

**2013 STAFF REVIEW OF PROPOSALS FOR  
COMMUNITY/NEIGHBORHOOD DEVELOPMENT RESERVE FUNDS**  
(Housing Development Funds, Affordable Housing Trust Funds, Facility Acquisition/Rehab Funds, Futures Funds)

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1. **Project Name/Title:** Royster Crossing Multifamily Apartments  
 2. **Agency Name:** Movin' Out Inc. (MOI)  
 3. **Requested Amount:** \$265,841 Rental Reserve Funds (plus \$128,318 in 2012 HOME funds)  
 \$265,841 AHTF Funds for a total of \$660,000

4. **Project Type:** ☒ New ☐ Continuing

5. **Framework Plan Objective Most Directly Addressed by Proposed Activity:**

D: Rental Housing: Expand the number of affordable rental units and/or improve the quality and/or diversity of units available to lower income individuals throughout the community.

6. **Product/Service Description:**

With Stonehouse Development as a co-developer, Movin' Out proposes to acquire land and newly construct a 70 unit mixed income, accessible multifamily rental housing development at Cottage Grove and Dempsey Rds.

7. **Anticipated Accomplishments (Numbers/Type/Outcome):**

A total of 70 rental housing units will be created with 25 One-, 29 Two- and 16 Three-Bedroom units. Eighteen (18) of the units will be targeted to households with at/below 30% CMI. Twenty-four (24) of the units will be targeted to households with at/below 50% CMI. Seventeen (17) of the 70 units will have income targets between 51-60% AMI. The remaining 11 units will be market rate. At least 70 households will be served with approximately 150 individuals in the first year based on an average of 2.1 residents per unit. One-quarter of the units (25%) will be targeted at income eligible households with a member with a permanent disability. 21 of the units will be CDD-assisted with 11 units designated as HOME-assisted and 10 AHTF-assisted units.

8. **Staff Review:**

Movin' Out submitted applications for both Housing Development Reserve Funds and Affordable Housing Trust Funds (AHTF) for a total of \$660,000 (which includes \$128,318 of previously allocated 2012 HOME funds). The development team will submit an application for Low-Income Housing Tax Credits to WHEDA in January 2014 for approximately \$11.6M. If awarded tax credits in April 2014, construction would begin in October 2014 with a planned completion date of October 2015. As part of this application, MOI submitted the market study conducted by Baker Tilly which shows that sufficient demand exists for project feasibility.

MOI and Stonehouse executed an offer to purchase the land with Ruedebusch Development & Construction, Inc., current owner of the 28+ acre Royster Clark redevelopment site, in June 2013. This proposed project is part of a larger mixed-use redevelopment plan including additional market rate multifamily rental units, approximately 55 single family homes, the potential relocation of the Pinney Branch Library, and other office and limited commercial retail uses. The redevelopment site has been cleared and remediated. A Resolution to approve the creation of a Tax Incremental District for Royster Clark (TID #44) has been introduced to Common Council. If successful, the development team plans to submit an application to the City for Tax Incremental Financing. An application for a conditional use permit will be submitted in September as well.

Movin' Out has been successful in developing five previous tax credits projects, with a sixth underway. Stonehouse Development specializes in and has completed over a dozen multi-family rental development projects utilizing tax credits. Both entities have demonstrated their ability to comply with City, State and Federal regulations related to affordable housing development including tax credits requirements. Stonehouse Development will provide the property management services for all of the units.

As a co-developer and co-owner, MOI will maintain ownership of 51% of the ownership entity in the project. With a total of 21 assisted units, this project meets the 2013-2014 Program Funding Goals and Objectives maximum per unit subsidy limits of all CDD funds to \$60,000 per unit.

This project will leverage a substantial amount of additional funds. Movin' Out indicated if awarded tax credit equity of \$7.3M that they could obtain a favorable first mortgage loan of approximately \$2.6M at 7.25% plus the remaining funds needed to complete the project. Movin' Out has also applied for \$420,000 in Federal Home Loan Bank Affordable Housing Program (AHP) funds.

