



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 2/11/2020

District H

Item Creation Date: 10/24/2019

HCD19-86 McKee City Living

Agenda Item#: 17.

Summary:

ORDINANCE approving and authorizing a loan agreement between the City of Houston and **COVENANT NEIGHBORHOODS, INC.** to provide a loan of Hurricane Harvey Community Development Block Grant Disaster Recovery Funds for the City's Harvey Multifamily Program, to partially finance the new construction of **MCKEE CITY LIVING APARTMENTS**, a 120-unit multifamily affordable rental housing community, located in the vicinity of 650 McKee Street, Houston, Texas - **DISTRICT H - CISNEROS**

Background:

The Housing and Community Development Department (HCDD) recommends council approval of an Ordinance authorizing a \$14,500,000.00 Hurricane Harvey Community Development Block Grant Disaster Recovery (CDBG-DR17) forgivable loan between the City of Houston and Covenant Neighborhoods, Inc. (Borrower) joined by McKee City Living LP (Owner) to be used towards the acquisition and construction of a new multifamily development.

McKee City Living will be a 120-unit development in Downtown Houston's Warehouse District, located at 650 McKee, Houston, Texas 77002 at Buffalo Bayou on 2.1 acres. The proposed new construction development will offer mixed-income workforce housing with quick access to downtown from a property that is centrally located within Houston's urban core. The project will include a podium-style structure with three levels of housing over ground-level parking, oriented around a central courtyard. As an added benefit, this site is in a census tract with 0% poverty and in an underserved area of Houston. Moreover, the development is intended to serve individuals and families earning 60% and below of the area median income, and 20% of the development being allocated toward market-rate residents. The proposed unit distribution is 70 one-bedroom, 34 two-bedroom, and 16 three-bedroom apartment units, accessible by two elevators. Anticipated amenities include a community activity space, business center, fitness center, courtyard pool, bicycle storage, and pickup and drop stop.

The loan will be funded by CDBG-DR17 program funds, which have been awarded by the United States Department of Housing and Urban Development, through the Texas General Land Office to provide affordable rental units for low to moderate income households within the City directly impacted by Hurricane Harvey and in accordance with the City's Harvey Multifamily Program Guidelines implemented by the HCDD.

The City of Houston loan term and affordability period will be 40 years and will commence when the construction period is completed. Following project completion, the outstanding principal balance of the note shall accrue at 1% interest. Borrower will pay an annual installment equal to the lesser of (i) 1% annually on the outstanding balance of the loan plus accrued unpaid interest, if any, or (ii) 50% of the net cash flow, provided the default rate interest of 10% per annum will accrue in the event of default. Interest shall be calculated utilizing a 360-day basis for the actual number of days principal is outstanding. Unpaid interest will accrue and will be payable from future available cash flow. If the loan is not in default at the end of the 40-year term, unpaid principal and interest will be forgiven. Total funding for McKee City Living will be as follows:

Sources & Uses			
Sources:		Uses:	
City of Houston Request	\$14,500,000.00	Hard Cost	\$21,106,409.00
Conventional Loan	\$5,300,000.00	Soft Cost	\$4,273,315.00
LIHTC Equity (NEF)	\$14,398,560.00	Acquisition Cost	\$6,503,320.00
In-Kind Equity/ Deferred Developer Fee	\$1,280,960.00	Developer Fee	\$2,900,000.00
		Reserves	\$696,476.00
Total Source of Funds:	\$35,479,520.00	Total Project Cost:	\$35,479,520.00

Fiscal Note:

No Fiscal Note is required on grant items.

The Housing and Community Affairs Committee reviewed this item on September 17, 2019.

DocuSigned by:

Tom McCasland

Tom McCasland, Director

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Amount of Funding:

\$14,500,000.00

Federal State Local - Pass Through Fund

Fund 5030

Contact Information:

Roxanne Lawson

Phone: (832) 394-6307

ATTACHMENTS:

Description

Cover Sheet

HCD19-86 Affidavit of Ownership or Control

HCD19-86 Fair Campaign Ordinance Form

Type

Signed Cover sheet

Backup Material

Backup Material