

Memorandum



CITY OF DALLAS

DATE December 9, 2022

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

SUBJECT **Request for a Resolution of No Objection for 4% Non-Competitive Housing Tax Credits – The Mondello**

Mondello Apartments, LLC, an affiliate of DevCo, Inc. (Applicant), submitted a Request for a Resolution of No Objection for its application to the Texas Department of Housing and Community Affairs (TDHCA) for 4% Non-Competitive Housing Tax Credits (4% Housing Tax Credits). The 4% Housing Tax Credits will be used for the acquisition and rehabilitation of the Mondello, an existing 150-unit affordable multifamily development for seniors located at 2000 Highland Road, Dallas Texas 75228 (Property). A Resolution of No Objection is required for the Applicant to receive 4% Housing Tax Credits from TDHCA. To receive a staff recommendation for a Resolution of No Objection, the Applicant must satisfy all threshold requirements, rehabilitation requirements, and affirmatively further fair housing as described in the Comprehensive Housing Policy (CHP). After review, the Applicant has satisfied all application requirements and staff recommend a Resolution of No Objection.

Background

Mondello Apartments, LLC (Applicant), a to be formed Texas limited partnership, submitted a Request for Resolution application to the City for a Resolution of No Objection for its application to TDHCA for 2023 4% