

SAN ANTONIO HOUSING TRUST PUBLIC FACILITY CORPORATION
OFFICIAL MEETING MINUTES

Date: Friday, July 15, 2022

The Public Facility Corporation met in session at 2:02 p.m., via Zoom and in person at 114 W Commerce St, San Antonio, TX 78205.

PRESENT: Antoinette Brumfield, Councilwoman Teri Castillo, Eric Cooper, Jordan Ghawi, Rachell Hathaway, Mark Carmona, Jane Pacione, and Councilwoman Phyllis Viagran.

ABSENT: Councilwoman Adriana Rocha Garcia, Councilman Jalen McKee-Rodriguez, Councilman John Courage, and Marinella Murrillo.

STAFF/VISITORS PRESENT:

Pedro Alanis- Executive Director San Antonio Housing Trust Foundation INC.; Nicole Collazo- Director of Operations San Antonio Housing Trust Foundation INC.; Lauren Bejaran- Sr. Administrative Assistant San Antonio Housing Trust Foundation INC.; Ruben Lizalde- D3; Justin Renteria- D5; Ileana Sandoval- D9; Clarissa Rodriguez- Attorney DNRBZ; Summer Greathouse- Attorney Bracewell; Jason Arechiga- The NRP Group; Mark Tolley- Mission Development Group; Keith Newcomb- San Antonio Alternative Housing Corporation; Andrew Poppoon- LPDC.

1. **CALL TO ORDER AND ROLL CALL:** The meeting was called to order by Vice President Jane Pacione and the roll was called by Lauren Bejaran.
2. **DISCUSSION AND POSSIBLE ACTION TO APPROVE MINUTES OF JUNE 17, 2022.** Councilwoman Viagran motioned, and Councilwoman Castillo seconded for approval of the June 17, 2022, minutes with the noted corrections.

AYES: 4

NAYS:

ABSTAINED:

THE MOTION PASSED.

3. **CITIZENS TO BE HEARD-INTERESTED SPEAKERS WILL HAVE 3 MINUTES EACH TO ADDRESS THE BOARD ON AGENDA ITEMS OR HOUSING POLICY RELATED MATTERS; A TOTAL OF 15 MINUTES WILL BE PROVIDED.**

Jason Arechiga, Senior Vice President of Development for The NRP Group statement:

“Alright, thank you everybody. My name is Jason Arechiga with the NRP Group. Before I begin, I just wanted to say the next comments I make are regarding item number five. Simply calling for a little bit longer to review some of the criteria before we take any action on.. With that being said, there are a lot of things in number five that we agree with as a company and a development community. And I do think that Pete has done an amazing job putting it together and assembling everything to where we need to be, so bear that in mind with the following comment. I’ll begin.

Since Cevallos Lofts was contemplated, we have developed an excellent working partnership, we as in The NRP Group, with the City of San Antonio and The Trust, to bring housing to all citizens of San Antonio. Specifically, our focus has been that housing is a basic fundamental tenant, a wellbeing, and we have worked together to bring affordable housing to the city with Lucero, The Stella, Esperanza de Palo Alto, The Nightingale, The Markson, and coming soon, The Viento at Texas A&M. I am here today to ask the Trust to give the development community a chance to formally respond to the Tax Credit Partnership requirements being contemplated today as item number five. From speaking with my colleagues who develop here in San Antonio, we have some concerns with that these credits can be too omitting and may prevent affordable housing opportunities from being built due to the scope and focus of the criteria.

While certainly well intended, a recommendation of quite a few of these requirements be made priorities or preferences as to not restrict who you all can partner with or where. For example, under the new policy The Trust will only partner with non-profits for 9 percent applications, and that would have prevented us from developing The Nightingale that is in the Medical Center or The Markson on San Pedro without bringing in another non-profit. Also, limiting the area in which you all may partner, while it is allottable goals to be near mass transit, mass transit usually follows development. To be within a quarter mile of a bus stop would eliminate the ability to develop new affordable housing in vast portions in Districts two, three, four, six, nine, and ten. Making this preference or priority would still keep the options open from where I understand the development community could try to work out a stop with Via, but we cannot make them serve an area. There are alternatives as well, for example the city of Austin and Travis County allows for shuttle transportation to be arranged if a transit stop is not within a certain distance. To that point, Austin has also encouraged affordable housing with their Smart Housing and Affordability Unlocked program. While they too they are requesting deeper targeting green building and design standards similar to what is discussed today, they are also allowing projects to build affordable housing in areas that would otherwise not be zoned. Change to the city requirements include FAR bonuses and increase height restrictions.

