

## CITY COUNCIL MEMORANDUM

### AGENDA ITEM

**Resolution of No Objection for South Station Apartments**

### ORIGINATING DEPARTMENT

**Community Development**

### BACKGROUND INFORMATION

The Texas Department of Housing & Community Affairs administers the housing tax credit program, which is a highly competitive program (9% tax credits) and applications are scored using a qualified allocation plan. They also administer the non-competitive (4%) tax credits and tax exempt bond programs. The housing tax credits are sold to investors in exchange for cash equity for the development. This development proposed by Pedcor Investments LLP, is to be financed with tax-exempt bonds, issued by Bell County Housing Finance Corporation (the "HFC"), and non-competitive (4%) low-income housing tax credits ("HTCs") administered by the Texas Department of Housing and Community Affairs ("TDHCA"). The bonds are anticipated to be privately placed and remain outstanding for 40 years. Construction and permanent financing will be provided through an FHA 221(d)(4) program loan, which provides for a below market interest rate on the debt. In addition, approximately \$18 million in equity will be provided through the syndication of the housing tax credits. Any remaining costs will be covered by rental income and deferred developer fees.

### DISCUSSION/CONCLUSION

In order to be eligible for the tax credits, Pedcor Investments, LLP is required to submit to TDHCA a "resolution of no objection" from the City of Killeen. This resolution must state that a hearing has been conducted by the local government in order to receive public comment on the proposed development and generally that, after due consideration, the City does not object to the proposed development. Without the resolution, the proposal will not move forward. The proposed development consists of 256 total units and the development will be income and rent restricted, reserved for households with incomes at or below 60% of the Area Median Income, so this development would serve households making anywhere from \$24,960 to \$41,280, depending on household size.

### FISCAL IMPACT

Property taxes generated by the development are currently estimated at over \$215,000 per year. Building permit fees and related construction will also bring value to the city of Killeen. Development costs are estimated to be \$46.7 million. Pedcor will not be seeking any funding from the City of Killeen.

### RECOMMENDATION

Staff recommends that the City Council approve a Resolution of No Objection for the application to Texas Department of Housing & Community Affairs for the South Station Apartments.