

February 11, 2021

Item No. 4.3.

LULAC Oak Hill request for rehabilitation funding

Sponsor: Debbie Eller, Director of Community Services

Reviewed By CBC: City Council

Agenda Caption: Presentation, discussion, and possible action regarding a request for support from LULAC Oak Hill Apartments, a supportive housing complex for the income-qualified elderly, for a full rehabilitation of the property, proposed costs, and potential funding source.

Relationship to Strategic Goals:

Neighborhood Integrity

Core Services and Infrastructure

Recommendation(s): Staff recommends Council receive a presentation regarding a request for funding from LULAC Oak Hill Apartments and provide direction.

Summary: LULAC Oak Hill Apartments is a 49-unit apartment complex is located at 1105 Anderson Street in College Station. This property was developed approximately 40 years ago using funding from the U. S. Department of Housing and Urban Development Section 202 Supportive Housing for the Elderly program. Residency is restricted to households earning 50% of the Area Median Income (AMI) or less with at least one member of household being aged 62 years or older. Tenants pay rent based on household income.

The initial request was received from LULAC Oak Hill in May of 2020. Due to the significant workload for Community Development staff caused with the response to COVID-19, the evaluation of this request was delayed. An updated estimate of costs will be provided with the presentation.

The property is owned by the same locally-based not-for-profit that initially conceived and developed the property in the early 1980's. LULAC Oak Hill has never undergone a substantial rehabilitation, and many of its components are now well beyond their useful life and in poor condition. A preliminary physical needs assessment was conducted, and a cost estimate of \$2,100,000 was provided by a contractor that is experienced in multi-family renovations.

Renovations could be funded through a combination of low-income tax credits and tax-exempt bonds funds, but this is an extremely expensive alternative due to the complexity of the financing. After discussions with Community Development staff regarding possible local alternatives, the Section 108 program was identified as a possible source of funds to complete the rehabilitation.

The Section 108 is a loan guarantee provision of the Community Development Block Grant (CDBG) program. It provides CDBG grantees with a source of financing for economic development, housing rehabilitation, public facilities, and other large-scale physical development projects.

Staff will provide an overview of the proposed project, a summary of the Section 108 loan, time frame, potential risks, and request direction.

Budget & Financial Summary: N/A

Reviewed & Approved by Legal: No

Attachments:

1. LULAC Oak Hill - Funding Request

LULAC Oak Hill
1105 Anderson Street
College Station, TX 77840

May 28, 2020

Debbie Eller
Director of Community Services
City of College Station
511 University Drive East
College Station, TX 77840

Re: LULAC Oak Hill Renovations

Dear Ms. Eller:

On behalf of the LULAC Oak Hill board of directors, I am writing to request the City of College Station consider assisting with the renovation of LULAC Oak Hill Apartments. The 49-unit property was constructed almost 40 years ago to provide housing to low income seniors and persons with disabilities, with all of the residents benefiting from HUD Section Eight rental assistance. The community is owned by the same locally-based not-for-profit that initially conceived and developed it in the early 1980s.

LULAC Oak Hill has never undergone a substantial rehabilitation and many of its components are now well beyond their useful life and in poor condition. We have completed a preliminary physical needs assessment and retained a contractor that is experienced in multi-family renovations to inspect the property and provide a cost estimate for the necessary repairs. The estimated cost of the renovations is approximately \$2,100,000, which cannot be funded through conventional or direct HUD funding. The renovation could be funded through a combination of low income housing tax credits and tax-exempt bonds, but this is an extremely expensive alternative due to the complexity of the financing and would require the current community-based owner to give up control. The HUD/College Station Section 108 funding that has been discussed could efficiently fund the renovation and preserve local control.

Attached are several documents that provide detail regarding the operations of the property and the proposed renovations:

- Preliminary Physical Needs Assessment
- Preliminary Contractor Cost Estimate
- 2019 Audited Financial Statement
- FY 2020 Operating Budget

- April 2020 Statement of Operations
- April 2020 Balance Sheet
- LULAC Oak Hill Board of Directors

Please let me know if you would like any additional information to consider this request.

Sincerely,

A handwritten signature in blue ink, appearing to read 'W. Elsbree', with a long horizontal stroke extending to the right.

William Elsbree
Managing Agent