I would encourage that if we choose to restrict where and how we build, we work with the city to make those areas where we can build reasonably easier to develop in, especially given the challenges already inherent in affordable development. There are other aspects of this criteria that would preclude upon a partnership with various developers as well such as limiting how much fee can be deferred greater than TDHCA or investor standards, reducing management fee to 4 percent especially in light of increasing costs and how much it costs to manage 9 percent transactions, or building beyond city code. In short, these criteria are not just going to limit the development community, but they can also limit and burden The Trust. With the location criteria, we will add additional cost of land, which are already high, additional construction costs, which are also extremely high, and not serve certain high opportunity areas. Other factors such as building beyond 2021 standards and design, the Tennant Assistance Fund, limiting management fees, limiting growth percentages, and restricting who you all can partner with, contribute to being unable to underwrite a development. Again, I am not saying that these are not goals we can all have, but as I have stated in the beginning let's take a chance to receive comments from the whole community and look at making these priorities or preferences as opposed to requirements for adding alternatives, just so we're not eliminating ourselves.

Lastly, affordable housing developments are already subject to intense State and Federal requirements. Locally zoning and nimbyism add another layer of complexity and restriction. If this board votes to add additional restrictions on top of what already exists, we will be creating a barrier to affordable housing production, while we should be focused on eliminating barriers to affordable housing."

Vice President Jane Paccione thanked Jason Arechiga for his statement and stated to the board that Mark Tolley, Partner at Mission Development Group, would give his statement. Rachell Hathaway and Eric Cooper joined the board meeting at 2:06 PM.

Mark Tolley, Partner at Mission Development Group, statement:

“Thank you. My name is Mark Tolley. My address is 454 Soledad Street. My company is Mission Development Group. We are a non-profit housing group that was formed in 2015 here in San Antonio. Since our induction in 2015, we have constructed 1,906 units of affordable low income and moderate-income housing. I’m very happy to be here today because obviously I value my relationship; Pete and I have been through many battles together to get projects done. It is good to see people like Jason in the crowd, who is one of our friendly competitors, and I when I say friendly, I mean it. You know, we are very proud of our affiliation with the San Antonio Housing Trust Corporation and also with SAHA. We are locally based in a community -and we build nationally recognized affordable housing. We want to continue this relationship in a stream of successes in this worthy, but difficult arena. Our concern regarding the elements of the Tax Credit Development Criteria for future partnerships, is at while they are all noble, the net result will be a vast diminishment of the production of affordable housing. That is our concern. There are a number of elements that are proposed in this that would propose at a time when construction costs have skyrocketed, when interest rates have skyrocketed, where over 50 percent of the projects that are being awarded bond inducements by TBRD are actually returning those bond inducements because of these issues, both interest rates and construction costs; our concern is at this juncture some of the issues, some of the criteria that is proposed in here, would result in additional costs. And these additional costs cannot possibly come at a worse time.

You know, we have projects in the pipeline, we have projects that we have recently returned the tax credit allocation because the costs have increased from 50 to 70 percent in the last 2 years. Interest rates are up 2 percent from what they were a year ago. You can understand from a pure economic perspective this makes production of affordable housing, which is very interest rate sensitive, a difficult endeavor. We are striving to proceed with roughly 900 units of additional affordable housing. Right now, it is very, very difficult to get those pencil- to get it to a point where the tax credit equity providers will agree to provide the equity required for a 4 percent Tax Credit Structure. So, my message is fairly straightforward. While we have been a partner with, and we hope to be a partner with The Trust in the future, we’ve also been a partner with The San Antonio Housing Authority. We recently completed 200 units of affordable housing on Tampico Street. I would simply caution the board that the adoption of some of these criteria, particularly the ones that will definitely have impact on costs, come at a rather critical juncture. A juncture that, if implemented as noble as they may be, I really truly believe, and our partnerships believe, that it would perceptually vastly diminish the amount of affordable housing we have come to expect from the development partners of this community and from the San Antonio Housing Trust.

