




MEMORANDUM

TO: Mayor and Council Members

FROM: Mandy DeMayo, Director, Housing Department 

DATE: February 26, 2024

SUBJECT: Staff response to Resolution 20221208-067 regarding Affordable Housing and Permanent Supportive Housing Financing

On December 8, 2022, Council approved Resolution No. [20221208-067](#) directing staff to conduct a review of affordable housing funding, density bonus programs, policies on the redevelopment of city-owned land, and homelessness service operations for the development of recommendations for policies and procedures that will prioritize the delivery of deeply affordable housing and supportive services in the Homeless Response System (HRS) from all appropriate funding sources, as permitted by law.

This memo is to confirm that staff has conducted a review of the affordable housing funding, density bonus programs, policies on the redevelopment of city-owned land, and homelessness service operations. This is an updated staff response to the following Council directives:

- prioritizing the use of joint funding solicitations that award capital, rental subsidies, and service funding; and
- dedicating a minimum amount or percentage of affordable housing capital funding to subsidize site-based Continuum of Care (CoC) and Permanent Supportive Housing (PSH) units, both of which are set aside for individuals referred through the HRS's Coordinated Entry System; and
- prioritizing affordable housing projects funded or secured through the City or the Austin Housing Finance Corporation (AHFC) that seek to maximize the number of units accepting referrals via the Coordinated Entry System; and
- revising funding and program policies, underwriting guidelines, and/or scoring of proposals to prioritize projects including greater proportions of CoC units, and/or allow for deeper per-unit subsidies for those units; and
- providing incentives to market rate and affordable housing owners and/or property managers to make existing and available units accessible to tenant based PSH and rapid re-housing as a part of the HRS by committing to accepting referrals from the Coordinated Entry System.

Staff Update

Prioritizing the use of joint funding solicitations that award capital, rental subsidies, and service funding

In 2022, the Housing Department collaborated with Austin Public Health (APH) to issue the Request for Proposals ([RFP](#)) to develop 3515 Manor Road, an Austin Housing Finance Corporation (AHFC) asset at the intersection of Manor Road and E. M. Franklin Avenue. The Seabrook Square proposal from NHP Foundation, Capital A Housing, and Integral Care was selected in July 2022. This RFP required a minimum of 48 Permanent Supportive Housing (PSH) units supported by services provided by APH; the awarded proposal includes 60 PSH units with complete wrap-around services along with 82 affordable units below 50% MFI.

While this is the first RFP for the development of an AHFC-owned property for PSH, it is by no means the first PSH partnership for AHFC. In 2020, AHFC accepted an unsolicited proposal for a partnership with Caritas of Austin and the Vecino Group for the development of Espero at Rutland, a 171-unit development with wrap-around services provided by Caritas supported by APH, 101 of which will be dedicated to the Continuum of Care and occupied by individuals from the Coordinated Entry System. Similarly, AHFC accepted an unsolicited proposal from Foundation Communities for the acquisition of a 123-unit hotel, located at the intersection of N. Mopac and Gateway, to be known as Balcones Terrace. This AHFC-owned asset has leased the property to Foundation Communities for the operation of 60 PSH units referred from the Coordinated Entry System. Additionally, Libertad Austin at Gardner is a 198-unit development that is being developed by AHFC and Vecino Group, with 50 units dedicated to Coordinated Entry.

In addition to the constructive partnership with APH, the Housing Department created a Local Housing Voucher program (LHV) with funding from the Housing Trust Fund. These project-based vouchers provide 15 years of operating support for PSH units. To date, AHFC has committed 51 vouchers to Espero at Rutland (paired with 50 HACA vouchers), 28 vouchers to Pecan Gardens (paired with 50 HACA vouchers), 25 vouchers to Cady Lofts (paired with 75 HACA vouchers), 60 vouchers to CityView Phase II (paired with 40 HACA vouchers), 50 vouchers to Cairn Point (paired with 50 HACA vouchers), and 60 vouchers to Seabrook Square II. AHFC is pleased to have the opportunity to leverage our development investments and LHV with additional project-based vouchers provided by HACA to expand the number of units available to individuals from the Coordinated Entry System. This operating subsidy ensures the long-term sustainability of these properties as the “third leg of the stool,” the other two being capital for construction (RHDA and AHFC Acquisitions) and services funding provided by APH and the Homeless Strategy Office. Housing staff and the Homeless Strategy Office (HSO) look forward to issuing more joint RFPs as we continue to learn best practices for these developments.

Dedicating a minimum amount or percentage of affordable housing capital funding to subsidize site based CoC and PSH units, both of which are set aside for individuals referred through the HRS's Coordinated Entry System

Through various programs, AHFC invests multiple funding sources into the development of a range of affordable housing. Through the 2018 General Obligation Bonds, \$100 million was dedicated to the acquisition of properties by AHFC; more than \$28 million of that was leveraged against other funds to purchase three hotels for conversion to PSH developments: Pecan Gardens (\$6.7M), Bungalows (\$4.6M), and Balcones Terrace (\$8M). In addition to these local funds, HD has dedicated more than \$16 million of CDBG funds over the last several years to the purchase of hotels to serve the homeless population, including Balcones Terrace (\$8M) and South Bridge Shelter (\$8M).

