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Recommendation for Board Action

Item Title: The Chicon – Increase funding

Austin Housing Finance Corporation	Item ID		Agenda Number	
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Meeting Date:	June 18, 2015	Department:	Neighborhood and Community Development
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Subject

Authorize an increase of \$1,322,449 to the existing loan with CHESTNUT NEIGHBORHOOD REVITALIZATION CORPORATION, for the purpose of developing affordable ownership housing at 1212, 1301, and 1309 Chicon Street, for a total loan amount not to exceed \$3,962,717.

Amount and Source of Funding

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

Fiscal Note

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

Purchasing Language:	
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Prior Council Action:	
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For More Information:	Betsy Spencer, Austin Housing Finance Corporation Treasurer, 512-974-3182; David Potter, Neighborhood Housing and Community Development Neighborhood Development Program Manager, 512-974-3192.
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Boards and Commission Action:	<u>March 8, 2012</u> – Austin Housing Finance Corporation Board authorized negotiation and execution of a loan agreement for \$1,375,268 for the acquisition of 1212, 1301, and 1309 Chicon Street. <u>June 6, 2013</u> – Austin Housing Finance Corporation Board authorized an increase of the loan amount to \$2,640,268 for demolition and pre-development work.
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MBE / WBE:	
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Related Items:	
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Additional Backup Information

If approved, the existing loan to the Chestnut Neighborhood Revitalization Corporation (CNRC) will be increased by \$1,322,449 for a total loan amount of \$3,962,717 for the development of “The Chicon,” a 43-unit ownership and mixed-use development. The development will offer 33 affordable ownership opportunities and will help revitalize and transform the area around the intersection of East 12th and Chicon Streets.

Funding Request

- The additional funding requested will help bridge the financing gap to fund the construction costs. The loan is requested to be forgivable so that the sales prices of the ownership units will be affordable to low- to moderate-income buyers. In addition, CNRC intends to put the property in a Community Land Trust to ensure permanent affordability.
- If funding is approved, Austin Housing Finance Corporation (AHFC) funds will represent \$120,385 per affordable unit. The total loan amount to represents 37 percent of the total project cost.
- Funds for this proposed increase to the loan come from sales proceeds of City of Austin property located at 1120 and 1322-1336 East 12th Street, near the site of The Chicon. Staff recommends reinvesting these funds back into the same area.
- Estimated sources and uses of funds for the project are as follows:

Sources		Uses	
Previous AHFC Funds	\$ 2,640,268	Acquisition	\$ 1,023,225
Proposed AHFC Funds	1,322,449	Residential & Commercial	
Private Lender Loan	4,598,692	Construction	7,726,066
Commercial Sales	<u>1,764,380</u>	Financing, Fees,	
	TOTAL \$10,325,789	& Soft Costs	1,191,498
		Developer Fee	<u>385,000</u>
		TOTAL	\$10,325,789

Project Characteristics

- The Chicon is located on three properties in the 1200 and 1300 blocks of Chicon Street. The properties will be redeveloped into a mixed-use, mixed-income development with ground-floor retail/office space and two stories of housing above.
- Because the three properties are not contiguous, development will take place on three separate sites and in two phases. The first phase will contain 28 units, 21 of which will be affordable. The balance of the units will be built out in the second phase, resulting in a total of 43 units, 33 of which will be affordable.
- 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 square feet to 1,100 square feet. The unit mix in the first phase will be:
 - 21 one-bedroom/one-bath units; 18 affordable, 3 market-rate
 - 5 two-bedroom/two-bath units; 2 affordable, 3 market-rate
 - 2 three-bedroom/two-bath units; 1 affordable, 1 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 \$145,000 to \$235,000 for the income-restricted units and the market-rate units will range in price from approximately \$190,000 to \$320,000.
- 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. AHFC's 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 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" 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 affordable units will be made available to households with incomes at or below 80 percent of the Median Family Income, 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 the northwest corner of E. M. Franklin and East MLK Jr. Boulevards.