That’s it for today. If you have any questions, I will be happy to answer them. Thank you for letting me talk here.”

Jane Paccione thanked Mark Tolley for his comment.

4. DISCUSSION AND POSSIBLE ACTION TO APPROVE RESOLUTION INDUCING THE MEMORIAL APARTMENTS IN PARTNERSHIP WITH SAN ANTONIO ALTERNATIVE HOUSING CORPORATION, TO BE LOCATED AT 1614 EL PASO STREET; AND AUTHORIZING THE EXECUTION OF A NONBINDING TERM SHEET AND OTHER MATTERS IN CONNECTION THEREWITH.

Pete Alanis briefed to the board about the San Antonio Alternative Housing Corporation (SAAHC) are seeking to develop a multi-family land trust partnership with the SAHT PFC. The project is anticipated to be a \$6.4 million, 30-unit newly built apartment complex development. The SAAHC is an established CHDO, Community Housing Development Organization, that owns over one thousand units of rental multi-family and single-family units with 120 units managed in house. The property is located at the site of the former Memorial Funeral Home and former Zamarripa family residence along with the associated outbuildings and parking lots, totaling to 11 lots assembled for the project. The existing single-family home will be relocated to a property that SAAHC owns, within the neighborhood, and be leased to a low-income family.

The project will future sustainability features, including Rain Barrel collection system to collect condensation from AC units to support onsite irrigation. SAAHC is assessing additional sustainable features such as universal design elements. Pete stated that the talk for universal design elements will have to wait for future discussion until recommendations are made by the Sustainability and Universal Design Committee on what those design elements should be. SAAHC has agreed to have 3 accessible units on the property and will have 10% of units accessible as fully accessible on the first floor in the future. Pete stated the property will only have 2 floors and it would not be financially feasible to put in an elevator at the location.

The Memorial Apartments will be 100% affordable newly constructed rental project for households whose incomes average range from 30% to 60% AMI. The project will have efficiency units with 0 bedrooms and 1-to-3-bedroom units covered by the Tennant Protection Program and will accept Project Based Vouchers. This multi-family land trust will ensure permanent affordability. Due to the nature of this development, the PFC will seek an ownership/ground lease structure, whereby the PFC will acquire the property at the financial closing to ensure permanent affordability while entering a long-term lease with a SAAHC created entity who will build and operate the apartment community. The \$6.4 million project cannot support very much debt when the rents are as low as 30%-60% AMI units. SAAHC eliminated the amount of revenue brought in by the 30 units, bringing their cash flow to an estimated \$80,000 to \$90,000 a year. SAAHC has agreed to provide approximately \$3 million in cash equity into the project and will likely receive a 3% return on equity from the \$3 million contributed. The project also has a commitment of \$250,000 in the form of a long-term low interest loan from SATX Inner City Development Inc. SAAHC is planning to apply for future RFA's by the City of San Antonio to cover the remaining \$3.1 million for the project. The goal is to not have additional debt on the property due to project not having the financial support it needs to cover the debt.

The PFC will not receive a development fee, transaction fee, or a percentage of cash flow from the project to ensure the full property tax benefit reduces operating expenses to allow for positive cash flow to provide a 3% return on equity for SAAHC, INC. The PFC is seeking to receive \$5,250 administrative fee per year to cover the cost of SAHT oversight and compliance. Staff recommends approval by the Finance and Audit Committee to move this item forwards to the Public Facility Corporation board to consider inducement approval to support the acquisition and development of the Memorial, Apartments, located at approximately 1.02 acres at 1614 El Paso in Council District 5.

Jordan Ghawi asked Keith Newcomb, Executive Director for The San Antonio Alternative Housing Corporation, about where the single-family home that is currently on the future site for Memorial Apartments will be relocated. Keith stated that the home will be preserved and will be relocated 1 mile away in a subdivision. Jordan Ghawi asked Keith if the home would be rented and if the home will be considered affordable housing. Keith stated the home will be rented out, possibly at 30% to

60% AMI.