This proposal meets the AHTF and City's goals of redevelopment, workforce housing, mixed-income

affordable rental housing, and accessible housing for people with disabilities. The development is also consistent with the Royster-Clark Special Area Plan (Adopted 2009) specifically providing housing opportunities for a variety of households with different sizes, ages, incomes and lifestyles, with an emphasis on housing designed to meet the needs of seniors [and people with disabilities] and multi-family residential with 3+ bedroom units.

If Movin' Out is recertified as a Community Housing Development Organization (CHDO) in 2014 (as anticipated), this project will qualify towards HUD's requirement to utilize a portion of the HOME funds for CHDO development activities.

Movin' Out staff met with Alder Ahrens about the proposed project. As indicated in the attached support letter, Alder Ahrens has indicated support for the project pending neighborhood meetings and input. Movin' Out has proposed a total of \$660,000 in CDD funds as follows:

- \$265,841 in AHTF amortized over 16 years with interest at 2.75% or below the variable annual federal rate (currently 3.28%), whichever is lower, and payable annually beginning one year after project completion contingent upon sufficient cash flow to support the project.
- \$394,159 in HOME/HOME Match/Reserve Funds a shared appreciation loan of 0% interest deferred until sale or change in use. (This includes \$128,318 in previously authorized, yet uncommitted 2012 HOME funds and \$265,841 in new Reserve Funds).
- Movin' Out noted that this project is in a non-Low-Moderate Income Census Tract (CT) designated as a Scattered Site CT, and therefore eligible for funds which meet the purpose of ensuring distribution of projects to areas which do not have a concentration of people of color or low-income households.

There are sufficient Housing Development Reserve and AHTF funds available to fund the project under these terms. The terms of the AHTF as published are an installment loan with terms amortized over 10 years with 2.75% interest. In order to meet WHEDA's Tax Credit financing and investor requirements, permanent debt must be structured for at least the first 15 years. In order for a tax credit application to receive points for the receipt of these loan funds, the interest rate must be below the variable annual federal rate (currently at 3.28%) which varies monthly and repayment must be after the project cash flows. With these terms, the applicant anticipates that the project will have cash flow sufficient to pay the AHTF loan after Year 1. In exchange for a longer term (16 vs, 10 years), Movin' Out has proposed a repayment schedule which includes annual amortization of the AHTF debt. This approach allows AHTF funds to be utilized for this project while also improving the return to the City.

<b>Total Cost/Total Beneficiaries Equals:</b>	$\$11,660,550/50 = \$166,579$ per beneficiary unit
<b>CD Office Funds/CD-Eligible Beneficiaries Equals:</b>	$\$660,000/21 = \$31,429$ per unit
	$\$394,159/11 = \$35,833$ /per HOME unit
	$\$265,841/10 = \$26,584$ /per AHTF unit
<b>CD Office Funds as Percentage of Total Budget:</b>	$\$660,000/\$11,660,550 = 5.7\%$ Total CD Funds

#### 9. Staff recommendation:

1. Approve use of up to **\$128,318** in previously authorized 2012 HOME/HOME Match funds plus \$265,841 in Housing Development Reserve Funds as a 0% long term deferred loan with shared appreciation according to the terms of the 2013-2014 Program Funding Goals and Objectives.
2. Approve use of up to **\$265,841** in Affordable Housing Trust Fund funds as an installment loan for a total CDD loan of \$660,000. The terms of the AHTF loan will be amortized over 16 years with annualized interest below the variable annual federal rate and payable annually beginning one year after project completion contingent upon sufficient cash flow to support the project. In the event that the cash flow is insufficient to pay all or a portion of the annual payment, the balance of the payment due will be repaid at the end of the 16 year period. The Royster Crossing Apartments affordable rental housing project will produce a total of 70 units with 11 HOME-Assisted and 10 AHTF-Assisted units.

Staff also recommend that the calculation of the applied interest rate (i.e. whether it be calculated on a monthly basis, annual basis, average basis...) be determined so that it maximizes efficiency and return to the City.

CDD funds will be contingent upon receipt of 2014 Low Income Housing Tax Credit Financing, obtaining a post-construction appraisal supporting 115% secured loan to value ratio, an environmental assessment, CDD-approval of change in property management team, incorporation of neighborhood feedback and alder support.