

HFC Items 1 & 2



Travis County Commissioners Court Agenda Request Travis County Housing Finance Corporation

Meeting Date: May 7, 2013

Prepared By/Phone Number: Andrea Shields, Manager/854-9116

Elected/Appointed Official/Dept. Head: Leslie Browder, County Executive, Planning and Budget/854-9106

Commissioners Court Sponsor: Samuel T. Biscoe, President

AGENDA LANGUAGE:

1. Public Hearing concerning the Corporation's Multifamily Housing Revenue Bonds (Champions Crossing), Series 2013

2. Consider and take appropriate action to approve Resolution Authorizing the Issuance, Sale and Delivery of Multifamily Housing Revenue Bonds (Champions Crossing Apartments), Series 2013; Approving the Form and Substance of and Authorizing the Execution and Delivery of Documents and Instruments Necessary to Carry Out the Financing of such Multifamily Rental Residential Development; and Containing other Provisions Relating to the Subject.

BACKGROUND/SUMMARY OF REQUEST AND ATTACHMENTS: See attached backup.

STAFF RECOMMENDATIONS: Staff recommends approval.

ISSUES AND OPPORTUNITIES: None.

FISCAL IMPACT AND SOURCE OF FUNDING: None.

REQUIRED AUTHORIZATIONS: Andrea Shields, Manager/854-9116; Leslie Browder, County Executive, Planning and Budget/854-9106

AGENDA REQUEST DEADLINE: All agenda requests and supporting materials must be submitted as a pdf to the County Judge's office, agenda@co.travis.tx.us by **Tuesdays at 5:00 p.m.** for the next week's meeting.



**NAMAN HOWELL
SMITH & LEE^{PLLC}**
ATTORNEYS AT LAW

MEMORANDUM
from
William C. Blount

(512) 807-2454
Fax (512) 474-1901
E-mail: blount@namanhowell.com

TO: Board of Directors of
Travis County Housing Finance Corporation

DATE: April 29, 2013

RE: Issuance of Multifamily Housing Revenue Bonds (Champions Crossing
Apartments), Series 2013

Agenda Date: May 7, 2013

This item is to approve the financing of the purchase and rehabilitation of the Champions Crossing apartments located at 2015 Cedar Bend Drive, Austin, Texas, 78758. The principal amount of the Bonds is not to exceed \$19,000,000. Bond proceeds will be loaned to the borrower, ML CASA V, L.P., pursuant to the loan agreement, to provide the funds for the acquisition and rehabilitation of the apartments. The structure of the transaction is identical to the structure of the Argosy at Crestview transaction that the Corporation financed in 2012.

The bonds will be purchased by Bank of America, N.A. in a private placement. Bank of America is conducting its due diligence review and underwriting of the property and financing and will provide an investor letter at closing, stating that it is a sophisticated investor in bonds of this type and has received all the information it requires to make an informed investment decision.

The affordability restrictions are (a) 20% of the units to residents at or below 50% of area median income as established by HUD; (b) 50% of the units to residents at or below 80% of area median income; and (c) 90% of the units to residents at or below 120% of area median income. The restrictions will be enforced by the recording of a Land Use Restriction Agreement in the real property records which sets forth the restrictions. Area median income for 2013 is \$73,200.

The Attorney General's office will review the bond issuance transcript and must approve the legality of the issuance of the bonds.

Enclosed with this memo are the proposed bond resolution and the principal bond documents for your review.

This matter is also on the Travis County agenda to approve the issuance of the Bonds by TCHFC for TEFRA (Internal Revenue Code) purposes.

Please give me a call if you have any questions or require any additional information regarding this matter before Tuesday. The bond documents will be available in Andrea Shields' office for your review.

cc: Andrea Shields
Ladd Pattillo

**Travis County Housing Finance Corporation
700 Lavaca, Suite 1560
Austin, Texas 78701
Telephone: (512) 854-9116
Fax: (512) 854-4210**

Memo

April 3, 2013

To: Board of Directors
From: Andrea Shields, Manager
Re: Presentation for multifamily bond issue from Henderson Global Investors:
Champions Crossing

