



FINANCIAL SERVICES DEPARTMENT

Development Financing for Affordable Housing

Housing and Planning Committee - February 20, 2024

Kimberly Olivares, Deputy Chief Financial Officer

Mandy DeMayo, Interim Director, Housing Department



Agenda



- Why does the City Provide Financing?
- Financing Tools and How they are Utilized
 - General Obligation Bonds
 - Housing Trust Fund
 - Federal Funds
 - Transfer of Public Land
 - Incentive Agreements
 - Tax Increment Financing (TIF) / Tax Increment Reinvestment Zone (TIRZ)
 - Other Sources: Project Connect, Public Improvement Districts, and Municipal Management Districts
- Austin Housing Finance Corporation (AHFC)
 - Utilization of Financing Tools
 - Land Acquisition and Preservation
 - Community Land Trust and Land Banks

Why Does the City Provide Financing?



- Real estate development involves multiple phases that require different funding sources
 - Predevelopment - Formulate development scope, site identification
 - Development/construction - Site acquisition, design, construction
 - Occupancy/management - Resident/tenant occupancy, shift to asset management
- Challenges to access equity capital means developers sometimes cannot fund predevelopment or meet lender loan-to-value standards
 - Affordable housing developments face this challenge in predevelopment as well as achieving overall project feasibility due to reduced rents or price points
- Capital stack equity gap can be filled through public and nonprofit financing sources
 - Subordinate debt and equity like investment
 - Transfer of city-owned land
 - Property tax reductions
 - Infrastructure

General Obligation Bonds



- Public Improvement Bonds (Voter approved bonds)
 - Historically, the City's largest source of funding for affordable housing
 - \$720 million authorized by the voters since 2006
 - Repaid via the debt service portion of the property tax rate
- Certificates of Obligation (Non-voter approved bonds)
 - Cannot be used for economic development purposes
 - Affordable housing is considered economic development

Bond Program	Amount
2006	\$55,000,000
2013	\$65,000,000
2018	\$250,000,000
2022	\$350,000,000
TOTAL	\$720,000,000

Housing Trust Fund



- Purpose: Assist the City in reaching its income-restricted affordable housing goals adopted in the Austin Strategic Housing Blueprint
- Critical funding source for prioritized investment targeting displacement prevention as well as addressing the needs of Austin's unhoused population.
- Funded through a General Fund transfer
- Funds are used to address four key policy and program areas:
 - Rental-Housing Development Assistance
 - Homelessness Assistance
 - Renter Assistance
 - Displacement Prevention

Neighborhood Housing-Housing Trust Fund

	2020-21	2021-22	2022-23	2022-23	2023-24
	Actual	Actual	Estimated	Amended	Approved
Beginning Balance	17,559,425	11,116,054	8,032,406	5,653,711	10,131,406
Revenue					
Interest	35,339	122,934	391,618	10,000	10,000
Donations	377,105	0	0	0	0
Other Revenue	1,369,721	5,535,294	7,371,093	0	0
Total Revenue	1,782,165	5,658,229	7,762,711	10,000	10,000
Transfers In					
General Fund	7,712,943	9,622,890	9,742,208	9,742,208	10,241,744
Budget Stabilization Reserve	0	2,750,000	0	0	0
Total Transfers In	7,712,943	12,372,890	9,742,208	9,742,208	10,241,744
Total Available Funds	9,495,108	18,031,119	17,504,919	9,752,208	10,251,744
Program Requirements					
Housing	2,580,278	0	0	0	7,250,000
Community Development	1,243,242	250,000	0	0	250,000
Total Program Requirements	3,823,520	250,000	0	0	7,500,000
Transfers Out					
Trf to Housing CIP Fund	12,350,000	20,887,027	15,405,919	15,405,919	0
Total Transfers Out	12,350,000	20,887,027	15,405,919	15,405,919	0
Total Requirements	16,173,520	21,137,027	15,405,919	15,405,919	7,500,000
Excess (Deficiency) of Total Available Funds Over Total Requirements	(6,678,412)	(3,105,909)	2,099,000	(5,653,711)	2,751,744
Adjustment to GAAP	235,041	22,260	0	0	0
Ending Balance	11,116,054	8,032,406	10,131,406	0	12,883,150

