

City of Fayetteville Staff Review Form

2015-0188

Legistar File ID

4/21/2015

City Council Meeting Date - Agenda Item Only
N/A for Non-Agenda Item

Paul A Becker

4/3/2015

Accounting & Audit /
Finance & Internal Services Department

Submitted By

Submitted Date

Division / Department

Action Recommendation:

This is a request to the City Council by American Agape Foundation to conduct a public hearing for an acquisition and rehabilitation project at the Park Lake apartments on East Zion Road. It also requests the Council to approve to use TEFRA bonds for this project. TEFRA bonds are private activity bonds which would be issued by the Public Finance Authority in Wisconsin which has nationwide authority. The City of Fayetteville would not be an issuer of these bonds nor would the City be in any way responsible for the principal or interest payments associated with these bonds. Neither the City bond rating nor bonding capacity would be affected by these bonds.

Budget Impact:

Account Number	Fund
Project Number	Project Title
Budgeted Item? <u>NA</u>	Current Budget \$ -
	Funds Obligated \$ -
	Current Balance \$ -
Does item have a cost? <u>No</u>	Item Cost
Budget Adjustment Attached? <u>No</u>	Budget Adjustment
	Remaining Budget \$ -

V20140710

Previous Ordinance or Resolution # _____

Original Contract Number: _____

Approval Date: _____

Comments:

AGENDA ITEM MEMO

To: Mayor Jordan and City Council

From: Paul A Becker

Date: April 3, 2015

Subject: Public Hearing and approval of Acquisition and Rehabilitation Project at the Park Lake apartments by the American Agape Foundation through the use of TEFRA bonds

BACKGROUND:

The Lake Park apartments are located on East Zion Road in Fayetteville. These apartments help benefit low and very low income individuals and families by providing low cost housing in Fayetteville. The American Agape Foundation (a non-profit tax exempt entity) would like approximately \$580,596 for immediate repairs and upgrades in this apartment complex. A detailed listing of the nature of these upgrades and repairs is included in this packet for your information.

This project would be financed through the use of TEFRA bonds issued by the Public Finance authority in Wisconsin which has national jurisdiction. These bonds would not be an obligation of the City of Fayetteville. The City of Fayetteville would not have any responsibility in the issuance, redemption or payment of interest on these bonds. They would not affect our bonding capacity or credit rating. However, Federal law requires the governing body with geographic jurisdiction over the project financed by these bonds to approve the project, as well as the bond issuance, and to hold a public hearing for the project.

RECOMMENDATION:

This project will make improvements to a community that provides housing to low and very low income families and individuals here in Fayetteville at no cost to the City. It is recommended by the administration that this very worthwhile project be approved and that a public hearing be conducted as required by law.

BUDGET IMPACT

This request will have no cost to the City. It will not affect the Cities bond rating or bonding capacity in any way.

**AMERICAN AGAPE FOUNDATION, INC.
7334 BLANCO ROAD, SUITE 200
SAN ANTONIO, TEXAS 78216
PH: (210) 341-8097**

March 24, 2015

City of Fayetteville, Arkansas
113 West Mountain Street
Fayetteville, Arkansas 72701

Re: Park Lake Community
Request for Public Hearing and Approval

Ladies and Gentlemen,

American Agape Foundation, Inc. and its subsidiary affiliates are treated as non-profit, tax exempt entities under Section 501(c)(3) of the Internal Revenue Code, as amended (the "Code"). Our charitable purpose is to provide high quality, low cost affordable rental housing for low to moderate income individuals, families and senior citizens.

In furtherance of our charitable purpose, we plan (through our Arkansas affiliate, Agape-Park Lake, LLC) to acquire and rehabilitate an existing 91-unit residential rental community known as Park Lake (the "Community"), located at 1753 E. Zion Road in the City of Fayetteville. Upon acquisition, Agape-Park Lake, LLC will operate the Community in the same manner as it is currently operated, and there will be no change in the mission of the Community. The Community serves low to very low income families and individuals and receives financial assistance from the United States Department of Housing and Urban Development. In exchange for such financial assistance, Agape-Park Lake, LLC will agree to continue operating the Community for the benefit of low and very low income families and individuals.

At the present time, Agape-Park Lake, LLC expects to spend approximately \$580,000 in immediate repairs and upgrades to the Community. Those improvements are expected to include: upgrades to the existing parking lot, repairs to interior areas, replacements of air conditioning units and repairs to exterior wood surfaces. In addition, we are analyzing the results of a physical needs study we commissioned from a third party engineer. Additional monies may be expended on other improvements at the Community based on the findings of such study.

We are proposing to use tax exempt bond financing available to non-profit entities under Section 501(c)(3) of the Code (the "Bonds") to fund the acquisition and rehabilitation of the Community. We expect the Public Finance Authority, a bond issuer with national jurisdiction based in the State of Wisconsin, to issue the Bonds. No bonds or other obligations will be issued by the City and neither the City nor any other political subdivision of the State of Arkansas will have any obligation whatsoever with respect to the Bonds.

