

Camp Esperanza II

Non-Congregate Shelter Project Analysis


October 2025

This Project Analysis provides a review of The Other Ones Foundation's Non-Congregate Shelter (NCS) Application for HOME-ARP funds for Camp Esperanza II. Per HUD Community Planning and Development (CPD) Notice 21-10, TDHCA is required to evaluate an Application for NCS by considering:

- (1) the appropriate skills and experience related to development of shelters or similar facilities;
- (2) prior experience operating shelters;
- (3) budget, timeline, and sources and uses; and
- (4) proposed operating budget which, if any gaps are identified, includes a plan to secure additional private, local, state, or federal funding sufficient for successful operating of the project.

Staff reviewed The Other Ones Foundation's experience developing and running an emergency shelter called Esperanza I (addressing items 1 and 2 above). In determining financial feasibility (addressing items 3 and 4 above), staff considered the development's hard and soft costs, construction sources, timeline, operating costs, and operating sources. Staff compared the costs proposed for Camp Esperanza II with permanent supportive housing (PSH) developments; such a comparison is a good proxy because PSH properties have smaller unit sizes, larger common areas, and higher operating costs than general population rental housing. Staff also evaluated the proposed shelter costs relative to existing emergency shelters in the same area. While this analysis includes financial considerations including identifying any gaps that would require additional assistance, the Project Analysis is not intended to be an underwriting report as would be prepare for a TDHCA rental application as this activity does not generate income.

Applicant Information

TDHCA Application Number	25800	
Program	HOME-ARP NCS New Construction	
Name of Development	Esperanza Community Phase II	
Address/Location	626 Bastrop HWY, Austin, Texas, 78742	
Population	HOME-ARP Qualified Population (persons experiencing homelessness and other vulnerable populations)	
Key Principals/Sponsors		
The Other Ones Foundation Texas Department of Transportation (TxDOT)		
Funding Sources TDHCA City of Austin		

Experience Related to Development and Operations of Shelters

The Other Ones Foundation is a nonprofit 501(c)(3) that has operated in Austin, TX, since 2018 to help people experiencing homelessness. The Other Ones Foundation was born out of a desire to find new and innovative approaches to serving Austin's homeless community. Its origins involve extensive outreach, asking unhoused people what they felt was missing from the homelessness response system. The responses gave way to a Workforce First Program, which offers unhoused people an extremely low barrier opportunity to get a day's work.

A site at 780 S. Hwy 183 was originally established as a sanctioned encampment for homeless persons in November 2019 by the State of Texas, and it needed an administrator for operations and service provision. In August 2020, The Other Ones Foundation and the Texas Department of Transportation worked together to have The Other Ones Foundation as the site operator and develop the appropriate infrastructure for an emergency shelter, now known as the Esperanza Community.

The Other Ones Foundation, in partnership with a self-governing group of community members, began development of the Esperanza Community in June 2021, transforming the site into a shelter complex of 200 individual shelter units (100 units developed each in Phase 1 and 2), shaded gathering areas, hygiene facilities, and community space. Phase 1 of Esperanza I began with utility infrastructure installation in Spring 2022, followed by vertical construction of 100 climate-controlled cabins, sixteen restroom/shower structures, and two Quonset hut-style service facilities beginning in Fall 2022. This phase was completed by Fall 2023 at a total cost of \$5,710,310. Of this, \$3 million was funded by Travis County, while the remainder came from philanthropic support.

Esperanza I, Phase 1, faced some delays due to in-kind donations that created quality control and utility integration challenges. That experience directly informed The Other Ones Foundation's procurement workflows and strategic launch of Phase 2 of Esperanza I, which broke ground on September 13, 2024, with a total budget of \$3,223,728. Phase 2 of Esperanza I included the construction of 100 additional cabins, hygiene facilities, a standalone vocational training center, a new community center, and flexible-use spaces on the existing Esperanza campus. Phase 2 of Esperanza I is expected to be completed in October 2025.

The Other Ones Foundation offers housing-focused case management, peer support services, community engagement interventions, and vocational services. The shelter provides clients with 24/7 access to their shelter units and hygiene facilities. It also offers on-site medical and psychiatric care through an established partnership with Community Care (one of the largest Federally Qualified Health Center systems in Texas that provides health care, including prescription drugs at reduced prices, to persons who are uninsured or underinsured) and utilizes the time clients spend in the program to increase their independent living skills, thereby improving housing retention. All The Other Ones Foundation staff receive training on trauma informed care and cultural competence, including specific training on the cultural nuances of the homeless population. The Other Ones Foundation provides language access through a language line and focuses on diverse hiring to ensure that staff are representative of those served.

Summary of the Proposed Project

The proposed Camp Esperanza II NCS project will be a new construction development on Travis County Central Appraisal District Public Improvement District #288440 (626 Bastrop Hwy). The project will have 325 NCS units, of which 225 units will be individual tiny homes (consisting of a bedroom and bathroom), and 100 units are similar to Single Resident Occupancy units in rental development which will be incorporated into a four-story Headquarters Structure that will also provide on-site amenities and services to the occupants of Esperanza II.

The Headquarters' first floor has storage, food prep, meal cooking, trash, pantry, cafeteria, security, electric maintenance, reception, restrooms, offices, library, laundry, and a Health, Wellness, and Fitness Center which will support both physical activity and visiting medical providers. The second and third floors also have offices, which will be used only for service delivery to Esperanza II residents – not general operations or for non-residents. The Other Ones Foundation states that the offices are needed for program leadership, private interactions with personnel and shelter occupants, volunteer coordination, and community partner access. The use of the Headquarters' amenities will be restricted for Esperanza II occupants and their guests if it is paid for with HOME-ARP funds as currently proposed; if The Other Ones Foundation wants to expand the population of those who may use those amenities, they may submit an alternative budget that reflects the non-exclusive portion of the common space to the Department by the earlier of twelve months after loan closing or October 31, 2027, reflecting how they will fund those costs no longer eligible for HOME-ARP funds. Additionally, this would likely involve a reduction to the total award amount, which cannot be done if the reimbursement of costs has already occurred.

