



# City of San Antonio

## Agenda Memorandum

**File Number:**

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**Agenda Item Number:** 24

**Agenda Date:** May 9, 2024

**In Control:** City Council A Session

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**DEPARTMENT:** Neighborhood and Housing Services

**DEPARTMENT HEAD:** Veronica Garcia, Director

**COUNCIL DISTRICTS IMPACTED:** District 1

**SUBJECT:**

Second Amendment to the Contract for Sale of Land for Private Redevelopment Agreement between the City of San Antonio and Franklin Development Properties, Ltd. for the Four25 San Pedro Project, a 2017 Neighborhood Improvements Bond Project.

**SUMMARY:**

Ordinance approving a Second Amendment to the Contract for Sale of Land for Private Redevelopment agreement between the City of San Antonio by and through the City's Urban Renewal Agency, Office of Urban Redevelopment San Antonio (OUR SA) and Franklin Development Properties, Ltd., increasing funding in an amount of \$4,826,210.78 for a total contract amount up to \$7,476,210.78, for the Four25 San Pedro Project, a 2017 Neighborhood Improvements Bond Project located in City Council District 1; appropriating funds and authorizing up to \$1,025,000.00 in gap funding from the San Antonio Housing Trust to Franklin Development Properties, Ltd. for the project.

**BACKGROUND INFORMATION:**

The \$20 million 2017-2022 Neighborhood Improvements Bond produced 580 affordable housing units through the Urban Renewal Plan within four developments leveraging nearly \$100 million in state and private investment. The 2017 Neighborhood Improvements Bond has funding to

complete one additional project.

The Four25 San Pedro project will be one of San Antonio's first mixed-income developments to include Permanent Supportive Housing (PSH). PSH developments provide supportive services and house people with disabling conditions who have exited homelessness. The City's Strategic Housing Implementation Plan (SHIP) outlines a goal to create 1,000 PSH units by 2031. The Four25 San Pedro project will provide at least 25 permanent supportive homes through the inclusion of 25 Place Based Housing Vouchers, which provide a federal rent subsidy and ensure the residents pay no more than 30% of their income towards rent. The project is designed for the potential to provide up to 80 permanent supportive units should place-based vouchers or tenant-based rental assistance become available. The 80-unit development will consist of 41, two-bedroom units and 39, three-bedroom units with 16 units available to households earning up to 30% of the Area Median Income (AMI), 48 units for households earning between 31-50% AMI and 16 units for households earning up to 60% AMI.

The development includes on-site resident supportive services in partnership with SAMMinistries, including licensed and trained on-site case managers, a food pantry and an integrated VIA bus stop. This transit-oriented development will be located along the VIA's Green Line Advanced Rapid Transit bus line. The project also includes amenities such as controlled access, podium parking, a fitness and community center, a business center, dog park, playground, a community garden, an amenity deck overlooking downtown, and a community laundry room. The developer, Franklin Development Properties, Ltd. is partnering with the San Antonio Housing Trust (SAHT) and SAMMinistries to develop and operate the project. On July 28, 2023, the Texas Department of Housing and Community Affairs (TDHCA) awarded Four25 San Pedro a competitive 9% Housing Tax valued at approximately \$17.6 million.

On February 11, 2021, City Council approved a Real Estate Purchase and Sales Contract through OUR SA to acquire two adjoining properties at 419 and 425 San Pedro in the amount of \$2,000,000.00. The contract authorized selling the two properties to Franklin Development Properties, Ltd. for a sales price of \$500,000.00, and authorized the contribution of \$2,650,000.00 to construct an 80-unit, affordable multi-family residential development, as part of the 2017- 2022 General Obligation Bond Program.

On January 5, 2023, the First Amendment to the Contract for Sale of Land for Private Redevelopment agreement was approved by the Office of Urban Redevelopment San Antonio (OUR SA). This amendment provided for an extension to the original contract which included adjusting the project construction completion date to December 31, 2025. The amendment also provided for Franklin Development Properties, Ltd. to transfer the property to the San Antonio Housing Trust in order to build a multi-family development with tax credit financing from the Texas Department of Housing and Community Affairs (TDHCA).

#### **ISSUE:**

The Four25 San Pedro development, a 2017 Neighborhood Improvement Bond project, has a funding gap due to increased interest rates, construction costs, as well as the cost associated with the additional development requirements of Permanent Supportive Housing (PSH). This Second

Amendment will provide Franklin Development Properties, Ltd. an additional \$4,826,210.78 in 2017-2022 Neighborhood Improvements Bond funds for a total contract amount up to \$7,476,210.78 for the Four25 San Pedro Project.

Of the \$4,826,210.78 in funding being added to the project, \$1,043,348.26 is available in the 2017 Neighborhood Improvement project, \$2,647,924.21 will be appropriated from the Affordable Housing Bond fund as program income, and \$1,134,938.31 will be appropriated from 2017 General Obligation Bond interest funds to the Four25 San Pedro Project to provide the gap funding needed for project completion.

Funding in the amount of \$2,650,000.00 was previously approved from the 2017 - 2022 Neighborhood Improvements Bond Program on February 11, 2021 as part of the original Real Estate and Purchase Sales Contract.

The OUR SA Board approved the Second Amendment to the Contract for Sale of Land for Private Redevelopment agreement on April 17, 2024.

Additionally, the San Antonio Housing Trust is partnering with the City of San Antonio to provide up to \$1,025,000.00 to Franklin Development Properties, Ltd. in support of the project. The SAHT Board unanimously approved the funding request on April 19, 2024.

The City Council Planning and Community Development Committee approved the item on consent on April 25, 2024.

The project is expected to break ground in June 2024 and open be placed in service by December 31, 2025.

#### **ALTERNATIVES:**

City Council could choose not to approve this second amendment; however, the Four25 San Pedro project would lack the gap funding to move forward with construction, which will negatively impact the City's Permanent Supportive Housing (PSH) goal. The 9% Tax Credits as part of the agreement would also be forfeited should this amendment not be approved.

#### **FISCAL IMPACT:**

This ordinance approves a Second Amendment to the Contract for Sale of Land for Private Redevelopment agreement which will provide Franklin Development Properties, Ltd. an additional \$4,826,210.78 in 2017-2022 Neighborhood Improvements Bond funds for a total contract amount up to \$7,476,210.78. Of the \$4,826,210.78 in funding being added to the project, \$1,043,348.26 is available in the 2017 Neighborhood Improvement project, \$2,647,924.21 will be appropriated from the Affordable Housing Bond fund as program income, and \$1,134,938.31 will be appropriated from 2017 General Obligation Bond interest funds to the Four25 San Pedro Project to provide the gap funding needed for project completion. Additionally, this ordinance authorizes

up to \$1,025,000.00 in available funds from the City of San Antonio Housing Trust Fund for the project.

**RECOMMENDATION:**

Staff recommends approval.