

# Texas State Affordable Housing Corporation

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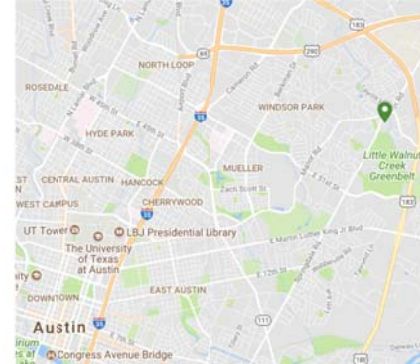
## **Agenda Item:**

Presentation, discussion and possible approval of a resolution regarding the submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with proceeds of future debt for the Walnut Creek Apartments.

## **Summary:**

The Corporation received an application from LIH Walnut Creek GP, LLC (LIH) in March 2018 for the issuance of multifamily private activity bonds for the Walnut Creek Apartments project, located at 6409 Springdale Road in Austin, Texas. The project includes the acquisition of a 98 unit multifamily housing complex that was built in 1972 and is nearing the end of its current housing assistance contract. The Corporation's Board is being asked at this time to approve an inducement resolution and provide staff with the authority to move forward with an application for private activity bond volume cap, underwriting, public hearings and drafting of bond documents to move the development towards an anticipated bond closing in July of 2018.

Map of Project Area



## **Public Benefit:**

The proposed project fulfills the Corporation's targeted housing need as an At-risk Preservation development. The applicant is also proposing to add 10 income restricted units for households earning 30% or less than the area median income.

## **Financial Summary:**

The proposed acquisition and rehabilitation of Walnut Creek Apartments has a total budget of approximately \$19 million. The proposed financing leverages tax-exempt bonds and 4% housing tax credits under a fairly typical financing structure. Approximately \$9.25 million will be used for acquisition costs, while renovation costs are estimated at \$3.98 million or \$40,620 per unit. Financing costs, soft costs, developer fees and reserves account for the remaining \$5.8 million in total costs.

The total bond amount is anticipated to be \$15 million. The bonds will be issued as short-term instruments with the proceeds from sale used for acquisition and rehabilitation activities. Chase Bank will be the permanent lender providing an approximately \$11 million 35-year mortgage with an anticipated interest rate of 4.8%. The tax credits are estimated to be valued at \$5.59 million in total equity. A seller note of \$1 million, cash flow contributions of \$915,000 and deferred developer fees and cash estimated at \$450,000 round out the remaining sources.

## **Market Conditions:**

Walnut Creek Apartments sits near the intersection of Springdale and Manor Roads in East Austin. The property was originally built in 1983 and has had a Section 8 project based rental contract since initial lease up. The project did receive 4% housing tax credits in 2000 and is near the end of its current 15-year compliance period. Although located in a mixed commercial and multifamily residential area, the property is located near many community services and amenities. Within ½ mile of the site are two

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elementary schools and students from these schools flow into Johnson High School, the location of Austin's Liberal Arts and Science Academy, which was ranked #27 in the nation by U.S. News for the 2017/18 school year. The project is also located within two miles of two full service grocery stores, Dell Children's Hospital, and the 206 acre Little Walnut Creek Preserve and Greenbelt.

The surrounding neighborhoods have seen significant growth in density and home prices over the past 10 years. In the past year home values in the 78723 zip code have increased 10.8% to \$385,330. Median rental costs have also risen sharply, so the preservation of rental assistance at Walnut Creek will have significant impacts to reducing impacts that increased housing costs have on older neighborhoods.



In addition to good access to services, schools and parks, the neighborhood is within three miles of the State Capitol, the University of Texas and other employment drivers for the Austin area.

### **Borrower Summary:**

The applicant, LIH Walnut Creek GP, LLC, is a subsidiary entity of Levy Affiliated. Founded in 1988, the company develops and manages a mix of retail centers, office buildings and apartment complexes, largely concentrated in Southern California. In the past few years they have expanded by acquiring and preserving affordable housing complexes in Hawaii, Louisiana and North Carolina. Today, Levy Affiliated owns and manages 15 properties with 1,564 units of affordable housing.

