



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 11/7/2018

District B

Item Creation Date: 4/30/2018

HCD18-50d Pleasant Hill Village Limited Scope Renovation

Agenda Item#:

Background:

The Housing and Community Development Department (HCDD) is requesting council approval of 1) an amended and restated agreement of an existing Loan Agreement among the City of Houston, Pleasant Hill Community Development Corporation and Pleasant Hill Community Apartments, L.P.; and 2) a Grant Agreement with Fifth Ward Community Redevelopment Corporation to replace a now-expired Loan Agreement approved by City Council in December 2015, to eliminate the entirety of the CDBG award and use previously appropriated TIRZ funds (by Ordinance 2017-759, approved 10/4/17) as the replacement funding source. Additionally, the Grant Agreement will increase the total award from \$2,000,000.00 to \$3,017,201.06. The amended and restated agreement will convert a payable \$757,000.00 loan issued by the City of Houston in 1996, that is currently matured, to a forgivable grant. The City of Houston will distribute proceeds from the Grant Agreement to Fifth Ward Community Redevelopment Corporation (FWCRC), which will loan them to the owner, Pleasant Hill Community Apartments, L.P. The proceeds will be used towards a limited scope rehabilitation to address critical immediate repairs including HVAC replacement, roof replacement, minor interior and exterior upgrades, and electrical upgrades.

Sources & Uses			
Sources:		Uses:	
City of Houston Request (TIRZ)	\$3,017,201.06	Hard Cost	\$2,790,666.00
Owners (PHCDC) Contribution	\$ 214,001.00	Soft Cost	\$ 440,536.06
Total Source of Funds:	\$3,231,202.06	Total Project Cost:	\$3,231,202.06

Pleasant Hill Village is a 165-unit affordable housing project completed in January 1998. The 1.75-acre site is at 3814 Lyons Avenue in Houston, Texas in the Fifth Ward Community, about 2.5 miles northeast of downtown. A single "L" shaped four-story building contains apartments for seniors with 20 efficiencies, 120 one-bedrooms and 25 two-bedrooms. An all bills paid complex, rents range between \$600.00 to \$800.00. All units are affordable to residents at 60% of area median income and below. Sponsors for the project are Pleasant Hill Community Development Corporation (PHCDC) led by Rev. Harvey Clemens Jr., and Kathy Payton, a consultant from FWCRC.

In 1996, HCDD partially financed the construction of Pleasant Hill Village with a repayable loan totaling \$757,000.00 that matured in September 2016. In December 2015, City Council approved an Amendment, Modification and Assumption Agreement to modify the \$757,000.00 repayable loan to a cash flow loan. The amendment, Ordinance 2015-1310, also authorized a Loan Agreement between the City of Houston and PHCDC providing for \$2,000,000.00 in CDBG funds for the renovation of Pleasant Hill Village Apartments. The agreement included a structure with \$4,300,000.00 of Housing Tax Credits (HTC) as well as \$5,200,000.00 of tax exempt bonds. After a prolonged underwriting period, the HTC investor did not close on its financing due to potential environmental site risks. However, HCDD's environmental review has certified that the site meets environmental standards.

Due to the property's immediate repair needs, PHCDC requested to close on the HCDD financing without the HTC structure. PHCDC also requested to increase of the HCDD award by an additional \$1,017,201.00 and reduce the scope of the renovations to include HVAC replacement, roof replacement, minor interior and exterior upgrades, and electrical upgrades.

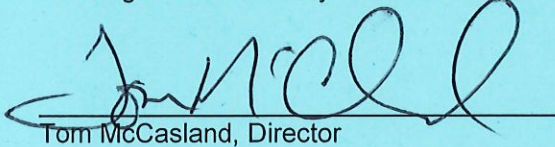
The property has significant deferred maintenance issues that present health and safety concerns for residents. Such issues have led to a 30% decrease in occupancy with up to 50 vacant units. To avoid functional obsolescence,

HCDD recommends moving forward with the proposed limited-scope renovation to address critical immediate repairs. Modifications to the transactions approved by the December 2015 ordinance will include:

1. Revising the contract to permit funding for the current repairs without the HTC structure
2. Amending payment terms to an existing loan balance totaling \$757,000.00. The existing loan terms require an initial principal payment of \$150,000.00 at closing of the HTC financing, monthly installments of \$2,500.00 and balance of \$457,000.00 paid at maturity (5 years after closing). Without the HTC investment the borrower is unable to make the principal reductions. The proposed amendment will convert the existing contract to a grant with no payments as the project meets certain occupancy requirements.
3. Replacing the previously approved \$2,000,000.00 CDBG loan with a \$3,017,201.06 grant of previously appropriated TIRZ proceeds. No CDBG funds will be used for this project.

This request will preserve approximately 115 affordable units and house up to 50 additional senior households in the Fifth Ward Community. The property is encumbered to a 40-year Land Use Restriction Agreement with the Texas Department of Housing and Community Affairs (TDHCA) to conclude in 2038. PHCDC will be required to notify HCDD of its TDHCA compliance standing on an annual basis to ensure affordability. HCDD will require a "reach back" clause that if the property falls out of compliance with TDHCA standards. If this occurs, the contract will be in default and all grant proceeds will become immediately payable. These new terms will ease the administrative and fiscal burden placed on Pleasant Hill Village while offering them a path towards financial sustainability.

Housing and Community Affairs Committee reviewed this item on May 15, 2018.



Tom McCasland, Director

Prior Council Action:

10/04/17, (O) 2017-0759
12/22/15, (O) 2015-1310
11/12/14, (O) 2014-0999
02/12/14, (O) 2014-0111
06/28/96, (O) 1996-0680

Amount of Funding:

\$3,017,201.06 - TIRZ Affordable Housing Fund 2409 (previously appropriated)

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