Councilwoman Teri Castillo asked Pete about if SAAHC will be applying for housing bonds in August 2022 to cover the \$3.1 million GAP. Pete stated that the PFC recommended to SAAHC to apply for housing bonds for 2022. SAAHC will most likely send their RFA to the City at the end of August 2022. Councilwoman Castillo asked Pete if the Finance and Audit Committee reviewed the project to see if it would be supported by 2022 bond parameters. Pete stated that staff and the Finance and Audit Committee did review a few of the parameters for the application, but due to the city not fully releasing the bond parameters, they will have to wait until the end of July 2022 to review all the bond parameters. Councilwoman Castillo expressed her support for the project in hopes that it will bring more 100% affordable housing in District 5.

Eric Cooper asked Pete Alanis why the costs for this project are significantly lower than other projects the PFC has completed. Pete stated that higher financing costs associated with the larger projects are due to the loans being taken on and the additional costs to vet the project through a Low-Income Housing Tax Credit Project program. Memorial Apartments will have mostly cash upfront to fund the project, it is easier to finance. The project will then close without the extra fees such as underwriting and attorney fees that will help lower the total costs.

Rachell Hathaway asked Pete if the project's maintenance fees will be covered by the CHDO. Pete stated that all the maintenance and management responsibilities will be covered by SAAHC. Pete reaffirmed the board that the project is being designed this format so that SAAHC will receive the 3% return in equity. However, any cash that is accumulated over the 3% will be put into a Federal Reserve Fund that will be dedicated for the project.

Jordan Ghawi asked Pete how small the 0-bedroom apartments will be in square feet. Keith Newcomb stated he does not currently know, and Pete stated that he would find and supply that information for Jordan in the future. Jordan Ghawi expressed his support for the 100% affordable housing and the preservation and relocation of the current single-family home. Keith Newcomb stated that the SAAHC had the full cooperation of the Neighborhood Association and had no plans on demolishing the single-family home. It will stay in the neighborhood and be rented out to another low-income family household.

Councilwoman Teri Castillo asked Pete Alanis if the retention of the land align with the City of San Antonio's Strategic Housing Implementation Plan (SHIP). Pete stated the idea of permanent affordable housing does align with the SHIP if the PFC ensures that the project will be controlled by the PFC. To protect against another group from buying, the PFC will put a regulatory agreement on the property that will be tied to the land. If the PFC does decide to sell the property, the land must be used for future affordable housing.

MINUTES COMMISSION ACTION:

Councilwoman Castillo motioned, and Councilwoman Viagran seconded to approve a resolution inducing the Memorial Apartments in partnership with San Antonio Alternative Housing Corporation, to be located at 1614 El Paso Street; and authorizing the execution of a nonbinding term sheet and other matters in connection therewith.

AYES: 4

NAYS:

ABSTAINED:

THE MOTION PASSED.

5. DISCUSSION AND POSSIBLE ACTION TO APPROVE TAX CREDIT DEVELOPMENT CRITERIA.

Pete Alanis briefed to the board about the 2023 Tax Credit Partnership Program that has been in development informally over the last few years. The goals SAHT wants to achieve by implementing this Tax Credit Development Policy is to let developers know what the Trust wants to build as an organization, where the Trust wants to target their investments with the use of SAHT's Property Tax exemption and partnerships and provide guidance and transparency to the public what the Trust does. The Term Sheet that SAHT staff has constructed outlines all the policy criteria SAHT has been working with on past Tax Credit Developments and is in line with the Trust's Strategic Plan and the City of San Antonio's Strategic Housing Implementation Plan (SHIP) goals and objectives.

Program Goals with the criteria include preserving affordable units through acquisition and substantial rehabilitation of existing rental units serving targeted populations, permanent supportive housing serving persons experiencing homelessness, creation of new affordable units serving targeted populations, and re-syndication of LIHTC developments to extend affordability beyond the initial LURA period.