Under Code provisions applicable to the proposed Bonds, a public body with an elected official having jurisdiction over the Community must approve the issuance of the Bonds after a public hearing. Consequently, we ask the City to hold such a hearing and authorize approval of the Bonds solely for purposes of satisfying those applicable Code provisions after publication of a notice of such hearing at least 14 days prior to the hearing date. We respectfully request that the City hold the hearing and authorize such approval at the regularly scheduled City Council meeting on April 21, 2015. In connection with this request and for your convenience, we have enclosed drafts of the notice of public hearing (which will be published in a newspaper of general circulation within the City) and the form of the approval.

We sincerely appreciate your consideration of these matters and would be pleased to discuss them in more detail should there be any questions.

Respectfully submitted,



David Starr, President

AGAPE – PARK LAKE, LLC

TRANSACTION SUMMARY

American Agape Foundation (“AAF”) is a non-profit corporation, recognized as a 501c3 tax-exempt organization, engaged in the creation and preservation of affordable housing opportunities. AAF has identified 4 apartment properties in 3 states that it wishes to acquire and rehabilitate through one or more affiliated non-profit entities. One of those properties is the 91 unit apartment complex known as Park Lake Apartments located at 1753 E. Zion Road, Fayetteville, AR 72703. Agape – Park Lake, LLC is an Arkansas Limited Liability Company formed for the specific purpose of acquiring and owning the Park Lake Apartments. The property has a Housing Assistance Payments (HAP) Contract with the Department of Housing and Urban Development which will provide for rental assistance for the residents of each unit under the HAP Contract. Provisions of the Contract also restrict occupancy to Very Low Income families (Families whose Adjusted Gross Income is at or below 50% of the Area Medium Income).

To maximize efficiencies, AAF has approached the Public Finance Authority (OFA) to facilitate financing for all four properties through a single tax-exempt bond financing. Federal Law requirements for such financings include conducting public hearings and obtaining approvals from the PFA as issuer and from the local governmental entity having jurisdiction over the area in which the property is located. In this instance, the City of Fayetteville is the appropriate jurisdiction for Park Lake Apartments. Solely for purposes of satisfying those federal requirements, the Mayor (as the City’s highest elected official) would need to “approve” these matters after a public hearing is held. That approval neither obligates the City to take any action with respect to the proposed financing or the financed property nor does it commit or otherwise expose the City to liability with respect to the financing or otherwise. AAF will make all arrangements and pay for publication of Notice of the hearing which will be held at a time and place determined after consultation with City staff. AAF and its team of assembled municipal bond professionals would be pleased to answer any questions.

We have attached a copy of the proposed repairs to be accomplished (which will encompass energy efficiency products and methods where feasible), and a copy of the income set asides applicable to the Project.

Repairs Program
 Agape - Park Lake, LLC
 Park Lake Apartments

Description	Quantity	Unit Cost	Estimate
Critical Repairs			
Install Smoke Detectors in Bedrooms	196	\$20	\$3,920
Accessibility			
Provide Van Accessible Parking Space	1	\$300	\$300
Non-Critical Repairs			
			\$0
Repair Damaged Parking Lot (Sq. Ft.)	12000	\$12	\$144,000
Seal Cracks in Parking Lot (Linear Ft.)	2400	\$3	\$6,000
Restripe Parking Lot	125	\$4	\$500
Repair Swimming Pool	1	\$13,892	\$13,892
Replace Pool Pump	1	\$665	\$665
Replace Backwash Line	1	\$3,200	\$3,200
Repair/Replace Balcony Rails	With Vinyl		
Replace all Windows with 7/8" Dual Pane	304	\$312	\$94,848
Install Vinyl Siding on all Exterior	1	\$218,461	\$218,461
Rehab Down Units	5	8000	\$40,000
Allowance for Landscape	1	\$10,000	\$10,000
New Building Signs	12	\$150	\$1,800
Sweep Chimneys	86	\$35	\$3,010
Contingency	1	\$40,000	\$40,000
			\$0
			\$0
Total			\$580,596

AGAPE – PARK LAKE, LLC
PARK LAKE APARTMENTS
AFFORDABLE HOUSING SET ASIDE
AND
APPLICABLE INCOME LIMITS

Acquisition and repair of Park Lake Apartments will be funded with 501 (c)3 Tax Exempt Bonds.

501 (C)3 Bond set aside requirements:

20% of Units to be occupied by households with income at or below 50% of Area Median Income

75 % of Units to be occupied by households with income at or below 80% of Area Median Income

Park Lake has a Housing Assistance Payment (HAP) Contract with the U. S. Department of Housing and Urban Development to provide Rental Assistance to qualifying households for all 91 units at the Project. The household portion of the rent payment will be no more than 30% of their adjusted income. The Income Limit requirements of the HAP contract exceed those of the Bond documents and will govern the rental of all units.

HAP Contract set aside requirements:

All of the units to be occupied by households with income at or below 50% of Area Median Income.

On an annual basis, the goal is for 40% of all new households renting at the Project have incomes at or below 30% of Area Medium Income