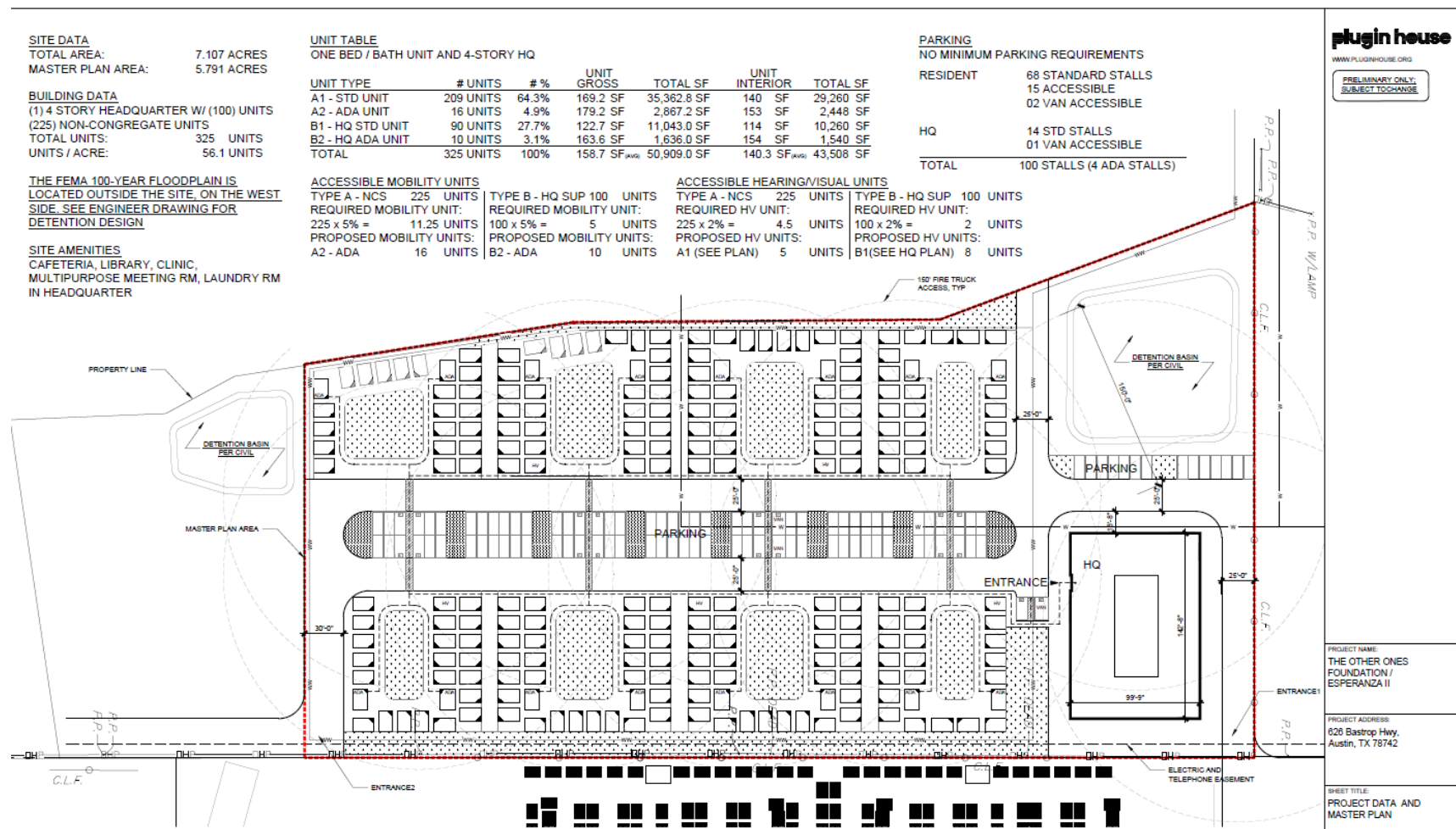
The land for the Esperanza II site is owned by TxDOT. The Other Ones Foundation is proposing to enter into a lease with TxDOT, which will be structured as a lease of the improvements for a minimum of 20 years, with an option to extend. Access to the Esperanza II site will be through an easement granted by TxDOT that runs through the existing Camp Esperanza I community's existing easement. The proposed easement for Esperanza II will be executed in conjunction with the execution of the lease with TxDOT.

Loan Summary and Funding Sources (Construction/Permanent Terms)

Financing Participants	Funding Source	Const. Loan/Equity Amount	Const. Term	Const. Interest	Const. Lien Position	Perm Loan/Equity Amount	Perm. Interest	Perm. Amortization	Perm. Term	Perm Lien Position
TDHCA	HOME-ARP NCS	\$48,420,179	36 (mos)	0%	1	\$48,420,179	0%	n/a	15 (Yrs)	1
The Other Ones Foundation	Owner Equity	\$1,042,333								
Total HOME ARP Project Budget*		\$49,462,512								

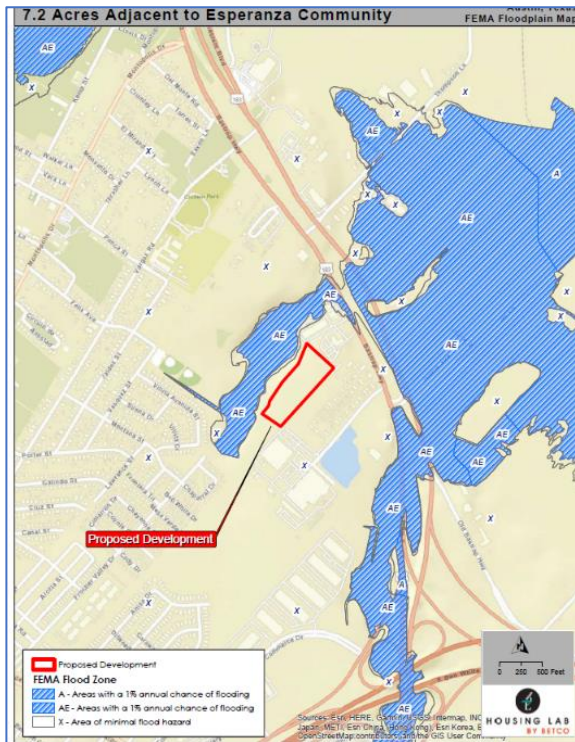
* Project budget was \$50,000,000 at initial submission, and was lowered to the amount in the chart due to changes in scope of work and reallocating costs.

