

Austin American-Statesman

City to help developer with homes

Nonprofit agency considering buying land for affordable housing in East Austin

BYLINE: Sarah Coppola, AMERICAN-STATESMAN STAFF

DATE: October 13, 2004

It's rare for the city to swoop in and buy land just before a building goes up **on** it.

But that's what's about to happen with a major project in East Austin.

The city, through a nonprofit subsidiary known as the Austin Housing Finance Corp., will spend \$500,000 to preserve an affordable housing project known as the **Villas on Sixth**. The developer plans to build 160 apartments, most of them for low-income families, on 6 acres at East Sixth and Robert T. Martinez Jr. streets. All sides hope the **Villas**, along with several other projects in the area, will help spur East Austin development.

Campbell-Hogue and Associates, a Seattle-based developer, has invested \$750,000 since 2001 planning the **Villas**. The company hoped to pay for the project **on** its own but eventually realized it would need more money to afford low-income units.

Of the 160 apartments, 136 will be reserved for people making less than 50 percent of Austin's median family income, or about \$33,000 for a family of four.

Initially, the city helped Campbell-Hogue get \$1.2 million in state tax credits to help build the project. Now, City Council members are considering a proposal in which Austin, through its housing finance corporation, would buy the 6 acres from a private landowner for \$500,000. The land has been appraised at \$2 million, said Paul Hilgers, the city's housing director.

A partnership of private investors would pay the remaining \$1.5 million for the land, but the housing finance corporation would own it. Those private investors, Campbell-Hogue and the corporation would become partners.

The city would lease the land to the partnership and get \$28,000 each year for 50 years. In 15 years, after the tax credits end, the corporation will have the option to buy the entire project, though no price is listed in the agreement.

The city will waive almost \$100,000 in fees for the project under its Smart Housing program. "It requires creative financing and partnerships to make projects have the high

quality that low-income families deserve," said Hilgers, who also is the finance corporation's director. "Without the partnership, this project simply would not be as affordable as it can be."

The City Council, serving as the corporation's board of directors, is scheduled to vote **on** the deal Oct. 21. The city formed the nonprofit group to find different ways to create and pay for low-income and moderately priced housing. Because nonprofits qualify for tax exemptions, working with the housing finance corporation will make the **Villas** tax-exempt. That will save money and make cheaper rents possible, Hilgers said.

The **Villas** will be one of the few low-income housing projects close to downtown, where higher land prices and property taxes have made it harder for longtime residents to keep their homes, he said.

"This project is being developed where the cost of land is going up and the pressures of gentrification are continuing. This offers us a chance to rent affordable units to people working downtown in the service industry," he said.

Campbell-Hogue would still be in charge of construction, leasing and management. The **Villas** are part of a wave of developments in East Austin, considered by many to be the final frontier for cheap land close to downtown. Other projects have sprouted up within a few miles of the **Villas** site. The Pedernales Lofts, for example -- a group of hip, urbane apartments marketed to young artists and professionals -- are still under construction and have already sold out.

Unlike the Pedernales, the **Villas** would be built especially for low-income families. Campbell-Hogue President Terry Campbell said that when he became the **Villas** developer in 2001, he thought he might eventually ask the city to help pay for the project. Previously, the developer received a \$500,000 loan from the city's finance corporation to complete Fort Branch Landing in Northeast Austin. That was one of 50 low-income projects Campbell-Hogue has done across the country.

"Most of our properties have been developed without help from municipalities, but those days are over," Campbell said. "You really need many sources of financing and many (partners) to get affordable units **on** the ground."

The council agreed to partner with Campbell-Hogue last year to apply for tax credits. Competition for the state-issued credits is stiff, and it can be easier to get them with a city's backing.

Hilgers said the new financing arrangement resembles other low-income projects the city has helped pay for.

In 2000, for example, the finance corporation loaned \$1 million to complete Southwest Trails, a South Austin complex with low-income apartments. Hilgers said the **Villas** will

be a first-of-its-kind project for East Austin: low-income apartments mixed with shops and other features.

There will be typical apartment fare, such as a pool and clubhouse, along with a YMCA for after-school programs and possibly a police substation. The apartments will be gated, and there will be 2,100 square feet of retail space.

The site is close to a bike trail, bus lines and tracks that could be used for light rail. "We're trying to make sure we set the bar pretty high, so we're not granting tax exemptions to anyone who walks in the door," Hilgers said. "We want to use this partnership as a model so that if others come to us and say, 'We'd like a tax exemption,' we can say, 'Here's everything this developer agreed they would do to earn it.' "