Site eligibility for project location must include the following: The project being located within City of San Antonio Limits. Projects located within an Extra-Territorial Jurisdiction (ETJ), or another municipality are not eligible. The location must not involuntarily displace any household, business, or non-profit organization that moves from real property permanently, as a direct result of project activity. Relocation plans must be provided to address the re-housing of any low-income households displaced by demolition and/or redevelopment associated with the proposed project. New Construction/ Adaptive Reuse must be located: within 1 mile of an SA Tomorrow Regional or major university; or on publicly owned property; or within 500 feet of a Via Transit; or have other major catalytic redevelopment as identified by a Department of the City of San Antonio or San Antonio City Council. If the project is not within 500 feet of a transit center, the project must be within .25 miles from a transit stop or station connected with an accessible sidewalk to the stop or station. Permanent Supportive, Older Adult Housing, Acquisition may be located outside these areas except for transit stop requirements.

Under Project Eligibility, The Trust established minimum requirements for eligibility. Every project must have 30% units minimum. 4% LIHTC Equities must have 5% of the units serve households at or below 30% AMI, 10% of the units at 50% AMI, and SAHT will allow income averaging as one of the methods to achieve lower affordability. 9% LIHTC Equities the applicant must be a nonprofit organization or an entity, for-profit co-developer, that supports Permanent Supportive Housing (PSH). Projects requesting bond issuance only must have 15% of the units at or below 30% AMI due to the competition on applying for 4% LIHTC project bond reservations. This would ensure the 15% of the units serving families at 30% AMI. SAHT is encouraging Universal Design and Sustainability that exceed the City's Universal Design Ordinance. Projects must adhere to the Tennant Protection Policy and high-speed internet must be in each unit on site. Based on SAHT's Strategic Plan, projects must also serve at least one of the following populations: low-income families with children, older adults, persons with physical, intellectual, or developmental disabilities, and persons experiencing homelessness. However, SAHT will also take part in any development that will have, veteran-centric housing, youth that are aging out of foster care, violence against women protections, and the chronically ill.

Development Team Qualifications must include the following: SAHT will not partner with

developer's first tax credit project. There are risks with working with inexperienced developers on a tax credit structure. Developers must have experience with at least three completed LIHTC project or affordable multi-family rental developments of comparable size and complexity. For PSH and non-profit developers, must have experience as a co-developer if they do not meet all the development team qualifications SAHT also requires disclosures, such as Criminal Background Checks, Bankruptcy Court Filings Lawsuits, and Financial Statements. Applicants must provide a pipeline of development of current and completed projects for review. SAHT has also established a list of property management qualifications to ensure property management will be adequately suitable for the position. Architects, Project Engineers, and CPAs are also expected to meet the requirements when they are brought onto the project in the future.

Financial Underwriting Criteria establishes Pro-forma assumptions for underwriting. The Pro-forma assumptions include long-term assumptions that are conservative in nature, construction costs with 15 years from stabilization, growth factor for income and expenses, management fees are capped at 4% each year, defines 'Substantial Rehab', establishes documentation for Tax Credit Equity, requires disclosure if intended to seek Grants or City Funding, establishes criteria for operating expenses, and requires establishment of Tennant Assistance Fund at \$1,500 unit. The Tennant Assistance Fund will provide a set of funds that will help residents with financial assistance if needed.

Mark Carmona joins the meeting at 2:54 PM.

Partnership Terms and Fees outlines Two Partnership Term Options for Non-Profit Entities. SAHT is requiring an increase of application fees from \$3,000 to \$5,000 for For-Profit Developers. The Criteria for For-Profit Developers requires 25% of estimate sales tax received back to SAHT. Cash back from sales taxes will be utilized to fund the Tennant Assistance Fund for the project. SAHT proposes the application fee of \$3,000 dollars be decreased or waived for Non-Profit Entities, and the developer fees be reduced from 25% to 10%. Non-profits will receive more money back from the projects due to the reduced 10% developer fees. Pete Alanis opened the floor up for discussion on the Tax Credit Partnership Program and stated to the board that the item can be voted on during this meeting or during August 2022's SAHTPFC meeting.

