



City of Austin

Neighborhood Housing and Community Development

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DATA: May 7, 2015

TO: Mayor and Council Members

FROM: Betsy Spencer, NHCD Director

SUBJECT: Information about the May 7, 2015 Council Agenda Item # 45

The purpose of this memorandum is to provide information about Item #45 that will conduct a public hearing and consider a resolution that, if approved, would be submitted with a tax credit application for the Aldrich 51 Apartments, to be located in the Robert Mueller Municipal Airport (RMMA) Redevelopment. The developer is an affiliate of Diana McIver & Associates. Financing for the development is expected to come from Low Income Housing Tax Credits, the sale of private activity bonds issued by the Austin Housing Finance Corporation, and from Affordable Housing G.O. Bond funds.

Item #45 pertains to a requirement of the application process for Low Income Housing Tax Credits.

The Texas Department of Housing and Community Affairs (TDHCA) administers the Low Income Housing Tax Credit Program for the state. TDHCA's publishes rules each year that govern the tax credit program and detail the various requirements of the application process.

Notification and Public Hearing

One of these requirements is notification to the governing body of the local jurisdiction, and to the general public, of the developer's intent to apply for tax credits. The requirement ensures that the governing body has had sufficient opportunity to obtain a response from the Applicant about any concerns or questions, and that a public hearing was held to receive comments on the proposed application.

After the public hearing is conducted, the Council will have an opportunity to vote on a resolution of "no objection" to the tax credit application.

Previous Actions Taken on Aldrich 51 Apartments

On April 2, 2015, the Austin Housing Finance Corporation (AHFC) Board approved an inducement resolution for private activity bond financing of up to \$20 million in private activity multi-family non-recourse bonds for the development of the Aldrich 51 Apartments.

The bonds would be issued by AHFC under its authority in Chapter 394 of the Texas Local Government Code, the "Housing Finance Corporation Act," as amended. The bonds are not an obligation or debt of either AHFC or the City and are not repaid with taxpayer dollars. The bonds are purchased by investors and are repaid through rents over time. All servicing of the bonds and payments to investors is handled by a trustee which will typically be a bank or other financial institution's trust department.

On April 23, 2015, several actions were taken by the Austin Housing Finance Corporation regarding the Aldrich 51 Apartments. The actions were:

- Approving negotiation and execution of a loan in the amount of \$2 million to assist with the acquisition of the property. The funding will come from affordable housing General Obligation Bond funds. As part of the proposed deal structure, AHFC will take title to the land which will make the property exempt from all property taxes. In exchange for the 100% tax exemption, the development will be able to provide residential units that are affordable to individuals and families with incomes that are considered very low and extremely low.
- Approving the formation of the AHFC Aldrich 51 Non-Profit Corporation which is designed to serve as the Managing Member of a to-be-formed limited liability company that will own the development, Austin DMA Housing II, LLC. Under this structure, the AHFC-affiliated non-profit corporation will partner with the Investor Member and will receive, among other things, a percentage of the cash flow from the development.
- Conducting a public hearing and receive public comment regarding the issuance of up to \$20 million dollars of Austin Housing Finance Corporation Multi-family Housing Revenue Bonds to finance the development.

Future Actions to be Brought Forward on Aldrich 51 Apartments

Because of an anticipated increase in construction costs, the \$20 million of private activity bonds previously approved for issuance will not be sufficient, along with the other financing, to cover the total development cost now anticipated to be \$37,675,975. Therefore, on June 18, 2015, we will be returning to the AHFC Board to request a new inducement resolution for private activity bond financing of up to \$25 million. Also on that date, we will request the AHFC Board set a public hearing for August 6, 2015 to receive public comment on the issuance of up to \$25 million in private activity bonds. The public hearing is required under the Tax Equity and Fiscal Responsibility Act.

If you have any questions, please feel free to contact me.

cc: Marc A. Ott, City Manager
Bert Lumbreras, Assistant City Manager