Introduction

Henderson Global Investors/CASA Partners V, LP has applied to the Housing Finance Corporation for a bond issue to finance the acquisition and rehabilitation of an apartment complex in Travis County, Champion's Crossing. As you might recall, Henderson Global Investors/CASA Partners V, LP is also the partnership that received multifamily housing bonds in 2012 to acquire and rehabilitate Argosy at Crestview on Justin Lane. The rehabilitation of this property is currently ongoing, and staff has the initial compliance file audit for this property in May 2013. Henderson also was the owner of Arboretum Oaks, another HFC bond property. The agenda item for April 9th, 2013, will allow Kristina Lynn the opportunity to address to Board to provide information on the project, while the initial inducement to issue bonds on this property will occur the following week based on availability of the HFC's counsel. This property will have 20% of its units set-aside at 50% of Area Median Income (AMI), and an additional 30% of the units set-aside at 80% of AMI. Please note, the property will not have a 4% tax credit layer.

As a reminder, the initial inducement is in no way a commitment to issue the bonds. You all have several weeks to review the application materials and receive answers to any additional questions you may have. This memo and the appended backup materials are intended to provide you with the most relevant information on these items for your consideration. Please note, the purchase contract on this project requires that Henderson Global Investors/CASA Partners V, LP close on the property in May or face penalties. Therefore, the proposed schedule for this bond issue is as follows:

April 9 th	Introduction of Project
April 16 th	Initial Inducement/Setting the TEFRA Hearing - May 7 th
May 7 th	TEFRA Hearing and Final Bond Resolution

While this schedule is faster than some bond issues, it does fall within the guidelines of the application materials if Henderson provides the appraisal to staff at the appropriate times. Both the HFC's counsel and FA agree they have adequate time to appropriately vet the application. Staff will physically inspect the property this week as well. Should you require any other information, please do not hesitate to request it, and we will be happy to provide it.

Information on Henderson Global Investors/CASA Partners V, LP

As was previously reported with the Argosy at Crestview project, CASA Partners V, LP is the 5th in a series of funds specifically for multifamily housing administered and sponsored by Henderson Global Investors. These funds began in 1993 and typically focus on multifamily projects that are stable but ready for repositioning or redevelopment to maintain the asset and extend its useful, which is very valuable in a strong rental market such as Austin as it improves the existing housing stock's condition and positions the property to continue to compete in the market. Moreover, the addition of the affordability layers position the property to provide safe, decent affordable housing to working individuals and families in an area where rents are increasing considerably.

Staff's prior experience with Henderson Global Investors/CASA Partners V, LP has been positive. Also notable is that Henderson contract property management through Pinnacle Property Manager, which currently manages three properties in the HFC's bond property portfolio. In general, staff's experience with Pinnacle, particularly the regional staff, has been very good.

Details on Champion's Crossing Apartments

Location: 2015 Cedar Bend Drive 78758 (maps are included in the back up for reference). The property is located in Precinct 2.

Bond Amt: \$19,000,000

Acq/Rehab

Costs: Total costs are estimated at \$23,959,205 with \$4,959,205 in equity from Henderson Global Investors/CASA Partners V, LP and the balance financed through the bond issue/proceeds. Henderson is proposing approximately \$2 million in renovations to the property. The exterior and common area renovations include but not limited to a \$200,000 renovation of the Community Building/Leasing Office including the fitness center, business center and common areas, the addition of a dog park, the improvement of a current on-site garden, exterior repairs, exterior painting, repaving the parking areas, replacing access gates, and upgrading landscaping. The unit improvements include but are not limited to replacement of cabinet doors and resurfacing of cabinets as appropriate, new fixtures, new faux wood flooring, new stainless steel Energy Star

appliances, adding GFCI outlets, replacing water heaters, and cleaning/repairing fireplaces and repair/improvement of patios.

Construction

Completion: Rehabilitation is expected to be completed within 24 months of closing.

Site: 10.90 acres, appropriately zoned for multifamily development.

Structures: The property was constructed in 1986 and offers 288 one- and two-bedroom family units in 3-story garden style apartment buildings.

Units: Champions Crossing offers several one- and two-bedroom floor plans. The mix of units and the respective square footages are listed in the following table.

Unit Mix		
Unit Type	Sq. Ft.	# of Units
1/1	491	72
1/1	563	108
1/1	676	36
2/2	844	48
2/2	996	24
Total		288

The units at the property will have income restrictions of 50% and 80% of the Area Median Income as well as at 120%, which is market rate. The following table shows the relative household sizes and incomes for the property.

