



Legislation Text

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**File #:** Res. 2020-28R, **Version:** 1

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**AGENDA CAPTION:**

Receive a Staff presentation and hold a Public Hearing to receive comments for or against Resolution 2020-28R, providing no objection to the submission of an application for low income housing tax credits to the Texas Department of Housing and Community Affairs for the proposed Lantana on Bastrop Multifamily Housing Project located at the intersection of South Old Bastrop Highway and Rattler Road; approving findings related to the application; imposing conditions for such non objection; including the requirement that the applicant make an annual payment in lieu of taxes in the amount of \$11,000; providing authorizations for execution or submission of documents related to the application and for negotiation and execution of an agreement for the annual payment in lieu of taxes; and declaring an effective date.

**Meeting date:** February 4, 2020

**Department:** Planning & Development Services

**Amount & Source of Funding**

**Funds Required:** N/A

**Account Number:** N/A

**Funds Available:** N/A

**Account Name:** N/A

**Fiscal Note:**

N/A

**City Council Strategic Initiative:** [Please select from the dropdown menu below]

Choose an item.

Choose an item.

Choose an item.

**Comprehensive Plan Element (s):** [Please select the Plan element(s) and Goal # from dropdown menu below]

Economic Development - Choose an item.

Environment & Resource Protection - Choose an item.

Land Use - High Density Mixed Use Dev. & Infrastructure in the Activity Nodes & Intensity Zones (supporting walkability and integrated transit corridors)

- Neighborhoods & Housing - Choose an item.
- Parks, Public Spaces & Facilities - Choose an item.
- Transportation - Choose an item.
- Not Applicable

**Master Plan:** *[Please select the corresponding Master Plan from the dropdown menu below (if applicable)]*

Vision San Marcos - A River Runs Through Us

**Background Information:**

Mark Tolley on behalf of DG Mission has applied for a Resolution of No Objection in order to qualify for housing tax credits administered by the Texas Department of Housing and Community Affairs. The proposed project is located approximately at the intersection of South Old Bastrop Highway and Rattler Road. The site is approximately 9.93 acres and is currently located in the ETJ. The applicant intends to pursue annexation and a CD-4 zoning designation. The project will include a total of 216 income and rent restricted units with 22 of those units restricted to households making 30% or less of AMI, 18 units restricted to households making 40% or less of AMI, 50 units restricted to households making 50% or less AMI, 71 units restricted to those making 60% or less of AMI, and 55 units restricted to those making 70% or less AMI. The project will include 11 ADA accessible units and a mix of 1,2, and 3-bedroom units. The applicant has committed to an annual payment in lieu of taxes (PILOT) of \$11,000. This PILOT is calculated by taking \$200 per unit per year on the 70% AMI units (55 units for \$11,000 yearly). More details on the PILOT from the applicant are outlined below.

- The applicant, Mission DG, would make this payment from their share of annual operating net cash flow paid to them, after yearly dept service, operating costs and any other project priority payments. This is necessary so that the payment does not have any impact on the projected unit mix, the loan and equity amount, and agreed upon splits with the housing authority. Mission DG is confident the payment can be made after the project is put inter service.
- This payment would be made from Mission DG alone and would not include funds from the San Marcos Housing Authority. There is simply not enough time to have this vetted properly by the Housing Authority.
- The amount is nominal because Mission DG has already allocated all project funds available (with a present value of millions of dollars) in order to subsidize all the units at 50% of AMI or below (90 apartments). Any larger payment would necessitate the reduction of 40% or 50% AMI units or possibly even change the ownership structure with the housing authority.
- DG Mission has stated that this should not be viewed as a precedent. They are doing this in good faith to respond to your request after our partnership with the San Marcos Housing Authority was agreed

upon and to help get the project approved by addressing requests by the housing committee. The final policies relating to projects like ours, a local partnership with the San Marcos Housing Authority authorized by the San Marcos Public Facilities Corporation, should be the result of discussions between the City, the Housing Authority and the Public Facilities Corporation.

- DG Mission believes the structure used not only fully complies with the current housing policies of the city but also with its proposed amendments. Using the San Marcos Public Facilities Corporation to create public-private-partnerships (P3's) owned by affordable housing developers and The San Marcos Housing Authority is one of the best structures for the citizens of San Marcos who need affordable housing. Not only are additional private sector driven affordable housing units aggressively created this way, but this shared ownership structure makes significant yearly cash payments, from all its P3 projects, to the San Marcos Housing Authority in support of other local housing needs for the city's even neediest residents.

