


## MEMORANDUM

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

**FROM:** Rosie Truelove, Treasurer 

**DATE:** August 21, 2021

**SUBJECT:** AHFC Agenda Item #7 (August 26, 2021)

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The purpose of this memo is to provide additional background and context regarding AHFC Item #7 on the August 26, 2021, agenda. Foundation Communities (FC), through an affiliate entity known as FC Balcones Terrace Housing Corporation (FCBTHC), is proposing to purchase TownePlace Suites Austin, a 120+-room hotel in the Arboretum area. The acquisition of the property (which includes two buildings and the related land) is scheduled for August 31, 2021. FC plans to renovate the property and convert it to a multifamily rental project with 120 units, approximately 60 of which will be Permanent Supportive Housing units for people exiting homelessness. The proposed unit mix for the renovated property will be as follows: 30 units for tenants with incomes at or below 30% Median Family Income (MFI), 30 units for tenants with incomes at or below 40% MFI, and 60 units for tenants with incomes at or below 50% MFI. The affordability period will be 55 years. Foundation Communities is expected to seek project-based rental vouchers for the 60 PSH units, and Austin Public Health will accept a proposal to fund case management and social services for PSH tenants.

After acquiring the property, FC will apply for the Multifamily Direct Loan Program through the Texas Department of Housing and Community Affairs (TDHCA) for renovation and permanent financing. Any funds acquired through TDHCA or any other source in excess of rehabilitation costs will be used to repay a portion of the AHFC Loan. It is anticipated that the renovation will take four to five months to complete. Should the renovation budget exceed available resources,

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FC has guaranteed to provide any funds necessary to cover any construction budget shortfall and will guarantee completion of the renovation.

At the time of closing on the renovation loan from TDHCA, an AHFC affiliate (to be created) will purchase the property from FCBTHC through a refinancing of the original AHFC loan. This refinancing will use the American Rescue Plan Act (ARPA) funds allocated through the HOME formula to repay a portion of the acquisition loan held by FC. The AHFC affiliate will then lease the property back to FCBTHC under the terms of a master lease. FCBTHC will operate the property as Permanent Supportive Housing for people exiting homelessness, in accordance with the master lease.

AHFC or its affiliate will hold fee simple title to the property, and as such, will retain all rights to surplus Cash Flow and Capital Event proceeds with respect to the property. The purpose of the sale/leaseback transaction is to obtain a 100% real estate tax exemption for the property. Foundation Communities has successfully partnered with AHFC on two other supportive housing developments, Spring Terrace and Arbor Terrace, which were established in a similar manner.

Should you have any questions, or require any additional information, please do not hesitate to contact me or Mandy DeMayo, (512) 974-1091.

cc: Rodney Gonzales, Assistant City Manager

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