



City of Austin

MEMO

Neighborhood Housing and Community Development

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Date: February 5, 2014

To: Mayor Leffingwell and Council Members

From: Betsy Spencer, Director, Neighborhood Housing and Community Development Office *BJS*

Subject: Upcoming Austin City Council Agenda Items related to local Competitive 9% Low Income Housing Tax Credit Applications and Tax-Exempt Bond Applications

The purpose of this memorandum is to provide information about several items on the Austin City Council Agenda February 13, 2014. These items are related to two multi-family housing programs administered by the Texas Department of Housing and Community Affairs (TDHCA). These requested actions are the result of legislative changes to the Texas Administrative Code and the Texas Government Code passed in 2013, in which applicants for the TDHCA programs must obtain specific resolutions from the Austin City Council to submit with their applications to TDHCA.

This memorandum provides more information on the process NHCD staff is following to respond to these requirements for applicants participating in TDHCA's 9% Competitive Low Income Housing Tax Credit program as well as the requirements for multi-family developments to be financed with tax-exempt bonds. Because local government support has a greater impact on scoring this year, in order to be competitive, applicants must be able to show that their local elected officials support their applications

LOW INCOME HOUSING TAX CREDITS

January begins the competitive funding cycle for Low Income Housing Tax Credits. Applications from affordable housing developers for proposed developments are due to TDHCA on February 28, 2014. In the past, Council has approved certain resolutions in support of local tax credit applications that enabled the applications to receive higher scores. This year, in order to address TDHCA program goals, two types of resolutions are being requested: 1) resolutions with conditional funding commitments; and 2) resolutions of "support" for an application or "no objection" to an application.

NHCD staff is recommending a “no objection” to an application that is in the Extraterritorial jurisdiction (ETJ); however, the department recommends a statement of support for Austin projects that (a) increase the City’s tax base, that (b) are certified for SMART Housing, and that (c) have applied for and are eligible to receive City funding. A development in the ETJ does not meet these specific criteria.

We anticipate the City will provide conditional funding commitments that will assist the Austin applications in this competitive process. If an Austin application receives a tax credit award, then the benefit of City funding is multiplied because of millions of dollars that will be leveraged, the jobs that are created during construction, not to mention the presumed economic benefit to the residents living in housing that is affordable to them.

Background on the Low Income Housing Tax Credit Program

The Low Income Housing Tax Credit program is an investment tax credit program codified in Section 42 of the Internal Revenue Code. It offers the private market an incentive to invest in affordable rental housing. After tax credits are awarded, developers sell these credits to investors to raise equity capital for their projects. This reduces the debt the developer would otherwise have to borrow. Because the debt is lower, a tax credit property can offer more affordable rents. The investor that purchased the tax credits can use them to offset other taxes on a dollar-for-dollar basis over a 10-year period.

This year, TDHCA has \$3.6 million in tax credits allocated to Texas Region 7 for which proposed developments in Austin and surrounding communities and counties will compete. The maximum award of tax credits for a project in Region 7 is \$1.5 million. Therefore, it is likely that only two, possibly three, projects will receive tax credit awards in this region.

Council Resolutions for Conditional Funding Commitments

Each year, TDHCA develops a Qualified Allocation Plan (QAP) that sets forth how the State’s tax credit allocation will be awarded. For the 2014 competitive cycle, funding commitments, subject to the award of tax credits, will score the maximum points if the conditional commitments are in the form of a resolution from the governing body and the commitment is for \$15,000 per affordable unit. In order to accommodate the February 28, 2014, tax credit application deadline, NHCD will bring forward Requests for Council Action (RCAs) at the February 13, 2014, Council Meeting recommending approval of conditional funding commitments, subject to the award of tax credits. If a conditional commitment is approved by resolution, the Council resolution must be included in the developer’s tax credit application. The resolution for support receives 17 points in the TDHCA scoring process. The resolution of no objection receives 14 points.

Last year, NHCD recommended setting aside \$4.5 million of the \$9.85 million CIP allocation transferred to the department’s budget in February 2013. Two Austin projects did

receive tax credit awards, and the conditional funding commitments from Council ended up being funded at \$4.25 million. The City's \$4.25 million will leverage approximately \$51 million in other funds to help develop 311 units of affordable rental housing at a cost to the City of approximately \$13,600 per unit, or 7.6% of the total project costs for the two developments. This year, NHCD staff is again recommending setting aside \$4.5 million of the initial \$15 million of General Obligations Bonds in the event that two Austin tax credit applications receive awards.

NHCD through the Austin Housing Finance Corporation has received applications for City of Austin/Austin Housing Finance Corporation funding for five proposed tax credit applications. NHCD staff has evaluated and scored the applications, which will be sent to the Housing Bond Review Committee (HBRC) for a meeting to be scheduled in early February. The Housing Bond Review Committee was created in 2007 as a result of Resolution No. 20070308-010, and serves to review staff recommendations on applications for funding. The applications to receive review and action by the City Council are as follows:

Amount of Commitment Requested	Development Name	Location	Number of Units	Developer Name
\$1,250,000	Southwest Trails, Phase II	8500 U.S. Highway 71	60	Foundation Communities
\$2,000,000	Bluebonnet Studios	2301 South Lamar Blvd.	120	Foundation Communities
\$2,200,000	DDC Merritt Lakeline Station, Ltd.	10701 Lakeline Mall Drive	200	DDC Merritt Lakeline Station, Ltd.
\$2,475,000	Rutledge Spur	NE corner Rutledge Spur and RM 620	150	Foundation Communities
\$2,805,000	Cardinal Point	11108 and 11300 Zimmerman Lane	170	Foundation Communities

In the event one or more Austin applications receive an award of tax credits in July, action by the Austin Housing Finance Corporation Board of Directors will allow for the funding of these conditional commitments.

Council Resolutions Expressing Local Government Support for 9% Tax Credit Applications

A second set of RCAs will be brought forward at the March 20, 2014 Council Meeting. These requests will be recommending approval of resolutions stating that Council either supports a particular tax credit application or that Council has “no objection” to a particular application. If Council approves these resolutions, the tax credit applicant has until April 1, 2014 to submit the resolution to TDHCA to receive the maximum points in that scoring category. Council approval of these resolutions does not commit City funds or circumvent any development review processes.

Council Resolutions pertaining to Developments to be located in the City’s ETJ

A request for a resolution was received for a proposed development to be located in the City of Austin ETJ. In order for this tax credit application to receive points in this category, the State requires the developer to secure resolutions from both the City of Austin and Travis County. At the March 20, 2014, Council will consider a resolution of “no objection” to the development. Because the location of the proposed development is outside the corporate city limits, it is ineligible to receive City/AHFC funding and is being recommended for “no objection.”

APPLICATIONS FOR TAX-EXEMPT BOND DEVELOPMENTS

Although not a competitive process, the State now requires the local governing body to conduct a public hearing on a proposed development seeking to be financed with tax-exempt bonds. The developer must include along with the application to TDHCA a resolution that a public hearing was conducted allowing for public comment and that a vote was taken to determine if a majority of members has “no objection” to the application.

To satisfy this requirement, NHCD will be bringing forth four RCAs at the February 13, 2014, Austin City Council meeting to set public hearings, with a proposed hearing date of February 27, 2014, for developments intended to be financed with tax-exempt bonds. These developments include:

Development Name	Location	Number of Units	Developer Name
Pointe at Ben White	6934 East Ben White Blvd.	250	Ben White Development, LP
Villages at Ben White (seniors)	7000 East Ben White Blvd.	183	Villages at Ben White, LP

Parmer Place Apartments	1500 East Parmer Lane	252	Pedcor Investments-2012- CXXX, LP
William Cannon Apartments	2112 East William Cannon Dr.	252	Pedcor Investments-2012- CXXXI, LP

Please contact me should you require additional information. I can be reached at 512.974.3182. David Potter, NHCD Program Manager, can also be reached for additional information at 512.974.3192.

cc: Marc A Ott, City Manager
Bert Lumbreras, Assistant City Manager