



January 14, 2021

Andrea Villalobos
City of San Marcos
Planning Department
Via email: avillalobos@sanmarcostx.gov

RE: Response to RONO Comments – LIHTC-20-03

Dear Ms. Villalobos,

We received the comments from the city councilors related to the senior development on Redwood and Old Bastrop Highway. The following narrative response will provide clarity to the questions posed in the comments received after the housing subcommittee.

Please note that as of January 1, 2021 Herman & Kittle Properties, Inc. updated its name to Kittle Property Group. This is simply a name change and our ownership, structure, and team remains the same.

Should you have any additional questions, please do not hesitate to email me at jmullins@kittleproperties.com or by phone at (713) 344-7055.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Jessica Mullins', with a stylized flourish at the end.

Jessica Mullins
Development Director



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Local Tax Exemption

How will this development contribute the local community?

Affordable residential housing targeted to seniors provides a lifeline for older adults who wish to age in the community. Legacy Square offers a new option for independent living in both small cottage style residences and amenity dense elevator serviced buildings. At a time where the cost burden among seniors is at an all-time high, safe quality affordable senior housing is in short supply. In order to provide high quality housing at rental rates affordable to persons making below the average median income, a tax exemption is critical to the creation of those housing units.

On average in Texas, only 29 affordable rental homes exist for every 100 extremely low-income renter households (households that earn 30% of the median income). Twenty-one percent of extremely low-income renters are seniors¹. For seniors living on fixed incomes and with little savings, affordable housing is especially critical.

Legacy Square is 1.3 miles from the Central Texas Medical Center. Older adults who are cost burdened, spend more than 30% of their income on housing, spend less on health care and healthy foods. In some instances, there are those who choose to delay needed medications to afford rent. The provision of more affordable rent has been shown to improve the quality of life of residents and reduce the costs of hospital and inpatient care. There is added importance in providing housing near an integrated network of health care options and social support for residents who wish to age in their communities. Providing housing that provides good supportive services helps not only fill a housing need but provides options for self-sustainability.

Lastly, the supply of affordable housing for low-income older adults is declining while demand is increasing, threatening the ability of vulnerable seniors to successfully age in their communities. The current inventory of comparable senior housing residences in San Marcos is nearly 100% occupied leaving almost no availability for new renters or those who need additional supportive services but are not yet ready for assisted living. By using housing tax credits coupled with property tax relief, we are able to supply much needed housing at more affordable rates.

¹ National Low Income Housing Coalition – <https://nlihc.org/housing-needs-by-state/texas>



Proposed Tax Contribution

The development controlling owner is a non-profit entity, thus the development will not be subject to ad valorem taxes. Without a reduction in taxes the development is not feasible. A reduction in tax burden is necessary to lower rents below market, create much needed inventory and offer high quality services for low and moderate income households. The development of Legacy Square Apartments will create jobs during and after construction of the development. We plan on pursuing partnership with local service providers and propose to provide an annual contribution to the city.

Development contributions can be flexibly used to support impacts to city related services. Legacy Square Apartments will serve seniors aged 55 years and older and will not increase the headcount for local schools. Legacy Square Apartments will only include one and two bedroom units. The development will generate less annual income than larger developments with more units and bedrooms sizes.

We propose to contribute \$50,000 annually to the city of San Marcos with a 1.5% annual escalator.

ADA Units

Legacy Square will have a total of 11 accessible units and 4 sensory units. TDHCA requires that 5% of all units be accessible and an additional 2% of all units be sensory. Of the 21 units restricted to 30% of AMI, there are 2 ADA units designated at the property which meets the minimum 10% requirement under Criteria 1A. However, all units at the property are ADA adaptable and can be made into accessible or sensory units at the request of the resident.



Local Issuer Selection

The Capital Area Housing Finance Corporation has far reaching and proven success in contributing to the economic growth of Hays County and the City of San Marcos. In addition, CAHFC brings unique technical expertise in the execution of tax exempt bond financing and are ideal long term partners. CAHFC is committed to the local economy, has proven ability to execute complex transactions and directly impact residents with its programming. For those reasons, CAHFC was sought out for partnership.

CAHFC has actively invested millions and will continue to invest in the city of San Marcos through various channels:

Single Family

First Time Homebuyers – approximately 500 valued at approximately \$62 million in mortgage financing and down payment assistance. Assumes average mortgage of \$125,000. CAHFC also invested approximately \$475,000 of internal funds for down payment assistance for a recent Mortgage Credit Certificate program. Approximately \$120,000 of that amount represents investment in San Marcos. Total economic impact significantly higher due to construction jobs created, sales tax revenue, etc.

Multi-Family

6 transactions – \$138 million in bonds issued – approximately \$180 million in total investment – total of 1556 apartment units, family and senior. Economic impact significantly higher due to construction and permanent job creation as well as sales tax revenue created.

Grants

Total of \$185,000 to local non-profits investing in San Marcos. This amount includes \$100,000 grant approved by the Board of Directors for 2020.