# in Household	Median Household Income by Household Size & Set-Aside			
	Set-Asides			
	50% AMI	80% AMI	100% AMI	120% AMI
1 Person	\$25,650	\$41,040	\$51,300	\$61,560
2 Person	\$29,300	\$46,880	\$58,600	\$70,320
3 Person	\$32,950	\$52,720	\$65,900	\$79,080
4 Person	\$36,600	\$58,560	\$73,200	\$87,840
5 Person	\$39,550	\$63,280	\$79,100	\$94,920

Rent restrictions are based on income: a qualified household will earn at least three times the rent each month based on income verification. This ensures the household is paying no more than 30% of the household income toward rent, which is in line with HUD standards.

RESOLUTION AUTHORIZING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (CHAMPIONS CROSSING APARTMENTS), SERIES 2013; APPROVING THE FORM AND SUBSTANCE OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS NECESSARY TO CARRY OUT THE FINANCING OF SUCH MULTIFAMILY RENTAL RESIDENTIAL DEVELOPMENT; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

WHEREAS, Travis County Housing Finance Corporation (the "Issuer") has been duly created and organized pursuant to and in accordance with the provisions of the Texas Housing Finance Corporations Act, as amended, Texas Local Government Code, Chapter 394 (the "Act"), for the purpose of providing a means of financing the costs of residential ownership and development that will provide decent, safe and sanitary housing for persons of low and moderate income at prices or rentals they can afford; and

WHEREAS, the Act authorizes the Issuer: (a) to make loans to any person to provide financing for rental residential developments located within Travis County, Texas (the "County"), and intended to be occupied substantially (at least 90 percent) by persons of low and moderate income, as determined by the Issuer; (b) to issue its revenue bonds for the purpose of obtaining moneys to make such loans and provide such financing, to establish necessary reserve funds and to pay administrative costs and other costs incurred in connection with the issuance of such bonds; (c) to pledge all or any part of the revenues, receipts or resources of the Issuer, including the revenues and receipts to be received by the Issuer from or in connection with such loans, and to mortgage, pledge or grant security interests in such loans or other property of the Issuer in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, the Board of Directors of the Issuer (the "Board") has determined to authorize the issuance, sale and delivery of its Multifamily Housing Revenue Bonds (Champions Crossing Apartments), Series 2013 (the "Bonds") pursuant to and in accordance with the terms of a Trust Indenture dated as of June 1, 2013 (the "Indenture"), between the Issuer and BOKF, N.A. dba Bank of Texas, as trustee (the "Trustee"), for the purpose of lending the proceeds thereof to ML CASA V, L.P., a Delaware limited partnership (the "Borrower"), to provide financing for the acquisition and rehabilitation of a multifamily rental residential development to be known as Champions Crossing Apartments located within the County at 2015 Cedar Bend Drive, Austin, Texas 78758, described more fully on Exhibit A attached hereto (the "Project"), all in accordance with the Constitution and laws of the State of Texas; and

WHEREAS, the Board, by resolution adopted on April 16, 2013, declared its intent to issue its revenue bonds to provide financing for the Project; and

WHEREAS, in order to assist in carrying out such acquisition and rehabilitation of the Project, the Board has determined that the Issuer shall enter into a Loan Agreement dated as of June 1, 2013 (the "Agreement"), between the Issuer and the Borrower, pursuant to which (i) the Issuer will agree to make a loan funded with the proceeds of the Bonds (the "Loan") to the Borrower to enable the Borrower to finance the cost of acquisition and rehabilitation of the Project and related costs, and (ii) the Borrower will execute and deliver to the Issuer a promissory note (the "Note") in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Agreement; and

WHEREAS, in order to assure compliance with Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), the Issuer will require the Borrower to enter into a Land Use Restriction Agreement dated as of June 1, 2013 (the "LURA") with respect to the Project; and

WHEREAS, it is anticipated that the Note and the Agreement will be secured by a Deed of Trust, Security Agreement, Assignment of Rents and Leases and Fixture Filing (the "Mortgage") from the Borrower for the benefit of the Issuer; and