Staff contacted state housing finance agencies about Levy Affiliated's track record. Universally, they received high marks on their compliance track record and condition of properties. Additionally, they received letters of support from the California Statewide Communities Development Authority and a resolution from the City of Austin in support of their plan to preserve the Walnut Creek Apartments.

### **Staff Recommendation:**

Staff recommends that the Board approve the resolution regarding the submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Walnut Creek Apartments.

Walnut Creet - Underwriting.xlsx  
Project Summary

## Project Summary

**Applicant** LIH Walnut Creek GP, LLC

**Project Name** Walnut Creek Apartments

### Location

Address 6409 Springdale Road

City Austin

County: Travis

State TX

Zip 78723

Census Tract: 48453002108

### Funding Sources

	Amount	% of Total
TSAHC Bonds - Short Term*	\$ 15,000,000	79.13%
Chase Bank	\$ 11,000,000	58.03%
Seller Note	\$ 1,000,000	5.28%
WNC - Tax Credits	\$ 5,591,004	29.49%
Deferred Developer Fee	\$ 450,233	2.38%
Operating Cash Flow	\$ 915,137	4.83%
<b>Totals</b>	<b>\$ 18,956,374</b>	<b>95%</b>

\* not included in total

### Market Summary

	City	County	State	Census Tract
Population	907,779	1,148,176	26,956,435	3,985
Average Age	32	33	34	28
Minority Pop. %	24.1%	23.9%	25.2%	38.4%
% Hispanic	34.5%	33.7%	38.6%	42.4%
% Persons with Disability	8.8%	8.7%	11.6%	12.4%
% Households that Rent	54.7%	48.0%	38.4%	44.7%
Persons w/o Insurance	16.8%	16.1%	19.3%	22.0%
Median Household Income	\$ 60,939.00	\$ 64,422.00	\$ 54,727.00	\$ 40,990.00
Median Home Price	\$257,800	\$253,600	\$142,700	\$173,700
Median Rents	\$1,106	\$1,113	\$911	\$939
% Renters Who are Cost Burdened	47.2%	47.3%	44.4%	66.8%
% Attending Public Schools	90.7%	90.8%	93.3%	83.7%
Graduation Rate (Austin ISD)	72.4%			
Unemployment		3.1%	4.6%	
CRA Eligible Census Tract	Yes			
Medically Underserved Area	No			

	Projects	Units
# of LI Apartment Projects	5	622

**Operating Proforma**

Applicant LIH Walnut Creek GP, LLC

Project Name Walnut Creek Apartments

Number of Units	98	Affordable Units	97
Set-Aside Requirement	39	Affordable %	99%
		Accessible Unit Min.	5

**Residential Income**

Unit Type	Unit Sq. Ft.	Net Sq. Ft.	# units	Rent	Mo. Income	Inflator	Rent Limiter
1br/1ba	720	2880	4	\$ 1,147	\$ 4,588	1.02	30% AMI
1br/1ba	720	22320	31	\$ 1,147	\$ 35,557	1.02	60% AMI
1br/1ba	720	720	1	\$ -	\$ -	1.02	EO
2br/1ba	864	4320	5	\$ 1,245	\$ 6,225	1.02	30% AMI
2br/1ba	864	33696	39	\$ 1,245	\$ 48,555	1.02	60% AMI
3br/1ba	1056	1056	1	\$ 1,710	\$ 1,710	1.02	30% AMI
3br/1ba	1057	17969	17	\$ 1,710	\$ 29,070	1.02	60% AMI
		82961	98				

Other income:	\$ 20.00	\$ 1,960	1.02
Potential gross income			
Residential vacancy loss			5.00%
<b>Effective Gross Residential Income</b>			

