

City Council Austin Housing Finance Corporation (AHFC) Transcript – 10/1/2015

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Today is October 1st of 2015. We have a quorum present for the Austin housing and finance corporation meeting, so we'll convene that. Do you want to take us through our agenda?

>> Good evening, board of directors, Betsy spendsor, treasurer of the corporation. We have seven items available for you. I offer them on consent. I am obviously available for

--questions, and I believe you may have some speaker.

>> Mayor Adler: We do. We have six speakers signed up to speak in favor of item number 6. I'll call those speakers. Sara Andre, is Sara Andre here? Do you want to speak? Is Sean garrison here?

>> He is not.

>> Mayor Adler: What about Jason newlander?

[6:43:37 PM]

>> No.

>> Mayor Adler: Scott way?

>> Yes.

>> Mayor Adler: And Michael?

>> Yes.

>> Mayor Adler: You have nine minutes.

>> Wonderful. Just a point of clarification, I believe we are item 7 on the agenda.

>> Mayor Adler: You are correct. I'm sorry.

>> Okay. I will speak quickly, because I know we have others that wish to say something. Good evening, and thank you so much for this opportunity to be here tonight and speak about this project. I'm Sara, and I am a longtime affordable housing practitioner here in Austin. I've been working in this arena since 1994. I am here as the project manager for chestnut neighborhood revitalization corporation. A couple of brief items about chestnut. We are a 501c3 nonprofit organization. Our mission is to promote affordable housing and economic development opportunities in the chestnut neighborhood and surrounding area. And we are an outgrowth of the neighborhood planning process. And were formed in 1998. I believe that most of you have heard a lot about the project that's before you tonight, so I am going to hit some of the high points. They provide affordable homeownership to people. Austin has a vast and well-documented need for affordable housing. There were two articles in this morning's Austin American statesman citing the need for affordable housing. The chican has one, two, and three bedroom units that will keep families in central Austin. More than 40% of our current buyers currently reside in east Austin. So we are gathering people who rent in the neighborhood and would like to put down roots there. The chican revitalizes a long-time blighted area. The lots are currently vacant. They attract trash and illegal activity. The chican will bring more eyes on the street, reduce crime, and bring life to the area.

[6:45:38 PM]

The chican provides opportunity to small business. All but one of our commercial buyers are from the east side, as a small business owner, I know first-hand that there are have few opportunities to own your own space when you're a small business owner. The chican, most importantly, is by, for, and about the community. It reflects the desires of area residents. It was designed not just with neighborhood input into what it looks like, or the colors of the paint, although there was neighborhood input in items like that as well, but when we first acquired these properties, we wanted to do rental housing. The board wanted to put up rental housing. And we heard very loud and clear from neighborhood organizations that residents in this area wanted homeownership on this site, and they wanted additional

commercial opportunities. There is very little by way of commercial in that area. The chican puts best practices into play. It is transit-friendly with multiple bus stops, a hop skip and a jump away. It's green-built, it's new urbanist, it's mixed-income, and it's mixed used. We're here today, obviously, to request the final funding that is needed to break ground on this project. It is absolutely shovel-ready and can start next month. And finally, most importantly, I'd like to read something from one of our home buyers. This is an email I received on June 5th. Sara, my name is Andrew. I have reserved a unit at the chican under the affordable housing program. I wanted to reach out to offer my thanks to you and all involved on the crc working to bring the chican to fruition. I am 24 years old and have lived here all my life. I'm fortunate enough to be living with family, but would like to buy in Austin. And right now, the chican is one of very few options that would make that a reality.

[6:47:40 PM]

Please keep me in mind when it comes to city council discussions in relation to this project. I am happy to publicly advocate for this project with you as you educate our new council on this vital Austin project. Thanks so much. Thank you.

>> Mayor Adler: Thank you. Next speaker that we have is Samuel Covey. Is Sam Covey here? Those are all the speakers that we have, then, on item number 7. It's been offered items 1-7 on consent. Is there any discussion? Moved by Ms. Pool. Seconded by Ms. Tovo. Any discussion on 1-7?

>> Renteria: I have a question.

>> Mayor Adler: Mr. Renteria.

>> Renteria: I've -- the -- I know that this amount, the 1,322,000, 44,000, a forgivable loan?

>> That is correct.

