

Memorandum



CITY OF DALLAS

DATE March 17, 2023

Honorable Members of the City Council Housing and Homelessness Solutions
TO Committee: Casey Thomas II (Chair), Jesse Moreno (Vice Chair), Carolyn King Arnold,
Paula Blackmon, Cara Mendelsohn, Paul Ridley, Jaynie Schultz

SUBJECT **Upcoming Agenda Item: NOFA 2023 4% Tax Credit Development Project – Estates
at Ferguson**

This memorandum is to inform the Housing and Homelessness Solutions Committee (HHSC) of an upcoming agenda item on April 26, 2023 to authorize **(1)** a development loan agreement and security documents with TX Ferguson 2022, Ltd., or affiliate(s) thereof (Applicant) in an amount not to exceed \$4,935,000.00 in HOME Investment Partnerships Program Funds, conditioned upon Applicant receiving 2023 4% Housing Tax Credit (HTC) award for the development of mixed-income affordable multifamily senior living community known as Estates at Ferguson, located at 9220 Ferguson Road, Dallas, Texas (Property); **(2)** a development loan agreement and security documents with the City of Dallas Housing Finance Corporation (DHFC), or affiliate(s) thereof in an amount not to exceed \$3,965,000.00 in Community Development Block Grant Disaster Recovery (CDBG-DR) funds to purchase and own the Property; **(3)** the DHFC to enter into a long-term ground lease with Applicant and/or its affiliate(s), for the development of the Property pursuant to 24 CFR 570.204(a) and (b) - Not to exceed \$8,900,000.00 in HOME Investment Partnerships Funds (\$4,935,000.00 and Community Development Block Grant Disaster Recovery Funds (\$3,965,000.00).

BACKGROUND

TX Ferguson 2022, Ltd., and/or its affiliate(s) (Applicant) submitted a Proposal under the City's Notice of Funding Availability (NOFA), issued on August 7, 2020, as amended, to receive gap financing in the form of a cashflow loan to support acquisition and development of affordable housing units located within the City limits. The NOFA was issued by the Department of Housing & Neighborhood Revitalization (Housing) in accordance with the City's Comprehensive Housing Policy (CHP).

Housing administers programs to appropriately incentivize private investment for the development of quality, sustainable housing that is affordable to the residents of the City. Specifically, Housing administers the New Construction and Substantial Rehabilitation Program which, when necessary, seeks to provide financial assistance to new developments or to substantially rehabilitate existing developments. All projects seeking financial assistance are required to submit a Notice of Intent to apply for financial assistance through NOFA to develop affordable homeownership and rental housing. As outlined in the NOFA, multiple sources of funding are available; however, proposed projects must meet specific thresholds to qualify for the use of a specific funding source.

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At minimum, each proposed project must be composed of at least five affordable units and must achieve a fundable score as outlined in the NOFA solicitation. The proposed Estates at Ferguson project received a fundable score of 105 points.

In addition to NOFA funding, the Applicant plans to utilize 2023 4% Non-Competitive Housing Tax Credits (4% Housing Tax Credits) from the Texas Department of Housing and Community Affairs (TDHCA) to acquire and construct the property. City Council approved a Resolution of No Objection on November 9, 2022, by Resolution No. 22-1717. On September 13, 2022, the DHFC Board of Directors adopted a resolution declaring its intent to issue bonds for the Property and authorized the filing of an application for allocation of private activity bonds with the Texas Bond Review Board. The requested NOFA funds, if approved, will cover the gap created by recent market conditions, increased construction costs, and stabilize the viability and economics of the development.

Generation Housing Partners, LLC, (GHP) Texas-based developer, owner, and asset manager of Class A multifamily assets throughout the southwest. As a long-term owner, GHP has been involved in the development, construction, and management of over 4,000 units with a capitalization value of approximately \$385,000,000.00. The units include multi-story apartment properties for families, seniors, senior cottages, rehabilitation, and adaptive reuse developments. GHP has partnered with the DHFC in two other developments (Estates at Shiloh and Westmoreland Station). GHP will use Asset Living Property Management to manage the development once completed. Asset Living Property Management has been in the residential property business for 36 years and has developed approximately 20,000 units and currently manages over 24,000 units.

The Property will be owned by the limited partnership entity, TX Ferguson 2022, Ltd. The General Partner, TX Ferguson 2022 GP, LLC will be owned by DHFC. Also included in the structure will be the Special Limited Partner, TX Ferguson 2022 SLP. This entity will consist of Generation Housing Partners, LLC, with a 50% ownership stake, and Hill Tide Development, LLC, with a 50% ownership stake. The tax credit investor is yet to be determined; however, it is anticipated that this limited partner will have a 99% ownership share of TX Ferguson 2022, Ltd. Guarantees will be provided through a partial guarantee from Generation Housing Partners, LLC, and full guarantees by Hill Tide Partners, LLC and Monarch Private Investments, LLC.

The DHFC or its affiliate(s) will acquire the site at 9220 Ferguson Road, Dallas, Texas 75228 and subsequently enter into a 99-year ground lease with Developer using CDBG-DR funds for the 164-unit, Class “A”, active senior-living development for residents aged 55 and over. The development will serve senior households earning at or below of 50% Area Median Income (AMI) and 60% AMI and will consist of one-bedroom and two-bedroom units on approximately 5.7 acres in northeast Dallas. The 164 units are comprised of 99 1-bedroom, and 65 2-bedroom units and there will be no market rate units. The development will be new construction of a single three-story, elevator-served

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building with interior corridors and easy access to community amenities. The development will have lush landscaping, resort-style ADA compliant swimming pool, lighted sidewalks, a dog park, and a community garden.

