



City of Austin

MEMO

Neighborhood Housing and Community Development

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DATE: July 6, 2015

TO: Mayor Adler and Council Members

FROM: Betsy Spencer, Director
Neighborhood Housing and Community Development

SUBJECT: Resolution No. 20140925-088: Criteria for Affordable Housing Partnerships

The purpose of this memorandum is to provide information responsive to Resolution No. 20140925-088 related to the establishment of goals for affordable housing tools such as land banking and community land trusts, and to provide criteria for the tax exemption of public land utilized for affordable housing and other long term equity-based partnerships.

The process currently utilized by the Austin Housing Finance Corporation (AHFC), which was informed by the Community Development Commission (CDC), is informed by the following:

- Responsiveness to the City of Austin's **core values**: Long-term affordability, with a focus on affordability periods in perpetuity; deep affordability reaching levels 30% median family income (MFI) and below; as well as geographic dispersion, with the recognition for the need for affordable housing in high opportunity areas (Included on Page 1 of the attached Development Partnership Evaluation Process document under Principles of Partnership and on Page 2 under Scoring Criteria);
- Prioritization of development proposals that offer **superior benefits** to the community and clientele served. The proposals should exceed threshold requirements of the Housing Developer Assistance Program, Rental Housing Developer Assistance (Included on Page 6 of the attached Development Partnership Evaluation Process document under Evaluation of Proposed Partner);
- Specification of the importance of the **environmental considerations** for developments that will enable safe, decent and sanitary production and preservation of affordable housing (Included on Page 8 of the attached Development Partnership Evaluation Process document);
- Clarification of **measures of accountability** and specifications of legal instruments that ensure enforcement mechanisms and compliance of affordability periods (Included on page 8 of the attached Development Partnership Evaluation Process document);
- Inclusion of the **Rental Housing Developer Assistance Program guidelines** and scoring criteria for further clarification of information (Included on Pages 1-6 of the attached Development Partnership Evaluation Process document).

The Role of Housing Finance Corporations

The Austin Housing Finance Corporation (AHFC) was incorporated in 1979 as a public non-profit corporation under Chapter 394 of the Texas Local Government Code. The purpose of establishing Housing Finance Corporations (HFCs) 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." The primary financing mechanism at that time was the issuance of bonds to partially finance the development of affordable housing.

Following passage of the federal Tax Reform Act of 1986, the Texas Legislature in 1987 expanded the authority and powers of HFCs to address local affordable housing needs. Over the years, the Boards of Directors of AHFC, collectively, have approved an expanded role in affordable housing development for AHFC that goes beyond issuing bonds. Two aspects of this are 1) the authority to enter into contracts and agreements, with respect to residential development, with any housing authority, nonprofit enterprise, or similar entity¹; and 2) the authority to realize net corporate earnings and use those earnings to address the housing needs of low-income individuals and families.²

Reasons for Entering Development Partnerships

With the authority to enter into agreements with organizations to develop affordable housing and the authority to generate income for use in affordable housing programs, Development Partnerships offer one more "tool" to further AHFC's mission: "To generate and implement strategic housing solutions for the benefit of low- and moderate-income residents of the City of Austin." These partnerships are designed to help increase the supply of affordable rental housing and generate revenue for the corporation. By generating income, these partnerships help diversify AHFC's funding sources to further affordable housing initiatives.

In these partnerships, AHFC's liability is limited through the formation of subsidiary organizations as authorized by the AHFC Board. These AHFC subsidiaries are non-profit corporations and are the actual "partner" in the deal, not AHFC. The subsidiary non-profit will be a part owner of only the one property being developed under the partnership, thus limiting any liability to just that property and no others.

Evaluation Process

The process AHFC employs to evaluate a partnership proposal is much like evaluating a funding application through the Housing Developer Assistance Program. However, an important distinction is a greater emphasis on evaluating the proposed partner. Staff provided the Development Partnership Evaluation Process to the Community Development Commission (CDC) at its October 14, 2014, meeting. Based on the input received from CDC, a revised version that document is attached.

Cost/Benefit Evaluation

In addition, Neighborhood Housing and Community Development has created a cost/benefit analysis form to assist with the evaluation process for proposed partnerships. A key objective of the form/evaluation is to provide information about both the costs associated with the developments and the benefits to the community of the affordable housing provided. It includes information about healthcare facilities, education opportunities, transportation options, and other amenities near the properties. This is an additional tool to help inform decision-making. NHCD staff stands ready to modify the form with the ongoing feedback of City Council and community stakeholders. A sample form is attached.

¹ Texas Local Government Code, Section 394.032(d)

² *Ibid.*, Section 394.023(b)

Current AHFC Development Partnerships

- *Primrose at Shadow Creek, 1026 Clayton Lane.* A 176-unit affordable development for seniors.
Development Partner: Southwest Housing, AHFC non-profit subsidiary: Arbors at Creekside Non-Profit Corporation. (2001).
 - Development financed with funding through the Private Activity Bond program; 4 percent Low Income Tax Credit Program through the Texas Department of Housing and Community Affairs (TDHCA); and HOME Investment Partnership Program (HOME) funds.
 - Community priority: 100 percent of the units are restricted to low incomes seniors.

- *Villas on Sixth, 2021 East Sixth Street.* A 160-unit mixed-income, mixed-use family development.
Development Partner: Campbell-Hogue & Associates. AHFC non-profit subsidiary: Villas on Sixth Non-Profit Corporation. (2004)
 - Development financed with 9 percent Low Income Tax Credit Program funds through TDHCA; and Housing Trust Funds.
 - Community priority: Mixed-use, mixed income development combines commercial and residential use along the Metro Rail and within 1 mile to the Central Business District (CBD)

- *Retreat at North Bluff (formerly Village on Little Texas), 6212 Crow Lane.* A 240-unit mixed-income development.
Development Partner: Captuity Investments Three. AHFC non-profit subsidiary: AHFC Village on Little Texas Non-Profit Corporation. (2009)
 - Developed financed with Private Lender Mortgage; Private Investor Equity and General Obligation Bond funds.
 - Mixed income development offers low to moderate income households with housing opportunities west of IH35 within walking distance to schools, serving families as well as teachers in the area.
 - The development also provides for permanent supportive housing for families coming out of homelessness.

I am available should have any questions.

cc: Marc A. Ott, City of Austin, City Manager
Bert Lumbreras, City of Austin, Assistant City Manager

Attachments

- Austin Housing Finance Corporation Development Partnership Evaluation Process
- Cost/Benefit Analysis Form