The San Marcos Affordable Housing Policy (Resolution 2019-209R) outlines the Resolution of No Objection. The City of San Marcos utilizes the below criteria in order to determine whether a resolution will be recommended for consideration by the City Council. Applications must meet at least 5 of the 8 criteria below, including criteria #1 in order to receive a positive staff recommendation. Applicants requesting an exemption from local ad valorem property taxes must also meet sub-criteria 1a-1e in order to be considered. An analysis of met and unmet criteria for the proposed Lantana on Bastrop Multifamily Housing Project is outlined as follows:

- 1. No exemption from taxes may be considered unless the project meets the criteria listed below. The purpose of this criteria is to help increase the City's inventory of affordable units and ensure that units benefiting the program are reserved for low income households that need them.**

**Met-**The applicant is requesting a tax exemption and has met the required criteria listed below.

- a. A minimum of 10% of all units within the project shall be affordable to households at or below 30% of the AMI for the duration of the tax exemption**

**Met-**The project will provide a minimum of 22 units (10% of all units) that are affordable to households at or below 30% AMI for the duration of the tax exemption.

- b. A minimum of 10% of the units affordable to households at or below 30% of the AMI shall be ADA accessible**

**Met-**The project will provide a minimum of 3 units (13%) that are ADA accessible and affordable to households at or below 30% AMI.

- c. **A minimum of 35% of the units within a project that is not age restricted shall include a minimum of three bedrooms in each unit**

**Met-**The project will provide a minimum of 76 (35% of all units) three-bedroom units.

- d. **The project shall include these criteria in the Texas Department of Housing and Community Affairs Land Use Restriction Agreement (LURA)**

**Met-**The project shall include these criteria in the Texas Department of Housing and Community Affairs Land Use Restriction Agreement.

- e. **When considering a recommendation of support, preference shall be given to projects that utilize a local entity for such tax exemptions**

**Preferred-**LIHTC projects can partner with non-profits which then qualify the project to receive local tax credits. While there are many partners in the central Texas area, a local partner such as the Housing Authority or other local San Marcos area non-profits, if available, can ensure that revenues remain in the community. This project will be partnering with the San Marcos Housing Authority to obtain a property tax exemption.

- 2. **The proposed units address a housing need identified in this housing policy or in the City's current consolidated plan for HUD programs.**

**Met-**The project will provide a total of 22 units (10% of all proposed units) affordable to those making 30% AMI or less, a total of 18 units (8% of all proposed units) affordable to those making 40% AMI or less, a total of 50 units (24% of all proposed units) affordable to those making 50% AMI or less, a total of 71 units (25% of all proposed units) affordable to those making 60% AMI or less, and a total of 55 units (25% of all proposed units) affordable to those making 70% AMI or less. The project will be located directly adjacent to San Marcos High School and Bowie Elementary and within close proximity to the Amazon facility. The project will provide a mix of unit types (one to three-bedroom options will be available) and a total of 11 ADA accessible units. Although the proposed location is not within  $\frac{1}{4}$  or  $\frac{1}{2}$  mile of all the services listed in criteria 5 and 6 of the City's policy, the development will be required to provide vehicular and pedestrian connectivity such as sidewalks along all public streets. In addition, the project is located in a medium intensity zone which may include future development and connectivity to adjacent goods and services.

- 3. **The project is located within a high or medium intensity zone on the preferred scenario map.**

**Met-**The property is located in the East Village Medium Intensity Zone.

- 4. **The project is not proposed to develop under a legacy district on the City's current zoning map.**

**Met-**The property is currently located in the ETJ but the applicant intends to pursue annexation and a CD-4 zoning designation.

**5. The project is located within a ½ mile walking distance to grocery, medical services, and schools.**

**Not Met-**The subject property is located within ½ mile walking distance to the San Marcos High School and within 1-mile walking distance to Bowie Elementary School. The project is located approximately 1.8 miles from the closest medical service, Medfirst Primary Care at San Marcos and approximately 2 miles from the closest clinics and medical services available in the San Marcos Medical District. A Dollar General store is the closest location offering some food items and is located approximately ½ mile walking distance from the subject property. There are no grocery stores within 0.5 miles walking distance of the subject property. Sidewalk infrastructure and pedestrian connectivity is lacking in this area and routes to these amenities require pedestrians to walk on Highway 123 and Old Bastrop Road. However, the area is located in the East Village Medium Intensity Zone which is envisioned to include pedestrian infrastructure as the area develops. The development would also be required to construct sidewalks along all portions of public right-of-way fronting their property. The applicant is proposing a shuttle service. Please see criteria 6 for additional details on the proposed shuttle.