Tax Contribution Payments

Sienna Pointe – \$45,600 annually - \$91,200 paid to date (2016, 2017), \$91,200 to be paid in early 2020 for 2018 and 2019.

Encino Pointe – total paid to date - \$354,562 – this payment has a 4% annual escalator. Payment for 2020 should be approximately \$52,662.



Concentration of Units

Legacy Square is a multifamily development that will serve residents aged 55 and up. The development will benefit low and moderate income seniors and will help support one of the city of San Marcos stated goals in the Consolidated Plan. During our site search, we conducted a market study to determine the demand for new rental housing units. We considered factors such as the historical profile of the community, job formation, new multifamily development in planning, income levels, population changes, proximity to public services, surrounding land uses and competition from other available housing.

By measuring these factors we concluded that there is a proven need for additional residential rental housing to serve seniors needed in this area of San Marcos. Legacy Square is unique and offers cottage style housing that will fit into the neighborhood, provide amenities popular to seniors and provide a new option for seniors currently in less optional living arrangements. The entire development will be fully landscaped and feature an attractive design.

There have been very few new construction, senior affordable properties completed in San Marcos in the past 20 years. Mariposa Apartment Homes at Hunter Road is the most recently built affordable senior development in the San Marcos area. This project was built in 2005 and is currently 96% occupied. Additionally, Villas del San Xavier is a new senior, affordable development that is underway in San Marcos will contain 156 units. This development is far south of the proposed site.

Legacy Square is unique and will have a competitive advantage in the market given our site plan consists of 50% of units in cottage style buildings, along with the project being brand new construction with modern finishes, and our site location near the Central Texas Medical Center and multiple community amenities.

Additionally from our research and anecdotally, we see that San Marcos is growing. This growth is not only based as a result of student enrollment, but also from migration to the state of Texas and increased economic development. With employment opportunities growing locally, we forecast an expanded need for affordable high quality housing options.



Resolution Language

Do we need the following additions to the resolution?

- Twice the State Average per Capita – Yes
- 20% Housing Tax Credits per Total Households (What is the current percentage?) – Yes, the current percentage is 28.51%
- 1 Mile, 3-year rule – No, there are no other developments that serve seniors within one mile or have received credits over the past three years in this census tract.

We request the following language to be added to the resolution:

“To the extent applicable, the City Council hereby approves the application of the Texas Housing Finance Corporations Act, Chapter 394, Local Government Code (the “Act”), to the property on which the development will be constructed and grants its approval for the use of proceeds of bonds issued by a housing finance corporation pursuant to the Act to finance construction of the development.”

Criteria 8e MOU

We have committed to providing a variety of support services and amenities that will serve residents. Kittle Property Group is a vertically integrated firm and handles our own property management. The predevelopment timeline can be lengthy and the time when we apply for approvals is often a year or more prior to construction starting. Once construction begins, it is another 18 months before full occupancy. Given the long lead time, for services that require third party administration, such as partnerships to provide onsite tax prep or an annual health fair, we enter into MOUs after construction has begun and occupancy date is known. We will work with city staff to ensure delivery of surety documentation for all provided services to supplement the services monitored by TDHCA.



Criteria 8c Common Amenities/Resident Supportive Services

Legacy Square will include the following common area amenities, which total 22 points:

- Controlled gate access for entrance and exit areas (1 point)
- Furnished fitness center with one piece of equipment for every 40 units (1 point)
- Horseshoe pit; putting green; shuffleboard court; pool table; or ping pong table (1 point)
- Swimming pool (3 points)
- Full perimeter fencing (2 points)
- Dog park (1 point)
- Gazebo/covered pavilion with sitting area (1 point)
- BBQ grill and picnic table (1 point)
- Business center (2 points)
- Furnished community room (2 points)
- Library (1 point)
- Activity room stocked with supplies (2 points)
- Community dining room with warming kitchen (3 points)
- High-speed Wi-Fi of 10 Mbps download speed or more throughout the clubhouse (1 point)

TDHCA'S requirement for common area amenities are the same for both general population/family projects and senior projects. There are no additional requirements for a senior project.

Legacy Square will include the following resident supportive services, which total 8 points:

- Annual income tax preparation (1 point) –KPG will work to engage a local income tax prep service or IRS-certified VITA program to assist with this service.
- Food pantry (2 points) – the food pantry will be located within the community clubhouse and will be available to residents during business hours. The food pantry will be maintained by KPG's on-site management and leasing staff.
- Annual health fair provided by a health care professional (1 point) – KPG will partner with local health care professionals (Doctors, Nurses, Dentists, Chiropractors, Nutritionists, etc.) to organize the annual health fair.
- Twice monthly arts, crafts, and other recreational activities (1 point) – KPG's on-site management and leasing staff will organize and host these activities.
- Twice monthly on-site social events (1 point) – KPG's on-site management and leasing staff will organize and host these social events.
- Partnership with local law enforcement and/or local first responders to provide quarterly on-site social and interactive activities (2 points) – KPG will reach out to local law enforcement and first responders to organize the quarterly social and interactive activities which will be held on site.



