CITY COUNCIL
WORKSHOP SESSION MINUTES
FEBRUARY 15, 2023

PRESENT:

Dr. Christopher Harvey, Mayor

COUNCIL MEMBERS:

Emily Hill, Mayor Pro Tem, Place 1
Anne Weir, Place 2
Maria Amezcua, Place 3
Sonia Wallace, Place 4
Aaron Moreno, Place 5
Deja Hill, Place 6 (Absent)

CITY STAFF:

Scott Moore, City Manager
Lluvia T. Almaraz, City Secretary
Scott Dunlop, Development Services Director
Scott Jones, Economic Development Director
Matthew Woodard, Public Works Director

WORKSHOP SESSION – 5:30 P.M.

With a quorum of the Council Members present, the workshop session of the Manor City Council was called to order by Mayor Harvey at 5:41 p.m. on Wednesday, February 15, 2023, in the Manor City Hall, 105 E. Eggleston St., Manor, Texas.

REGULAR AGENDA

A. Presentation and discussion regarding Public Facility Corporations (PFCs) and incentives for the development of affordable housing within the City of Manor.

Gregory Miller with Bickerstaff Heath Delgado Acosta LLP presented and discussed the attached PowerPoint presentation.

Topic of discussion:

- Introduction / Affordability Measures
- PFCs for multifamily development, before and after 2015
- Processes, fees, and costs
- Pending Legislation
- Best Practices
- Additional tools for community development
- Next Steps

There was no further discussion and no action taken.

ADJOURNMENT

The Workshop Session of the Manor City Council Adjourned at 6:13 p.m. on Wednesday, February 15, 2023.

These minutes approved by the Manor City Council on the 1st day of March 2023. *(Audio recording archived)*

APPROVED:

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Dr. Christopher Harvey
Mayor

ATTEST:

____
Lluvia T. Almaraz, TRMC
City Secretary

Community Development for the "Missing Middle" in Manor

Public Facility Corporations and the Section 303.042(f) 100% Tax Exemption

Presentation Overview

- Introduction / affordability measures
- PFCs for multifamily development, before and after 2015
- Processes, fees, and costs
- Pending legislation
- Best practices
- Additional tools for community development
- Next steps

Introduction

- Bickerstaff has been the City's Public Finance Counsel from 2004 to the present

  - GO Bonds, Certificates of Obligation, Tax Notes, Water Development Board, and Public Improvement District Obligations (totaling approx. **$73mm in City of Manor transactions**)

Introduction

- Experienced in specialty financings including creation of special districts and entities: SUDs, PIDs, TIRZ, EDC, and PFC

- *Formed and issued debt for **first in Texas** Community College District PFC (ACC)*
  - *Development of multiple campuses (Totaling approx. **<u>$259mm in ACCD PFC transactions</u>**)*

Introduction (cont.)

- *As a former City of Austin attorney, counsel for: Austin Housing Finance Corporation, Economic Development Office, Neighborhood Housing and Community Development, and Urban Renewal Board*

- *World Class Housing and Economic Finance and Tax Counsel*
  - *Strategic of counsel relationship with minority women-owned firm, Convergent Law*
  - *Jong Nee and Yuqing Tian recognized for cutting edge LIHTC and NMTC work*
  - *Experience and insight available to the City of Manor*

Affordability Measures- AMI

- **AMI** is the Area Median Income, which is determined by HUD
- PFC developments typically limit 50% of units to individuals/households earning **less than 80% AMI**
- In Manor, 80% AMI is **$88,250**

Affordability Measures- Household Size

- Affordable housing developments typically adjust income limits based on **household size**

- **AMI baseline** is a household of 4

Affordability Measures- Household Size

Family Size	80% MFI
One	$61,800
Two	$70,600
Three	$79,450
Four	$**88,250**
Five	$95,350
Six	$102,400
Seven	$109,450
Eight	$116,500

