

TO: Mayor via City Secretary REQUEST FOR COUNCIL ACTION 15- Pleasant Hill Village

SUBJECT: An Ordinance to 1) amend the existing Loan Agreement among the City of Houston, Pleasant Hill Community Development Corporation, and Pleasant Hill Community Apartments, Ltd. and 2) provide a new \$2,000,000 loan to Fifth Ward Community Redevelopment Corporation for the renovation of Pleasant Hill Village Apartments

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FROM: Neal Rackleff, Director Housing and Community Development Department

Origination Date 10/5/15	Agenda Date
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DIRECTOR'S SIGNATURE: 

Council District affected: District B

For additional information contact: Roxanne Lawson Phone: 832-394-6282

Date and identification of prior authorizing Council action: 6/28/96 Ord. 96-680; 2/12/14 Ord. 14-111; 11/12/14 Ord. 14-999

RECOMMENDATION: Approval of an Ordinance to 1) amend the existing Loan Agreement among the City of Houston, Pleasant Hill Community Development Corp. and Pleasant Hill Community Apartments, Ltd. and 2) provide a \$2,000,000 loan to Fifth Ward Community Redevelopment Corporation for the renovation of Pleasant Hill Village Apartments.

Amount of Funding: \$2,000,000.00 Finance Budget:

SOURCE OF FUNDING [] General Fund [X] Grant Fund [] Enterprise Fund Community Development Block Grant (CDBG)

SPECIFIC EXPLANATION: The Housing and Community Development Department (HCDD) proposes to fund \$2,000,000 for a portion of the renovation cost of the Pleasant Hill Village Apartments, a 165-unit senior's facility in the 5th Ward.

In June, 1996, City Council approved an Ordinance authorizing a Loan Agreement for \$670,000 in CDBG funds for the construction of a 165-unit community for senior citizens. City Council subsequently approved an amendment to increase the loan to \$757,000. Of the 165 units, 52% (85 units) are restricted at affordable rents for low-income Houstonians.

On February 14, 2014, City Council provided a one-year extension to the loan term and the affordability period, and a subsequent action extended the loan term to October 29, 2015 and the affordability period to September 1, 2016. The modification requested in this RCA includes a new payoff structure and a 30-year extension of the existing loan.

The owner has requested new funding to renovate the property as part of a 4% tax credit project. HCDD believes that this property is pivotal to revitalization activity in the Fifth Ward and proposes to provide a \$2,000,000 loan in conjunction with a modification of the existing indebtedness (which was an interest bearing, cash flow loan). The existing debt would be repaid as follows.

1. Owner will reduce the outstanding principal balance of \$757,000 by paying \$150,000 at closing.
2. The loan will be extended for an additional 30 years beyond completion of the renovation project.
3. The remaining principal (\$607,000) will be paid to the City in equal installments of \$2,500 per month.
4. When the owner sells or refinances the property, proceeds will be used to pay off the then-current principal balance, plus accrued interest (\$548,000), to the extent funds are available.

Funding of the property renovation will be provided as follows:

Sources of Funds:		Uses of Funds:	
Tax credit equity	\$4,317,615	Acquisition and senior loan payoff	\$5,675,000
Permanent loan (bonds)	\$5,200,000	Transaction costs	\$480,000
HCDD gap financing (CDBG)	\$2,000,000	Rehab hard costs	\$5,624,750
Seller Note	\$1,775,320	Rehab soft costs	\$830,150
Assumption of HCDD loan	757,000	Developer fee	\$925,035
Total Renovation Sources	\$14,049,935	Reserves	\$515,000
		Total Renovation Cost	\$14,049,935

This item was reviewed by the Housing and Community Affairs Committee on October 20, 2015.

NR:JN:SS

cc: CSC, FIN, MYR, LGL

REQUIRED AUTHORIZATION

Finance Department:	Other Authorization:	Other Authorization:
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