



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 12/13/2016

District H

Item Creation Date: 10/24/2016

HCD16-101 Residences at Hardy Yards

Agenda Item#:

Background:

The Housing and Community Development Department (HCDD) recommends Council approve an amendment to the loan agreement executed December 23, 2014, between the City of Houston and HY FS LLC for the construction of Residences at Hardy Yards, a mixed-income affordable housing development located at North Main and Burnett Streets in the Near Northside neighborhood. The original loan agreement is a zero percent performance-based loan that is forgivable at the end of the ten-year affordability period if no default exists. The amendment will allow for a \$4,700,000 increase to the original \$14,500,000 commitment in order to fund additional costs related to the development.

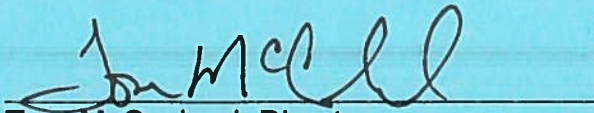
The development has a total of 350 units, including 179 (51%) affordable and 171 market-rate one- and two-bedroom units, and is part of a comprehensive, mixed-use redevelopment of the Hardy Rail Yard site. The development is scheduled to be completed during spring of 2018 and is located near the University of Houston Downtown campus and another Disaster Recovery Round 2 affordable housing development, Avenue Station.

The additional monies will fund a gap that has been created primarily due to a rise in construction costs. Prior to construction, the developer conducted vast research and spent a considerable amount of time studying construction pricing in the market in order to create the development budget. Based on this data, construction costs were estimated to be approximately \$130/SF for the project. However, as of 3rd quarter 2016, construction costs have increased to approximately \$145 to \$150/SF. HCDD recommends Council approve the additional funds as this development will provide for needed quality affordable housing in the Near Northside community. The overage will be funded through unallocated CDBG - Disaster Recovery 2 funds.

AHG Properties LLC, an affiliated company of the Zieben Group (Lee Zieben), which has previously done business with the City, has formed a partnership with Houston Housing Finance Corporation to undertake this transit-oriented development.

In exchange for this additional financing, the affordability period will be extended from 10 years to 30 years. Also, the owner has agreed to less stringent underwriting criteria as it pertains to sources of income for up to 18 units.

This item was reviewed by the Housing and Community Affairs Committee on November 15, 2016.



Tom McCasland, Director

Prior Council Action:

2014-1136, (O) 12/10/14

Amount of Funding:

\$4,700,000.00

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

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