



# City of San Antonio

## Agenda Memorandum

**File Number:**17-3725

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**Agenda Item Number:** 18B.

**Agenda Date:** 6/8/2017

**In Control:** City Council A Session

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**DEPARTMENT:** Transportation & Capital Improvements

**DEPARTMENT HEAD:** Mike Frisbie, P.E.

**COUNCIL DISTRICTS IMPACTED:** Council District 6

### **SUBJECT:**

Development of Northwest Area Recreation Center

### **SUMMARY:**

Consideration of ordinances pertaining to the Northwest Area Recreation Center Project, a 2012 General Obligation Bond and Certificates of Obligation funded project, located in Council District 6.

- A. An ordinance terminating the Development Agreement with Mission Development Group and authorizing the execution of a Sales Agreement with San Antonio Housing Trust Public Facility Corporation, declaring as surplus and authorizing the sale of approximately 5.8 acres of property in an amount of \$1,350,000.00.
- B. An ordinance authorizing the San Antonio Housing Trust Finance Corporation to issue Multi-Family Housing Revenue Bonds for the development of the Brookwood Apartments, an affordable independent senior living facility, in an amount not to exceed \$25,000,000.00.

### **BACKGROUND INFORMATION:**

- A. In May of 2012, voters approved the 2012 General Obligation Bond Program. \$3 million was designated for a project titled the Northwest Area Recreation Center in Council District 6 and \$1.4 million was designated for a Library site in Council District 6. To implement the program, the City entered into a funding agreement with the YMCA to use the Bond funds to fund a portion of the renovation of a YMCA owned building located at the corner of Potranco Road and Highway 151. In

this agreement, the YMCA designed and constructed a 5,000 square foot San Antonio Branch Library and 40,000 square foot YMCA recreational center that includes an indoor pool, gymnasium, exercise rooms and locker rooms. The new Mays Family YMCA and Potranco Branch Library opened in November 2016.

The second phase of the project was planned be accomplished through a Public-Private Partnership (P3) to include the construction of multi-purpose athletic fields on a portion of a 12.3 acre parcel purchased by the City in April 2015 from SAWS for \$2,815,000.00. In May 2015, an initial payment of \$1,500,000 was made to SAWS upon closing and the remaining balance was to be paid in three installments of \$438,333.34 in FY 2016, \$438,333.33 in FY 2017 and \$438,333.33 in FY 2018. To date, the City has paid SAWS \$1,938,333.34 in Certificates of Obligation for the property and still owes the FY2017 and FY2018 installments.

On November 1, 2012, City Council adopted the P3 guidelines in accordance with Chapter 2267 of the Texas Government Code. Per the adopted P3 guidelines in September 2013, the City issued a Request for Qualifications (RFQ) on December 9, 2014, to identify qualified developers that would build the athletic fields on six of the twelve acres. The RFQ was advertised on the City's Bidding Opportunities website, TVSA Channel 21, and through the Urban Land Institute. In addition, city staff conducted outreach efforts to ten developers. Responses were due on January 9, 2015 and one firm was responsive.

The Selection Committee, consisting of representatives from the City Manager's Office, the City Attorney's Office, Finance Department and Parks & Recreation Department evaluated the developer's qualifications and detailed proposal and recommended 210 Development Group, doing business as Mission Development Group. On April 30, 2013, City Council authorized a P3 Development Agreement which was executed by City and developer in 2015.

Under the terms of the executed P3 Development Agreement, Mission Development Group would construct the athletic fields on approximately half of the 12.3 acres and the remaining acres will be used for development of a market rate senior independent living apartments. The apartments were planned to contain 176 units valued at approximately \$19 million.

In the development agreement, Mission Development Group was to use its resources to design and build the athletic field estimated at a \$1.2 million cost. Additionally the developer and City executed a 75 year lease for the property beneath the apartments for an annual payment of \$12,000.00. The City was to receive 5% interest in the apartment project which was estimated to return an \$80,000.00 dividend to the City annually until the project was sold, at which time the City would receive 5% from the net proceeds of the sale.