Eric Cooper asked Pete Alanis if the terms for the Tax Credit Partnership Program would result in less units being built that are higher quality. Pete Alanis stated that the Tax Credit Partnership Program was designed to offer transparency to what SAHT wants to be built as an organization. SAHT wants to encourage more universally designed projects that are also sustainable as well. These are not requirements as of now. In the future after the recommendations are brought forward by the Sustainability and Universal Design committee, the requirements for Sustainability and Universal Design projects will be brought forth. SAHT wants to build a higher quality product that will last longer. Most projects that are being built require a renovation after year 15 and SAHT is seeking to build a product that is going to last more than 15 years. Eric Cooper asked Pete if the Tax Credit Partnership Program is not put in place, will it impact the quality of projects being built. Pete reiterated that the sustainable and universal design are guidelines and not requirements. The goal of being a higher quality product to promote a better quality of life for the residents.

Councilwoman Phyllis Viagran expressed her concern for the Tax Credit Development Policy and stated she would not support the item if it were called for a vote. Councilwoman Viagran stated District 3 would be excluded due to the Tax Credit Partnership Partner.

Rachell Hathaway asked Pete Alanis for more information on the City of San Antonio's

Displacement Tools that are currently in place and asked if they would change in the future. Rachell also asked Pete about the criteria for nonprofits that do not have to pay the administrative fees. Mark Carmona responded to Rachell by stating that the City of San Antonio's Displacement Plan is currently in development and will have to be taken to Council for approval. Pete Alanis stated that there is not a current displacement policy in place. The policy is being put in place due to the displacement impact on a low-income community from a permanent supportive housing project. The SAHT is currently involved in the development of the displacement policy. The application fee reduction is due to the Strategic Plan's goal to help build the capacity of nonprofit partners. By waiving the application fee, it will help nonprofits gain more revenue to build future permanent supportive housing.

Councilwoman Teri Castillo expressed her support for the language in the Tax Credit Partnership Program that states developers cannot voluntarily displace individuals where the project is being built. Councilwoman Castillo asked Pete why the projects must have a score of 6, and not higher, based on the City of San Antonio Equity Matrix for new construction. Pete Alanis stated the goal is to promote breaking the cycle of income inequality in spatial ways. The site eligibility matrix score of 6 can be adjusted. By setting the site eligibility matrix score at 6, this will reinforce SAHT's efforts to promote lower income units in areas of high opportunity. Areas that have more infrastructure available.

Jordan Ghawi asked Pete if SAHT has solicited the Tax Credit Partnership Program for input from nonprofits to nonprofit developers in San Antonio. Pete Alanis stated that he has informally sent out the Tax Credit Partnership Program to SAHT stakeholders for input. Jordan Ghawi asked if Alamo Colleges would be included as a university for project location site eligibility. Pete stated Alamo Colleges will be considered a university and will not be excluded from site eligibility criteria. Jordan Ghawi requested more information on how many 4% LIHTC projects would be left out if the Tax Credit Partnership Program was put in place 2 years ago. Jordan suggested that SAHT get with VIA to see where the transit line is throughout the city and how much of the city would not be eligible for SAHT's Tax Credit Partnership program. Jordan asked if for-profit developers could also support PSH. Pete stated the for-profit developers could be involved in PSH developments if they are co-developers for nonprofit developers. Jordan asked what qualifies as substantive supportive services for nonprofits who want to create PSH. Pete stated that SAHT based the criteria on TDHCA's criteria for PSH they have in place.

Eric Cooper recommended to Pete that the Tax Credit Partnership Program be released for input to nonprofit and for-profits. Eric also thanked the team for their efforts in developing the Tax Credit Partnership Program.

Councilwoman Teri Castillo stated that there needs to be parameters put in place for affordable housing developments in San Antonio to prevent a housing crisis.

Councilwoman Phyllis Viagran reiterated her concern of adopting the Tax Credit Partnership Program without input from nonprofit and for-profit developers. Councilwoman Viagran also agreed with Jordan Ghawi's recommendation of SAHT staff providing information on how many 4% LIHTC projects would be left out if the 2023 Tax Credit Partnership Program was put in place 2 years ago.

MINUTES COMMISSION ACTION:

Jordan Ghawi motioned, and Councilwoman Viagran seconded to table item 5 for further consideration on the 2023 Tax Credit Development Criteria until next scheduled meeting on August 19, 2022

AYES: 4

NAYS:

ABSTAINED:

THE MOTION PASSED.

6. ADJOURNMENT

Vice President Jane Paccione adjourned the meeting. There being no further business, the meeting adjourned at 3:38 p.m.