



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 12/10/2019

District J

Item Creation Date: 11/18/2019

HCD19-90a South Rice Apartments

Agenda Item#: 26.

Summary:

ORDINANCE approving and authorizing a loan agreement between the City of Houston and **SOUTH RICE APARTMENTS, LTD.** to provide a \$12,400,000.00 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 South Rice Apartments, a 115-unit family affordable rental housing community, located in the vicinity of 5612 South Rice Avenue, Houston, Texas; containing findings and other provisions relating to the foregoing subject; and declaring an emergency - **DISTRICT J - LASTER**

Background:

The Housing and Community Development Department (HCDD) requests Council approval of an Ordinance authorizing a \$12,400,000.00 loan to South Rice Apartments Ltd., a subsidiary of Brownstone Affordable Housing, for the purpose of financing a portion of the costs for the new construction of an affordable housing community for individuals and families.

Located at 5612 South Rice Avenue within the Gulfton Complete Community, South Rice Apartments is a 115-unit affordable rental housing community containing a mix of one, two and three-bedroom units.

The development site is located between The Galleria and the City of Bellaire, an area vulnerable to the lack of affordable housing and already undergoing private funded revitalization plans. South Rice Apartments will serve individuals with income levels at 80 percent of the Area Median Income and below.

The loan will be funded by Hurricane Harvey Community Development Block Grant-Disaster Recovery (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. Loan will be non-amortizing throughout both the construction and permanent period. 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 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.

Sources:		Uses:	
9% Housing Tax Credit	\$13,723,628.00	Hard Cost	\$22,198,759.00
Syndication Proceeds (National Equity Fund)			
City of Houston Request	\$12,400,000.00	Soft Cost	\$2,740,913.00
Permanent Loan (BBVA Compass)	\$5,500,000.00	Acquisition Cost	\$5,660,000.00
In-Kind Equity/ Deferred Developer Fee	\$1,352,290.00	Developer Fee	\$2,000,000.00
Other Sources	\$110,000.00	Reserves	\$486,245.00
Total Source of Funds:	\$33,085,918.00	Total Project Cost:	\$33,085,918.00

Fiscal Note:

No Fiscal Note is required on grant items.

The Housing and Community Affairs Committee reviewed this item on November 19, 2019.

DocuSigned by:


Tom McCasland, Director
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Amount of Funding:

\$12,400,000.00 Federal State Local - Pass Through Fund (5030)

Contact Information:

Roxanne Lawson
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ATTACHMENTS:

Description

HCD19-90 Cover Sheet
HCD19-90 Affidavit of Ownership or Control Form
HCD19-90 Fair Campaign Ordinance

Type

Signed Cover sheet
Backup Material
Backup Material