A P3 Development Agreement was executed by City and developer in 2015 providing for the construction of senior apartments and the multipurpose athletic fields which could not be constructed without this partnership. However, once the agreement was executed, the economic climate for multifamily housing development had taken a downturn and the developer's financier withdrew their financing offer. The developer began to search for alternative financing and eventually turned to the assistance of the San Antonio Housing Trust Public Facility Corporation (PFC).

On April 13, 2016, the San Antonio Housing Trust PFC voted to partner with Mission Development Group on the senior independent living facility project. The developer has now secured all financing, however, the terms of the agreement have changed which requires termination of the current P3 agreement and for the City and San Antonio Housing Trust PFC to enter into a sales agreement under the same P3 procurement process. The terms of the new agreement include the sale of approximately 5.8 acres to San Antonio Housing Trust PFC for the construction of affordable senior independent living apartments. San Antonio Housing Trust PFC will then enter into a lease and development agreement with affiliates of Mission Development Group. The City will use

funds received from the sale of the property to build the multi-purpose athletic fields on the remaining 6.5 acres.

- B. The San Antonio Housing Trust Finance Corporation (SAHT FC) was formed by the San Antonio Housing Trust in 1997 under Chapter 394 of the Texas Housing Finance Act to be a financial pass-through facility to issue bonds for affordable single and multi-family housing. The board of the SAHT FC consists of five members of the San Antonio City Council from districts 1, 2, 3, 4 and 5. Additionally, the SAHT FC is administered by the San Antonio Housing Trust. On May 31, 2017, the SAHT FC met and approved the resolution for the Series 2017 revenue bonds.

Brookwood Apartments is a 197 unit tax credit rental housing development restricted to seniors over the age of 62 years, at the corner of Richland Hills and Ingram Road in Council District 6. Twenty percent or 39 of the units will be at market rate and eighty percent or 158 of the units will be restricted to 60% of area median income (e.g. a single senior citizen could have a maximum income of \$26,700 annually). The value of the Texas Department of Housing and Community Affairs tax credit award to Brookwood Apartments is \$6,475,389.00 with total development costs for the project at \$29,210,149.00. Westover Senior P3 (an affiliate of Mission Development Group, Ltd.) will be the Developer, a limited liability company created by the San Antonio Housing Trust PFC will control the general partner of the Owner, and Catamount Construction will serve as the general contractor.

Since the Brookwood Apartments are a tax credit development and have ownership interest by the San Antonio Housing Trust Public Facilities Corporation, the San Antonio Housing Trust will pay no City property taxes.

#### **ISSUE:**

- A. This ordinance terminates the Development Agreement with Mission Development Group, declares as surplus and authorizes the sale of approximately 5.8 acres of property in an amount of \$1,350,000.00 to SAHT PFC in connection with the Northwest Area Recreation Center, a 2012 General Obligation Bond and Certificates of Obligation funded project, located in Council District 6.

In the development agreement, Mission Development Group was to use its resources to design and build the athletic field estimated at a \$1.2 million cost and provide for the construction of senior independent living apartments and the multipurpose athletic fields which could not be constructed without this partnership. However, once the agreement was executed, the economic climate for multifamily housing development had taken a downturn and the developer's financier withdrew their financing offer. The developer began to search for alternative financing and eventually turned to the assistance of the San Antonio Housing Trust Public Facility Corporation.

Under the terms of the sales agreement, San Antonio Housing Trust will pay the City \$1,350,000 for 5.8 acres of land upon which the affordable senior independent living facility will be built which is the appraised fair market value of the property. San Antonio Housing Trust will enter into an agreement with Mission Development Group for the purpose of building a 197 unit affordable independent senior living facility. Of these funds, the City will use \$876,666.66 to make the FY 2017 and FY 2018 property payments to SAWS within 30 days of closing on the property sale to SAHT. The balance of the funds received from the property sale will be deposited into the Northwest Area Recreation Center Project and be used to fund the construction of the athletic fields.