Site Plan

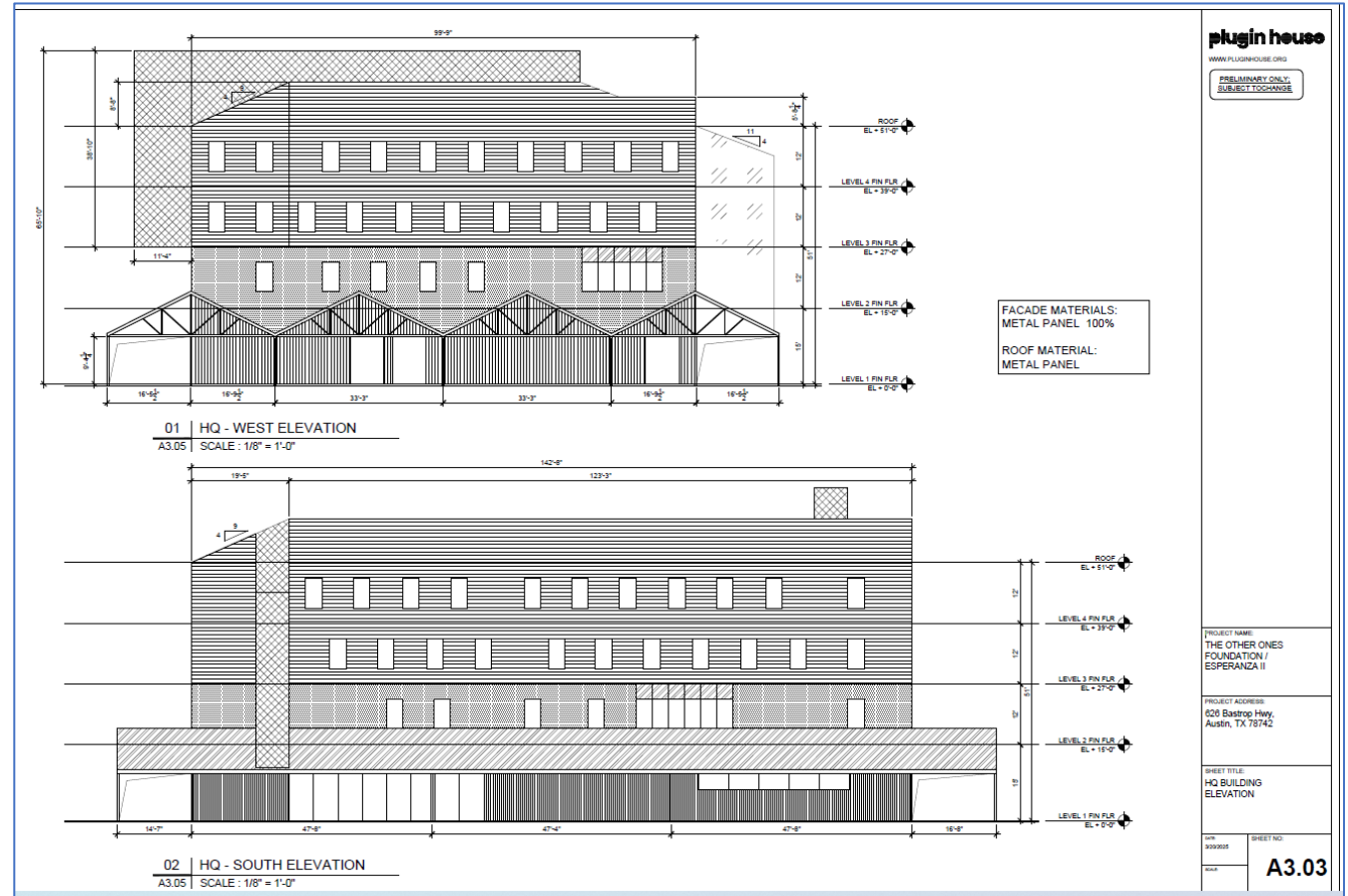


Footnote: The number of ADA parking stalls (e.g., van accessible stalls) is 3; the ADA stalls listed as 4 in the drawing is a typo. ADA parking spots are correctly listed at 15.

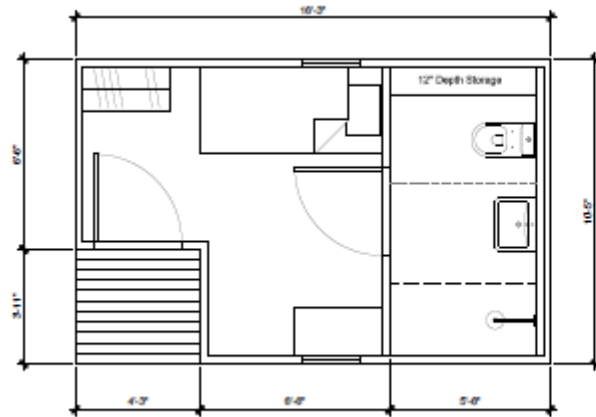
Site Location



Building Elevation



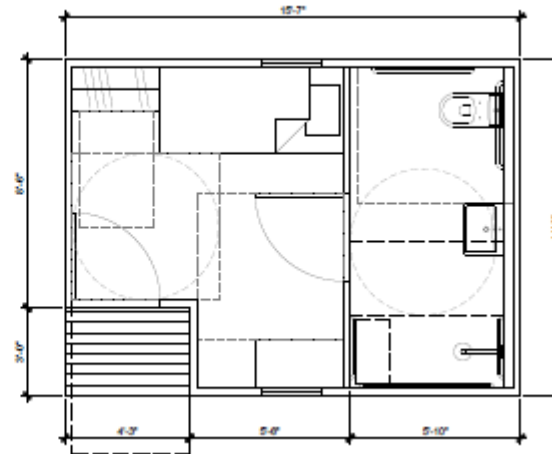
Tiny Home Unit Plan



01 | A1 - STANDARD UNIT PLAN

A2.01 | SCALE : 1/2" = 1'-0"

169.2 SF GROSS FLOOR AREA
140 SF INTERIOR FLOOR AREA



02 | A2 - ADA UNIT PLAN

A2.01 | SCALE : 1/2" = 1'-0"

179.2 SF GROSS FLOOR AREA
153 SF INTERIOR FLOOR AREA

UNIT AMENITIES:

- (a) Install Energy Star-labeled ceiling fans in living areas and bedrooms.
- (b) All appliances must be Energy Star-labeled.
- (c) Install Energy Star-labeled lighting in all interior units.
- (d) Install Energy Star-labeled ventilation equipment, including power-vented fans and bathroom fans.
- (e) Structural insulated panel (energy efficient alternative construction material) for all unit walls.
- (f) Installation of central air conditioning or heat pump equipment with a better Seasonal Energy Efficiency Rating (SEER) than that required by the energy code adopted under Section 388.003, Health and Safety Code.
- (g) Covered entries
- (h) Thirty year shingle roofing
- (i) Closet in primary bedroom
- (j) Private storage
- (k) Covered patios

Headquarters Specifications and First Floor Drawing

HEADQUARTER SQUARE FOOTAGES

GROSS FLOOR AREA: 52,883 SF
 INTERIOR SPACE: 50,265 SF
 CONDITIONED SPACE: 46,514 SF

SUPPORTIVE HOUSING (INTERIOR):
 B1 - HQ STD UNIT (114 SF) x 90 10,260 SF
 B2 - HQ ADA UNIT (154 SF) x 10 1,540 SF
 TOTAL - 100 UNITS: 11,800 SF

COMMON AREA:
 TOTAL COMMON SPACE: 39,257 SF
 COMMON SPACE PER UNIT: 120.8 SF/UNIT (TOTAL OF 325 UNITS)

