



AGENDA MEMORANDUM

Action Item for the City Council Meeting for January 14, 2020

DATE: December 17, 2019

TO: Peter Zaroni, City Manager

FROM: Arlene Medrano, Business Liaison
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<p style="text-align: center;">Type A Affordable Housing Agreement with Fish Pond Living at Corpus Christi, LP</p>
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CAPTION:

Ordinance approving an affordable housing agreement with FishPond Living at Corpus Christi, LP located at 1002 Sixth Street in an amount not to exceed \$500,000.00 to provide affordable housing to residents of the existing Sea Gulf Villa in downtown Corpus Christi with a development deadline of two-years following the effective date of the agreement (approximately December 2021); appropriating \$500,000.00 from the unreserved fund balance in the Business/Job Development Fund; and amending the budget.

SUMMARY:

On December 9, 2019 the Type A Board passed a motion awarding an agreement with FishPond Living for an incentive in an amount not to exceed \$500,000.00 for an affordable housing project consisting of the construction of 111 rental units at 1002 Sixth Street. This motion authorizes an agreement in an amount not to exceed \$500,000.00 with FishPond Living at Corpus Christi, LP for the development of FishPond at Corpus Christi.

BACKGROUND AND FINDINGS:

FishPond at Corpus Christi will be a new 112-unit community (including one Manager's unit) on a 1.48-acre site (inclusive of a 60' easement purchased from the City of Corpus Christi) on Sixth Street between Buford and Hancock Street. The site is approximately 1.2 miles south of the existing Sea Gulf Apartments, an existing 111-unit mid-rise elderly resident building located at 416 N. Chaparral Street.

In July 2019, a joint-venture between FishPond Development and GVA Management purchased Sea Gulf Apartments; an existing 111-unit mid-rise elderly resident building located at 416 N. Chaparral Street. Sea Gulf was built in 1928 as a hospital and converted to apartments in 1979. Upon completing their due diligence for the purchase, the owners determined that the existing building was functionally obsolete for the current residency. The owners have been active in

Corpus Christi and knew that Sea Gulf would be an impact development, and so they considered several options for the property.

One plan was to apply for competitive (9%) Low-Income Housing Tax Credits and complete an extensive renovation. Unless this was the only available option, the owners did not believe it was the best use of federal or local funds. They considered a privately-funded, moderate renovation but decided that would not be a permanent solution because it is not financially feasible since the current rents would not support this project. Although the most complicated and risky option for the owners, they decided to implement the current plan: the construction of a new property using tax-exempt bonds and tax credits and relocation of the existing residents. This would allow them to accomplish two goals: 1) providing the residents of Sea Gulf a modern, new facility; and 2) allowing for the complete renovation of the existing property.

To illustrate the owners' commitment to this plan, they closed on the proposed site and incurred architects, engineers, and attorney's fees to prepare plans and apply for a zoning change without having any commitment from the US Department of Housing and Urban Development (HUD) to allow the transfer of the Section 8 Housing Assistance Payment (HAP) contract to the new site. That zoning change was approved by City Council in November 2019.

Proposed Development- FishPond at Corpus Christi

The proposed replacement property will consist of a four-story structure with an elevator. The building will offer amenity space for community events plus offices to house on-site management and the service coordinator. All units will be one-bedroom units, approximately 700 square feet (SF). There are currently 18 studios and 93 one-bedroom units at Sea Gulf Villa, and the proposed new units will be approximately 100 SF larger than the current units of 575 SF and 595 SF for the studio and one-bedroom units, respectively. Furthermore, approximately 70 surface parking spaces will be located on-site (twice as what is currently available), which will be more convenient for residents than the off-site parking currently at Sea Gulf Villa. Some of the parking will be covered - as it will be underneath the building. The new community will substantially increase the quality of life for the residents.

Like their other developments, the design of the FishPond at Corpus Christi will include many "green" construction features such as high efficiency HVAC and lighting. It will also have "Class A" features such as full wood cabinets and granite countertops. The attachments show the floorplans and a rendering of FishPond at Corpus Christi.

