



# City of San Antonio

## Agenda Memorandum

**File Number:** 19-1062

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**Agenda Item Number:** 23.

**Agenda Date:** 1/10/2019

**In Control:** City Council A Session

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**DEPARTMENT:** Neighborhood & Housing Services Department

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

**COUNCIL DISTRICTS IMPACTED:** Council District 5

### **SUBJECT:**

Resolution of No Objection for TCD MCM application to the Texas Department of Housing and Community Affairs for the non-competitive 4% Housing Tax Credits program

### **SUMMARY:**

TCD MCM is seeking a Resolution of No Objection for its application to the Texas Department of Housing and Community Affairs for the non-competitive 4% Housing Tax Credits program for the rehabilitation of McMullen Square Apartments, a 100 unit affordable multi-family rental housing rehabilitation located at 537 N. General McMullen Drive in Council District 5.

### **BACKGROUND INFORMATION:**

The Texas Department of Housing and Community Affairs' (TDHCA) Housing Tax Credit program is one of the primary means of directing private capital toward the development and preservation of affordable rental housing for low-income households in the state of Texas. Housing Tax Credits are awarded to eligible participants to offset a portion of their federal tax liability in exchange for the production or preservation of affordable rental housing.

The two types of Housing Tax Credits include a competitive 9% and non-competitive 4%. TCD MCM is applying for non-competitive 4% Housing Tax Credit which is available year round unlike the competitive 9% Housing Tax Credit program which has a single annual application period. The competitive 9% Housing Tax Credit assigns points based on the type of resolution provided by a municipality (Resolution of Support versus a Resolution of No Objection), but the non-competitive 4% Housing Tax Credit only require that a Resolution of No Objection be submitted to satisfy requirements of §10.204(4)(C) of the TDHCA's Uniform Multifamily Rules.

In order to qualify to receive a Resolution of No Objection, the application must earn at least 50 out of 100 points from the City's scoring criteria outlined in the Low Income Housing Tax Credit Policy adopted by City

Council December 14, 2017.

On December 12, 2018, the Comprehensive Plan Committee approved to move this item to forward for City Council review.

**ISSUE:**

TCD MCM is submitting an application to the Texas Department of Housing and Community Affairs (TDHCA) for non-competitive 4% Housing Tax Credits program for the rehabilitation of McMullen Square Apartments, a 100 unit multi-family rental housing rehabilitation located at 537 N General McMullen Drive in Council District 5. TDHCA requires a Resolution of No Objection from the local governing body for a 4% Housing Tax Credit project.

The property is located in Council District 5. The applicants met with the Council District 5 office to provide all pertinent information regarding the proposed McMullen Square Apartments Housing Tax Credit project.

Any application earning between 50 and 69 points shall be eligible to receive a staff recommendation for a Resolution of No Objection, provided the application receives at least seven experience points under the Owner/General Partner/Property Management Experience category. TCD MCM received 13 experience points, and 73 points in total. Public engagement points were not sought in this application.

The value of the TDHCA tax credit award to TCD MCM would be approximately \$4.2 million. The total rehabilitation cost for this project will be approximately \$14.1 million. The 100 units will be income averaged to 60% of area median income (AMI) as defined by TDHCA's Rent and Income Limit tool using HUD data (e.g. a family of four will have a maximum income of \$40,080). However, of the 100 rental units, 87 will be reserved for households at 50% and below of area median income. These 87 units currently have Housing Assistance Payments contracts which TCD MCM will take over and extend to 20 years. The contracts were set to expire in 5 years prior to TCD MCM taking over the contracts. The 4% application is anticipated to be considered by the TDHCA Governing Board in January 2019. If approved, the project will commence in February 2019 and be completed by December 2019.

McMullen Square Apartments are approximately 98% occupied. Forty-four of the units are reserved for households at or below 50% AMI and 43 units are reserved for households at or below 60% AMI. McMullen Square currently has 13 market rate units. TCD MCM is working with TDHCA to revise their state application to include an income averaging provision. This provision will allow the average income of the complex to be 60% AMI and prevent the displacement of residents at 70% and 80% AMI. TCD MCM stated that they will not force any residents to vacate their units for being over income thresholds.

The majority of the rehabilitation will be completed with current residents in place. Work will be performed between 8 A.M. and 5 P.M. and, at the end of each day, the apartments will be returned to habitable condition so impacted residents will be able to return to their apartment.

The scope of work requires some units be reconfigured to meet Americans with Disabilities Act (ADA) standards. The work planned for these apartments is more substantial than the other units, and will require residents to be temporarily relocated off-site. These residents will be moved out of their apartments for less than one week. Impacted households will receive meal per diems, moving materials, and hotel accommodations at no cost to the residents.

The project is projected to contain the following unit mix:

Unit Mix	Number of Units	Monthly Rent	AMI Served
One Bedroom	2	\$750	60% and below
One Bedroom	6	\$730	50% and below*
Two Bedroom	4	\$875	60% and below
Two Bedroom	48	\$895	50% and below*
Three Bedroom	5	\$930	60% and below
Three Bedroom	27	\$1,065	50% and below*
Four Bedroom	2	\$1,040	60% and below
Four Bedroom	6	\$1,300	50% and below*

\*Residents pay no more than 30% of their income in rent. The Housing Assistance Payment contributes the rent balance.

**ALTERNATIVES:**

City Council may elect not to provide a Resolution of No Objection which would adversely impact the ability of the developer to proceed with the project.

**FISCAL IMPACT:**

There is no fiscal impact to the City’s FY 2019 Adopted Budget.

**RECOMMENDATION:**

Staff recommends City Council approval of a Resolution of No Objection for the rehabilitation of McMullen Square Apartments, a 100 unit multi-family rental housing rehabilitation located approximately at 537 N. General McMullen Drive in Council District 5.