



AGENDA MEMORANDUM
Corpus Christi B Corporation Meeting
Meeting April 21, 2025

DATE: April 16, 2025

TO: President and Honorable Board Members,
Corpus Christi B Corporation

THROUGH: Peter Zanoni, City Manager

FROM: Daniel McGinn, AICP, Director of Planning and Community Development
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Wells Fargo Bank request for Subordination and Standstill Agreement for Type B Affordable Housing Fund loan to TG 110 Palms at Morris, LP
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CAPTION:

Motion to approve Subordination and Standstill Agreement with Wells Fargo Bank National Association for the Affordable Housing Project with TG 110 Palms at Morris, LP.

SUMMARY:

Subsequent to the Corpus Christi B Corporation March 17, 2025 approval of a \$1,160,100 of Type B Affordable Housing Fund loan to construct 72 multifamily, affordable, senior units located at Morris and 19th Streets, Wells Fargo Bank, the primary lender for the Palms at Morris, is requesting a subordination agreement with the Corpus Christi B Corporation.

BACKGROUND AND FINDINGS:

Former Lamar Elementary School Neighborhood Revitalization Initiative

The Palms at Morris site is located on the former Lamar Elementary School parcel and former vacant single-family lots that were gifted to the City of Corpus Christi by the Ed Rachal Foundation. The City released a Request for Letters of Interest in August of 2023 and received responses from Prospera/TG 110 for a multifamily project as well as four single-family developers - Habitat for Humanity Corpus Christi, Thanksgiving Homes, Come Dream Come Build, and DSW Homes - that will construct between 35 and 45 infill housing on vacant lots throughout the surrounding neighborhood.

The City has been working with Prospera/TG 110 for over a year and a half to advance this project:

- December 2023: City Council approved the sale and conveyance of a 3.47-acre parcel

for the development of The Palms at Morris

- February 2024: City Council approved closure of Mary Street between 19th and 20th Streets.
- February 2024: City Council approved a resolution of support for Low-Income Housing Tax Credit award.
- June 2024: City Council approved ordinance rezoning property to support a multifamily development on the site.
- July 2024: City staff testified at Texas Department of Housing and Community Affairs Board in support of Palms at Morris Low-Income Housing Tax Credit application
- July 2024: City Council approved HOME loan award to the Palms at Morris.
- July 2024: Palms at Morris awarded Low-Income Housing Tax Credits.
- March 17, 2025: Type B Board approved Affordable Housing Project Agreement in the amount of \$1,160,100.
- April 8, 2025: City Council approved the Affordable Housing Program project between the Corpus Christi B Corporation (Type B) and TG 110 Palms at Morris, LP.
- Spring 2025: Type B Board to consider funding wastewater utility improvements in support of affordable infill housing in the former Lamar Elementary School neighborhood as part of FY 2026 budget discussion and recommendations.

Prospera Housing Community Services Description

Prospera Housing Community Services (Prospera) is a 501(c)(3) founded in 1993. TG 110 is a 501 (c)(3) affiliate of Prospera. Prospera/TG 110 currently operate 16 multifamily communities with 1,281 affordable units in the Corpus Christi. Their most recent local project is the Palms at Blucher, which was completed in 2024.

Prospera's projects include on-site resident services coordinator and supportive services such as employment training, job placement partnerships, health fairs, income tax preparation assistance, food distribution programs, and social and community events. In addition, these services are extended to residents in the surrounding neighborhood as well as the community at large.

Project Description

The Palms at Morris (2212 Morris Street) will be a 72-unit multi-family, senior affordable housing development. With all seventy-two (72) units affordable to senior households at or below 60% of area median income, the entire project is eligible under Texas Local Government Code Sec. 505.153 governing Type B Board affordable housing projects.

Palms at Morris Income Restrictions

Type	# of Units	% of total 72 Units
60% Area Median Income or Below	48	67%
50% Area Median Income or Below	16	22%
30% Area Median Income or Below	8	11%

The project will consist of 56 one-bedroom units (78%) and 16 two-bedroom units (22%). Four units (5%) will be handicap accessible, and two (2%) units will be designed for individuals with vision or hearing impairments.

The Palms at Morris incorporates many desirable elements for a senior affordable housing

project: (1) providing high quality housing for residents at affordable prices to ensure stability of the low income community, (2) eight units are being rented to residents whose incomes are at or below 30% of the area median income which are providing housing for Corpus Christi residents who are earning at or below the poverty level, (3) the property will be providing resident services such as food bank distributions, senior enrichment programming, and connecting residents to community resources and services. The Palms at Morris will also be accessible to nearby amenities such as parks, community and recreation centers, healthcare facilities, and a grocery store and pharmacy within 1.5 miles, and is conveniently located to access public transportation.

Project Costs and Funding Sources

The Type B Corporation approved the request for \$1,160,100 from the City of Corpus Christi's Type B Affordable Housing Fund during the March 17, 2025 meeting, which covers a funding gap representing six percent (6%) of the total project cost of approximately \$19.4 million. This funding gap is due to the escalation of construction costs, higher windstorm building costs, rising insurance cost, and Build America Buy America costs increases.

The Type B Corporation contribution will be secured with a loan agreement structured as a 40-year note with a 40-year amortization and an interest rate of three percent (3%). The loan would be subordinate debt and paid by cash flow remaining after payment of primary loans and the deferred developer fee.

Funding Uses	Project Costs
Land	\$10
Construction Costs	\$13,043,283
Soft Costs	\$4,076,154
Fees and Reserves	\$2,260,000
TOTAL	\$19,379,447
Funding Source	Project Funding
Tax Credit Equity	\$15,152,085
Permanent Lien – Wells Fargo ICC	\$1,100,000
City of Corpus Christi HOME Loan	\$587,531
City of Corpus Christi Type B (pending approval)	\$1,160,100
City of Corpus Christi Fee Waivers	\$500
Prospera Capital Magnate Funds	\$1,000,000
Deferred Developer Fee	\$379,231
TOTAL	\$19,379,447

ALTERNATIVES:

The Board could choose not to approve this subordination agreement with Wells Fargo Bank which could risk losing the permanent loan and current locked-in interest rate, possibly resulting loss of the tax credits and abandonment of the project.

FISCAL IMPACT:

There is no fiscal impact associated with this item.

Funding Detail:

Fund:

Organization/Activity:

Department:

Project # (CIP Only):

Account:

RECOMMENDATION:

Staff recommends approval of the Subordination and Standstill Agreement with Wells Fargo for the construction of 72 affordable senior housing apartment units at the Palms at Morris.

LIST OF SUPPORTING DOCUMENTS:

Agreement