

**Housing Commission to Protect and
Preserve Dynamic and Diverse Neighborhoods**
Housing Bond & Funding Subcommittee

Monday, November 9, 2015

11:30 AM – 1:00 PM

1400 South Flores

AGENDA

1. Roles and Responsibilities of Subcommittee
2. Affordable Housing Bond Overview and Case Studies
3. Subcommittee Facilitated Discussion on Framework for Potential Affordable Housing Bond
4. Future Agenda Items
5. Adjourn

SUBCOMMITTEE MEMBERS PRESENT: Jackie L. Gorman, Gabriel Q. Velasquez, Gilbert M. Piette, Richard Milk, Rod Radle

SUBCOMMITTEE MEMBERS ABSENT: Jennifer Gonzalez, Deborah Guerrero

PARTICIPATING STAFF: Peter Zanoni, Deputy City Manager; John Dugan, Director, Department of Planning & Community Development; Edward Guzman, City Attorney's Office; Christopher Lazaro, Department of Planning & Community Development; James Plummer, Council for the San Antonio Housing Trust

Edward Guzman - Looking at the housing bond, the City is available to get a housing bond through its charter. The charter specifically states that we can issues bonds to improve and repair public works for public purposes. Interesting public works is owned by city and we do not want to own affordable housing by the city. We want to make sure it is available to a wide range of developers, builders and people that work in that. Our recommendation is that when we go out to issue our bond package, we also ask for a charter amendment. The charter amendment will change so we can eliminate the restriction that it's only for public works and will say that it is for public purposes and it will be structuring that charter amendment so we have the latitude to be able to issue housing bonds under our bond program. If we don't do that we you are really limited to another section of the charter that is limited to Revenue bonds and that won't be as helpful as a general bond. May of 2017 is the next available date for a charter amendment election at this point is will be may of 2017 or November of 2017 will be the target date for bond election so you will still will be on schedule on time, the questions will be if you will have the charter amendment election and bond election on the same election date or one in May and one in November. Just as background that will be a pre cursor to getting included in a bond package. Did any of the other municipalities that have issued bonds have to go through the same? In Texas, you get that authority through the charter. Cities in Texas that have looked at it their charter has been written more broadly its showing a public purpose and don't have that public works limitation.

In California, it's a state law that allows them to issue bonds for different things, ours is charter driven and written a little narrowly so that is why we would have to make that change. If we recommend making that change will it open up a broader conversation in the larger bond package that we do not want to open up? I sat in the community review that looked at all the facilities can imagine that not publically owned facilities trying to get funded for whatever through the bond project. One of the most interesting things you are going to do for this initiative is trying to frame how it's going to be explain to public and why they should support the charter amendment and drafting in a way and making it clear that it's for this limited purpose and it doesn't open it up and now anybody can get money for something. The good thing is that we have a year to work on it and to make sure we get it right.

Christopher Lazaro - Presentation

We are going to give you so case studies of what other municipalities have done. Over the past 20 years several municipalities have achieved bonds for affordable housing activities—many of them in the last 5 years. Bond amounts range from around \$10 million, such as with Albuquerque, all the way to the state of California housing bond in 2006, in the amount of \$2.85 billion. We will look more closely at Austin which was 65 million in 2013 and 55 million in 2006. Just last week, the largest city bond for affordable housing was totaling \$310 million. Closer to home, however, Austin has now had two successful bonds related to affordable housing—one in 2006 and the other just 2 years ago. The campaign, which was run by HousingWorks Austin, was called Keep Austin Affordable, and did a great job of garnering support for the \$65 million proposition. HousingWorks also produced several YouTube videos to build its case for why voters should support the bond proposition.

This was a non city entity doing this video. After Austin's failed attempt in 2012, the City worked quickly to try again in 2013. From the resolution to begin the bond development process in January of 2013, HousingWorks and Economic & Planning Systems (EPS) to build a strong case for the need of an affordable housing bond. City Council agreed to the special election, which allowed citizens to vote on the bond proposition in November of the same year. This meant that the process from bond development to Election Day was less than 10 months.

The funds from the 2013 bond were allocated primarily to three programs: rental housing development, homeownership programs—including support for a community land trust—and a housing rehab program.