Federal Funds

- Housing and Urban Development - Community Development Block Grant (CDBG)
 - Use of funds must meet at least one of HUD's national objectives
 - Benefit low- and moderate-income persons
 - Prevention or elimination of slums or blight, or
 - Address community development needs having a particular urgency because existing conditions pose a serious and immediate threat to the health or welfare of the community for which other funding is not available
- Entitlement Grants
 - Provides annual grants on a formula basis to entitled cities and counties to develop viable urban communities by providing housing, and by expanding economic opportunities, principally for low- and moderate-income persons
- Section 108 Financing
 - The Section 108 Loan Guarantee Program (Section 108) provides CDBG recipients with the ability to leverage their annual grant allocation to access low-cost, flexible financing for economic development, housing, public facility, and infrastructure projects.

HUD – CDBG Eligible and Ineligible Activities



Eligible Activities

- Acquisition of real property
- Relocation and demolition
- Rehabilitation of residential and non-residential structures
- Construction of public facilities and improvements
- Public services
- Energy conservation and renewable energy resources
- Business assistance for economic development and job creation/retention activities

Ineligible Activities

- Acquisition, construction or reconstruction of buildings for the general conduct of government
- Political activities
- Certain income payments
- Construction of new housing (with some exceptions)

Transfer of Public Lands

Mueller

700 acres and
1,665 units



Seaholm

90 acres and 50
units

St. John

19 acres and 263
units



Colony Park

208 acres and
approx. 400 units

Incentive Agreements

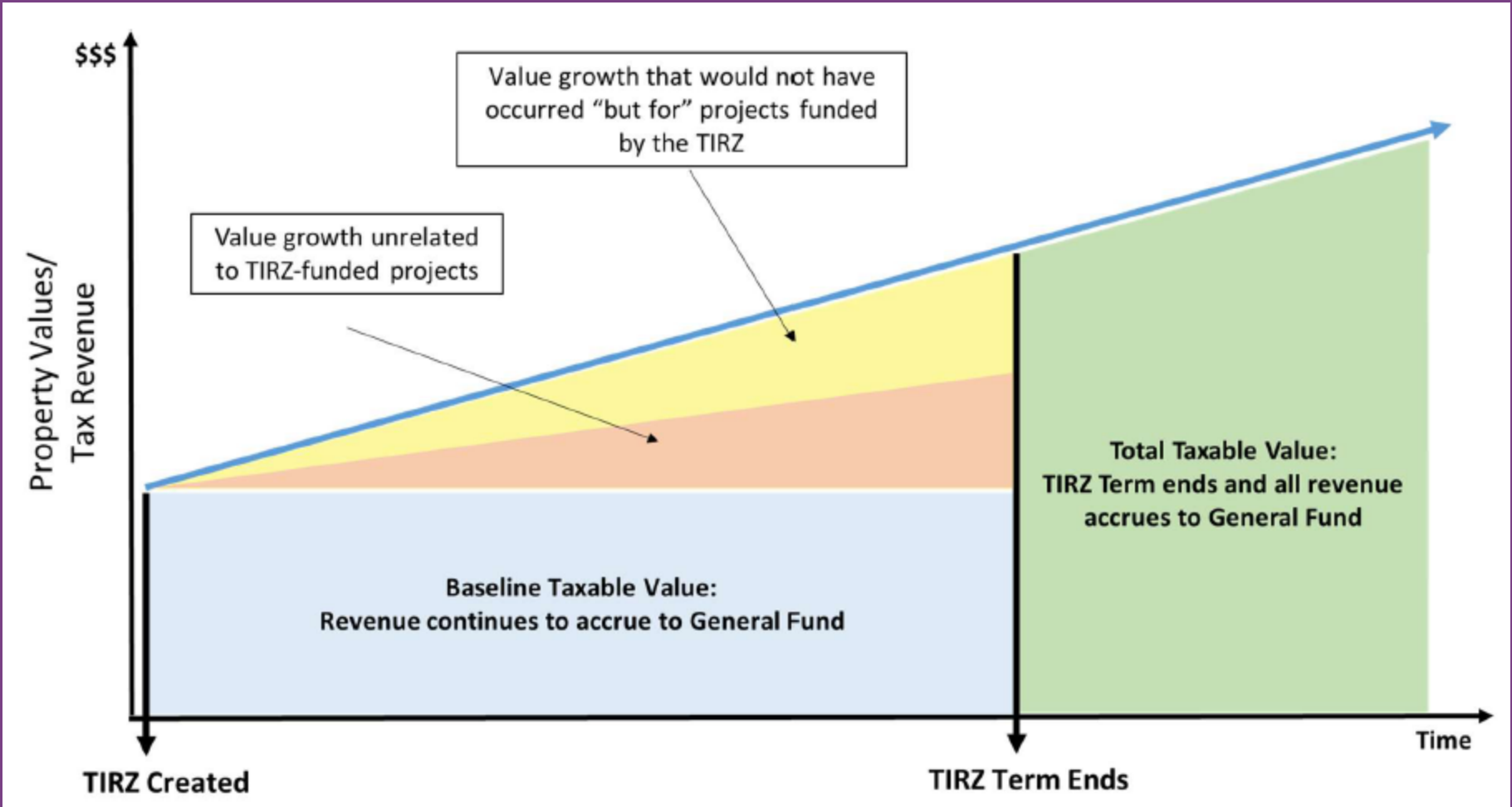


- The City of Austin may provide developers with incentives to build and set aside affordable rental and ownership housing for low- and moderate-income households in developments.
- Smart Housing development permit fee waivers
- Density Bonuses (allocation of income-restricted units or fee-in-lieu)
 - Affordability Unlocked
 - Vertical Mixed Use (VMU)
 - Overlays (UNO, Downtown Density Bonus, Residential in Commercial, Compatibility on Corridors, Micro-Unit Density Bonus)
 - Regulating Plans (TOD, North/Burnet Gateway, East Riverside Corridor)
- Development agreements
 - Land lease agreements
 - Restrictive Covenants
 - PUDs
 - Economic Development Agreements
 - Master Development Agreements

Tax Increment Financing

- Tool to spur economic growth in an area in which development or redevelopment is unlikely to occur in the reasonably foreseeable future without public investment
 - Regulated by State law (Chapter 311 of the Texas Tax Code)
- Not a new tax. Instead, some of the property tax revenue from a designated geographic area is dedicated to pay for improvements in the zone.
 - In Texas, a city or county may designate a Tax Increment Reinvestment Zone (TIRZ)
 - Upon creation, the baseline value of property within the zone is frozen, and some or all of the tax revenue resulting from future growth in property value within the zone (the tax increment) is collected within a dedicated fund to pay for the costs of the investments anticipated to spur growth

Tax Increment Financing



Statutory TIF Requirements

- Must verify a clear and significant “but for” criterion whereby development or redevelopment within the zone would not occur solely through private investment but for public investment.
- Criterion includes, but is not limited to:
 - Area’s present condition substantially impairs growth
 - Substandard or deteriorating structures
 - Inadequate sidewalks or street layout
 - Unsanitary or unsafe conditions, conditions that endanger life or property
- Zone terminates on the earlier of the:
 - Date designated in the creating ordinance
 - Date all project costs have been paid or the debt associated with the TIRZ has been retired

Council Adopted TIF Policy

- Adopted in its current state as part of FY 2023-24 Budget and in accordance with Resolution 20180301-023
- Major provisions
 - Project/finance plans must include participation by the private sector and/or other tax entities
 - City must conduct a rigorous “but for” analysis demonstrating development/redevelopment within the zone would not occur solely through private investment
 - **Any housing development that is part of the TIF project plan must provide for at least 20% of the units to be affordable to households at or below 60% MFI for rental and 80% MFI for ownership**
 - Bonds issued to fund TIF development are subject to coverage tests, debt service reserve requirements, and must mature on or before the termination date of the zone
- If TIF is to directly fund a housing project, it must be through cash proceeds only

Other Sources

- Project Connect Anti-Displacement
 - The November 2020 proposition for Project Connect included a \$300 million allocation for anti-displacement efforts
 - Funding priorities include land acquisition and other strategies to benefit people most at risk and prevent displacement of those living close to transit lines
- Development Public Improvement District (PID)
 - A special purpose district created to help spur economic development by providing a means to finance the costs of infrastructure that benefit and promote the development within a geographic area of Austin. These costs are borne by the property owners within the PID boundaries who receive special benefits from the public improvements.
 - Must be proposed by the property owners and approved by Council
 - Must enter into a PID Development Agreement with the City
 - Has the power to levy assessments on district property owners
- Municipal Management District (MMD)
 - Created to promote, encourage and maintain employment, commerce, transportation, housing, tourism, recreation, arts, economic development, safety and public welfare within the district's boundaries
 - Political subdivision of the State and distinct from the City but legislation can make district powers subject to City approval
 - District must enter a project development and bond issuance plan with the City
 - Funded through an additional assessment or tax levy only on impacted property owners within the district
 - Must be proposed by property owners and approved by the Texas Legislature

Austin Housing Finance Corporation



FINANCIAL SERVICES
DEPARTMENT



UTILIZATION OF
FINANCING TOOLS



LAND ACQUISITION AND
PRESERVATION



COMMUNITY LAND
TRUST

Austin Housing Finance Corporation (AHFC)



FINANCIAL SERVICES
DEPARTMENT

- Chapter 394 Local Government Code
- Annual Service Agreement
- Funding Sources
 - General Obligation Bonds
 - Project Connect Anti-Displacement
 - HPD TIRZ
 - HUD Entitlement Funds
 - CDBG
 - HOME
 - Housing Trust Fund
 - Homelessness (Local Housing Voucher)
 - Anti-Displacement Programs
 - Fee in Lieu
 - University Neighborhood Overlay (UNO)
 - Downtown Density Bonus
 - Plaza Saltillo TOD
 - North Burnet Gateway

General Obligation (GO) Bonds



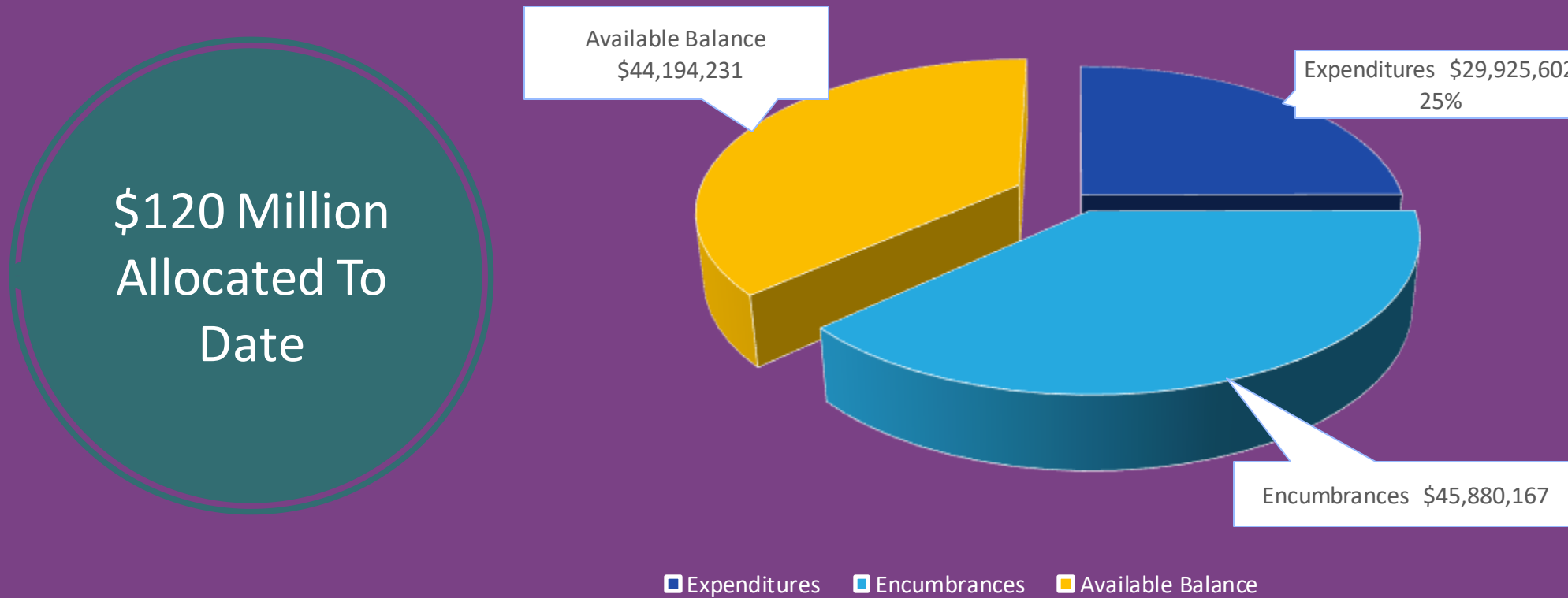
- 2006 (\$55m), 2013 (\$65m), 2018 (\$250m), 2022 (\$350m)
- 2022 GO Bonds
 - \$350 million appropriated (April 2023)
 - 6 Year Spend Plan
 - \$120 million budgeted FY22-23 and FY23-24
- Program Areas
 - Rental Housing Development Assistance (RHDA)
 - Quarterly Application
 - \$73 million
 - Ownership Housing Development Assistance (OHDA)
 - Quarterly Application
 - \$17 million
 - GO Repair
 - Contract with 7 nonprofits
 - Spending down the 2018 bond allocation
 - Land Acquisition
 - \$30 million

Project Connect Anti-Displacement Funds



- Anti-Displacement dollars will be spent over the course of **13 years**, guided by the Project Connect **Community Advisory Committee (CAC)**.
- **Investment Areas** include:
 - Land Acquisition, Preservation, Rehabilitation
 - Affordable Housing Development
 - Programs and Other Strategies
 - Staffing, Community Engagement, and Marketing
- Council, Community Catalysts, the Project Connect Community Advisory Committee, and community members have all been **key stakeholders responsible for informing budget priorities**.
- The CAC will continue to work with community through expanded community engagement efforts and **establish budget priorities every three (3) years**.

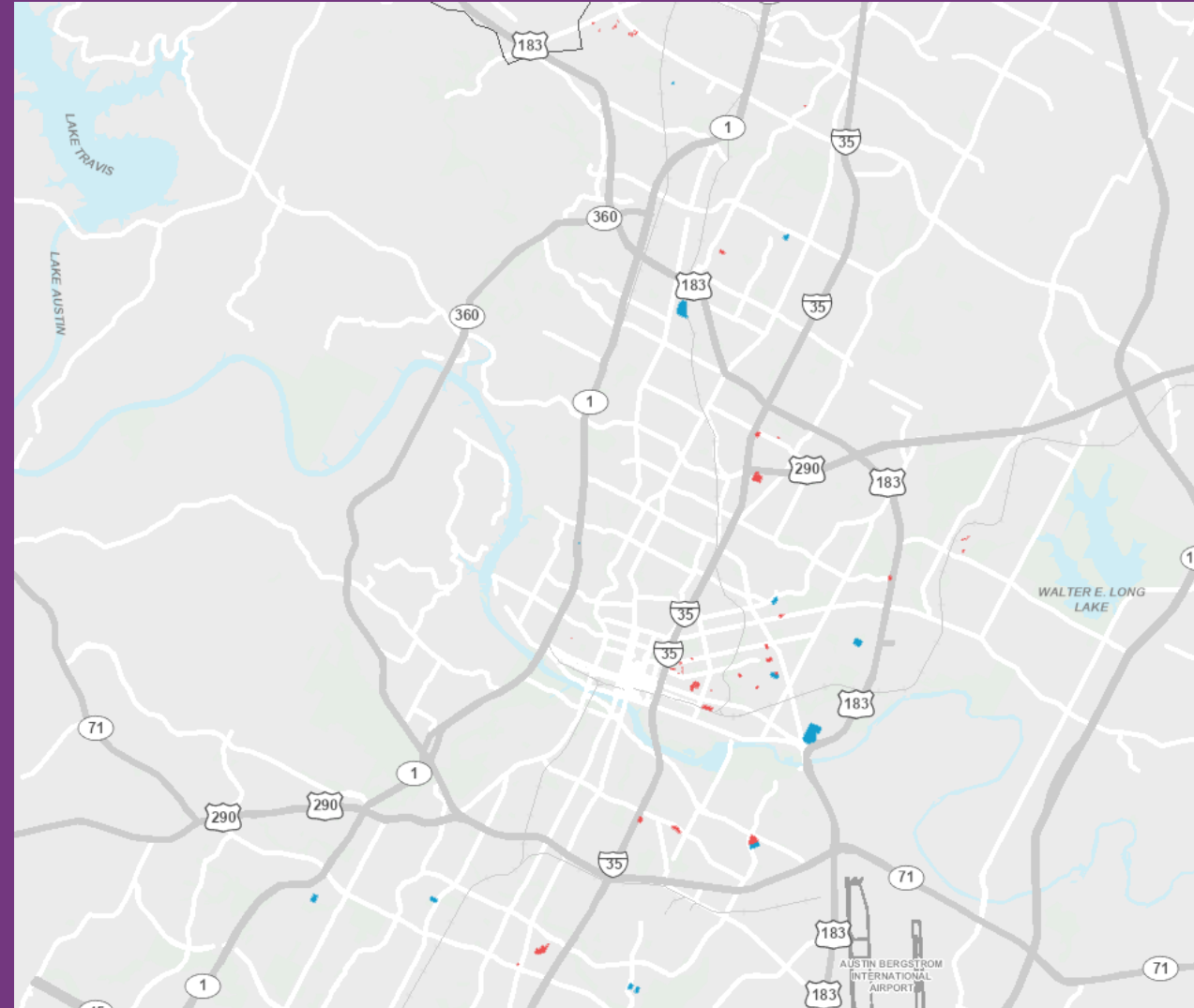
Project Connect



Acquisitions and Preservation



- 3 Hotels for Conversion to Permanent Supportive Housing
- ~60 Acres Acquired
- 2 Partnerships Preserved
- 9 Multifamily properties preserved
- 20 Single-family homes added to the Community Land Trust (CLT)
- \$100M allocated by AHFC Board (<\$75k remaining)





Seabrook Square 3515 Manor Road

Project Connect – Purple Line

\$1.8 million
(2018 GO Bonds and Housing Trust Fund)

~3 acres

RFP 2022

Phase I: NHP Foundation + Capital A (202 Units)

Phase II: Integral Care
(60 PSH Units)



5900 South Pleasant Valley 5901 Drowsy Willow

Project Connect – Purple Line

\$2,050,000
(2018 GO Bonds)

5.3 acres total

Pleasant Valley RFQ April 2023
Structure Development & JCM Ventures
74-unit Affordable Multifamily Rental

Drowsy Willow RFQ August 2023
Industry ATX
30-50 Units Austin CLT



2201 Grove Boulevard

Project Connect – Blue Line

\$3,600,000
(2018 GO Bonds)

~ 18.48 acres



Midtown Flats 615 West St. Johns

Project Connect – Blue/Orange

\$7,700,000
(Project Connect: Anti-Displacement)

40 units



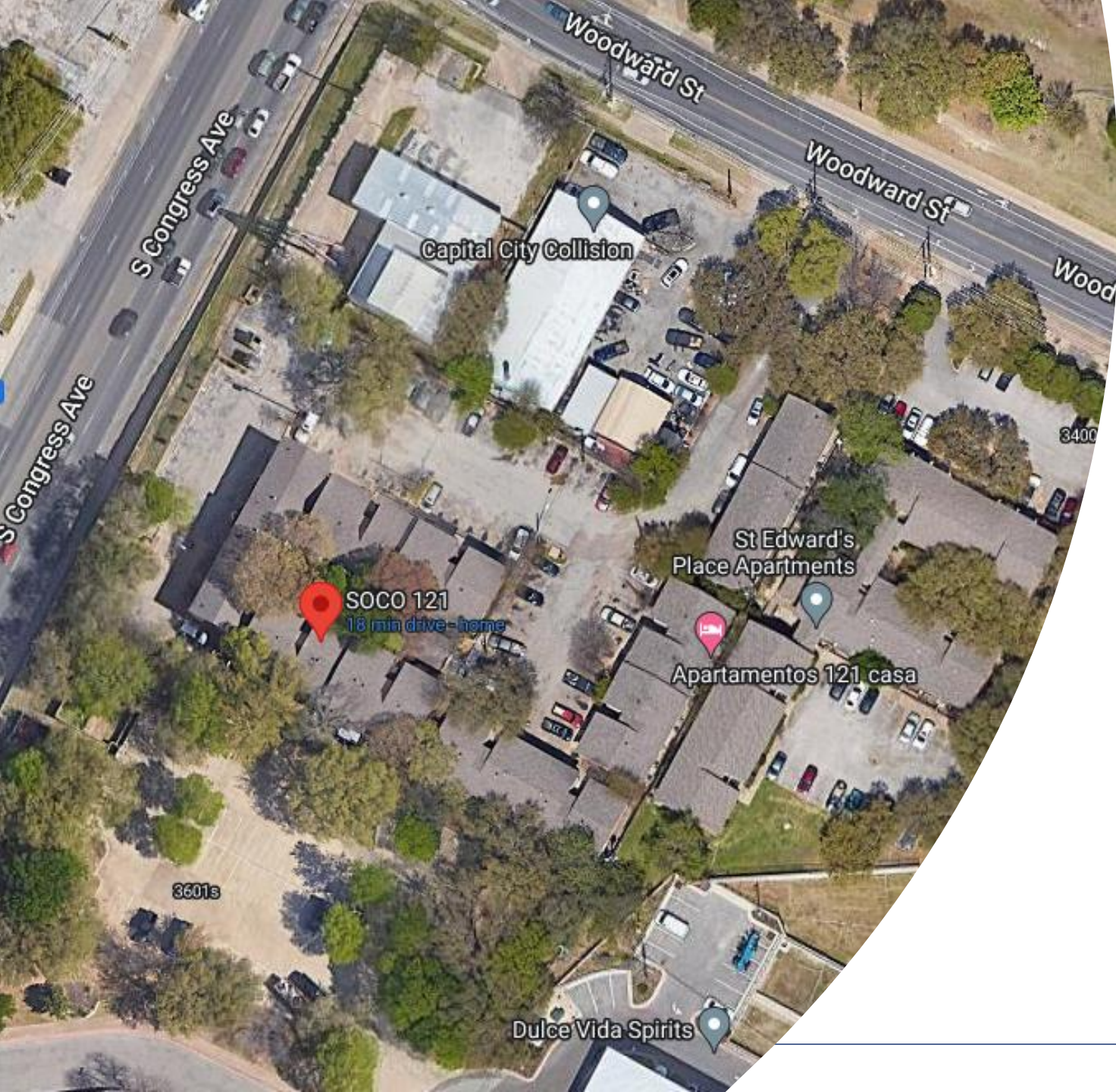
City View at the Park 2000 Woodward Street

Project Connect – 7

\$2,600,000
(Project Connect: Anti-Displacement)

70 units

Phase II 2023– 100 PSH units



SOCO 121 121 Woodward Street

Project Connect – Orange Line

\$10,670,000
(Project Connect: Anti-Displacement)

52 units

Portfolio

- 6008 and 6010 North Lamar Blvd.
- 609 E. 45th Street
- 4000 Avenue A
- 4100 Avenue A
- 4200 and 4208 Avenue A
- 4415 Avenue B
- 4209 Speedway

- Partnership with Affordable Central Texas
- \$14,900,000 (2018 GO Bonds)
- Three properties within 0.5 miles of Orange Line