>> Renteria: I'm very concerned, because I haven't been able to get enough information about this project, you know. And I know there are some legal questions. But what was the process that y'all did to pick the -- choose the residents that are going to move in there? Are these people that are actually from that neighborhood, that they grew up in that area, and they're moving back in, or . . . ?

>> Ask the developer to answer your questions. I know you've expressed concerns in regards to the marketing for this project, so I'm going to ask Ms. Andre to come back up and answer specifically, because we do not handle their marketing.

>> Renteria: Okay.

>> Thank you. That's a great question. Chestnut neighborhood revitalization corporation has always had at its forefront the idea that we would keep people in the neighborhood and bring residents back.

[6:49:45 PM]

That was one of the major pushes behind founding the organization. To do that, we affirmatively market to people with community ties, and we do that through a process that we adopted from another organization in Austin that you may know, Guadeloupe neighborhood development corporation. So, we have a neighborhood preference, and we market first to the community. And I'll explain some of the ways that we do that in just a moment. And we have a questionnaire that asks if people live in the community, have lived in the community, work in the community, have worked in the community, attend church or school in the community, and then any other ties they might have. So we get all kinds of information like, my grandmother lived in this neighborhood. I've always loved coming to visit her, I'd love to be able to buy a home here. That's an email I got about the chican specifically. The places in which we affirmatively market involve everything from the neighborhood newsletter -- so that's a hand-delivered, on-foot, straight to your door newsletter. We have taken out ads in community newspapers, community-based newspapers such as nokoa and the observer. We do targeted advertising, and we specifically -- and I don't know how the advertising companies have this information, but they appear to have everything on everyone. So, we target specific ethnicities, specific income brackets, and specific zip codes with that advertising. We also -- and I personally visited businesses in the area and handed out flyers and talked to employees about the project. My staff visited all of the schools in the area, and we also visited with and took flyers to churches in the area, and actually broader than just our neighborhood, because many of the churches, you know, used to be located in the neighborhood and maybe they've moved up to Brookman or that kind of thing, but they still have a lot of outreach with people in the area.

[6:52:00 PM]

We've done this kind of marketing for our single-family homes, and for the rental housing that we've done in the past. It's been very successful. Both of the single-family homes that we built are people that were already in the neighborhood and work in the neighborhood, and then our rental housing has also been very successful, and most of the people that live there were from the area as well.

>> Renteria: Can you give me a percentage of how many people that you were able to locate that had, at one time lived, or that you recruited?

>> Well, I can tell you right now just from -- we mapped all the addresses of where people currently live, and over 40% of them that are on our reservation list are in the east Austin area. Now, I would have to do a little bit further digging to get down to chestnut. Chestnut is a pretty small area. It's mlk down to 12th, and then the railroad tracks to chican. So, it's pretty tiny. But I have not dug that deeply yet.

>> Renteria: So, so far you were able to recognize 40% of the ones that have applied for housing to have lived in -- or grew up --

>> Yes, sir. And that is a scrubbed number. I have grilled the staff on every one of those addresses to make sure that it was an accurate count.

>> Mayor Adler: Okay. Ms. Houston.

>> Houston: Thank you. I've got a couple of questions. Can you give me the price points for the units and how many units in each of the efficiency one bedroom, two bedroom, and three bedroom?

>> Sure. We don't have any efficiency units, but I can tell you that we have 27 one bedroom, one-bath units. The price points for those start at 145,000, then step up to 150,000, and then our market rate one-bedroom units are 190,000.

[6:54:07 PM]

And when I say market rate, I mean that you can live there and not qualify for affordable housing. Our market prices right now are well under the market for that area. We have 12 two bedroom, two-bath units, starting at 185,000 going to 260,000 for the market-rate units. And then we have four three bedroom, two-bath units, and those start at 245,000 for an affordable unit, and the market unit is designated at 320,000. Current sales prices, I did some research on the market in the area. I looked at homes sold since August. Just -- this is the chestnut neighborhood, east 13th, new York, east 14th, Pascal. And on the market, there were four sold, and four on the market. The range per square foot for those is from \$332 a square foot to \$686 a square foot. The lowest priced one was \$240,000. That's for a 350-foot -- square-foot residence. Our square foot ranges from 199 to 291.

>> Houston: Thank you. And then I have another question. This is not the first project that the chestnut neighborhood revitalization corporation has done. So, what was taking so long with the design phase?

>> Well, the design phase was very much a community-based effort where we did community outreach with the neighborhood. But I would argue most of the delays have been due to the development process, and those delays that you probably hear about every week. We waited 12 months for our site plan to be approved. And we waited nine months for our building permit to be approved. And then there was some additional legal work that also added many months to delay.

[6:56:12 PM]

>> Houston: So did you have that same problem with, say, the senior housing on em franklin and mlk?

>> No, ma'am, but we did have that problem with one of our single-family homes. It took almost two years to clear the title on it, because an adjacent homeowner had built over the property line, and there was no city mechanism to vacate that without just bulldozing their house.

>> Houston: Okay. One last question is about the design phase. Could -- is it possible that you could've used some university students in the school of architecture at UT to design the kinds of structure that people could be able to live in and bring down some of the cost, perhaps?

>> I think that's --

>> Houston: The one-bedroom, one-bath is how many square feet?

>> It is 695 square feet. I've got one that's 647, and another that is 694, excuse me.

>> Houston: So, would that have decreased the cost just a little bit, if you had used something other than whoever designed the property? I'm not sure who that is.

>> We used Owen and Trinity white to design the project. It might have brought down costs in the initial outlay to an architect, but you need a registered architect to help you do your site plan. So, it may have just -- you know, taken longer and we could've gotten great ideas, I'm sure. But usually, students don't have the full knowledge to bring a building to fruition.

>> Houston: Thank you so much. Mayor, I think this is one of the examples of where if we had a template, so we wouldn't have to redesign things over and over again, that they would go through faster and we maybe able to have units on the ground a lot faster than this is going to take.

>> Mayor Adler: Any further conversation on this issue?

[6:58:14 PM]

>> Renteria: I have one other question. Not on item 7. I notice that you have a contract here with these - - how many total organizations actually do this work?

>> Six.

>> Renteria: Six. And what exactly are they going to be doing there at the -- in the holly area? And are there some guarantees that we're not just repairing these houses and fixing them up, and they're just going to flip them and sell them?

>> So in this solicitation, we have -- for those of you who know the history of the holly litigation program, we've had these funds in our budget for a while. We are not receiving any new funds from Austin energy. These are funds we've had for a while. We've had a variety of ways to deploy the funds. This is an effort, because we received a lot of feedback that it would be beneficial to employ the

nonprofits that are currently working with us in the go repair program. We are marrying those folks up with what are going to be our green and healthy homes initiative, which I think we presented at the housing committee. And we'll be bringing more information for you. So, we will be utilizing this solicitation for these contractors to be assessing all the homes for 30 different health and safety items that will be addressed through this work. And so -- but it is -- the funds are being offered through a grant. And so, there is no lien attached. But the amount of funds will be \$20,000 per household. And so, it is standard with our other programs that we don't attach a lien at that level of work. That has been one of the controversies that we've had within the neighborhood, is when we exercise a lien. When there has been a substantial investment, we have placed a lien on the property to address the very thing you just talked about, which is flipping the property.

[7:00:22 PM]

But in order to receive the funds, you've got to have lived in the neighborhood for a substantial period of time. You had to have been there when the power plant was in existence. So you can't have just moved in and qualify for the funds, you need to have been there during that period of time, and there's income eligibilities. We have a fair few folks that will qualify but didn't want to use the program before. We are hopeful that utilizing the nonprofits -- since they have a good working relationship with folks in the neighborhood -- we'll be able to deploy all the funds.

>> Renteria: That's another concern I have. Concern I have. We have invested so much money in that neighborhood, we have -- I'm assuming you just increase the boundaries; isn't that correct, because it was a real small boundary.

>> Correct.

>> Renteria: And we basically have done all the houses around that small area.

>> Anyone that was willing to participate has been a series of amendments to the guidelines and the boundaries over the last 15 years. And so again we've done a lot of different outreach. There may well still be some folks that were very close to the power point. I boy apologize, I do not know where all the folks were located. We want to ensure there's no new funds that have come to us given our one last effort to really ensure that the funds that were dedicated to this initiative get spent there.

>> Renteria: Okay. And I hope that it -- you know, this housing money, this money from the holly power plant has been going on for quite a while.

>> Yes, sir.

>> Renteria: And I know every year as it goes by we're having harder trouble, problem of actually finding people that can actually qualify for this. And I hope that if when it -- when you get to that point where

you satisfy all that area, you can't find anyone else that you will open -- will open this money up for other areas because there's a lot of -- a lot of need in repair, especially in district 1, district 2, you know, that could really use this funding.