FLOOR AREA BREAKDOWN TABLE

LEVEL 1

GROSS FLOOR AREA: 14,231 SF
 COMMON AREA:
 RECEPTION 451 SF
 MULTIPURPOSE MEETING RM 1,200 SF
 CAFETERIA 3,923 SF
 HEALTH, WELLNESS, FITNESS 1,356 SF
 LAUNDRY RM 308 SF
 LIBRARY 1,141 SF
 ELEVATOR 246 SF
 RESTROOM 499 SF
 EXIT STAIRS* 738 SF
 HALLWAY 298 SF

RESIDENT COMMON AREA: 10,160 SF

STAFF COMMON AREAS:
 OFFICE 780 SF
 SECURITY 332 SF
 KITCHEN 1,370 SF
 PANTRY* 229 SF
 TRASH RM* 385 SF

TOTAL STAFF SPACES: 3,096 SF
 TOTAL COMMON AREA L1: 13,256 SF

IT/MECH/ELEC 527 SF
 STORAGE* 448 SF

LEVEL 2

GROSS FLOOR AREA: 12,808 SF
 STAFF COMMON AREAS:
 OFFICE 4,052 SF
 MEETING RM 673 SF
 MULTIPURPOSE RM 1,874 SF
 BREAK RM 378 SF
 ELEVATOR 225 SF
 RESTROOM 689 SF
 EXIT STAIRS* 478 SF
 HALLWAY 3,588 SF

TOTAL COMMON AREA L2: 11,957 SF

SUPPORT SPACES:
 IT/MECH/ELEC 333 SF
 STORAGE* 517 SF

NOTE: * SPACES ARE NON-AIR-CONDITIONED; PROPER VENTILATION REQUIRED.

LEVEL 3

GROSS FLOOR AREA: 14,231 SF
 SUPPORTIVE HOUSING:
 B1 - HQ STD UNIT (114 SF) x 45 5,130 SF
 B2 - HQ ADA UNIT (154 SF) x 5 770 SF
 TOTAL SUPPORTIVE HOUSING: 5,900 SF

RESIDENT COMMON AREA:
 ELEVATOR 180 SF
 TERRACE* 2,618 SF
 EXIT STAIRS* 478 SF
 HALLWAY 3,442 SF

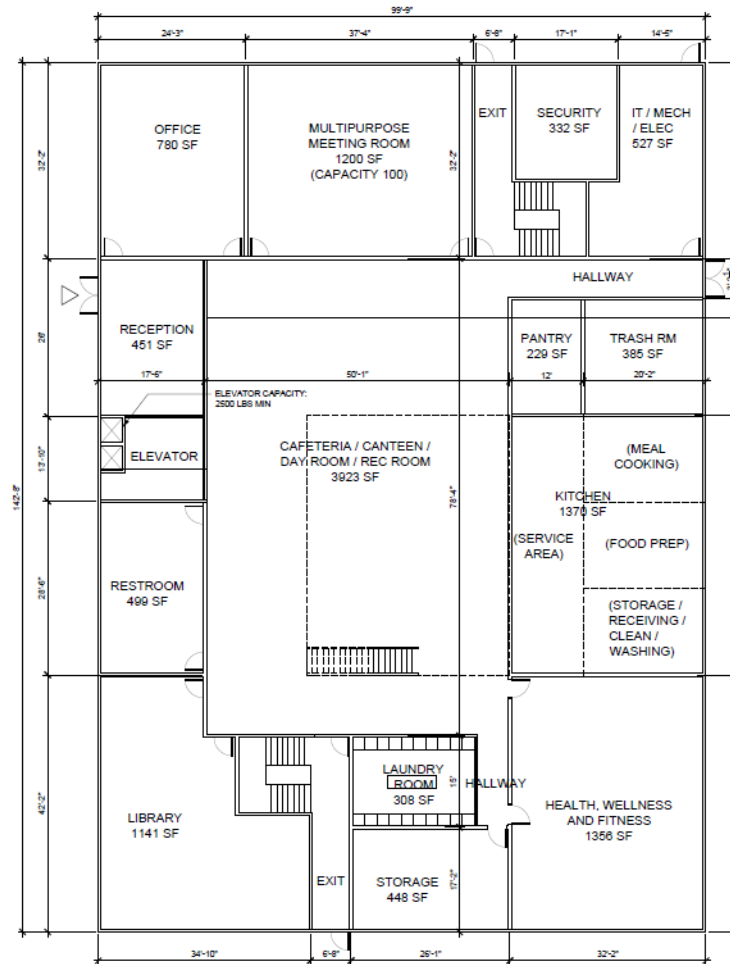
STAFF COMMON AREA:
 OFFICE 1,613 SF
 TOTAL COMMON AREA L3: 8,331 SF

LEVEL 4

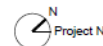
GROSS FLOOR AREA: 11,613 SF
 SUPPORTIVE HOUSING:
 B1 - HQ STD UNIT (114 SF) x 45 5,130 SF
 B2 - HQ ADA UNIT (154 SF) x 5 770 SF
 TOTAL SUPPORTIVE HOUSING: 5,900 SF

RESIDENT COMMON AREA:
 ELEVATOR 180 SF
 EXIT STAIRS 478 SF
 HALLWAY 3,442 SF

STAFF SPACES:
 OFFICE 1,613 SF
 TOTAL COMMON AREA L4: 5,713 SF



01 HQ LEVEL 1 PLAN
 A2.02 SCALE: 1/8" = 1'-0"



plugin house

WWW.PLUGINHOUSE.ORG

PRELIMINARY ONLY
 SUBJECT TO CHANGE

PROJECT NAME:
 THE OTHER ONES
 FOUNDATION /
 ESPERANZA II

PROJECT ADDRESS:
 626 Bastrop Hwy,
 Austin, TX 78742

SHEET TITLE:
 HQ BUILDING
 LEVEL 1 FLOOR PLAN

DATE: 6/30/2025
 SHEET NO:
 A2.02

Building Configuration

	Headquarters	Unit Type A1	Unit Type A2	Totals
Building Type	1	1	1	3
Floors/Stories	4	1	1	n/a
Number of Buildings	1	209	16	225
Units per Building	100	1	1	n/a
Total Units	100	209	16	325
Avg. Unit Size (SF)	118	140	153	134
Total NRA (SF)	11,800	29,260	2,448	43,508
Common Area (SF)	39,705	n/a	n/a	39,705

The construction system for the tiny homes (Unit Types A1 and A2) are Cold Formed Steel Frame with life expectancy of 25 years. The wall and roof panels are Polyurethane Painted-Galvanized Metal Insulated. Exterior doors are steel sheet panel door. Windows are U-PVC windows with double-sided glass. The exterior walls, floor and roof have a life expectancy of 20 years.

The Headquarters is a traditionally built structure. All structures shall be constructed pursuant to the 2024 International Building Codes (2024-IBC) and/or the HOME-ARP NCS Property Standards. Because the subject parcel is owned by the Texas Department of Transportation it is not subject to the City of Austin local codes, or design and development regulations.

Site Control Summary

- Site Control: 7.107 acres
- Site Plan: 7.107 acres
- Control Type: Lease
- Grantor: Texas Department of Transportation (TxDOT)
- Grantee: The Other Ones Foundation
- Related-Party Seller/Identity of Interest: No

The Grantor, TxDOT, is the fee owner of a tract of real property located at 626 Bastrop Highway, Austin, Travis County, Texas. Grantor and Grantee entered into an option to lease agreement effective December 31, 2024. The Grantor is in the process of determining which lease option will work for both its own regulations as a state agency and to the meet the site control requirements of HUD for the HOME-ARP award. TxDOT has an active lease with The Other Ones Foundation for twenty (20) years on the parcel for Esperanza II which was approved by TxDOT's Transportation Commission on December 17, 2024. Note that TxDOT is using the development of this shelter as mitigation for some of its highway projects, and has a vested interest in the shelter continuing to operate. TxDOT has a tax exemption as a state agency. The Other Ones Foundation is in the process of providing evidence that they have a 100% tax exemption which would apply to the improvements of the property, which would be owned by the nonprofit. The documentation of tax exemption is a condition prior to closing.

Site Information

Flood Zone	<u>Zone X</u>	Scattered Site?	<u>No</u>
Zoning	<u>Local Government Code 211.013(c)</u>	Within 100-yr floodplain?	<u>No</u>
Re-zoning required?	<u>No</u>	Utilities at Site?	<u>No</u>
Year Constructed	<u>n/a</u>	Title Issues?	<u>No</u>

Highlights of Environmental Report

- Provider: Civil and Environmental Consultants, Inc. Lisa Mash
- Date: 12/13/2024
- Recognized Environmental Conditions (RECs) and Other Concerns:
 - Radon testing data was examined.
 - Noise assessment showed that future exterior noise levels are expected to be within the unacceptable day-night average sound level (Ldn) of 65-75 decibels for HUD projects. 25 db of noise attenuation must be provided per 24 CFR 51B. The mitigation plan consists of incorporating structurally insulated panels (SIPs) into wall assemblies of the new buildings similar to the existing Esperanza I Community. The panels will consist of an insulating, fire resistant (ASTM E119) foam core sandwiched between two structural facings.
 - Texas Council on Environmental Quality's (TCEQ) Construction Stormwater Prevention Permit will be required. The Other Ones Foundation will need to prepare a Construction Stormwater Pollution Prevention Plan to submit to TCEQ during construction.
 - Any removal of trees 8 inches or greater may require City of Austin permission to remove and possible replacement.
 - If historical structures or cultural materials are encountered during construction or disturbance activities, work should cease in the immediate area; work can continue where no historical structures or cultural materials are present. The Texas Historic Commission should be contacted to consult on further actions to protect the cultural resources.

Need Analysis

Per HUD Notice CPD-21-10, a market assessment is not required for HOME-ARP units for qualifying households. The Other Ones Foundation met the HOME-ARP alternate requirement relating to determining need by demonstrating unmet need among qualifying populations.

Timeline

The proposed construction timeline is 25-36 months, which is within the requirements of the HOME-ARP construction period per HUD CPD Notice 21-10 and the NCS Invitation to Apply.

Development Cost Analysis

Development	Cost	Cost per Unit
Land acquisition	\$-	\$-
Building Acquisition	\$-	\$-
Off-Site	\$650,163	\$2,001
Site Work	\$3,785,671	\$11,648
Site Amenities	\$250,000	\$769
Building Cost	\$30,390,277	\$93,509
Contingency	\$2,409,816	\$7,415
Contractor Fees	\$5,248,030	\$16,148
Soft Costs	\$1,106,983	\$3,406
Financing	\$-	\$-
Developer Fee	\$5,621,572	\$17,297
Reserves	\$-	\$-
Total	\$49,462,512	\$152,192

Development Highlights

- Of the total development costs, up to \$48,420,179 is HOME-ARP eligible, consistent with the recommended amount of the HOME-ARP award.
- TxDOT's contribution is leasing the land; not the building itself.
- Esperanza II will meet or exceed ADA requirements, allowing for 26 mobility ADA units, and 13 Hearing/Visual ADA units. In addition, the architect has certified that all units will be visitable.
- The site will include 68 standard parking spaces 15 accessible spaces and 2 van spaces for the tiny homes, and for the headquarters building there will be 14 standard and 1 Van parking spaces, for a total of 100 parking spaces.
- The 2024 NCS ITA waived 10 TAC §13.3(e)(3) to allow certain amenities that are usually not allowed for rental projects if there was HUD approval or guidance to support them. The amenity that was approved with existing HUD guidance was fencing for the property totaling \$250,000.
- The Other Ones Foundation has indicated that, at a later date, it may wish to expand access to the Headquarters beyond only Esperanza II residents; if this is the case, the costs become ineligible as HOME-ARP costs. This would require that The Other Ones Foundation provide an alternate source of funds. If the use of the Headquarters' is expanded to include general organizational operations or to serve individuals who are not part of Esperanza II, costs must be prorated to reflect the proportion attributable to use by Esperanza II occupants. Cost allocation is required when a project serves a broader purpose beyond the direct benefit of persons living at the property. The construction costs must be reasonably allocated across all funding sources. The cost allocation of the Headquarters along with timing of additional funds is listed as a condition of the Contract.

Sources and Uses

Cost Category	Cost	Source
HOME-ARP Eligible Costs (97.9% of total costs)	\$48,420,179	HOME-ARP
Offsite Costs (HOME-ARP ineligible)	\$650,163	The Other Ones Foundation
Furnishings, Furniture, Fixtures, Equipment	\$150,000	The Other Ones Foundation
Contingency*	\$38,984	The Other Ones Foundation
Soft Costs (1.7% HOME-ARP ineligible)	\$203,186	The Other Ones Foundation
Total	\$49,462,512	

*Approximately 98% of the contingency has been budgeted as HOME-ARP eligible based on a waiver by the Department's Executive Director of a limitation on this issue in the ITA.

