



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 10/11/2016

District H

Item Creation Date: 9/23/2016

HCD16-62 Avenue Community Development Corporation

Agenda Item#:

Background:

The Housing and Community Development Department recommends Council approve an amendment to the original Loan Agreement executed December 19, 2014, between the City of Houston and Avenue CDC for the construction of Avenue Station, a 68-unit affordable housing development. The original Loan Agreement is a zero (0) percent performance based loan that is forgivable at the end of the ten (10) year affordability period, if no default exists. The amendment will allow for a \$481,135 increase to the original \$5,500,000 commitment amount in order to fund cost overruns the project is experiencing due to project delays.

Avenue Station's 68 units will range from one to three bedrooms. Fifty-two units (76%) will be restricted for low-income tenants at affordable rents, and in conjunction with tax credit equity requirements, the affordability will run for a period of 15 years.

The original project completion date was January 2016, however, the delays have the new projected completion date at October 2016. The delays are attributed to the discovery of underground storage tanks, underground utility connection difficulties, inclement weather, and sub-contractor issues. These delays have led to increased costs in the form of additional monthly recurring expenses, additional engineering fees, and a reduction in tax credit equity.

The other stakeholders, Capital One (senior lender) and National Equity Fund (tax credit equity provider), have indicated it is neither cost effective nor feasible to re-enter the market for new bond issuance or new debt to cover these costs. Therefore, HCDD recommends Council approve the additional funds requested, as this development will provide for needed quality affordable housing in the Near Northside community. The overage will be funded through CDBG Disaster Recovery 2 funds, which were anticipated for this purpose.

The developer, Avenue CDC, is a well-respected non-profit organization with a track record of developing high-quality and well-managed affordable housing communities throughout Houston. Their mission is to preserve the area's cultural, economic, and historic diversity by developing affordable housing and economic opportunities.

This item was reviewed by the Housing and Community Affairs Committee on June 14, 2016.

Prior Council Action:

12/10/14; (O) 2014-1083

Amount of Funding:

\$481,135.00

Community Development Block Grant-Disaster Recovery Round 2 (CDBG-DR2) - Fund 5000

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