Here's how the 2013 funds are being allocated: more than 2/3 of the funds are going to the development of affordable rental housing; about 18% goes to housing rehab; and, the remaining 13% is for acquisition, for-sale development, and minor home modifications for persons needing improved accessibility.

Part of gaining support for the 2013 bond is demonstrated by the performance of its last approved bond in 2006. The \$55 million that voters approved 9 years ago helped leverage close to \$200 million in construction activity. This includes close to 3,500 new housing units, 650 home repairs, and 100 units of senior housing.

Here are a few examples of projects that were accomplished using 2006 Bond funds. At the top right is the first affordable housing development in downtown Austin in more than 50 years, called Capital Studios? Below that is the Lydia Street Alley Flat, an accessory dwelling unit (or granny flat) developed specifically as affordable housing for families earning 50% MFI or less. And, at the bottom left is The Works at Pleasant Valley, part of which includes units for youth that have aged out of foster care and are at greater risk of homelessness.

As I mentioned earlier, San Francisco residents just last week approved the largest city bond specifically for affordable housing needs. And, it did so with 73.5 percent of the vote (it needed a two-thirds majority vote to pass).

Like Austin, some of San Francisco's bond funds will be used for the development of rental housing. In addition, funds will be used to acquire existing rental properties (including rent-controlled properties) to preserve affordability, to rehab public housing, to provide rental housing for middle-income families, first-time buyer assistance specifically to teachers, and for targeted housing activities in the Mission District.

As we turn over the discussion to you all, I thought it would be helpful to provide a list of questions to consider as you discuss possible bond funds for housing activities. These questions are also shown in the printout you have in front of you.

Rod Radle - Question, was Austin's bond part of an overall larger GEO Bond package or a stand alone? 2013 was a standalone bond. In Austin and San Francisco were they general obligation bond issue, correct. The city was the grantor on it, I believe so, and did they do any projections on what they thought would be generated from the work and the projects going forward that would come back to pay down the bond versus what the city is going to have to pick up. In grants there is no money coming back in. Any discussion on that....Michael might have that information.

Rod Radle - If you \$65 million of all grant money, that's a different scenario then if you're trying to do loans and you are depending on so much debt to be paid back to bonds. On same questions, take a look at the first issuance because now we have history on that from 2006. The \$55 million in bond funds helped leverage \$200 million in development. On the leveraging, one of the things that pops up are tax credits? The QAP final version voted on the next THDCA meeting is focusing in high opportunity areas it seems to me that we need to develop some housing and preserve some housing.

Peter Zaroni - Did our Chair designate a chair for this subcommittee? Subcommittees were placed into groups but no chair was selected. We need the Commission chair to help appoint a subcommittee chair otherwise who is in charge. Or we could elect amongst ourselves, isn't the chair part of the subcommittee? Is she coming today? She won't attend today. Who are we trying to serve with this bond? Maybe that will shift the rest of our conversation with what population we are trying to serve.

Gilbert M. Piette - It seems to me a lot of research has been done already to determine what the housing need is use that information, what are the priorities that we are trying to respond to.

Rod Radle – If the city’s approach is that we are obligating these funds, we have enough cash and taxes to carry these things and we only expect for 50% to come back that tells us one thing on how we are addressing some of the issues as oppose we need to have 90% of recapture to pay down the bonds. Rehab and ADA modifications the population we are talking about will not be able to pay back the funds that were invested. How do we get the clarity at some point on how other cities have addressed that but how the city here wants to address that because that is going to shape how we structure this. Base on the report from last week, the housing needs across the board and if it’s a scenario with tax credits continuing the direction they are going then there will be larger subsidies going for any projects trying to do a affordable rent structure within 410 and 1604 that will be determine on how these bonds are being structure.

Gilbert M. Piette – If there is no drastic changes on the QAP, are we trying to balance new development which brings units into affordability with closer into town areas where tax credits are going to be harder to make happen. Looking at preserving the housing that is there so we won’t take one step forward and two steps back. There are properties that we should be trying to preserve in the center of the city and use tax credits to leverage that.