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
\$ 55,056	\$ 56,157	\$ 57,280	\$ 58,426	\$ 59,594	\$ 65,797	\$ 72,645	
\$ 426,684	\$ 435,218	\$ 443,922	\$ 452,800	\$ 461,856	\$ 509,927	\$ 563,000	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ 74,700	\$ 76,194	\$ 77,718	\$ 79,272	\$ 80,858	\$ 89,273	\$ 98,565	
\$ 582,660	\$ 594,313	\$ 606,199	\$ 618,323	\$ 630,690	\$ 696,333	\$ 768,807	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ 20,520	\$ 20,930	\$ 21,349	\$ 21,776	\$ 22,212	\$ 24,523	\$ 27,076	
\$ 348,840	\$ 355,817	\$ 362,933	\$ 370,192	\$ 377,596	\$ 416,896	\$ 460,287	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ 23,520.00	\$ 23,990	\$ 24,470	\$ 24,960	\$ 25,459	\$ 28,109	\$ 31,034	
\$ 1,531,980	\$ 1,562,620	\$ 1,593,872	\$ 1,625,749	\$ 1,658,264	\$ 1,830,858	\$ 2,021,415	
\$ (76,599)	\$ (78,131)	\$ (79,694)	\$ (81,287)	\$ (82,913)	\$ (91,543)	\$ (101,071)	
\$ 1,455,381	\$ 1,484,489	\$ 1,514,178	\$ 1,544,462	\$ 1,575,351	\$ 1,739,315	\$ 1,920,344	

**Operating Expenses**

	TSAHC est.	Borrower Yr 1	% EGI	Variance	Per Unit	Inflator
General & Administrative	\$ 39,494	\$ 35,000	2.40	-11%	\$ 357	1.03
Management Fee	\$ 42,238	\$ 60,889	4.18	44%	\$ 621	1.03
Payroll and Related	\$ 128,674	\$ 136,500	9.38	6%	\$ 1,393	1.03
Maintenance & Repair	\$ 66,346	\$ 61,500	4.23	-7%	\$ 628	1.03
Utilities	\$ 101,234	\$ 146,052	10.04	44%	\$ 1,490	1.03
Insurance	\$ 28,616	\$ 35,000	2.40	n/a	\$ 357	1.03
Property Taxes	\$ 73,206	\$ 89,826	6.17	23%	\$ 917	1.03
Operating Debt Service Reserves			0.00	n/a	\$ -	1.03
Replacement reserves	\$ 29,400	\$ 29,400	2.02	0%	\$ 300	1.03
HTC/HOME Compliance Fees	\$ 3,880	\$ 3,880	0.27	n/a	\$ 40	1.03
Bond Compliance Fees	\$ 4,410	\$ 4,410	0.30	0%	\$ 45	1.03
Issuer Fee			0.00			1.03
Other (specify): Security	\$ 75,000	\$ 75,000	5.15		\$ 765	1.03
<b>Total Operating Expenses</b>	\$ 592,498	\$ 677,457		14%	\$ 6,913.23	
				state avg	\$ 4,861.00	per unit
				Operating Expenses as a percentage of Effective Gross Income		

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
\$ 35,000	\$ 36,050	\$ 37,132	\$ 38,245	\$ 39,393	\$ 45,667	\$ 52,941	
\$ 60,889	\$ 62,716	\$ 64,597	\$ 66,535	\$ 68,531	\$ 79,446	\$ 92,100	
\$ 136,500	\$ 140,595	\$ 144,813	\$ 149,157	\$ 153,632	\$ 178,102	\$ 206,468	
\$ 61,500	\$ 63,345	\$ 65,245	\$ 67,203	\$ 69,219	\$ 80,244	\$ 93,024	
\$ 146,052	\$ 150,434	\$ 154,947	\$ 159,595	\$ 164,383	\$ 190,565	\$ 220,917	
\$ 35,000	\$ 36,050	\$ 37,132	\$ 38,245	\$ 39,393	\$ 45,667	\$ 52,941	
\$ 89,826	\$ 92,521	\$ 95,296	\$ 98,155	\$ 101,100	\$ 117,203	\$ 135,870	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ 29,400	\$ 30,282	\$ 31,190	\$ -	\$ -	\$ -	\$ -	
\$ 3,880	\$ 3,996	\$ 4,116	\$ 4,240	\$ 4,367	\$ 5,063	\$ 5,869	
\$ 4,410	\$ 4,542	\$ 4,679	\$ 4,819	\$ 4,963	\$ 5,754	\$ 6,671	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
\$ 75,000	\$ 77,250	\$ 79,568	\$ 81,955	\$ 84,413	\$ 97,858	\$ 113,444	
\$ 677,457	\$ 697,781	\$ 718,714	\$ 708,149	\$ 729,394	\$ 845,567	\$ 980,244	
\$ 6,913	\$ 7,120	\$ 7,334	\$ 7,226	\$ 7,443	\$ 8,628	\$ 10,002	
46.5%	47.0%	47.5%	45.9%	46.3%	48.6%	51.0%	