Note that under the financing plan, the new property will have a 30-year regulatory agreement monitored by the Texas Department of Housing and Community Affairs (TDHCA) which will require that all units remain affordable to residents at 30%, 50% and 60% of area median income. In addition, the new property will assume the existing HUD regulatory agreement and rent structure. As such, residents will not see any increase in rents, nor will residents incur any relocation costs.

Upon completion of the new development and transfer of the regulatory agreements to the new property, the existing Sea Gulf property will be available for redevelopment. Phase II will entail a complete redevelopment of Sea Gulf into loft-style, market rate housing, which appears to be more appropriate for the downtown location.

Sources and Uses of Funds and Timing

FishPond at Corpus Christi is a complicated, multi-layered transaction. The current estimated development costs are approximately \$17 million which are proposed to be funded using tax-

exempt bonds and “4% tax credits”. The developer has applied for and has received a reservation of \$10 million in tax-exempt bonds from TDHCA, which will generate approximately \$6.2 million in by-right “4% tax credits”. Upon completion of the development, the \$10 million in bonds will be retired and replaced with a permanent loan of approximately \$5.6 million (the maximum the current rents will support), tax credit equity, and other sources. Their initial application included \$500,000 in affordable housing grants from the Federal Home Loan Bank. Unfortunately, their development did not score high enough to receive those funds.

TDHCA awarded the owners \$4 million in direct loan funds which is a low interest rate (2.5%) loan that is amortized. Since this is not a grant, the financial impact is not as significant. These funds require a minimum 5% local match which is why the Type A funds are so important. On December 10, 2019, the City Council approved a resolution in support of the developer’s request for \$300,000 in HOME funds for the development.

It is common that bond-financed developments have a financing gap between sources and uses. Given that the costs are increasing, the risk that some funds may not be available (like the HAP funds), and the risk that TDHCA may still modify their underwriting to the detriment of the deal, the owners are requesting the maximum amount of Type A funds that were earmarked in April 2019 (\$500,000). It is City staff’s belief that few affordable housing projects will have the multiplied impact that the replacement and redevelopment of Sea Gulf will have in downtown Corpus Christi.

Timing

TDHCA understands the complexity of the plan, but the underwriting is still contingent on HUD’s approval to relocate the HAP contract, which the developer is still awaiting. Because they do not yet have HUD’s approval, the developer knew they would not meet the closing deadline under the bond reservation. As a result, TDHCA is going to allow them to carry forward the bonds into 2020 by which time they expect HUD’s response. This would put a closing toward the end of the first quarter of 2020 and completion of the project in the first quarter of 2021. Phase II of Sea Gulf’s renovation would start immediately thereafter.

ALTERNATIVES:

As an alternative to approving the \$500,000 agreement, the City Council could choose to either decrease the award to strictly match the 5% TDHCA loan which is equal to \$200,000 or choose to not award. However, because the developer was not awarded \$500,000 from the Federal Home Loan Bank and because this development will improve the quality of life for low-income elderly residents and additionally create a dynamic new development in downtown Corpus Christi, staff recommends approval of the full \$500,000. Additionally, City Council has shown support for this project during rezoning item at the November 12, 2019 City Council meeting

FISCAL IMPACT:

The current unreserved fund balance available for projects in the Type A Affordable Housing account is \$654,227. This item would award \$500,000 and would reduce the available balance to \$154,227. The available balance in the Type B Affordable Housing account is \$1,250,000.

FUNDING DETAIL:

Fund: 1140 – Business and Job Development
Organization/Activity: N/A
Mission Element: N/A
Project # (CIP Only): N/A
Account: N/A

RECOMMENDATION:

City staff and Downtown Management District staff recommend approval of this agreement. The initial request was for a 5% local match of the \$4 million TDHCA loan which amounts to \$200,000. The developer did apply for, but did not score high enough to receive, \$500,000 in affordable housing grants from the Federal Home Loan Bank. Therefore, staff is recommending awarding this project \$500,000 to help fill the gap. The Type A Board approved this agreement at their meeting on December 9, 2019.

LIST OF SUPPORTING DOCUMENTS:

Ordinance
Agreement
PowerPoint Presentation