Jackie Gorman – We have to keep the QAP issue in mind. I am going to Austin to speak on behalf of SAHA to get phase three of Wheatley done. The way that is structure right, it is going to encourage gentrification because if we can’t offer reasonable/affordable housing within these older communities. The way we are going to do that is to have some sort of subsidies tax credits or something from the city, if we don’t do that then there is not going to be any new low income or affordable housing stock to replace those that are taken out of service through rehab and need to be ready to address how are we going to serve that population otherwise we will have government mandated gentrification.

Rod Radle - Housing Authority is getting nice units coming up but the physical number of affordable units is shrinking and you are giving out vouchers which overtime there will be a major increase in the near future of fewer physical units available for housing. There will be a net loss and not a new gain in affordable units. There is initial discussion on Atlazan, my proposal at the Atlazan would be that you generate enough money and leverage to build three stories high with 1200 units, you have 800 physical units that are still affordable that way you may meet the demands for tax credits but you do not decrease the numbers.

Jim Plummer – Concept for high opportunity housing approaching 9% tax credits but can do 4% tax credits throughout the city. They will need a larger subsidy than a 9% budget. You can achieve your goals in towards 4% program, right now you need a minimum of one to three million need for soft money depending on the land cost the developer and income property you are trying to achieve. Per project generally 200 units or more but you can achieve your goal of close in development using the 4% dollars.

Gilbert M. Piette – I think you are looking closer at three to four million for project.

Rod Radle –Taking units off for 100% abatement but not having rent restrictions that are still above. We are not doing affordability because setting aside units for lower income families to go ahead and utilize

but are not rent restricted units, they might be paying 40% to 50% of their income. This is another issue in this process, we need to look at a creative way of doing dialog which may be more subsidy for those units based in the Housing Bond. Setting aside units that are not affordable and taking physical units out of the market that were affordable are two major obstacles that we could eat up all our bond money.

Jackie Gorman— Having conversations with Mayor Taylor on the Housing Bond, our initial four ways into this was to address a need for some special populations and not an income driven. She suggests we target seniors, Veterans or seniors for it to be an easier sell for it to pass. Austin's first housing bond was targeted at seniors and homeless.

Edward Guzman – The reason for the first failed housing bond was because it was too vague. People could not figure out what the bond was going to do. You want to be much targeted and very clear about the purpose.

Rod Radle – Is it possible to forward information before the next meeting, can we get the information on which the other cities targeted because we do not have to reinvent the wheel. Let's look at who they targeted for assistance and how they did that by looking at the language and brochures.

Jackie Gorman – Let's look at their first successful bond and use as the best practice. How did they do that initial convince.

Edward Guzman – Austin will be a good example for us because they have the failure and success. They learned from that failure and we can learn from their failure to educate us.

Gilbert M. Piette – It's an easier sell for Senior's and Veteran's as we identify these groups, we can identify what sort of funding use to leverage.

Rod Radle – How Austin did it, how do you sell owner occupied rehab to someone living out in loop land that is one of the things we heard at last meeting, owner occupied and low income units that eventually fall. Again more displacement.

Richard Milk – Who will be champion? Suggests reaching out to lenders and financing community

Jackie Gorman – Who will be our most vocal opposition?

Rod Radle – We won't know who that will be until we know what the bond will include

John Dugan – Suggests that if bond focuses on special populations, there may be less opposition

John Dugan – What will be on the next agenda?

Jackie Gorman – Reiterated the need for more info on what other cities have done and what made them successful

Rod Radle – Depending on what proportion of the bond is grant versus loan will guide the ultimate structure of the bond program

John Dugan – Staff needs to provide detail on that—on what is feasible

John Dugan – Out of this process will come an amount

Richard Milk – What is the timeline?

Peter Zaroni – We need to engage with the CFO, City Manager, and Mayor. The bond committees will begin meeting next summer.

Peter Zaroni – Bond council is suggesting that both charter amendment and bond election will occur on the same ballot in May 2017

Rod Radle – Has there been any coordination with the County on their bond issuance?

Peter Zaroni – No formal decision or recommendations yet

John Dugan – Reviewed what will be provided for the next meeting; outstanding questions; future meeting will be scheduled once staff can address the outstanding questions

John Dugan - Adjourn