

MEMORANDUM

TO: Austin Housing Finance Corporation (AHFC) Board of Directors

FROM: Rosie Truelove, Treasurer 

DATE: December 1, 2020

SUBJECT: Austin Housing Finance Corporation, Agenda Item 2 (December 3, 2020)

The December 3, 2020, Austin Housing Finance Corporation Agenda includes an item which authorizes staff to negotiate and execute an Agreement to Enter into a Housing Assistance Payment Contract (AHAP) with Espero Austin at Rutland, LP. The AHAP will provide an annual operating subsidy in the amount of \$650,000 for the Espero at Rutland multifamily development in City Council District 4. The three-year contract may be renewed (subject to funding availability) for an additional five terms (for a total of 18 years).

Espero at Rutland will provide 171-units of affordable housing for people experiencing literal homelessness. Of the total units, 101 units will be dedicated to the Continuum of Care and provide low-barrier, permanent supportive housing for the chronically homeless. Espero at Rutland is a partnership between the Vecino Group, Caritas of Austin, and AHFC.

As discussed during budget deliberations, the FY2020-2021 Housing Trust Fund includes \$3.6 million for a Local Housing Voucher program. The Local Housing Voucher program was created in order to fill a crucial gap in the local homelessness response system. While AHFC typically provides funding for capital expenses, and Austin Public Health (APH) provides funding for ongoing supportive services, there is an enormous need for an ongoing operating subsidy to bridge the gap between the cost of operating permanent supportive housing unit and the rental income generated. Typically, Housing Choice Vouchers (through the local Public Housing Authorities) fill this gap. However, the need for operating subsidy far outpaces the available resources. Accordingly, AHFC has developed this flexible and innovative program.

The Local Housing Voucher will be dedicated to specific rental projects that demonstrate a commitment to low-barrier Permanent Supportive Housing (or Bridge Housing), based on Housing First principles. The Local Housing Voucher can be layered onto developments that are currently receiving funding through AHFC's Rental Housing Development Assistance (RHDA) program or that are in direct partnership with the City of Austin through AHFC.

Espero at Rutland presented an ideal and unique opportunity to ensure long-term sustainability of affordable housing for a highly vulnerable population. Espero at Rutland will be developed through a combination of 4% Low Income Housing Tax Credits, Private Activity Bonds, and additional soft debt.

Through board actions on September 3, 2020 and November 12, 2020, AHFC committed to a total of \$8.5 million in RHDA loans for the development of Espero at Rutland.

A portion of the loan will be repaid over its 40-year term, after which the loan will mature and may be paid in full, in AHFC's sole discretion. In addition, on November 12, 2020, the AHFC board authorized the formation of a nonprofit partnership, of which an AHFC subsidiary will serve as General Partner. In 2021, AHFC will issue up to \$20 million in Private Activity Bonds for the proposed development. Based on current schedule projections, Espero at Rutland should break ground early summer 2021 and begin leasing up in late 2022.

AHFC is pleased to be part of this innovative partnership and looks forward to creating a robust and comprehensive response to chronic homelessness in Austin. Should you have any questions, or need additional information, please do not hesitate to contact Mandy DeMayo, Community Development Administrator, at (512)974-1091.

cc: Spencer Cronk, City Manager
J. Rodney Gonzales, Assistance City Manager