[7:02:37 PM]

And so I hope that -- because I know that we're getting gentrified so fast and there's very few houses that really need a lot of repairs and the ones that do need them, they are just a bit further from that boundary line that you have put in there.

>> We would be looking to you for direction on how you would want us, if there are any funds left over, how we would handle that.

>> Renteria: Thank you.

>> Houston: Mayor, I have one last question. Thank you, councilmember Renteria, because you reminded me about the flipping aspect of some things we do in the name of good works. Is there a policy regarding the length of time someone has to stay in the chican before they can turn it over?

>> There are restrictions, yes, ma'am.

>> Absolutely flipping is a huge concern in our area. So we have a model that basically -- what it's called without trying to get too complex, it's shared appreciation. And so as the home appreciates, the longer the person stays there, the more that appreciation they get to take. So we -- we take back any subsidy first in that process and then -- you know, if somebody stays there 30 years, they deserve to have, you know, some appreciation, some share of that. But they cannot sell it, you know, in the first year, even through the first five years I think it would be detrimental to them. But they always have to pay back any subsidy they receive first. So when you see -- and this is very complex, I'm sorry, it's not something I've learned to explain easily. For example, you see a home that is 150,000 for sale.

[7:04:41 PM]

That home will sell at its actual appraised value, which might be 200,000 by the time we get around to selling it. That difference of \$50,000 between the 150 cash that they pay and the 50,000 to get up to the appraised value, we will take a soft second mortgage so if they sell the next year, they have to pay that back to us first thing before they start paying their mortgage off. So they can't profit from any of that subsidy or any of that increased value in the home. And then their other obligations, we actually have a

right of first refusal where the nonprofit gets the first look at purchasing the home so that we can keep it in the affordable stock.

>> Houston: And that's all in their documents?

>> Oh, yes, ma'am, and it's actually in our documents between the city of Austin or neighborhood housing hfc and the chestnut neighborhood revitalization. It's spelled out in those loan docs that we must pass that along and enter into these types of agreements with buyers.

>> Houston: Mayor, I move approval.

>> Mayor Adler: I think it's been moved and seconded already on the consent. We're discussing that now. Any further comment? Miss tovo.

>> Mayor Adler: I just had a question. Sorry for miss Andre who has stepped down. Austin's we're talking about the shared appreciation model, this is also a community land trust. So the appreciation is just based on the house, not the land.

>> Yes, ma'am. But someone did ask it's a mixed income project and it's going to be a very complicated condo plot, but those buyers who are not qualified under the affordable, they will not benefit from the land trust.

[7:06:42 PM]

The affordable buyers are who will benefit from the land trust and that means that the land is not part of their tax calculation. When they -- each year they are only taxed on the building that they own, their condition dough, and that's -- condo because that takes the value down and their taxes down which means they can hopefully afford to stay there for the long haul.

>> Tovo: Thank you.

>> And then the land trust -- sorry, my geek moment. The land trust is in effect for 99 years and it runs with the land. So it's -- it's a deed on the land and it enforces affordability for 99 years.

>> Tovo: Thanks so much for coming back to explain that. I think it's just a very exciting tool we have available to us in Austin. I'm glad to see projects like yours moving forward using them.

>> Mayor Adler: Further comments on the consent? Ms. Pool and then Mr. Zimmerman.

>> Pool: I'm not going to make miss Andre come running back down but I did want a tip of the hat for the work you've done and I look forward to knowing there are a lot of new homeowners who are able to live at the chican.

>> Mayor Adler: Any further discussion? Those in favor of the motion to approve the seven items please raise your hand. Mr. Zimmerman.

>> Zimmerman: I won't belabor the point but for the reasons I've documented before, I'm going to be voting in opposition. The idea that the subsidies -- my contention has always been that the subsidies are unaffordable and unsustainable to the people not subsidized. And I still take issue with grants being described as loans because if there's no term for payoff and no interest rate, no collateral, no penalty for nonpayment and an expectation that the loan is going to be forgiven, that describes a grant and not a loan. So I still protest the use of that misleading language.

[7:08:42 PM]

So I'll be voting against these unaffordable and unsustainable subsidies. Thank you.

>> Mayor Adler: Further discussion? Those in favor please raise your hands. Those opposed? 10-1, Mr. Zimmerman voting no. Thank you very much.

>> Thank you.

>> Mayor Adler: That concludes all the business for our Austin housing and finance corporation meeting. That meeting is adjourned.