

## Austin Housing Finance Corporation Meeting Transcript – 04/02/2015

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[9:17:00 PM]

Sorry to go back and forth on this. But if it's the pleasure of the council, without objection I'm going to recess our city council meeting. City council I'm going to call to order the meeting of the Austin housing finance corporation board of directors. We have six items to consider. Ms. Spencer, will you brief us on those items please?

>> Good evening, board of directors, I'm Betsy expense E treasurer of the Austin housing finance corporation. We do have six items on the agenda. I'm going to withdraw item number 4 at the applicant's request. So we have one two three, five and six. There were some speakers that had signed up earlier in the day. I do not believe they're here, but you may want to call for them before I brief you on the items.

>> Mayor Adler: Is there any public speakers on these items? Item 1 had two speakers, Gus Pena and Jamie jammer-finch. Item number two had Gus Pena. Item number three, the same two gentlemen. You pulled number four. There were none signed up for five and six. Please proceed. I'm sorry, Ms. Tovo?

>> Tovo: Can I ask you to very briefly explain why number four has been withdrawn? I know you said at the applicant's request. Is it coming back later?

>> They are not. They are not purchasing the property.

>> Tovo: Thank you.

>> So the first three items are all items I would authorize negotiation, execution of loan agreements that will create a variety of family units and single room occupancy or sro units. Items five and six are both items to induce a resolution that would allow the finance corporation to apply to the Texas bond review board for bonds to be able to facilitate two different transactions, one for preservation, one for new construction. In summary these five items will create and/or rehabilitate over 7 Hupp units of affordable housing that will help families, individuals with disabilities and homeless individuals.

[9:19:01 PM]

So I offer them on consent, but I understand that there are questions.

>> Mayor Adler: That's correct. Ms. Troxclair?

>> Troxclair: Yeah, I was just curious how -- it looks like were these -- these were nine percent -- part of the nine percent tax credit program?

>> Items one, two and three, yes, ma'am. Last year's.

>> Troxclair: Okay. So the items before us today, those tax credits were first approved it looks like February of last year.

>> They were last year's nine percent

[indiscernible]

>> Troxclair: But now they're coming back for more money?

>> Yes, ma'am.

>> So can you tell us what is the reasoning behind the additional money?

>> It would be cost overruns. The cost of construction. So when they are approved in February and then we will come back -- let me back up. What we brought to you like we did this year in February is the original unconditional commitment. We then come back in July or August for the final firm commitment, which we did on all of three's. Last year was a -- it isn't very often that we actually get three tax credit awards in the city of Austin. It happened I think in 2010 and it happened again last year. What happens after they receive their firm commitments there are many things they have to do. They have site plan approval, they have to finish all of the plans and then they have to take things out for bid. So this is an extremely competitive market right now for construction costs so there have been cost overruns from what was originally estimated in February of 2014. I would not consider any of these unusual.

>> Troxclair: Okay.

>> Mayor Adler: Mr. Zimmerman?

>> Zimmerman: I'm sorry, you said it's not unusual to have that kind of an overrun based on what was approved last year?

[9:21:06 PM]

Half a million dollars is quite a large percentage. What percentage is that of the total that was awarded? In the neighborhood of 30 to 40 percent?

>> Actually, our contribution overall, the finance corporation's contribution to each of these is in the range of -- let me look at my notes. If you look at item number 1, the finance corporation's -- if you approve this item, we will have a total of \$1.7 million in this transaction. And that's roughly 14% of the overall cost. So it's less than 20% that the city is contributing to the overall cost of the project. On item number 2, our contribution would be the same, roughly 14% of the overall cost of the development. And on item number three we're roughly at 19% of the overall cost of the development.

>> Zimmerman: I was referring to the amount of increase based on what was approved last year.

>> So last year was 1.2 million and this is half a million. So that's about a third, another 30%.

>> Mr. Mayor?

>> Mayor Adler: You could do that number -- what was that total you had in the project, 1.7, is that what you said?

>> If you approve this transaction tonight, the finance corporation's contribution would be 1.7 million.

>> Mayor Adler: That was 14%?

>> Yes. The overall cost of the development for the first development for item number one, the overall cost of the development is 12 -- a little over \$12 million. Our contribution would be 1.7.

>> Mayor Adler: So \$500,000 of a 12-million-dollar project. I'm sorry --

>> Zimmerman: Sorry. \$500,000 of a commitment that was made last year. It was voted on by the council that was only 1.25 million.

[9:23:10 PM]

Okay. So if you consider the total cost of the project, yes, it looks like a smaller amount, but if you consider what was voted on by the council a year ago it's a very significant amount. Big difference. So I'd rather have it referred to by what was committed by council a year ago and now what's being asked in addition and it's probably over 30%. It's very significant. And I think that will be reason to vote against it. Going back to -- quickly, can you tell me it says loan. And I looked through for some more supporting

documentation. A loan of what term, what interest rate? What happens if there's a default? Is the loan forgiven?

>> All of these -- all of those items will be -- we are asking you to give us the opportunity to negotiate the terms of the loan. And so -- David, do you want to help me on this? David potter is our real estate manager and he's one who will do a lot of that transaction?

>> So the question, sir, was?

>> Zimmerman: What are the terms of the loan? When you hand somebody millions of dollars, the terms are kind of important. What's the period, what's the pay back, what's the interest rate? What happens if they default, et cetera?

>> What we're asking for tonight is ability to negotiate that. What we have done in the past, for example, are to provide zero percent interest, deferred payment meaning they're not making payments during the term of the loan. Some loans would balloon at the end of the loan term period. Others may be forgiven over time if they comply with the terms and conditions of the loan agreement throughout the entire affordability period. So really it would be more correct to call these grants. They're basically grants, not loans, grants.

>> They have legal instruments, they are loan documents.

[9:25:15 PM]

There is a -- if they do default there is an expectation of repayment. They are -- well, for the purposes of the tax credits, they must be legal loan documents.

>> Mayor Adler: Any further discussion of these items? Ms. Pool?

>> My question was do we entertain a motion to approve these? And if so, I will offer that.

>> Mayor Adler: Okay. Do you have the same action to each of them?

>> Zimmerman: I do.

>> Mayor Adler: Then I will handle them collectively. Items 1, 2, 3, 5 and 6 are moved by Ms. Pool. Is there a second? Ms. Tovo. Any discussion on these items? All in favor raise your hand? Those opposed? Abstaining? All right. So we have a no vote from Zimmerman and abstention from troxclair. That completes our agenda. Without objection, the meeting of the Austin housing finance corporation board of directors meeting is adjourned.