Memorandum

CITY OF DALLAS

DATE May 24, 2024

TO Honorable Members of the Housing and Homeless Committee: Jesse Moreno (Chair), Cara Mendelsohn (Vice Chair), Zarin Gracey, Chad West, Gay Willis

SUBJECT **Upcoming Agenda Item: Authorize an Amendment to Resolution 23-0544 Authorizing the Dallas Public Facility Corporation to Acquire, Develop, and Own The Park at Northpoint, a Mixed-Income, Multifamily Development to be Located at 9999 Technology Boulevard West (Project) and Enter into a Seventy-Five-Year Lease Agreement with LDG – The Park at Northpoint, LP or its Affiliate, For the Development of the Project**

The purpose of this memorandum is to inform the Housing and Homelessness Solutions Committee of an upcoming agenda item on June 12, 2024 to authorize an amendment to Resolution 23-0544 which authorized the Dallas Public Facility Corporation's (Corporation) acquisition, development and ownership of The Park at Northpoint, a 615-unit mixed-income multifamily development to be located at 9999 Technology Boulevard West (Project). The amendment will reduce the number of units originally proposed to 426 units. In addition, the number of phases of construction will be reduced from a 2-phase development to a single phase development. The amendment will also include units to serve households at an AMI of 50% and below, which was not an original consideration.

In order to receive a property tax exemption as a public facility, the Texas Public Facility Corporation Act requires a multifamily property reserve at least 50% of the units for residents earning at or below 80% of the area median income (AMI). The Project will reserve 41% of the units for residents earning less than 80% AMI, 5% of the units at 60% AMI, 5% of the units at 50% AMI, and the remaining 49% of the units will be non-income restricted. The Corporation's bylaws require Council approval of any development that results in a property tax exemption and staff recommends Council approval of this item.

BACKGROUND

LDG-The Park at Northpoint, LP (Applicant), a Texas limited partnership, submitted an application to the Dallas Public Facility Corporation (Corporation) for the development of The Park at Northpoint, a 426-unit mixed income multifamily development to be located at 9999 Technology Boulevard West (Project). The Corporation will own the site and improvements and lease the Project back to the Applicant or its affiliate. Pursuant to the Texas Public Facility Corporation Act, Chapter 303 of the Texas Local Government Code, as amended (Act), any public facility owned by a Public Facility Corporation is exempt from all ad valorem taxes. To qualify as a public facility, pursuant to the Act, a multifamily property must reserve at least 50% of the units for residents earning at or below 80% of the area median income (AMI). The Project will reserve 41% of these units at 80%-AMI, 5% of these units at 60%-AMI and 5% of these units at 50%-AMI.

The Applicant will be a limited partnership, LDG – The Park at Northpoint LP. The company was founded in 1994 and has successfully completed over 77 multifamily properties totaling 13,673 units and is currently developing other workforce housing developments in partnership with the City of Dallas and the Dallas Housing Finance Corporation as well as the previously approved Legacy at White Rock project with the Dallas Public Facility Corporation. The proposed property manager will be Solidago Residential Services based in Austin, Texas. Currently, Solidago manages 6,600 multifamily units including 6,300 affordable units.

On October 16, 2023, the Applicant submitted a subsequent proposal under the City's Notice of Funding Availability (NOFA), as amended, to adjust the scope of work and unit mix in order to produce a financially feasible development project. The original plan to construct a two phase 615-unit four-story product with elevated slab foundations and elevators was not financially feasible and has negatively affected the yield of potential investors to the point where they are no longer interested in investing the development deal. As a result of these factors, the Applicant has requested revisions, if approved, to reduce the development to a single phase of 426 units switching to a three-story building type with no elevators. The three-story buildings are less dense than the four-story buildings, which causes a reduction in units.

In response to the Applicant's supplemental NOFA application requesting the changes, Housing requested additional consideration in order to bring this item before the Housing and Homelessness Solutions Committee and the City Council. The items agreed upon for additional consideration included the following:

1) **Deeper Affordability** – The Developer has agreed to commit to restricting 5% of the total units to 50% AMI.

2) **Social Services** – The Developer will provide a number of social services at the Property to include financial literacy, first-time homebuyer's class, after school tutoring, monthly social events, free Wi-Fi, larger swimming pool, two fitness centers, two dog parks, walking trail, yoga studio, and business center. Resident services will be included in the Regulatory Agreement to provide further assurances to the City that these services will be provided.

3) **Extended Affordability Period** – The Developer has agreed to the City's request for an extension of the affordability period for its original $10M investment to the DPFC in CDBG funds from 20 years to 30 years. The additional 10 years will

further restrict the affordable rents for Dallas residents secured through restrictive covenants on the Property.

The Project is a 426-unit 3-story garden style multifamily development in Northwest Dallas, at the intersection of I-35 and Loop 12. The Project will be situated on approximately 15 acres on Technology Boulevard West. Amenities will include a business center, community room, theater room, walking trail, dog parks, playscape areas, picnic areas, fitness center and swimming pools. In addition, the Project will now include social services not previously considered, such as financial literacy, first time homebuyer's education, after school tutoring services and free Wi-Fi access.

The Project is in close proximity to Dallas Area Rapid Transit bus stops, a Wal-Mart Supercenter, a Sam's Club, Village at Bachman Lake, Las Colinas Plaza, Texas Health Family Care and William P. Clements Jr. Hospital.