Criteria 8d TDHCA Application

The TDHCA application for Legacy Square will not be submitted until later this year. We will provide a copy of the application to the City of San Marcos once it is finalized.

Waiver of Requirement of Resolution of No Objection

Due to the statewide emergency declaration issued by Governor Abbott related to the COVID-19 pandemic, the requirement for LIHTC projects to obtain a Resolution of No Objection from local municipalities has also been waived, and is currently still in place. The declaration is reevaluated every month for extension. We are continuing to pursue the Resolution of No Objection from the City of San Marcos for Legacy Square Apartments in the event the emergency declaration expires before we submit our application to TDHCA.



March 31, 2021

Andrea Villalobos
City of San Marcos
Planning Department
Via email: avillalobos@sanmarcostx.gov

RE: Response to City of San Marcos Housing Subcommittee Comments – LIHTC-20-03

Dear Ms. Villalobos,

We received the follow up comments from the city councilors related to the senior development on Redwood and Old Bastrop Highway. The following narrative response will provide clarity to the questions posed in the comments received after the housing subcommittee held March 17, 2021.

Should you have any additional questions, please do not hesitate to email me at jmullins@kittleproperties.com or by phone at (713) 344-7055.

Sincerely,

A handwritten signature in blue ink, consisting of a series of loops and a trailing line, representing Jessica Mullins.

Jessica Mullins
Development Director



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Proposed Tax Contribution

To increase the Pilot payment to \$75,000 annually with a \$1,500 annual increase;

Context: The LIHTC project just approved down the street on Redwood Road proposed this Pilot amount and the committee would like to see this matched or exceeded.

We acknowledge the committee's request and offer that not all developments have the same income potential. Generally speaking, larger developments with higher unit counts and larger bedrooms generate more income to cover expenses. Larger developments with units featuring higher bedroom counts typically serve families as senior developments must meet the smaller bedroom needs of the elderly market. Legacy Square Apartments will serve seniors aged 55 years and older and will only include one and two bedroom units. The senior development will generate less annual income than a comparably sized family development. The income from the family development on Redwood Road recently approved is much higher given they feature more units (296 units) and 1, 2, 3 and 4 bedroom apartment homes. In contrast, Legacy Square is proposed to offer 210 units and only 1 and 2 bedroom residences. Per the Redwood Road family development application with TDHCA the development generates over \$1 million in additional revenue than the Legacy Square Senior development. Comparatively, Legacy Square will be exceeding their contribution.

We are prepared to pay \$75,000 per year with a \$1,500 annual increase.

Shuttle System

To provide a more robust shuttle system that meets the needs of the residents;

Context: Because this is a Senior project, they would like to see a more robust shuttle system that would take residents to the Library or Activity Center. I know you are selecting one of the line items in the Resident Support Services LIHTC checklist, but they would like to see this exceeded. What can you propose to the Council to meet these needs?

KPG will provide robust shuttle service to its residents that exceed the TDHCA standards. The minimum requirement is to provide shuttle service three times per week. In our senior communities across the country that feature van service, we have multiple trips weekly for our residents. Usual stops include a trip to a local grocery store, special trips to senior or activity centers and any commonly requested stop. We provide flexible and responsive shuttle service according to the needs of our residents. This evaluation is done after lease up begins so we may fine tune the requested routes to the specific needs to the community.

We will provide robust shuttle service to our residents that exceeds the minimum requirement including stops to the library and programming at the Senior Citizens Center open to the public.

Elevators

To determine if elevators are required in the multi-story structures on the property;

Context: There was a question about whether the 3-story project would have elevators or not? They would prefer that it did to ensure that it was accessible for seniors.

Elevators are required in any building over 1 story. We will provide elevators in each building over 1 story and they all will be accessible.

Wi-Fi Availability

To require Wi-Fi throughout the development, other than just the clubhouse or community building; and

Context: They discussed the importance of widespread high speed internet and they would like to see it provided by the development to all tenants. I see that there is another line item on the Common Amenities checklist regarding having Wi-Fi coverage throughout the development. What does that entail, and would that meet the intent of the committee's request?

Each unit will be wired for high speed internet access. We will provide Wi-Fi coverage to not only the club house, but each of our indoor community gathering spaces within the interior corridor buildings.

Providing Wi-Fi coverage throughout the development as indicated in the 2 point category requires the developer to provide Wi-Fi in all common areas. We will provide more Wi-Fi connection points than a typical senior community. Each Wi-Fi hot spot will be located in comfortable community spaces with seating suitable for work and play.

Waiver of Requirement of Resolution of No Objection

For staff to determine if Governor Abbot's emergency declaration waiving the requirement for the applicant to receive a Resolution of no objection is still in effect.

Context: They were wondering if the requirement for a resolution of no objection is still waived.

Due to the statewide emergency declaration issued by Governor Abbott related to the COVID-19 pandemic, the requirement for 4% LIHTC projects to obtain a Resolution of No Objection from local municipalities has also been waived, and is currently still in place.