**6. The project is located within ¼ walking distance of a proposed or existing bus stop on a current or planned transit route. If the project is not located within ¼ mile walking distance of a proposed or existing bus stop on a current or planned transit route, a private shuttle service for residents is provided in accordance with TDHCA requirements.**

**Met-**The property is not located within ¼ mile of an existing or planned CARTS bus route or stop. The closest existing CARTS bus stop is at the intersection of Sadler Drive and Wonder World Drive, approximately 2.3 miles away.

The applicant is proposing a contracted shuttle service to provide transportation to major destinations (grocery, pharmacy, big box retailer, schools, medical) and, if the district bus system does not serve the Project, the shuttle will operate daily during the school year to provide transportation to and from school for the Project's students. The shuttle service would operate six days a week on the following schedule:

DURING SCHOOL YEAR

Monday - Friday: 6:00AM-6:00PM

Saturday: 10:00AM-2:00PM

DURING SCHOOL RECESS

Monday-Friday: 9:00AM-6:00PM

Saturday: 10:00AM-2:00PM

This service will be documented in the Resolution and provided in accordance with the LURA.

**7. The project is renovating or redeveloping an existing multifamily complex or under-performing development.**

**Not Met**-The project will be a new development.

**8. The project incorporates wraparound support services that provide flexible voluntary social, economic, or education benefits to the residents.**

**Met**-The project incorporates wraparound support services that provide flexible voluntary social, economic, or education benefits to the residents. In addition, City of San Marcos LIHTC policy states that **proposed support services should:**

**a. Meet the needs of the local community**

Met-The project will incorporate the following residential supportive services to meet the needs of the local community; shuttle service that exceeds TDHCA requirements, 12 hours of weekly, organized on site K-12 services provided by a dedicated service coordinator or third-party entity; 4 hours of weekly, organized, on site adult classes; a food pantry consisting of non-perishable food items and common household items; an annual health fair provided by a health care professional; notary services during regular business hours; twice monthly arts, crafts, and other recreational activities; and a part time on-site resident services coordinator.

**b. Utilize support services and resources**

**Met**-The applicant will contract with Community Housing Resource Partners to provide resident support services to residents. CHR is also the supportive services provider for Encino Pointe Apartments and Sienna Pointe in San Marcos and has established relationships with local services and groups in the area to provide the resources that will be implemented at the Project. Please see the attached staff memo for the proposed service provider for each support service as well as additional details on programming and operation.

**c. Exceed the minimum TDHCA requirements for amenities; and**

**Met**-TDHCA requires that projects seeking tax credits provide an array of amenities and resident support services. The project receives a certain amount of points towards their application for each amenity or service selected. TDHCA requires a minimum of 22 points in the Common Amenities category and a minimum of 8 points in the Resident Support Services

category. The applicant’s proposed Resident Support Services would generate 17.5 points, which is more than twice the minimum requirement. The applicant’s proposed Common Amenities would generate 24 points which exceeds the minimum requirement of 22 points. Additional details on the proposed Resident Support Services is below. Please see the “Project Amenity Scoring” table(s) for an overview of the applicant’s selected amenities and support services.

**d. Submit to the City the Project’s TDHCA Application for Low Income Housing Tax Credits and include the list of amenities in the Project’s Land Use Restriction Agreement**

**Met-**The applicant has not yet applied to TDHCA for Low Income Housing Tax Credits but has submitted their list of amenities. The project’s TDHCA application and LURA will be submitted to the City to ensure compliance with the resolution.

A table summarizing the criteria met is provided below:

<b>Housing Policy Criteria for Recommendation of Approval</b>	<b>Lantana on Bastrop South Old Bastrop Highway &amp; Rattler Road</b>
1) No exemption from local taxes may be considered unless the project meets the criteria listed below. The purpose of the criteria is to help increase the City’s inventory of affordable units and ensure that units benefiting from the program are reserved for low income households that need them.	<b>Met-</b> The applicant is requesting a tax exemption but has met the required criteria in order to be considered.
1a) A minimum of 10% of all units within the project shall be affordable to households at or below 30% of the AMI for the duration of the tax exemption.	<b>Met-</b> The project will provide a minimum of 22 units that are affordable to households at or below 30% AMI for the duration of the tax exemption.
1b) A minimum of 10% of the units affordable to households at or below 30% of the AMI shall be ADA accessible	<b>Met-</b> The project will provide a minimum of 3 units that are ADA accessible and affordable to households at or below 30% AMI
1c) A minimum of 35% of the units within a project that is not age-restricted shall include a minimum of three bedrooms in each unit.	<b>Met-</b> The project will provide a minimum of 76 three-bedroom units.
1d) The project shall include these criteria in the Texas Department of Housing and Community Affairs Land Use Restriction Agreement (LURA)	<b>Met-</b> The project shall include these criteria in the Land Use Restriction Agreement.