Affordability Measures- Rent Limits

Family Size	80% MFI	30% (monthly)
One	$61,800	$1,545
Two	$70,600	$1,765
Three	$79,450	$1,986
Four	**$88,250**	**$2,206**
Five	$95,350	$2,383
Six	$102,400	$2,560
Seven	$109,450	$2,736
Eight	$116,500	$2,912

PFC Development (Pre-2015)

- Public Facility Corporation (PFC):
  - Nonprofit corporation created by a local government to acquire, develop, and finance properties and projects
  - More procurement flexibility than the sponsoring entity
  - PFC's revenue bonds are not debt of the sponsoring entity

PFC Development (Pre-2015)

- **1995-** Housing Authorities (PHAs) begin to use PFCs for developments with 100% tax exemption

- **2001-** amendments introduce PHA PFC affordability standards:

  - 20% as public housing units **or**

  - 50% of units for households making less than 80% AMI

PFC Development (Pre-2015) (cont.)

- Structure involved:
  1. PHA,
  2. PHA nonprofit subsidiary (sometimes),
  3. PHA PFC,
  4. Developer partner, and
  5. Limited partnership with PFC as general partner

- Structure was required to demonstrate PHA control, which was requirement for 100% tax exemption

PFC Development (Post 2015)

- Structure significantly simplified to require:
  1) PHA,
  2) PFC, and
  3) Developer

- Also, non PHA PFCs were authorized to do similar multifamily development

- PHA 20% public or 50% at 80% MFI does not apply to non PHA PFCs, but often recommended to hedge constitutional concerns

PFC Development (Post 2015)

- PFC can go to any jurisdiction and claim exemption for a project (see e.g., HACA projects)

Pending Legislation

At least three possible bills likely:

- Limit PFC operation to sponsor-entity boundaries
- Enhanced affordability requirements
- Enhanced monitoring/reporting

Processes and Costs

1. Developer proposes project to City
2. Parties negotiate financial/affordability benefits to City and other terms
3. City Council approves and at or same time creates/incorporates PFC
4. Developer sells the land to the PFC, PFC leases the land and to-be-built improvements to a limited partnership entity controlled by the developer (typically for 75-99 years)

Processes and Costs (cont.)

5. 100% property tax exemption is secured from the local appraisal district
6. The developer, via the limited partnership entity, builds and rents out the apartment complex with a 100% sales tax exemption on construction materials
7. Typically at year three to year five, developer cashes out and sells (The PFC can choose to remain in the partnership, which extends the property tax exemption on the property)

Processes and Costs (cont.)

- **Application Fee** - $15-$20,000, <u>Developer funds City due diligence and creation costs</u>

- **Origination Fee-** typically 0.5 -1% of development costs

- **Net Cash Flow** – typically 10-25%

- **Asset Management Fee** – Typically $12,000 - $25,000

- **Net sales** – typically 10- 25% (or option to stay in the transaction post-sale)

Best Practices

- RFP process
- Effective Reporting
- Affirmative Marketing
- Adjust for family size to include families with children
- Communicate with/learn from other jurisdictions

Additional Tools

- When building a community to support fixed wage-earning professionals, Manor may consider a combined approach rather than a stand-alone housing development
- Manor is uniquely situated to create its own path and set new standards

Additional Tools (cont.)

- New Markets Tax Credits (NMTC) work well for mixed use developments that can be used to create community
- These support combinations including residential, professional/office, retail, manufacturing
- NMTC supports mixed-use and mixed-income development

Additional Tools (cont.)

- Low Income Housing Tax Credits (LIHTC) work well for affordable housing projects that compliment community development program
  - Can be combined with other subsidies

Additional Tools (cont.)

- Invite proposals from market participants for innovative ideas
- Development of the community that the City wants will require creativity and resourcefulness but Manor is well positioned to shape its destiny on its own terms

Suggested next steps

- Establish a task-force to report (**within a defined period of time**) on tools, metrics, and best practices for community development
- Adopt vision and policy and related ordinances
- Issue RFPs/RFQs for proposals
- Conduct work required to obtain tax credits and grants, and attract partners

Conclusion

Questions/General Discussion