**NET OPERATING INCOME**

\$ 777,924	\$ 786,708	\$ 795,464	\$ 836,313	\$ 845,957	\$ 893,748	\$ 940,100
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NET OPERATING INCOME

\$	777,924	\$	786,708	\$	795,464	\$	836,313	\$	845,957	\$	893,748	\$	940,100
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PRIMARY DEBT SERVICE

	Principal	Rate	Amort	Term
TSAHC Bonds - Short Term*	\$ 15,000,000	2.00%	0	2
Chase Bank	\$ 11,000,000	4.80%	35	35
Total Primary Debt	\$ 11,000,000			
TSAHC Issuer Fee	\$ 5,000			
Net Cashflow After Primary Debt				
DSCR Primary Debt				

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15
				\$ -	\$ -	\$ -	\$ -
\$	654,925	\$ 654,925	\$ 649,446	\$ 649,446	\$ 649,446	\$ 649,446	\$ 649,446
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	654,925	\$ 654,925	\$ 649,446	\$ 649,446	\$ 649,446	\$ 649,446	\$ 649,446
\$	5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000	\$ 5,000
\$	117,999	\$ 126,783	\$ 141,018	\$ 181,866	\$ 191,511	\$ 239,301	\$ 285,654
	1.18	1.19	1.22	1.28	1.29	1.37	1.44

SOFT SUBORDINATE DEBT & EQUITY

WNC - Tax Credits	\$ 5,591,004		
Seller Note	\$ 1,000,000	5.00%	75% Cash Flow
Deferred Developer Fee	\$ 450,233		
Total Secondary Debt/Equity	\$ 7,041,237		

\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	88,499	\$ 95,087	\$ 105,764	\$ 136,400	\$ 143,633		
\$	29,500	\$ 31,696	\$ 35,255	\$ 45,467	\$ 47,878	\$ 44,939	
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$	29,500	\$ 31,696	\$ 35,255	\$ 45,467	\$ 47,878	\$ 44,939	\$ -

Estimated value of completed real estate \$ 13,529,113      Estimated Cap Rate 5.75%

## Summary of Sources and Uses

**Applicant** LIH Walnut Creek GP, LLC

**Project Name** Walnut Creek Apartments

**Number of Units** 98

Sources	Amount	Amount Per Unit	Percentage of Total
TSAHC Bonds - Short Term*	\$ 15,000,000	\$ 153,061	79%
Chase Bank	\$ 11,000,000	\$ 112,245	58%
Seller Note	\$ 1,000,000	\$ 10,204	5%
WNC - Tax Credits	\$ 5,591,004	\$ 57,051	29%
Deferred Developer Fee	\$ 450,233	\$ 4,594	2%
Operating Cash Flow	\$ 915,137	\$ 9,338	5%
<b>Total Sources</b>	<b>\$ 18,956,374</b>	<b>\$ 193,432.39</b>	<b>100%</b>

Uses	Amount	Amount Per Unit	Percentage of Total
Acquisition	\$ 9,250,000	\$ 94,387.76	49%
Off-Site Construction	\$ -	\$ -	0%
On-Site Work	\$ -	\$ -	0%
Site Amenities	\$ -	\$ -	0%
Building Costs	\$ 3,980,781	\$ 40,620.21	21%
Other Const/Contingency	\$ 1,011,119	\$ 10,317.54	5%
Soft Costs	\$ 573,022	\$ 5,847.16	3%
Financing Costs	\$ 1,614,631	\$ 16,475.83	9%
Developer Fees	\$ 2,196,199	\$ 22,410.19	12%
Reserve Accounts	\$ 330,623	\$ 3,373.70	2%
<b>Total Uses</b>	<b>\$ 18,956,375</b>	<b>\$ 193,432.40</b>	<b>100%</b>

(Gap) / Reserve	\$ (1)
Percent of Developer Fee Deferred	20.50%

RESOLUTION NO. 18-\_\_\_\_

RESOLUTION Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Walnut Creek Apartments

WHEREAS, the Board of Directors of the Texas State Affordable Housing Corporation (the "Corporation") desires to submit one or more calendar year 2018 Applications for Allocation of Private Activity Bonds (collectively, the "Application") to the Texas Bond Review Board in connection with tax-exempt obligations (the "Bonds") relating to the qualified residential rental housing project located at 6409 Springdale Road, Austin, Texas 78723 (the "Project");

WHEREAS, the Corporation intends to issue the Bonds and loan the proceeds to LIH Walnut Creek Austin LP (the "Borrower"), which will use the proceeds for the acquisition, rehabilitation and equipping of the Project;

WHEREAS, it is anticipated that the Borrower will make certain capital expenditures with respect to the Project and currently desires and expects to reimburse the capital expenditures with proceeds of such debt;

WHEREAS, under Treas. Reg. § 1.150-2 (the "Regulation"), to fund such reimbursement with proceeds of tax-exempt obligations, the Corporation must declare its expectation to make such reimbursement;

WHEREAS, the Corporation desires to preserve the ability of the Borrower to reimburse the capital expenditures with proceeds of tax-exempt obligations; and

WHEREAS, the Board desires to make all other appropriate filings and requests to the Texas Bond Review Board to enable the Corporation to issue the Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE TEXAS STATE AFFORDABLE HOUSING CORPORATION:

1. That the President of the Corporation or any officer of the Corporation is hereby authorized and directed to execute and deliver the Application to the Texas Bond Review Board in connection with requesting allocation for the Bonds, together with any documents, certificates or instruments related thereto.

2. That the President of the Corporation or any other officer of the Corporation is hereby authorized and directed to file with the Texas Bond Review Board one or more Notices of Intent to Issue Bonds and one or more State Bond Applications in connection with the Bonds and such officers are further authorized and directed to request that the application(s) be approved by the Executive Director of the Texas Bond Review Board in accordance with Chapter 181 of the Texas Administrative Code, as amended.

3. That the President of the Corporation or any other officer of the Corporation is hereby authorized and directed to take any and all other actions necessary or incidental to securing the private activity bond allocation(s) and the approval of the Bonds from the Texas Bond Review Board.

4. That the Corporation reasonably expects that the Borrower will reimburse capital expenditures with respect to the Project with proceeds of debt hereafter to be incurred by the Corporation, and that this resolution shall constitute a declaration of official intent under the Regulation. The maximum principal amount of obligations expected to be issued for the Project by the Corporation is \$16,000,000.

PASSED, APPROVED AND EFFECTIVE this April 19, 2018.

TEXAS STATE AFFORDABLE  
HOUSING CORPORATION

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MINUTES AND CERTIFICATION

THE STATE OF TEXAS §
TEXAS STATE AFFORDABLE §
HOUSING CORPORATION §

The Board of Directors of the Texas State Affordable Housing Corporation (the "Corporation") convened on April 19, 2018, at its regular meeting place, and roll was called of the duly constituted members of said Board of Directors, to-wit:

Table with 2 columns: Name, Office. Rows include Robert Elliott Jones (Chairperson), William H. Dietz (Vice Chairperson), Gerry Evenwel (Director), Jerry Romero (Director), and a vacancy (Director).

and all of said persons were present except \_\_\_\_\_, thus constituting a quorum. Whereupon, among other business, the following was transacted, to-wit: a written resolution (the "Resolution") bearing the following caption was introduced for the consideration of said Board:

"RESOLUTION NO. 18-\_\_

RESOLUTION Regarding the Submission of one or more Applications for Allocation of Private Activity Bonds, Notices of Intention to Issue Bonds and State Bond Applications to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Walnut Creek Apartments"

Upon motion duly made and seconded, the Resolution was finally passed and adopted by the following vote:

\_\_\_ AYES \_\_\_ NOES \_\_\_ ABSTENTIONS

MINUTES APPROVED AND CERTIFIED TO BE TRUE AND CORRECT and to reflect accurately the duly constituted officers and members of the Board of Directors of the Corporation, and the attached and following copy of such Resolution is hereby certified to be a true and correct copy of an official copy thereof on file among the official records of the Corporation.

SIGNED this April 19, 2018.

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Secretary, Texas State Affordable Housing  
Corporation