



# City of San Antonio

## Agenda Memorandum

**File Number:** 13-1064

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**Agenda Item Number:** 32.

**Agenda Date:** 12/5/2013

**In Control:** City Council A Session

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**DEPARTMENT:** Department of Planning and Community Development

**DEPARTMENT HEAD:** John M. Dugan

**COUNCIL DISTRICTS IMPACTED:** Council District 2

### **SUBJECT:**

An ordinance appropriating FY 2014 in HOME multi-family set aside funds in the form of a loan in the amount not to exceed \$600,000 as gap financing for the Merchants Ice Lofts Project.

### **SUMMARY:**

An ordinance appropriating FY 2014 in HOME multi-family set aside funds in the form of a loan in the amount not to exceed \$600,000 as gap financing for the Merchants Ice Lofts Project.

### **BACKGROUND INFORMATION:**

Herman & Kittle, Inc (H&K) is proposing an approximately \$33 million multi-family housing development located at the vacant and underutilized Merchant's Ice House building at 1305 E. Houston within the ICRIP, Inner City TIRZ (#11), Dignowity Hill Neighborhood Association, and Council District 2. The Project will consist of 262 housing units of which 50% will be affordable and 50% will be market rate. Of the 131 affordable rental units, 125 units will be restricted at 80% of area median income, with the remaining 6 units being HOME restricted units. Four (4) of the HOME units will be restricted at 60% of area median income ("High HOME") and the other 2 HOME units will be restricted at 50% of area median income ("Low HOME").

The San Antonio Housing Trust's Public Facility Corporation (PFC) will serve as co-developer of the Project and as the General Partner of Merchant's Ice Lofts LP. PFC participation provides the Project with a 20-year tax exemption from all ad valorem taxes. It is further anticipated that the City of San Antonio will execute a Center City Housing Incentive Policy (CCHIP) incentive agreement with H&K.

The Department of Planning and Community Development (DPCD) recommended the appropriation of funds to the City's Quality of Life Committee on November 19, 2013. The council sub-committee approved forwarding the appropriation of HOME funds to the Merchant's Ice House Project for full council consideration.

**ISSUE:**

Due to the location and project scope, even with the as-of-right incentives and the PFC partnership tax exemptions, a \$1.3M gap exists in the Project due to extensive environmental issues and the affordability component of the Project. City Council will be considering the use of \$700,000 from the Inner City TIRZ fund, leaving a \$600,000 gap in the financing necessary to complete the Project.

**ALTERNATIVES:**

City Council may elect not to appropriate all or a portion of the \$600,000 in HOME funds to the project, however this may result in the project not being financially feasible.

**FISCAL IMPACT:**

This proposed action will have no impact on the General Fund budget and will be funded with Home Investment Partnerships Program (HOME) funds. Specific functional areas and internal orders will be created upon approval of this Ordinance.

**RECOMMENDATION:**

Staff recommends the appropriation of FY 2014 in HOME multi-family set aside funds in the form of a loan in the amount not to exceed \$600,000 as gap financing for the Merchants Ice Lofts Project.