<p>1e) When considering a recommendation of support, <i>preference</i> should be given to projects that utilize a local entity for such exemption.</p>	<p><b>Preferred</b>-The project will be partnering with the local San Marcos Housing Authority.</p>
<p>2) Addresses a housing need identified in this housing policy or in the City's HUD programs</p>	<p><b>Met</b>-The project will provide 216 affordable units affordable to those making 30%, 40%, 50%, and 70% or below of Area Median Income and will be located in close proximity to San Marcos High School, Bowie Elementary and the Amazon facility.</p>
<p>3)The project is located in a high or medium intensity zone on the Preferred Scenario Map</p>	<p><b>Met</b>-The project is located in the East Village Medium Intensity Zone.</p>
<p>4)The project is not proposed to develop under a legacy district on the City's current zoning map.</p>	<p><b>Met</b>-The property is currently located in the ETJ. The applicant intends to pursue annexation and a CD-4 zoning designation.</p>
<p>5)The project is located within a ½ mile walking distance to grocery, medical services, and schools.</p>	<p><b>Not Met</b>-The property is located within ½ mile walking distance to San Marcos High School but is not located within ½ mile of medical services, a grocery store, or other schools.</p>
<p>6)The project is located within ¼ walking distance of a proposed or existing bus stop on a current or planned transit route. If the project is not located within ¼ mile walking distance of a proposed or existing bus stop on a current or planned transit route, a private shuttle service for residents is provided in accordance with TDHCA requirements.</p>	<p><b>Met</b>-The property is not located on an existing route and the nearest stop is ~2.3 miles away. The applicant will provide a private shuttle service for residents in accordance with TDHCA requirements.</p>
<p>7)The project is renovating or redeveloping an existing multifamily complex or under-performing development.</p>	<p><b>Not Met</b>-The project will be a new development.</p>
<p>8)The project incorporates wraparound support services that provide flexible voluntary social, economic, or education benefits to the residents. Proposed support services should:</p>	<p><b>Met</b>-The project will incorporate resident support services that meets the needs of the local community, utilizes local support services and resources, and exceeds minimum TDHCA requirements</p>
<p>8a) Meet the needs of the local community</p>	<p><b>Met</b>-The project will incorporate a shuttle service, weekly on-site K-12 services and adult classes, a food pantry, an annual health fair, notary services, monthly crafts, arts, and other recreational activities, and an on-site part time resident services coordinator.</p>



<p>8b) Utilize local support services</p>	<p><b>Met</b>-The project will contract with Community Housing Resource Partners (CHR) to provide resident support services to residents. Please see below for the local service providers the applicant is proposing to utilize. • Shuttle-Star Shuttle • On site K-12 Programming-San Marcos Public Library, American Sunrise • On site Adult Classes-English Language Learners, San Marcos Public Library, San Marcos CISD • Food Pantry-Hays County Food Bank • Annual Health Fair: Communicare Health Centers, Alligator Dental, Aqua Springs Dental, Heart to Heart Hospice</p>
<p>8c) Exceed the minimum TDHCA requirements for amenities; and</p>	<p><b>Met</b>-TDHCA requires this project receive a minimum of 22 points in the Common Amenities category and a minimum of 8 points in the Resident Support Services category. The applicant's proposed Common Amenities would generate 24 points and their proposed Resident Support Services would generate 17.5 points.</p>
<p>8d) Submit to the City the Project's TDHCA Application for Low Income Housing Tax Credits and includes the list of amenities in the Project's Land Use Restriction Agreement</p>	<p><b>Met</b>-The applicant has not applied to TDHCA for low income housing tax credits but has provided the list of Common Amenities and Resident Support Services they intend to submit. The list of amenities and support services will be included in the project's LURA and the LURA will be submitted to the City to ensure compliance.</p>

**Council Committee, Board/Commission Action:**

At the December 3<sup>rd</sup>, 2019 City Council meeting Councilmembers voted 4-2 to deny Resolution 2019-238R. The applicant submitted a new application on December 20<sup>th</sup> 2019. LIHTC-20-01 was reviewed at the January 13<sup>th</sup> Committee on Workforce Housing meeting. At that meeting the Committee recommended that this application be presented to Council for their consideration at the February 4<sup>th</sup> meeting.

**Alternatives:**

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**Recommendation:**

The City of San Marcos Low Income Housing Tax Credit Policy states applications must meet at least 5 of the 8 criteria, including criteria #1, in order to receive a staff recommendation for a Resolution of No Objection. Based on the criteria outlined in the policy, the application meets 6 of the 8 criteria. Staff recommends ***approval*** of the Resolution of No Objection for the proposed Lantana on Bastrop application to the Texas Department of Housing and Community Affairs for Low Income Housing Tax Credits.