



# City of San Antonio

## Agenda Memorandum

**File Number:** 18-5708

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**Agenda Item Number:** 21.

**Agenda Date:** 11/15/2018

**In Control:** City Council A Session

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**DEPARTMENT:** Neighborhood and Housing Services Department

**DEPARTMENT HEAD:** Verónica R. Soto, AICP, Director

**COUNCIL DISTRICTS IMPACTED:** Council District 1

### **SUBJECT:**

Ordinance authorizing the execution of a Development Agreement with ACG St. Mary's GP, LLC ("Developer") in an amount not to exceed \$2,875,000 and authorizing a Chapter 380 Economic Development Loan Agreement in an amount not to exceed \$564,000 in Inner City Incentive Funds for the Museum Reach Lofts Project. The project is to be located at 1500 N. St. Mary's and 405 W. Jones in City Council District 1 and within the Midtown Tax Increment Reinvestment Zone.

### **SUMMARY:**

City Council is asked to consider an Ordinance approving the execution of a Development Agreement between the City of San Antonio, the Midtown TIRZ Board of Directors and the ACG St. Mary's GP, LLC for the Museum Reach Lofts project in an amount not to exceed \$2,875,000 in reimbursable TIRZ funds for the acquisition of land on which to build 94 units of multifamily housing; and authorizing a Chapter 380 Economic Development Loan Agreement in an amount not to exceed \$564,000 in Inner City Incentive Funds for the Museum Reach Lofts project. The location of the project is 1500 N. St. Mary's and 405 W. Jones, in the Midtown TIRZ and Council District 1.

### **BACKGROUND INFORMATION:**

On February 16, 2018, ACG St. Mary's GP, LLC submitted a request for TIRZ funding for 94 units of multifamily housing known as the Museum Reach Lofts Project to be located at 1500 N. St. Mary's and 405 W. Jones. The total development cost of the project is approximately \$17,500,000.

On June 15, 2018, the Midtown TIRZ Board approved a Resolution authorizing staff to negotiate an appropriate agreement in an amount not to exceed \$2,875,000 in TIRZ funding with ACG St. Mary's GP, LLC

for the Museum Reach Lofts project.

On October 31, 2018, the Board adopted a Resolution authorizing execution of the Development Agreement with ACG St. Mary’s GP, LLC to provide reimbursement in an amount not to exceed \$2,875,000 for eligible expenses.

In January 2018, CCDO received a request from ACG St. Mary’s GP, LLC for a development loan for the Housing Tax Credit property to be located at 1500 N. St. Mary’s and 405 W Jones. Although the project is located within the 2016 boundary of the Center City Housing Incentive Policy (CCHIP), the program was placed on a moratorium, thereby requiring any CCHIP incentives to be considered by City Council. Based on the 2016 policy, the applicant is eligible for \$6,000 per residential unit.

**ISSUE:**

The Museum Reach Lofts (“Project”), is to be located at 1500 N. St. Mary’s and 405 W. Jones, in the Midtown TIRZ, City Council District 1.

The approximate \$17.5 million project will construct 94 units of multifamily housing on approximately .63 acres. The five story building will consist of eight market rate units and 86 affordable units. The unit mix includes: 9 units at 30% Area Median Income (AMI), 35 units at 50% AMI, 42 units at 60% AMI, and 8 market rate units.

The following table illustrates the rent and unit mix of the project.

<b>Rents &amp; Unit Mix</b>									
	<b>30%AMI</b>		<b>50%AMI</b>		<b>60%AMI</b>		<b>Market Rate Units</b>		<b>Total Units</b>
<b>Bedroom</b>	<b>Units</b>	<b>Rents</b>	<b>Units</b>	<b>Rents</b>	<b>Units</b>	<b>Rents</b>	<b>Units</b>	<b>Rents</b>	
0	4	\$290	17	\$513	16	\$624	1	\$774	38
1	3	\$308	15	\$546	23	\$665	3	\$894	44
2	2	\$365	3	\$651	3	\$794	4	\$1,008	12
<b>Totals</b>	<b>9</b>		<b>35</b>		<b>42</b>		<b>8</b>		<b>94</b>

The Developer has agreed to maintain affordability for 35 years. Construction is set to commence January 30, 2019 with a tentative completion date of September 30, 2020.

On July 26, 2018, the Developer was awarded Competitive 9% Low Income Housing Tax Credits through the Texas Department of Housing and Community Affairs.

The developer is eligible for reimbursement from the TIRZ for land acquisition costs with the 1<sup>st</sup> payment of \$1,437,500 upon financial closing and the commencement of construction and the 2<sup>nd</sup> payment of \$1,437,500 is due upon 50% completion of the project (proof must include AIA certification from a Texas licensed Architect that the project is 50% complete).

The National Equity Fund (NEF), an affiliate of Local Initiatives Support Corporation (LISC), provided a loan to the Alamo Community Group for the purchase of the land which closed on August 1, 2018. Staff has reviewed the TIRZ application and because of the need for affordable housing in this targeted area, is recommending \$2,875,000 in TIRZ funds to assist with reimbursable land acquisition costs. Recent development trends in the area suggest that the construction of affordable housing would not occur without significant public investment.

On October 31, 2018, the Midtown TIRZ Board approved the Development Agreement. This Ordinance authorizes the execution of the Agreement between the City of San Antonio, ACG St. Mary's GP, LLC, and the Board of Directors of the Midtown TIRZ for acquisition of land on which to build 94 units of multifamily housing associated with the Museum Reach Lofts project.

A Chapter 380 Economic Development Loan in an amount not to exceed \$564,000.00 is to be funded from the Inner City Investment Fund (ICIF), and will assist with project hard costs to include underground relocation of utilities. The eligible loan amount is calculated at \$6,000 per residential unit as approved in the 2016 Center City Housing Incentive Policy (CCHIP).

**ALTERNATIVES:**

City Council could decide not to approve the Development Agreement and the Chapter 380 Economic Development Loan Agreement with ACG St. Mary's GP, LLC. If so, this action could negatively affect the Museum Reach Lofts Project.

**FISCAL IMPACT:**

This action will authorize a Development Agreement between the City of San Antonio, the Midtown TIRZ Board of Directors and the ACG St. Mary's GP, LLC in an amount not to exceed \$2,875,000 and authorizing a Chapter 380 Economic Development Loan Agreement in an amount not to exceed \$564,000 in Inner City Incentive Funds for the Museum Reach Lofts project. Projects funded through the Midtown TIRZ are paid from the tax increment collected within the Midtown TIRZ.

**RECOMMENDATION:**

Staff recommends approval of an Ordinance authorizing execution of a Development Agreement in an amount not to exceed \$2,875,000 and authorizing a Chapter 380 Economic Development Loan Agreement in an amount not to exceed \$564,000 in Inner City Incentive Funds for the Museum Reach Lofts Project to be located at 1500 N. St. Mary's and 405 W. Jones in City Council District 1; within the Midtown Tax Increment Reinvestment Zone boundary.