WHEREAS, the Issuer's rights (except for certain reserved rights) under the Loan and the Agreement, including the Note and the Mortgage, will be assigned to the Trustee, as its interests may appear, pursuant to the Indenture and an Assignment of Bond Mortgage Documents (the "Assignment") between the Issuer and the Trustee and acknowledged, accepted and agreed to by the Borrower; and

WHEREAS, the Board desires to engage Naman Howell Smith & Lee, PLLC to act as Bond Counsel in connection with the authorization, issuance and delivery of the Bonds; and

WHEREAS, the Board desires to ratify certain other actions heretofore taken with respect to the Bonds; and

WHEREAS, the Issuer desires to authorize the Trustee to invest and reinvest the proceeds of the Bonds and all other funds received and held under the Indenture as specified in the Indenture; and

WHEREAS, Section 147(f) of the Code requires that the Bonds be approved by the "applicable elected representative" (the "AER") after a public hearing following reasonable public notice; and

WHEREAS, with respect to bonds issued by the Issuer, the AER is the Commissioners Court of the County or the County Judge; and

WHEREAS, notice of a public hearing with respect to the Bonds and the Project held by the Issuer on May 7, 2013, was published no less than 14 days before such date in a newspaper of general circulation available to residents within the County; and

WHEREAS, the Board held such public hearing on the date and at the time and place set out in such published notice, and conducted such hearing in a manner that provided a reasonable opportunity for persons with differing views on the issuance of the Bonds and the Project to be heard; and

WHEREAS, the Board and its advisors have examined proposed forms of the Indenture, the Agreement, the LURA, the Note, the Mortgage and the Assignment, and have found the form and substance of such documents to be satisfactory and proper; and have determined to provide financing for the Project in accordance with such documents by authorizing the issuance of the Bonds, the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF TRAVIS COUNTY HOUSING FINANCE CORPORATION THAT:

Section 1. Public Hearing. The Board hereby finds, determines, recites and declares that a public hearing with respect to the Bonds and the Project was held on May 7, 2013; that notice of such public hearing was published no less than 14 days before such date in a newspaper of general circulation available to residents within the County; that such notice included the date, time and place of the public hearing, the location, general nature and the initial owner of the Project and the maximum aggregate principal amount of the Bonds; that all comments from interested persons were taken at such

public hearing and were provided to the AER; and it is anticipated that on May 7, 2013, the Commissioners Court of the County will adopt a resolution approving the Bonds for purposes of Section 147(f) of the Code.

Section 2. Issuance, Execution, Sale and Delivery of the Bonds. The issuance of the Bonds is hereby authorized, according to the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the President or any Vice President and Secretary of the Issuer each are authorized hereby to execute, attest and affix the Issuer's seal to the Bonds and to deliver the Bonds to the Attorney General of the State of Texas for approval, the Comptroller of Public Accounts of the State of Texas for registration and to the Trustee for authentication, and thereafter to sell the Bonds to the initial purchaser thereof and deliver the Bonds as provided in the Indenture.

Section 3. Interest Rate, Principal Amount, Maturity and Price. The officers of the Issuer are hereby authorized to fix and determine the interest rate, principal amount, maturity and price of the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by such officers of the Indenture; provided, however, that: (a) the interest rate on the Bonds shall not exceed 7.0 % per annum, subject to adjustment as provided in the Indenture; provided that, in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; (b) the aggregate principal amount of the Bonds shall not exceed \$19,000,000; (iii) the final maturity of the Bonds shall occur not later than June 1, 2053; and (iv) the price at which the Bonds are sold to the initial purchaser thereof shall not exceed the principal amount thereof.

Section 4. Approval, Execution and Delivery of the Indenture. The form and substance of the Indenture are hereby approved; and that the President or any Vice President and the Secretary of the Issuer are each hereby authorized to execute, attest and affix the Issuer's seal to the Indenture and to deliver the Indenture to the Trustee. The Trustee is authorized to invest the moneys held under the Indenture as provided therein.

Section 5. Approval, Execution and Delivery of the Agreement. The form and substance of the Agreement are hereby approved; and that the officers of the Issuer are each hereby authorized to execute the Agreement and to deliver the Agreement to the Borrower.

Section 6. Approval, Execution and Delivery of the LURA. The form and substance of the LURA are hereby approved; and that the officers of the Issuer are each hereby authorized to execute, attest and affix the Issuer's seal to the Regulatory Agreement and to deliver the Regulatory Agreement to the Borrower and the Trustee.

Section 7. Determination of Moderate Income. That the Board has heretofore determined and hereby confirms, in accordance with the Act, for purposes of the Project, until revised by the Board, that the maximum amount constituting moderate income shall be 120% of area median income as defined by HUD, initially \$87,840.

Section 8. Acceptance of the Mortgage and the Note. That the Mortgage and the Note are hereby accepted by the Issuer; and that the President and any Vice President of the Issuer are each hereby authorized to endorse the Note to the order of the Trustee, without recourse.

Section 9. Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are hereby approved; and that the officers of the Issuer are each hereby authorized to execute the Assignment and to deliver the Assignment to the Trustee.

Section 10. Approval of Bond Counsel. Naman, Howell, Smith & Lee, PLLC is hereby approved to serve as Bond Counsel with respect to the Bonds with all fees and expenses of Bond Counsel to be paid by the Borrower.

Section 11. Execution and Delivery of Other Documents. The officers of the Issuer are each hereby authorized to execute, deliver, attest and affix the Issuer's seal to such other agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 12. Power to Revise Form of Documents. Notwithstanding any other provision of this Resolution, the officers of the Issuer are each hereby authorized to make or approve such revisions in the form of the documents hereby approved as, in the opinion of Bond Counsel, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution; and approval of such changes by the Issuer shall be indicated by such officers' execution of the documents.

Section 13. Incorporation of Preamble. The recitals in the preamble of this Resolution are true, correct and complete and that each and all of such recitals and the findings therein are hereby incorporated by reference to the same extent as if set forth here in full.

Section 14. Approval of Submission to the Attorney General of Texas. The Board hereby authorizes and ratifies the submission by Bond Counsel to the Attorney General of Texas, for approval as required under Chapter 1202, Texas Government Code, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 15. Ratification of Certain Prior Actions. That all prior actions taken for or on behalf of the Issuer in connection with the Bonds are hereby ratified, confirmed and approved.

Section 16. Purposes of Resolution. The Board has expressly determined and hereby confirms that the issuance of the Bonds to assist in the financing of the Project will promote the public purposes set forth in Section 394.002 of the Act and will accomplish a valid public purpose of the Issuer by assisting persons of low and moderate income in the County to obtain decent, safe and sanitary housing at affordable prices, thereby helping to relieve unemployment, to preserve and increase the tax base of the County, and to reduce public expenditures for crime prevention and control, public health, welfare and safety and for other valid public purposes.

Section 17. Limited Obligations. The Bonds and the interest thereon shall be special limited obligations of the Issuer payable solely from the revenues, funds and assets pledged under the Indenture, to secure payment of the Bonds, and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Issuer.

Section 18. Obligations of Issuer Only. The Bonds shall not constitute an indebtedness, liability, general, special or moral obligation or a pledge or loan of the faith or credit or taxing power, within the meaning of any constitutional or statutory provision whatsoever, of the United States of America or any agency or instrumentality thereof, the State of Texas, the County or any other political subdivision or governmental unit.

Section 19. Approval Conditions. The actions and obligations authorized in this Resolution shall be subject to and conditioned upon receipt by the Issuer on the date of delivery of the Bonds to the initial purchaser thereof of the appropriate opinions of Bond Counsel with respect to the Bonds.

Section 20. Waiver of Guidelines. The Board hereby waives the Issuer's Policy Guidelines for Receiving and Approving Applications for Financial Participation in Residential Developments (the "Guidelines") to the extent such Guidelines are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

Section 21. Information Return for Tax-Exempt Private Activity Bonds. The Board further directs that an officer of the Issuer submit to the Secretary of the Treasury, not later than the 15th day of the second calendar month after the close of the calendar quarter in which the Bonds are issued, a statement containing the information required by Section 149(e) of the Code.

Section 22. Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

PASSED AND APPROVED this 7th day of May, 2013.

President

ATTEST:

Secretary

(SEAL)

Exhibit A

PROJECT AND BORROWER

Borrower: ML CASA V, L.P., a Delaware limited partnership

Project: The Project is a 288-unit multifamily rental residential development known as Champions Crossing Apartments and located at 2015 Cedar Bend Drive, Travis County, Texas 78758. It consists of 216 1-Bedroom/1-Bath units, 72 2-Bedroom/2-Bath units.