The Project has been re-zoned for multifamily development without any opposition to the request. The Applicant will consult with the Office of Integrated Public Safety Solutions (OIPSS) for security input, community activities and the Crime Prevention Through Environmental Design (CPTED). The Applicant will also provide security features such as a full camera system, controlled gate access with perimeter fencing.

The 426 units will be comprised of 186 one-bedroom units, 198 two-bedroom units and 42 three-bedroom units. All units will include energy efficient appliances, washer/dryer hookups, covered entries/patios and additional Class A features in the unit finish out.

The anticipated unit mix and rental rates are as follows:

Unit Type	AMI	Units	SF	Rent
1 bedroom	50%	10	650	$898
1 bedroom	60%	10	650	$1092
1 bedroom	80%	76	650	$1479
1 bedroom	Market Rate	90	850	$1518
2 bedroom	50%	10	850	$1084
2 bedroom	60%	10	850	$1316
2 bedroom	80%	80	850	$1780
2 bedroom	Market Rate	98	850	$1875
2 bedroom	50%	2	1163	$1257
2 bedroom	60%	2	1163	$1525
2 bedroom	80%	18	1163	$2062
2 bedroom	Market Rate	20	1163	$2428

The rents for individuals and families earning between 60% and 80% AMI are meant to provide housing to the “missing middle” of the market: residents that earn above low-income housing tax credit income restrictions of 60% AMI but would be cost burdened by market rents. These incomes range from approximately $54,560.00 to $77,900.00 in the City based on family size and represent a wide variety of employment sectors including, but not limited to, teachers, first responders, government employees, health care providers, etc. The rents for individuals and families earning below 60% are included to provide deeper affordability at this property. These incomes range from $40,920.00 to $58,440.00 depending on family size. This project also aims to provide a small number of units serving households at 50% AMI and below.

Total development costs are anticipated to be approximately $93,525,941.00 which includes the acquisition price for the land. The development budget less soft/financial costs is anticipated to be approximately $71,791,960.00, which is 168,525.73 per unit.

Proposed Financing Sources	Amount
Mortgage Loan	$58,500,000.00
CDBG Loan	$10,000,000.00
Freddie Mac	$3,262,100.00
Developer/Investor Equity	$21,763,841.00
Total	$93,525,941.00
Proposed Uses	**Amount**
Development Costs	$71,791,760.00
Land Acquisition	$10,000,000.00
Soft Costs/Other Costs	$11,734,181.00
Total	$93,525,941.00

The Project will be owned by the Corporation and leased to the Applicant and other potential owners for a period of 75 years. In consideration for the Corporation’s participation in the Project, the Corporation is estimated to receive $102,907,468.00 in revenues over the 75 years of the lease. Potential proceeds to the DPFC include (1) a $250,000.00 structuring fee paid at closing; (2) 25% of the sales tax savings on all construction materials; (3) lease payments starting at $425,000.00 and increasing by 3% annually upon stabilization; (4) a 15% sales commission after repayment of debt, equity, and preferred equity returns upon first sale of the Project; and (5) a 2% sales commission on all future sales. In the event of a sale during the life of the Project, the Corporation will continue to receive the annual lease payments. Upon termination of the 75-year lease, the Corporation will own the Project free and clear.

The revenues of the Corporation will be used to fund operations and the provision of additional affordable and workforce housing throughout the City. This proposed development results in foregone tax revenues for the City while the DPFC owns the asset. The 2023 City tax bill for this property is $54,072.98 and the 75-year estimate of foregone taxes is $178,205,551.00. However, the workforce housing rental savings of $147,011,186.00 over 75 years and the estimated $102,907,468.00 in revenues provides the City with $249,918,655.00 in benefits that outweigh the foregone revenue.

The Corporation's estimated revenues were calculated by the Corporation's partnership counsel and financial advisors. Market rent comps and current construction costs were analyzed to ensure the project costs were reasonable for the market. Corporation financial advisors also confirmed that but for the ad valorem tax exemption, the Project would not be economically feasible and would not attract responsible debt and equity investment in the property. The Corporation's revenue consideration and affordability levels were also analyzed to confirm that the ad valorem tax exemption does not over subsidize the Project.

The City is authorized by the Act to create a public facility corporation for the purposes established in the Act, including the financing, acquisition, construction, and leasing of public facilities under the Act. On June 24, 2020, City Council authorized the creation of the Corporation to further the public purposes stated in the Corporation's articles of incorporation and bylaws pursuant to the Act by Resolution No. 20-1035, which were subsequently amended by Resolution 22-1194 (bylaws). Section 6.2 of the Corporation's bylaws requires City Council approval by written resolution prior to entering into any agreement that would result in a property tax exemption. Per Section 7.3 of the bylaws, any Public Facility related to multifamily residential development of the Corporation shall not proceed unless (1) the development of the Public Facility could not be feasible but for the Corporation's participation, and (2) the development of the Public Facility is in furtherance of the City of Dallas's Comprehensive Housing Policy (CHP), as restated in the Dallas Housing Policy 2033 (DHP33).

Staff and the Corporation's Counsel and Financial Advisors have confirmed that this Project would not be feasible but for the Corporation's participation and that the Project furthers the goals of the CHP, as restated in the DHP33. Staff recommends approval of this item to allow this mixed-income housing development to move forward.

On March 26, 2024, the Dallas Public Facility Corporation Board of Directors approved to amend the terms of the project with the Applicant.

Should you have any questions or require any additional information, please contact me or Cynthia Rogers-Ellickson, Interim Director, Department of Housing & Neighborhood Revitalization at Cynthia.Rogers.Ellic@Dallas.gov or 214-670-3601.

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