



HOUSING
DEPARTMENT

**Housing Public Facility Corporation
& Austin Housing Finance Corporation
Work Session Briefing
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- Context
- Housing Public Facility Corporation (HPFC) Overview
- Austin Housing Finance Corporation (AHFC) Overview
- Staff Recommendations



Public Facility Corporations (PFC)



What is a PFC?

- Texas Local Government Code Chapter 303
- A PFC has the "*broadest possible powers to finance or to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing, and placement in service of public facilities.*"
- Authorized to issue bonds for the purpose of financing, refinancing, or providing for the costs of one or more public facilities.
- A PFC owns a property devoted to public use and enters a lease with a for-profit entity to operate it, the property is then tax-exempt.



PFC Legislation

- 2015 Texas Legislature created the 100% PFC exemption under Section 303.042(F)
- 2023 Texas Legislature HB 2071 substantially revised chapter 303
 - ✧ Jurisdiction: a development financed by a PFC must be within the area of operation of the sponsor
 - ✧ Approval: if a majority of the members of the PFC Board are not elected officials, then the City must approve the tax exemption
 - ✧ Added tenant protections
 - ✧ Added a 60% MFI requirement
 - ✧ Renovation requirement for acquisition of existing property
 - ✧ Rent may not exceed 30% of the MFI served
 - ✧ Audit and monitoring requirements, if not already required by other funders



Typical PFC housing development:

*Not applicable with other tax-exempt bonds or Low-Income Housing Tax Credit (LIHTC),
only for **standard new construction PFC developments***

- Affordability target: "Workforce"
- Minimum affordability requirements (new construction):
 - 10% at 60% MFI
 - 40% at 80% MFI
 - Up to 50% of the units may be market-rate
 - Monthly rent on income restricted units cannot exceed 30% of the MFI unit designation (60% or 80%, respectively)
 - The unit mix by bedroom count must match between the affordable and market rate units



Typical PFC housing development:

*Not applicable with other tax-exempt bonds or Low-Income Housing Tax Credit (LIHTC),
only for **standard new construction PFC developments***

- Affordability term:
 - Minimum 10 years (or follows most restrictive funding requirements)
 - Expiration at 60 years (new construction)
 - Up to 30 years from acquisition (acquisition of occupied development)



PFCs operating in Austin

- PFC's ability to enter into loan agreements or issue debt in the sponsor's area
 - No consent or approval needed from any other subdivision or agency of the State

- PFC's ability to grant its tax-exempt status to a project in the sponsor's area
 - If a majority of the board of the PFC are not elected officials, the project must be approved by the governing body of the municipality
 - For projects approved on or after June 18, 2023
 - Unless
 - Has at least 20% of project units are reserved for "public housing units" (project-based vouchers)
 - Participates in Rental Assistance Demonstration program administered by the USDHUD
 - Receives financial assistance through Private Activity Bonds or another type of tax-exempt bond
 - Receives financial assistance through the Low-Income Housing Tax Credit program.



PFCs operating in Austin

Entity	Operational Boundary is Austin	Operational Boundary is NOT Austin	Needs COA approval to tax exempt
Austin Housing Public Facility Corporation* (City of Austin)	X		
Austin Affordable Public Facility Corporation** (Housing Authority of the City of Austin)	X		X
Austin Independent School District PFC	X		
Travis County Facility Corporation (Housing Authority of Travis County)		X	X
Texas Essential Housing Public Facility Corporation		X (SH130 only)	X
Other Housing Authorities***		X	X

* The City of Austin has created three other PFCs that are non-housing related, including the Austin Public Facilities Corporation, the Austin-Bergstrom Landhost Enterprise, and the Austin Convention Enterprises

** The Housing Authority of the City of Austin has four PFC entities it conducts business under

*** Under the statute, another housing authority could enter into a cooperation agreement with HACA that would allow them to operate in their area



Housing Public Facility Corporation



Housing PFC today

- Created in 2022 with the express purpose of increasing the competitiveness of projects for state bond lottery as an additional private activity bond issuer for affordable housing developments in the City of Austin.
- Since 2022 AHPFC has induced \$163M in Private Activity Bonds for four projects that have already closed or are in the process of closing
- **Potential for use to finance and construct housing developments that utilize its 100% tax-exempt status**



AHFC & HPFC Typical Deal Structure Side by Side

AHFC Contribution

Property Tax
Exemption

Bond Financing

Gap Financing

Public Land

Public Benefit

Deeper
Affordability

Longer Term
Affordability

Control of the
Asset

HPFC Contribution

Property Tax
Exemption

Public Benefit

"Workforce"
Affordability

Medium Term
Affordability



Austin Housing Finance Corporation



What is a Housing Finance Corporation (HFC)?

- HFC's Enabling Statute, the “Texas Housing Finance Corporation Act.” in Chapter 394 of Texas Local Government Code
- “The purpose of this chapter is to provide a means to finance the cost of residential ownership and development that will provide decent, safe, and sanitary housing at affordable prices for residents of local governments.”
 - Section 037: A housing finance corporation may issue bonds to defray, in whole or in part, the development costs of a residential development.”
 - Section 905: The housing finance corporation [and all property/income owned by it] are exempt from all taxes imposed by this state or any political subdivision of this state.



What is a Housing Finance Corporation?

- Equitable Ownership
 - Control over decision-making regarding the property
 - Ability to cure or avoid default in the financing arrangements
 - Control of the conditions that would allow it to take outright legal title to the property



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Limits of Current AHFC Model

- Geographic criteria of local and federal funding sources that focus development in certain areas
- Projects require substantial public investment through RHDA in addition to the funds the city commits through the tax exemption
- Substantial staff and consultant time is required in deal structuring and long-term asset management
- Greater responsibility and risk exposure as the General Partner



How can the HPFC
complement the AHFC?



