development & Construction, Inc. or an affiliate, provided its application No. 15152 to the Texas Department of Housing and Community Affairs (TDHCA) receives an award of Low Income Housing Tax Credits. TDHCA will announce tax credit awards at its July 2015 board meeting.

The property is currently located in the City's Limited Purpose Jurisdiction and any award of funding would also be subject to approval of full-purpose annexation by the City of Austin. Under Ordinance No. 040617-41, full purpose annexation would be initiated as individual tracts within the limited purpose area boundaries receive subdivision and plat approval, site plan approval, or building permit approval, as the case may be. The ordinance also would allow the property owner to initiate annexation.

Funding Request

- If approved, the \$1,860,000 will be used to assist with the acquisition of the property.
- AHFC funds would represent approximately 8 percent of the total project cost, with an average cost of AHFC funds at \$15,000 per unit.
- Estimated Sources and Uses for the project are as follows:

<u>Sources:</u>		<u>Uses:</u>	
Tax Credit Equity	\$14,097,180	Acquisition	\$ 2,035,000
Private Lender Loan	12,500,000	Construction/Hard Costs	19,727,849
Deferred Developer Fee	714,707	Soft & Carrying Costs	3,649,540
Proposed AHFC Funds	1,860,000	Reserves & Developer Fee	<u>4,399,498</u>
<u>Future AHFC Funding</u>	<u>640,000</u>		
Total	\$29,811,887	Total	\$ 29,811,887

Project Characteristics

- 200 total units with 124 affordable units to be built on property
- **Unit mix:**

21 efficiency units	Rent: approximately \$321-\$717	582 square feet
110 one-bedroom/one-bath units	Rent: approximately \$349-\$774	665-732 square feet
7 two-bedroom / one-bath units	Rent: approximately \$434-\$943	894-984 square feet
56 two-bedroom / two bath units	Rent: approximately \$434-\$943	918-1,006 square feet
6 three-bedroom / two bath units	Rent: approximately \$474-\$1,062	1,266 square feet
- Ten units will be made accessible for persons with disabilities and four units will be accessible for persons with hearing and sight disabilities.
- Smoking will not be permitted anywhere on the property. This helps support Imagine Austin Priority Program #7: Create a Healthy Austin.

Population Served

- Seven percent of units will be reserved for individuals with incomes less than \$20,350 per year (30% of the Median Family Income [MFI] for a 3-person household).
- Twenty-five percent of units will be reserved for individuals with incomes less than \$33,950 per year (50% of MFI for a 3-person household.)
- Thirty-one of units will be reserved for individuals with incomes less than \$40,740 per year (60% of MFI for a 3person household.)
- The remaining 37% of units will be market-rate units with no income restrictions.

DDC Investments, Ltd.

DDC Investments, Ltd. (DDC) is an Austin-based developer of affordable housing in the State of Texas and has successfully developed over 1,100 units of multi-family projects in Texas, both for seniors and families. For this development, DDC is forming a partnership with the Austin Affordable Housing Corporation (AAHC), a non-profit subsidiary of the Housing Authority of the City of Austin. AAHC owns and operates both multi-family residential and commercial properties. It also operates various programs for HACA residents and Housing Choice Voucher holders, including a homeownership program