Future Acquisitions



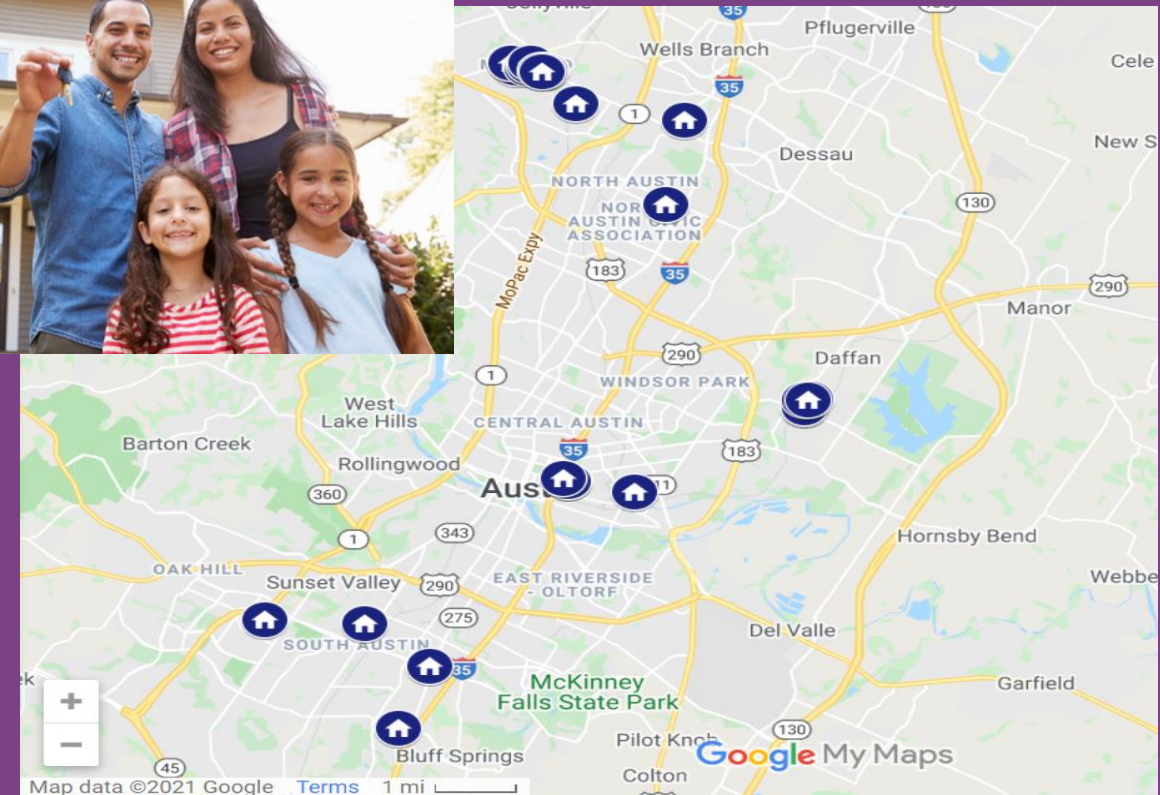
- Assemblage opportunities
 - Create multiple-acre sites that allow for comprehensive planning and phased development.
 - Create deeply affordable and mixed-income transit-supportive housing at key locations.
- Preservation opportunities
 - Naturally Occurring Affordable Housing
 - Expiring Tax Credit properties
- Multi-phase development

Austin Community Land Trust



FINANCIAL SERVICES
DEPARTMENT

- 23 CLT Homes Occupied
- 21 CLT Homes in Pipeline
- First Home Closed Spring 2023
 - Preference Policy Launch
 - Six (6) closings in FY2023
 - Up to \$40K of DPA
- 2024 Outlook
 - One Closing
 - One CLT home under contract
 - 399 Applications



Kimberly Olivares
Deputy Chief Financial Officer
kimberly.olivares@austintexas.gov

Mandy DeMayo
Interim Director, Housing Department
mandy.demayo@austintexas.gov



FINANCIAL SERVICES
DEPARTMENT