



Recommendation for Action

File #: 22-3604, **Agenda Item #:** 10.

12/8/2022

Posting Language

Authorize negotiation and execution of a 12-month contract with the Housing Authority of the City of Austin to administer Austin Housing Finance Corporation's Local Housing Voucher Program, which will provide Permanent Supportive Housing rental subsidies to the owners of developments that serve individuals exiting homelessness, in an amount not to exceed \$6,000,000.

Lead Department

Austin Housing Finance Corporation.

Fiscal Note

\$6,000,000 in Housing Trust Fund. Funding is available in the Capital Budget of Housing & Planning Department.

For More Information:

Rosie Truelove, Treasurer, Austin Housing Finance Corporation, 512-974-3064; James May, Community Development Administrator, Housing and Planning Department, 512-974-3192.

Council Committee, Boards and Commission Action:

December 3, 2020 - Austin Housing Finance Corporation approved the negotiation and execution of a three-year agreement to enter into a Housing Assistance Payment Contract with Espero Austin at Rutland, LP, or an affiliated entity, in an amount not to exceed \$1,950,000.

Additional Backup Information:

If approved, the Austin Housing Finance Corporation (AHFC) is authorized to execute an agreement with the Housing Authority of the City of Austin (HACA) to administer AHFC's Local Housing Voucher Program (LHVP). The LHVP provides rental housing subsidies to eligible households who would otherwise be homeless and is designed to help facilitate the construction of new permanent supportive housing in our community. Units supported by the LHVP must be dedicated to the Continuum of Care (CoC). Staff will return to the AHFC Board annually to renew this agreement, subject to the amount of funds in the City of Austin Housing Trust Fund.

This agreement stems from the City of Austin's recently launched Local Housing Voucher Program. The Program is supported by the City of Austin Housing Trust Fund (HTF). Austin City Council made its first appropriations to the LHVP in Fiscal Year (FY) 2020-2021 and FY 2021-2022. While one award was made during that time, no money has yet been allocated to individual developments as we await their construction. With the FY 2022-2023 appropriation, \$9,150,000 has accumulated in the LHVP. Housing and Planning Department staff estimate that, with these ongoing accruals for the next two years and with modest increases in appropriations over the coming years, the LHVP can subsidize approximately 375 to 425 permanent supportive housing (PSH) units once the LHVP funding is fully committed. These 375-425 PSH units are estimated to be spread across eight developments. In effect, the LHVP will have helped to finance the construction of eight developments with a total unit count of approximately 850 PSH units. The commitment to those 375-425 PSH units is dependent on ongoing funding to support the LHVP.

Each household will pay no more than 30 percent of its monthly income towards rent. The LHVP will pay the difference between what the household can afford, and the fair market rent (FMR) as determined by U.S. Department of Housing and Urban Development. The 2023 FMR for Austin-Round Rock is \$1,253 for an efficiency unit. The FMR may increase in future years. Therefore, the cost to administer the program may also increase in future years. As a household's income increases, the amounts paid by the LHVP decrease accordingly. All payments made by the LHVP are paid directly to the owner and operator of the development.

The contract amount of up to \$6,000,000 to support the administration of AHFC's LHVP units includes a 10 percent administrative fee for HACA. While only one LHVP award has been made to date, AHFC will consider three recommendations for award on December 8, 2022. HPD staff foresees four additional award recommendations in early- to mid-2023, which will fully commit all available LHVP funding. Staff foresees three developments that will have received LHVP awards becoming operational in 2023 - Espero Austin at Rutland, Country Inn (a City of Austin hotel conversion), and Pecan Gardens (another City of Austin hotel conversion). Cady Lofts and Seabrook Square Phase II are slated to commence construction in 2023 and will open 18 months after construction.

At full commitment and with appropriate funding, the LHVP can possibly support approximately 375-425 CoC and PSH units with rental subsidies, for a total potential rental subsidy of \$5,623,464 per annum based on 2023 FMRs, and an administrative fee of \$562,346 to HACA per annum (which is 10 percent). However, because several developments eligible for an LHV award have not yet been constructed, it is unlikely that the final contract amount with HACA will be the full \$6,000,000 for the term of this agreement or next year's proposed agreement. Instead, staff estimates an initial contract amount of approximately \$2,000,000 or less in the term of this agreement. The full \$6,000,000 is likely in a proposed agreement in calendar year 2024 or 2025.

HACA has more than 23 years of experience with providing rental assistance services. They are uniquely positioned to assist AHFC in launching its LHVP. In addition to their administrative services, they will work with AHFC staff to ensure that LHVP awardees have verified client eligibility and that they are meeting the requirements of AHFC's LHVP. HACA will make rental subsidy payments directly to landlords each month. Those rental subsidy payments are based on separate contracts awarded to the owners of developments that are providing CoC units and that have received LHVP awards from AHFC.