Operating Cost Analysis

Operating Cost Summary

Operating Expense	Cost	Cost per unit
General and Administrative	\$220,584	\$679
Payroll, Payroll Taxes, Employee Benefits	\$3,639,250	\$11,198
Repairs and Maintenance	\$614,251	\$1,890
Utilities Total*	\$619,886	\$1,907
Property Taxes	\$-	\$-
Property Insurance**	\$17,883	\$55
Reserve replacements	\$249,925	\$769
Other: Food	\$1,779,375	\$5,475
Other: Services providing work opportunities at the shelter	\$547,500	\$1,685
Total Yearly Operating	\$7,688,634	\$23,657

*TDHCA increased water costs from \$62,086 yearly to \$184,702 yearly, resulting in increase in utilities from \$497,250 to \$619,886 because the original water estimate was based on Esperanza I which does not have bathrooms in individual units or a commercial kitchen. The new water estimate is based on the average water costs of HOME-ARP supportive housing developments in Austin (page 14.)

**The Property Insurance cost appears approximately 60% lower than Austin supportive housing rentals when adjusting for size. It is unknown if the insurance for a shelter would be less than for rental developments. A condition prior to closing is that The Other Ones Foundation provide quotes documenting the estimated property insurance, and a resubmitted budget reflecting the costs.

Because this is a shelter, no rent nor utilities would be charged. Because HOME-ARP is not permitted to be used to cover operating costs, all operating expenses will be covered by external sources.

Operating Cost Highlights:

- The Other Ones Foundation, not residents, will pay for all utilities.
- While TxDOT has 100% tax exemption for the land, the 100% tax exemption of the improvements on the land is pending. Confirmation of the tax-exempt status for The Other Ones Foundation is listed as a condition prior to loan closing.
- The Other Ones Foundation plans to lease the land for Esperanza II from TxDOT for \$12 per year.
- There is no debt service in the annual operating expenses because the HOME-ARP loan is not repayable and will be forgiven at the end of the 15-year federal affordability period.
- The work opportunities at the shelter are costs to run two programs by The Other Ones Foundation for NCS residents: Workforce First and Magnolia Services, junk removal and light demolition services. Both are described as programs that employ persons currently or formerly experiencing homelessness.
- The annual operating budget for Esperanza II will increase the annual overall budget of The Other Ones Foundation by approximately 50% (fiscal year 2024 budget shows \$14.97M in expenses). This significant growth is identified as a risk in the Risks and Risk Mitigation Section starting on page 17.

Operating Sources

Support for the operating expenses is generated from two primary sources: a letter of support from the City of Austin Homeless Strategy Officer showing possible payment of \$25,000-\$34,159 per shelter unit, depending on Esperanza's program and service, and The Other Ones Foundation. The letter from the City of Austin's Homeless Strategy Officer also referenced meeting minutes from the City of Austin Public Health Committee on April 28, 2025, which contained a presentation in which several emergency shelters including Esperanza II are part of an overall homeless strategy.

In the first few years of Esperanza II's operation anticipated opening in 2028, less than the \$25,000 per unit from the City would be needed, especially if The Other One's Foundation's private philanthropy was available for operating expenses as discussed below. It should be noted that the City of Austin Public Health Committee meeting minutes also discussed their interest in the property having less reliance on the City of Austin as an operating source over time. However, the operating pro forma below provided by TOOF shows the opposite; they appear to rely on increasing support from the City of Austin over time to address inflation. One factor to offset this concern is that the annual operating budget starts with an operating cost estimate that is below the lowest amount offered by the City of Austin Public Health Committee. In addition, the operating budget does not show that the maximum City of Austin offer would be needed in any of the 15 years projected.

The Other Ones Foundation also included philanthropy /private fundraising as a major source of covering operating costs for Esperanza II. The projections for fundraising are supported by a detailed plan. However, the projections estimated are not substantiated at this time; no evidence of historical increases or a trending increase over several years has been shown. Projections between 2026 and 2027 alone estimates an increase of 28%. Therefore, only a portion of what The Other One's Foundation estimated as their philanthropic support was included in staff's estimated sources for annual operating expenses.

Alternatively, staff has assumed a philanthropy increase rate of 5% yearly, which appears in line with the projected growth between 2024 and 2025 submitted in The Other One's Foundation Feasibility Report. TDHCA staff is considering that 3% of philanthropy income will go to current costs for Esperanza I and general operating based on inflation of 3% per year. Of the 5% projected increase yearly, 2% could then be used for Esperanza II operating expenses starting in 2028 when the project is expected to be completed.

Staff also notes that the Other Ones Foundation originally submitted several operating sources that were proposed to come from awards of competitive grant applications. It is unknown whether The Other Ones Foundation would be a successful awardee of such funds and whether the sources could be used for shelter operations. While these sources were eventually removed as a source of operating costs because they were replaced with the City of Austin Public Health Committee support, it is important to note that if such funds were received it would allow for less reliance on the City of Austin Public Health Committee and Homeless Strategy Office than is shown in the charts in this document.

Because of the supporting documentation available, HOME-ARP considered the City of Austin support primarily for operating funds, relying only on private philanthropy of 2% increase over inflation. With this division of projected funding, the operating costs appear solvent over the next 15 years. The full operating budget with these sources is shown on the next page.

Operating Projections for Esperanza II

Years in Federal Restricted Use	1	2	3	4	5	6	7	8	9
Year	2027	2028	2029	2030	2031	2032	2033	2034	2035
Annual Operating*	\$7,688,634	\$7,919,293	\$8,156,872	\$8,401,578	\$8,653,626	\$8,913,235	\$9,180,632	\$9,456,051	\$9,739,732
City of Austin Health and Human Services Committee Estimated Per Unit	\$23,013	\$23,530	\$24,053	\$24,583	\$25,119	\$25,661	\$26,209	\$26,762	\$27,320
City of Austin Health and Human Services Commission Total	\$7,479,319	\$7,647,158	\$7,817,206	\$7,989,386	\$8,163,615	\$8,339,799	\$8,517,831	\$8,697,597	\$8,878,967
The Other Ones Foundation Private Philanthropy	\$209,315	\$272,135	\$339,666	\$412,192	\$490,010	\$573,436	\$662,800	\$758,454	\$860,765

Years in Federal Restricted Use	10	11	12	13	14	15	Total
Year	2036	2037	2038	2039	2040	2041	n/a
Annual Operating	\$10,031,924	\$10,332,882	\$10,642,868	\$10,962,154	\$11,291,019	\$11,629,749	\$143,000,249
City of Austin Health and Human Services Committee Per Unit	\$27,882	\$28,449	\$29,019	\$29,592	\$30,168	\$30,744	n/a
City of Austin Health and Human Services Commission Total	\$9,061,800	\$9,245,942	\$9,431,222	\$9,617,455	\$9,804,441	\$9,991,959	\$130,683,698
The Other Ones Foundation Private Philanthropy	\$970,124	\$1,086,940	\$1,211,646	\$1,344,699	\$1,486,578	\$1,637,791	\$12,316,551

*Operating Projections increase 3% yearly for inflation.