- B. An ordinance authorizing the San Antonio Housing Trust Finance Corporation to issue Multi-Family Housing Revenue Bonds for the development of Brookwood Apartments, an affordable independent senior living facility, in an amount of \$25,000,000.00.

The San Antonio Housing Trust Finance Corporation proposes to issue its Multi-Family Housing Revenue Bonds to construct Brookwood Apartments, a 197 unit low income housing tax credit project restricted to seniors over that age of 62 years, at the corner of Richland Hills and Ingram Road in Council District 6. Twenty percent or 39 of the units will be at market rate and eighty percent or 158 of the units will be restricted to 60% of area median income (e.g. a single senior citizen could have a maximum income of \$26,700.00 annually). The bonds will only be payable from the revenues of the project and will not be an obligation or debt of the City. The value of the Texas Department of Housing and Community Affairs tax credit award to Brookwood Apartments is \$6,475,389.00 with total development costs for the project at \$29,210,149.00.

Since the Brookwood Apartments are a tax credit development and have ownership interest by the San Antonio Housing Trust Public Facilities Corporation, the San Antonio Housing Trust will pay no City property taxes.

## **ALTERNATIVES:**

City Council could choose not to approve this action and not sell the property to San Antonio Housing Trust for \$1,350,000.00. However, the city would lose the opportunity to collect these funds to build the athletic fields and the affordable senior independent living facility would not be built.

## **FISCAL IMPACT:**

- A. In April 2015, the City acquired the 12.3 acre parcel for a total amount of \$2,815,000.00 payable to SAWS, of which, the City made an initial payment of \$1,500,000 to SAWS upon closing and the remaining balance was to be paid in three installments of \$438,333.34 in FY 2016, \$438,333.33 in FY 2017 and \$438,333.33 in FY 2018. To date, the City has paid SAWS \$1,938,333.34 for the property and still owes the FY2017 and FY2018 installments.

Under the terms of the Sales Agreement, San Antonio Housing Trust will pay the City \$1,350,000 for 5.8 acres of land upon which the affordable senior independent living facility will be built which is the appraised fair market value of the property. San Antonio Housing Trust will enter into an agreement with Mission Development Group for the purpose of building a 197 unit affordable independent senior living facility. Of these funds, the City will use \$876,666.66 to make the FY 2017 and FY 2018 property payments to SAWS within 30 days of closing of the property sale to SAHT. The balance of the funds received from the property sale in the amount of approximately \$473,334.34 will be deposited into the Northwest Area Recreation Center Project and will be appropriated for the construction of the athletic fields. This action will amend the FY 2017 Capital Improvement Program. In addition, there are \$876,666.66 included in the city's capital improvement budget for future Certificates of Obligation that will also be used to fund the construction of the athletic fields for a total project budget of \$1,350,000.

- B. There is no fiscal impact associated with the issuance of bonds by the San Antonio Housing Trust. The San Antonio Housing Trust Finance Corporation Multi-family Housing Revenue Bonds issued in an amount not to exceed \$25,000,000.00 to develop Brookwood Apartments will only be payable from the revenues of the project and will not be an obligation or debt of the City.

Since the Brookwood Apartments are a tax credit development and have ownership interest by the San Antonio Housing Trust Public Facilities Corporation, the San Antonio Housing Trust will pay no City property taxes.

**RECOMMENDATION:**

Staff recommends that the City Council terminate the Development Agreement with Mission Development Group, declare surplus and authorize the sale of property to San Antonio Housing Trust PFC in an amount of \$1,350,000 in connection with the Northwest Area Recreation Center. Staff also recommends that City Council authorize San Antonio Housing Trust Finance Corporation to issue Multi-family Housing Revenue Bonds in an amount not to exceed \$25,000,000.00.