

**CITY OF SAN ANTONIO
DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT
INTERDEPARTMENTAL CORRESPONDENCE**

TO: Mayor and City Council

FROM: Andrew W. Cameron, Director, Housing & Community Development

THROUGH: Terry M. Brechtel, City Manager

COPIES: Jelynn LeBlanc Burley; Milo Nitschke; Ramiro Cavazos; Trey Jacobson

SUBJECT: Policy & Recommendation for Tax Exempt Bond Financed Project

DATE: January 30, 2003

Summary and Recommendations

This ordinance approves a policy for reviewing Tax Exempt and Taxable Bond Financed Projects submitted to the City of San Antonio by the San Antonio Housing Finance Corporation or the San Antonio Housing Trust Finance Corporation. This also approves a Bond Financing Transaction for the Autumn Oaks and the Crest of Thousand Oaks Apartments in the amount of \$13,675,000.

Staff recommends approval.

Background Information

The San Antonio Housing Authority, San Antonio Housing Finance Corporation, and the San Antonio Housing Trust Corporation were authorized by the City Council to issue Tax Exempt Bond Financing for Multi-family housing developments. Because authorization to issue bonds was granted by the City, any bonds issued by either entity must be approved by the City Council. In the past four years, only two projects have been approved through the City Council for Tax Exempt Bond Financing. In the past, projects were submitted routinely through the City Manager's Office, reviewed for project viability, and if appropriate, brought to the City Council for action. As a result of the State law allowing certain non-profit organizations to exempt their property from municipal taxes, staff developed a policy for reviewing applications submitted for Tax Exempt funding.

Staff is proposing that all applications be submitted to the Department of Housing & Community Development (H&CD). HCD will review for compliance with the Consolidated Plan, which is adopted by City Council each year with the CDBG Program Budget. The Consolidated Plan would require the development of additional dwelling units and/or the renovation of existing units. Either activity would add value to the City's Housing inventory. The application will also receive a fiscal review by the City Finance Director. This review, based on the project proforma, will determine if the project is a prudent financial investment. Based on the information generated by H&CD and Finance, a recommendation will be made to the City Council. In the case of a non-profit that elects to remove the project from the City's Tax Role, the project must be more than just a sound financial investment. Staff recommends that the project also add value to the City's Housing Inventory by adding additional units and/or substantially rehabilitating existing units. Staff will review these projects on the basis of their cash flow and develop a plan for an annual contribution to the City's Neighborhood Revitalization Fund throughout the term of the financing to compensate for Tax Revenues not realized.

The applicant for the Crest of Thousand Oaks and Autumn Oaks Apartments' project is requesting bond financing in the amount of \$13,675,000 of which \$13,375,000 is Tax Exempt and \$300,000 is taxable. The projects' profile is as follows:

The Crest of Thousand Oaks Apartments:

Address:	4620 Thousand Oaks Drive San Antonio, TX 78233/District 10
Number of Units:	296
Percent Occupied:	85%
Year Constructed:	1982
Renovations to Project:	seal parking lot, paint exterior, replace wood on specified balconies.

Autumn Oaks Apartments:

Address:	3200 Thousand Oaks Drive San Antonio, TX 78247/ District 10
Number of Units:	114
Percent Occupied:	90%
Year Constructed:	1982
Renovations to Project:	replace eight (8) HVAC units, install French drain in parking lot

Bond Financing and Expenditures for both Projects

Tax Exempt	\$13,375,000.00
Taxable	300,000.00
Borrower Equity	21,348.00
	\$13,696,348.00
Acquisition	\$12,475,000.00
Rehabilitation	286,400.00
Financing/Issuance Costs	525,063.00
Soft Costs	159,885.00
Tax Escrow (1 year)	250,000.00
	\$13,696,348.00

Staff Recommendation

The initial review by staff resulted in a finding of minimal public benefit for the following reasons:

- o While the rent structure of both complexes is affordable, the rehabilitation to the complex will not make a significant difference in the quality of life of the residents.
- o Because this is a transfer of ownership of a property in good condition, in which all code items appear to be addressed, there is not an increase in available dwelling units as a result of this item.
- o As a result of this action, both properties will be removed from the City Tax roles.

As a result of negotiations, the applicant has agreed to make an annual contribution from project cash flow to the City's Neighborhood Revitalization fund to help compensate for unrealized property taxes. Depending on the amount of cash flow realized in any given year a minimum of \$35,000 and a maximum of \$75,000 will be contributed each year throughout the 34 ½ year term of the note. The present value of taxes that would be paid over the 34 ½ year life of the project is \$816,000. Therefore this contribution to the Neighborhood Revitalization Fund minimizes the impact of forgone property taxes.

Policy Analysis

Currently, there is no policy for reviewing Tax Exempt Bond Projects. This action includes a recommendation that would result in a contribution to the City's Neighborhood Revitalization Fund to compensate for lost tax revenues.

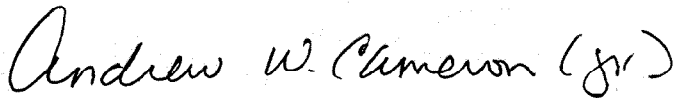
Fiscal Impact

If approved, the City will loose \$48,000 in tax revenues this year and the assessed amount each year thereafter, for the term of the note (34 ½ years). However, the applicant has agreed to make annual contributions to the City's Neighborhood Revitalization Fund in an amount between \$35,000 and \$75,000 (depending on cash flow). The amount (\$816,000) is estimated to be the present value of the taxes that would be collected over the life of the project.

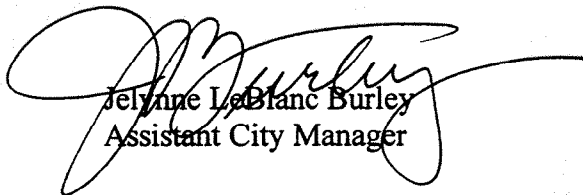
Coordination

The Housing and Community Development Department coordinated this effort with the Economic Development, and Finance Departments. This project was presented and reviewed by Urban Affairs Council Committee on January 15, 2003.

Signature



Andrew W. Cameron
Director
Housing & Community Development



Jelynn LeBlanc Burley
Assistant City Manager

Approved:



Terry M. Brechtel
City Manager