** 2% growth estimate above inflation (3% yearly) starting from 2024.

Esperanza II Comparisons to Permanent Supportive Housing (PSH) Rental and Shelters Projects

Because resources relating to costs for developing shelters is limited, staff reviewed the NCS development costs in comparison to permanent supportive housing (PSH) developments in Austin. The PSH projects below were funded with HOME-ARP and were all awarded in the years 2023-2024. What helps to make these projects comparable to Esperanza II is that typically supportive housing projects have smaller unit sizes, larger community space and higher service costs than general rental housing. In addition, all of the projects below are all-bills paid, so the utility costs are better able to be compared.

While the total operating costs for the rental developments are lower than what The Other Ones Foundation estimates will be the case for Esperanza II, it is important to note the PSH projects are much smaller in total units. The Cost Per Unit is a more comparable figure to Esperanza II than the overall cost.

Esperanza II Development Costs compared to Supportive Housing

Project Name	Units	Development Cost	Development Cost Per Unit	Acquisition	Acquisition per Unit	Financing	Financing per Unit
Austin SH Rental 1	100	\$24,134,956	\$241,350	\$2,990,513	\$29,905	\$1,387,903	\$13,879
Austin SH Rental 2	120	\$27,973,301	\$233,111	\$0	\$0	\$761,482	\$6,346
Austin SH Rental 3	61	\$18,395,519	\$301,566	\$2,905,592	\$47,633	\$697,759	\$11,439
Esperanza II NCS	325	\$49,462,512	\$92,239 per tiny home/ \$287,086 per shelter in Headquarters*	\$0	\$0	\$0	\$0

*The per unit development cost for Esperanza II can be divided into two calculations: one for 225 tiny homes and one for 100 shelter units in the Headquarters building. When applying the gross square footage percentage to the total cost of development, this is approximately \$20,753,919 (\$92,239 per tiny home unit), and \$28,708,593 for the Headquarters with 100 units with common space office space on three of the floors at \$287,086 per residential unit. Regarding tiny homes: staff found a large range of tiny home costs from \$27k-\$150k in Austin for just the structures, not the land or connections¹. While tiny home costs were found in studies or online listings, they have not been physically confirmed or inspected.

¹ Tiny House Listings. (2025). <https://tinyhouselistings.com/cities/Austin>

Esperanza II Operating Costs compared to Supportive Housing

Project Name	Units	Yearly Operating Cost	Yearly Operating Per Unit	Replacement Reserves	Replacement Reserves per Unit	Payroll, Employee Benefits	Payroll, Employee Benefits/Unit	Make Ready	Make Ready per Unit
Austin SH Rental 1	100	\$1,167,253	\$11,673	\$30,000	\$300	\$424,548	\$4,245	\$24,000	\$240
Austin SH Rental 2	120	\$1,068,325	\$8,902	\$30,000	\$250	\$471,157	\$3,926	\$8,000	\$67
Austin SH Rental 3	61	\$302,455	\$4,958	\$15,250	\$250	\$85,111	\$1,395	\$4,575	\$75
Esperanza II NCS	325	\$7,566,018	\$23,280	\$249,925	\$769	\$3,639,250	\$11,198	\$135,567	\$417

Project Name	Units	Electric	Electric per Unit	Water	Water Per Unit
Austin SH Rental 1	100	\$55,000	\$550	\$62,000	\$620
Austin SH Rental 2	120	\$62,000	\$517	\$86,000	\$717
Austin SH Rental 3	61	\$38,649	\$634	\$22,465	\$368

Esperanza II Operating Comparisons to Emergency Shelters

The table below are emergency shelter operating costs from 2023 in Austin Texas.

Project Name	Fund Source	Shelter Type	Units	Operating Cost per Unit per Year
Northbridge Emergency Shelter	City of Austin Grants	Motel	125	\$27,620 ²
Southbridge Emergency Shelter	City of Austin Grants	Motel	145	\$27,620 ³
Marshalling Yard	City of Austin Grants	Emergency	150	\$38,667 ⁴

² *Austin Public Health RFP-2023-010 City of Austin Bridge Shelters. Exhibit C Scope of Work. (2023)*

<https://www.austintexas.gov/sites/default/files/files/Health/Social%20Services/C%20-%20Scope%20of%20Work%20RFP%202023-10%20COA%20Bridge%20Shelters.pdf>

³ *Ibid.*

⁴ Maxin, Ryan. Austin American Statesman. (2023, June 9). *Austin approves \$5.8 million plan to reopen downtown Salvation Army homeless shelter for one year.* <https://www.statesman.com/story/news/2023/06/09/salvation-army-austin-city-council-approves-plan-lease-reopen-downtown-homeless-shelter/70305506007/>

Key Development Differences for NCS and Rental Development

- Esperanza II development costs per unit are less than rental housing for the tiny homes, but a more similar cost per unit for the residential units within the Headquarters building. Of the 325 units for Esperanza II, 225 are tiny homes and 100 shelter units are in the Headquarters. The Headquarters has many common area spaces including, but not limited to multipurpose room, laundry, library, kitchen, pantry, staff offices and storage.
- Esperanza II development costs per unit may also be lower than the SH projects because there are no acquisition or financing costs associated with the Application.

Key Operating Cost Differences for NCS and Rental Development

- Payroll, Payroll Taxes and Employee Benefits are higher than SH developments but appear in line or below staffing estimates for other Austin emergency shelters.
- The make-ready costs for Esperanza II's NCS units are 42% higher than the highest amount of make ready for the PSH evaluated. (Make-ready is the term used for cleaning, repairing, and inspecting the unit so that it meets required standards before the next occupant moves in.) The Other Ones Foundation stated that the high make-ready costs were based on costs for Esperanza I, including *"paint, flooring, replacement costs of any bedding, AC/heating/hot plate (including replacing filters) and other materials, fixing clogged drains, etc."* Of note, HUD's HOME-ARP regulations allow for the initial furniture for the NCS to be provided as an eligible cost, but replacement furniture is not an allowable HOME-ARP cost. If furniture/bedding does need to be replaced over time, this could be a substantial cost as illustrated in the make-ready estimates.
- The tiny homes have more than twice the replacement cost per year than the PSH units evaluated. When the higher replacement costs compared to PSH projects were questioned during the Application process, The Other Ones Foundation responded: *"[We are] estimating conservatively based around our experience with our current Esperanza project, as we have experienced substantial replacements needed on individual units. (Roof repairs, doors, windows, etc.) The NCS units have significantly higher exposure to the elements and therefore are not comparable to supportive housing developments."*
- Food is a major cost for Esperanza II (see page 11) and not included in PSH project operating expenses. None of the rental comparisons include food as a line item.
- Esperanza II has higher operating expenses for electricity (86%-90% higher) but lower operating expenses for water costs (93%-275% lower). Electrical costs may be higher because the tiny homes are each separate without shared walls or plumbing. The estimates in the operating expenses are based on Esperanza I costs, and Esperanza I does not have bathrooms in the 200 tiny homes currently built, so staff increased the water costs for this Project Analysis to the average of three HOME-ARP supportive housing development water estimates.