Priorities for evaluating PFC developments seeking a tax exemption

- Geographic criteria for areas not served by AHFC:
 - Historically exclusive census tracts as defined by [Project Connect Displacement Risk Maps](#)
 - AND High Opportunity Census Tracts as defined by the [RHDA/OHDA map series](#)
- Not eligible for Housing Development Assistance funding
- Limited role/responsibilities for AHPFC in the development
- Development partners with proven, multifamily experience in Austin



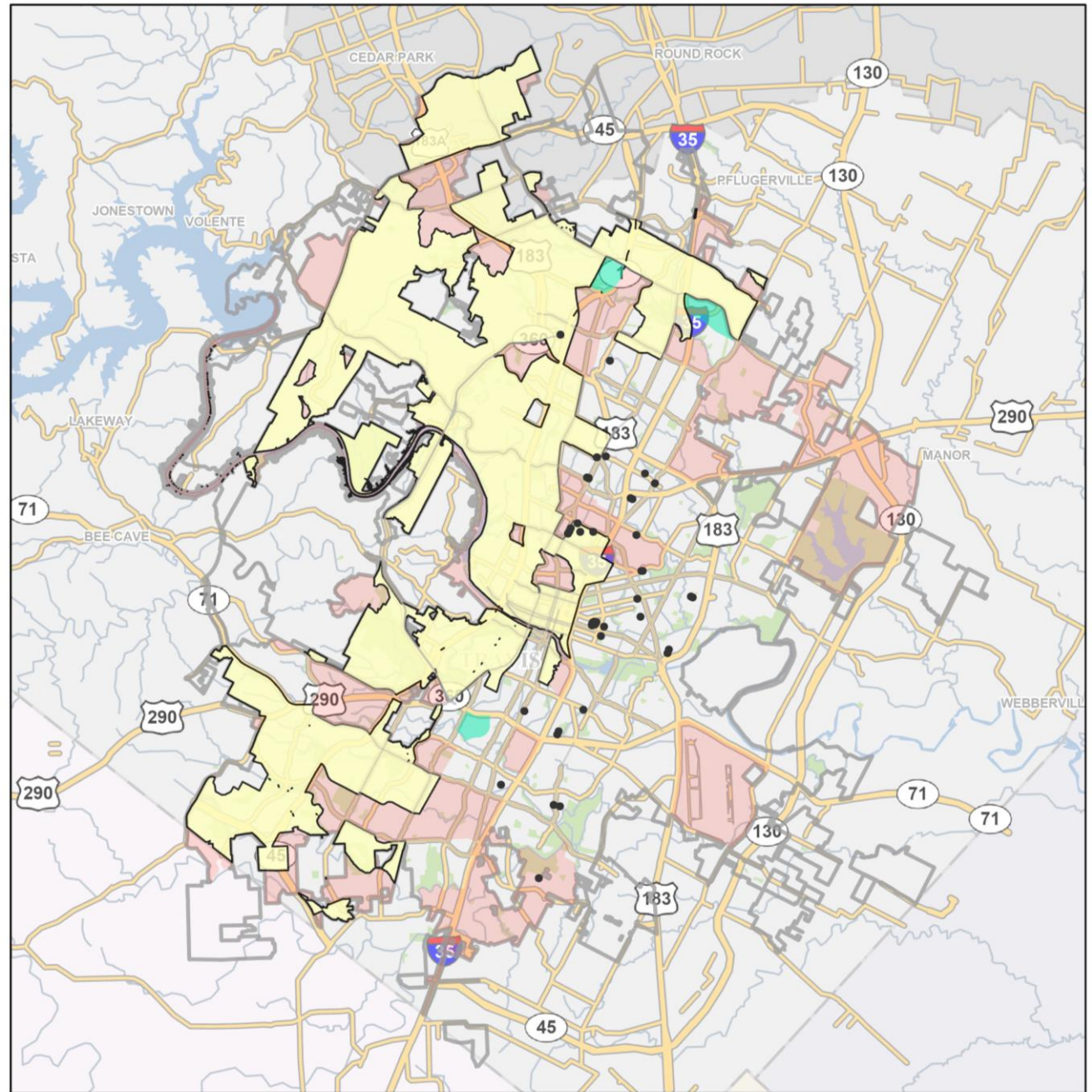
AHFC vs AHPFC Development Summary Table

Criteria	AHFC	AHPFC
Income Restrictions	90% of the units must be income restricted. Maximize the number of units at 50% MFI and below	50% of the units must be income restricted 40% of units at 80% MFI + 10% of units at 60% MFI
Geography	Dictated by funding source priorities	Historically Exclusive AND High Opportunity Census Tracts
City provided gap financing	Typical requests are \$100k+ per 50% MFI or below unit	Ineligible for City gap financing
City Entity Role	Equitable title as Ground Lessor and General Partner in the development	Property Lessor
Development Partner Criteria	Established through solicitation	Has successfully received a CO for at least 1 multi-family rental property in Austin in the last 5 years
Affordability Period	55-99 years	40 years
At expiration	Ownership reverts to AHFC	Ownership reverts to developer with AHPFC ROFR



HPFC Geographic Priority

-  Historically Exclusive Areas
-  High Opportunity Areas
-  High Opportunity & Historically Exclusive
-  AHFC Properties





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Discussion

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