Along with the acquisition of properties, AHFC also provides capital for construction of new and rehabilitation of existing structures for affordable rental housing through the Rental Housing Development Assistance (RHDA) program. RHDA expands the community's supply of affordable rental housing for low-income households and

increases the availability of PSH for persons experiencing homelessness or low-income households with special needs. Since the approval of the 2018 General Obligation Bonds, AHFC has provided financial support for the construction of more than 1,450 PSH units serving individuals experiencing homelessness, individuals at risk of homelessness, and low-income populations with special needs. Of these 1,450 units, more than 850, or nearly 60% of the PSH units, have been dedicated to the Continuum of Care (CoC), or referred from the Coordinated Entry System. The AHFC investment in these 18 properties totals nearly \$90 million: approximately 45% of the total subsidy for new projects during this period.

Additionally, the Housing Department created the Local Housing Voucher (LHV) to provide a crucial ongoing operating subsidy and to ensure the sustainability of the property. In conjunction with APH services contracts for PSH developments, Housing has awarded LHV to multiple AHFC-owned properties and investments.

Prioritizing affordable housing projects funded or secured through the City or the Austin Housing Finance Corporation that seek to maximize the number of units accepting referrals via the Coordinated Entry System

As noted above, AHFC has consistently prioritized acquisition and funding for developments providing PSH services for residents; however, nearly 40% of PSH units have not been dedicated to referrals from the Coordinated Entry System. These PSH units fall into one of two categories: units dedicated to agencies serving vulnerable populations other than the chronically homeless and units serving the chronically homeless but not referred from the Coordinated Entry System.

To incentivize the use of referrals from the Coordinated Entry System, the RHDA application prioritizes CoC units. To qualify, development projects must commit a minimum number of units (the greater of 15 units or 10% of the total projected units) to be referred from the Coordinated Entry System; projects with more units are prioritized higher and are therefore more competitive applications for financing.

To further incentivize this coordination, the LHV and the HACA Voucher are both tied to the Coordinated Entry System. For Espero at Rutland, the 101 vouchers (HACA and LHV combined), will be referrals from the Coordinated Entry System. The remaining 70 units will be reserved for clients of Caritas, the third partner in this development. AHFC believes this blending of needs will allow the property manager and service provider the necessary space and flexibility to serve those most in need at levels required for long-term success.

Revising funding and program policies, underwriting guidelines, and/or scoring of proposals to prioritize projects including greater proportions of CoC units, and/or allow for deeper per-unit subsidies for those units

The Austin Strategic Housing Blueprint establishes a set of initiatives and priorities for the production of affordable housing units and the targeted populations that these units are intended to serve. These initiatives also receive an additional weighted score based upon the area characteristics that would best serve the targeted populations. For CoC units, the score is weighted with the following factors: mobility, access to jobs, community institutions, and social cohesion. These area characteristics afford the residents of PSH units with greater opportunities for stability and successfully remaining housed.

Due to limited ability of properties with significant numbers of PSH units to carry debt, AHFC has often served as the lender of last resort for these developments. Historically, this has meant that AHFC provides higher subsidies on average to developers who develop CoC units (versus non-CoC units). Additionally, AHFC has structured loan terms to address the challenges of different ownership structures, different locations, and different populations served. For a development with 100% of the units dedicated to CoC, AHFC also offers a low-interest (0-1%), deferred-payment loan.

Over the last year, Housing staff have collected recommendations and requests for programmatic improvements. These recommendations have come from developer partners, other City of Austin departments, and housing staff. Staff expects to have a working draft of RHDA and OHDA program guidelines ready for public review in FY2023-2024. Staff will conduct stakeholder engagement for the review of the proposed changes in concert with the community engagement activities planned for the 2024 Consolidated Plan for federal grants. New RHDA and OHDA guidelines will be ready for implementation in winter 2024.

The HD staff have been and will continue to be engaged with developers, service providers, and other housing providers throughout the year. The quarterly review cycle for RHDA/OHDA awards allows for direct contact with developers and negotiation of community benefits in exchange for gap financing. Also, the Housing Investment Review Committee (HIRC) meets quarterly to review RHDA and OHDA applications. The Housing Department and Homeless Strategy Office are active in community planning. The Homeless Strategy Officer is a member of the Continuum of Care Leadership Council and Housing and HSO staff lead and participate in the CoC Committees and their workgroups. The CoC Permanent Housing Committee and its workgroups include stakeholders from across the system with a goal to ensure that permanent housing options are available to every person experiencing homelessness in the community and all permanent housing programs meet a minimum standard of service delivery. The Committee includes the Property Engagement, Navigation Expansion, Rapid Re-Housing, and Permanent Supportive Housing Workgroups.

Providing incentives to market rate and affordable housing owners and/or property managers to make existing and available units accessible to tenant based PSH and rapid re-housing as a part of the HRS by committing to accepting referrals from the Coordinated Entry System

The Homeless Strategy Office identified the need for landlord engagement as a strategy to increase the number of units accepting tenant-based vouchers. HSO dedicated \$500,000 of the HOME ARPA grant to these efforts and contracted with the Ending Community Homelessness Coalition (ECHO). Unfortunately, ECHO was unable to deploy the funds and the contract expired on December 31, 2022. After receiving feedback from community providers regarding potential uses of these funds, HSO will resolicit the contract in early 2024.

If you have any questions or if I can provide additional information, please contact me at 512-974-1091 or Mandy.DeMayo@austintexas.gov.

cc: Jesús Garza, Interim City Manager
Veronica Briseño, Assistant City Manager