Risks and Risk Mitigation

In looking at the proposal for Esperanza II overall, staff has identified several risks of proceeding and has also provided comments on the potential mitigation of those risks.

- The amount of the HOME-ARP award for development of Esperanza II and the estimated operating costs are both quite significant as compared to the organization's current budget. The proposed award for Esperanza II's development (\$48.4 million) is more than three times the current budget of the organization which was \$14.9 million in fiscal year 2024. The annual operating budget for Esperanza II of \$7.5 million will increase the overall yearly budget of The Other Ones Foundation by approximately 50%. Such large and rapid growth may pose a risk if the organization's capacity is unable to adapt to that growth. There may also be a risk of cash flow shortages during construction, especially during the start of construction in which deposits and other startup costs arise.
 - TDHCA staff has worked to prepare The Other Ones Foundation through a HOME-ARP nonprofit capacity building/operating Contract of \$3,224,229 which started April 26, 2024. As of July 2025, The Other Ones Foundation is 60% expended on the nonprofit Capacity building/operating Contract. The Other Ones Foundation has hired additional staff (especially in their accounting division, data entry, human resources and information technology division), rented office space, and managed a transition of leadership through the Contract.
 - Staff has modified the draw process for HOME-ARP NCS to allow for more draws than is typically allowed for rental developments.
- If Esperanza II does not continue to operate as an emergency shelter during the Federal Compliance Period or if there is any other noncompliance with HUD regulations, then the full amount of the HOME-ARP loan would be due to be repaid by The Other Ones Foundation and the loan foreclosed upon. The loan amount is not forgiven yearly; it is forgiven at the end of the Federal Compliance Period. Foreclosure and repayment of funds from Esperanza II may also jeopardize The Other Ones Foundation's other programs, including Esperanza I, since The Other Ones Foundation is responsible for the entire amount of the repayment (e.g., no LLC or other entity was created to own the NCS). In the event of a foreclosure by TDHCA on the NCS buildings due to noncompliance, TDHCA would become the owner of the improvements on the parcel (e.g., the NCS buildings themselves). In this case, TDHCA would seek to identify an alternate nonprofit to take over the property, and TxDOT would need to agree to the new owner.
 - The initial support from the City of Austin's Public Health Committee and Homeless Strategy Office at the Meeting on April 28, 2025, shows understanding of the commitment level needed to support Esperanza II as one of the city-run emergency shelters. A challenge of this source is that from the meeting minutes shelter operators appear to be expected to raise funds from other sources, so the city can recapture some of the operating costs and redistribute to other shelters. However, the estimates in the pro forma in this project analysis do not show that the maximum amount from the City of Austin's Public Health Committee would be needed if The Other Ones Foundation's fundraising efforts result in higher than 2% increase per year.
- TDHCA is the major contributor of building funds at 97.9% of all costs.

- While TDHCA is the largest contributor for building funds, City of Austin Public Health Committee may be providing operational costs over the 15-year Federal Use Period that are more than double the building funds from TDHCA.

Conditions

To address outstanding issues and to mitigate risk, the following conditions will be placed on the award.

Conditions in the Contract

Throughout the Contract term, The Other Ones Foundation must meet the requirements in the Contract.

1. If the conditions prior to closing are not met within 12 months of Contract execution, then the award amount may be revised, or the award may be rescinded at staff's sole discretion.
2. If the Development Owner chooses to expand access to the Headquarters for general operations or persons not living at Esperanza II, a cost allocation plan must be submitted to the Department and determined to be reasonable for the access allowed. Any additional funds added to the Development to pay for the portion of the Headquarters with expanded access must be added to the Development by month 12 after loan closing, but no later than October 2027. The Contract and loan amount would be reduced according to the funds added for the expanded usage.
3. During construction, to address the noise abatement requirements the Other Ones Foundation must incorporate structurally insulated panels (SIPs) into the wall assemblies of the new buildings similar to the existing, adjacent Esperanza NCS Community buildings. The panels will consist of an insulating, fire resistant (ASTM E119) foam core sandwiched between two structural facings. At the mid-construction physical inspection, The Other Ones Foundation must submit photographic evidence of the installation of the SIP, the spec sheets (product information) and both an owner and architect/engineer's certifications on their company letterhead verifying installation.
4. If Department review of Davis Bacon and Related Acts requirements results in required corrections, The Other One Foundation will make the requested corrections timely. If requested labor standard corrections (if any) are not made by the sixth draw, then funds will be held until the corrections on the previous draws have been made.

Conditions before Closing

Prior to closing the HOME-ARP NCS loan, The Other Ones Foundation will submit:

1. Updated application exhibits: Operating Expenses, Development Cost Schedule, Schedule of Sources, and documentation necessary to support any changes from previous review.
2. Substantially final construction contract between The Other Ones Foundation and its contractor with Schedule of Values.
3. Quotes from property insurers to support the estimated annual amount of insurance.
4. Development Owner must provide a Shelter Manual or other document that shows occupancy admission requirements that allows for access to HOME-ARP's Qualified Populations.
5. Development Owner shall provide to the Department before the Loan Closing Date, executed estoppel letters or certificates from each and every lienholder on the Property providing the current status of each prior loan, if other loans are included in the final financing.
6. Fidelity Bond Insurance and Payment and Performance Bond.
7. Environmental mitigation efforts including evidence of submission of the stormwater prevention plan submission to TCEQ.

8. Letter from an attorney confirming the tax code under which The Other Ones Foundation has a tax exemption on the improvements, including the percentage of the tax exemption.
9. Confirmation of any pending operating sources for at least a two-year period. Funding from any government entity must be approved by its governing body, inclusive of confirmed amounts and funding terms of operating expenses for Esperanza II will be required.
10. Confirmation that operating payment terms from the entity that will provide a majority of the operating funds will include the right to assign the operating contract to TDHCA in case of foreclosure or instrument in lieu of foreclosure.
11. Title Policy in the amount of the loan as TDHCA as an additional insured.
12. Prior to closing, The Other Ones Foundation may be asked to submit applicable documentation to show that all legal, construction, and financial paperwork is complete.

Should any terms of the proposed capital structure change or if there are material changes to the overall development plan or costs, the analysis must be re-evaluated and adjustment to the terms of TDHCA funds may be warranted.

Recommendation

HOME-ARP recommends an award of up to \$48,420,179 in the form of a Deferred Forgivable HOME-ARP construction to permanent loan at 0% interest and a 15-year permanent term, dependent on The Other Ones Foundation meeting the conditions listed in this document.