The Property will be designed as an Aging-In-Place community. Units will be designed to accommodate persons with disabilities and common areas will have easy access to elevators. Transportation will be available via the on-site bus stop or community van. Units will be designed as accessible or adaptable and will incorporate an “open concept design”. Unit amenities will include granite countertops, Energy Star Appliances, dishwasher, ceiling fans, laundry connections, High-efficiency HVAC, faux wood flooring, open concept design, Low-e windows, covered entries, nine-foot ceilings, microwave ovens, and additional storage. Additional common amenities will include barbecue grills, community event center, theater room, business center, salon, a furnished fitness center, and leasing office will include fulltime staff and on-site maintenance.

Applicant will work with the Office of Integrated Public Safety Solutions throughout the planning and design process for security input, community activities, and incorporate best practices of Crime Prevention Through Environmental Design. Additionally, the Applicant will provide modern security features to include a full camera system, controlled access, a community crime watch program, and participation in National Night Out to ensure a safe living environment for all residents and staff.

The Applicant proposes to provide an array of on-site resident services to include health and wellness classes, weekly fitness classes, community events and game nights, social gatherings, notary services, dining events and potluck gatherings. Also, residents will have free access to a computer learning center, art and fitness rooms, library rooms, and community lounge areas.

The proposed development provides direct access to DART bus stop located directly in front of the site. Residents will benefit from inexpensive, accessible, and dependable transportation, year-round. Ferguson Park is a half mile away from the proposed development and Linda Commercial Center, which has a grocery store, a hardware store, shopping, and restaurants less than two miles away from the development. The development site is located just north of a greenbelt/floodway, but outside of the FEMA floodplain. The City of Dallas Bikeway System map identifies Ferguson Road as an “on-street” bike roadway. The proposed development is also in a High Opportunity Area. According to the Market Value Analysis (MVA) Map, the proposed development is surrounded by neighborhoods with a MVA ranking of “D”. These neighborhoods are approximately 69% owner-occupied and are encountering the effects of sales increases and effects of gentrification and the ability to provide affordable housing to area residents. The unit mix and rents are as follows:

Unit Type	AMI	Units	Rents
1BR/1BA	50.00%	8	\$ 913.00
1BR/1BA	60.00%	91	\$1,096.00
2BR/2BA	50.00%	8	\$1,096.00
2BR/2BA	60.00%	57	\$1,315.00

Total development costs are anticipated to be approximately \$41,494,397.00 which includes the acquisition price for the land. The construction budget is anticipated to be approximately \$24,092,191.00 which is \$146,903.60 per unit.

The anticipated sources and uses are as follows:

Proposed Financing Sources	Amount
Construction Loan Financing	\$ 15,908,155.00
Tax Credit Equity	\$ 15,231,895.00
City of Dallas CDBG-DR Loan	\$ 3,965,000.00
City of Dallas HOME Loan	\$ 4,935,000.00
Good Faith Deposit Return	\$ 150,000.00
Deferred Development Fee	\$ 1,304,347.00
Total	\$ 41,494,397.00

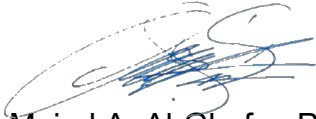
Proposed Uses	Costs
Land Acquisition	\$ 3,965,000.00
Total Const. Costs	\$ 29,464,538.00
Financing Fees, Soft Costs	\$ 2,737,880.00
Reserves	\$ 986,979.00
Developer Fee	\$ 4,340,000.00
Total	\$ 41,494,397.00

After the development is complete, as required by the Applicant’s application to TDHCA for HTC and the CHP, 16 of the 164 units will be made available to households earning 0.00%-50.00% Area Median Income (AMI) and 148 of 164 units will be made available to households earning at or below 51.00%-60.00% of AMI meeting CDBG requirements for 51 percent (148) of total units reserved for household earning at or below 80.00% AMI. Of the 164 affordable units, the Applicant must provide 26 HOME-assisted units consisting of 20 High HOME and 6 Low HOME units as required by the HOME funding. All HOME-assisted and CDBG-assisted units will remain affordable for a minimum of 20 years. There will be no market rate units.

The Development has been found to affirmatively further fair housing by the Office of Equity and Inclusion Fair Housing Division. Staff recommends approval of this item as it furthers the mixed-income housing goals of the CHP, meets the threshold requirements of the NOFA, and the financial gap has been confirmed by third-party underwriting.

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Should you have any questions or require any additional information, please contact me or David Noguera, Director, Department of Housing & Neighborhood Revitalization at David.Noguera@Dallas.gov or 214-670-3619.



Majed A. Al-Ghafry, P.E.
Assistant City Manager

c: T.C. Broadnax, City Manager
Tammy Palomino, Interim City Attorney
Mark Swann, City Auditor
Billierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Deputy City Manager
Jon Fortune, Deputy City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Dr. Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
Jack Ireland, Chief Financial Officer
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors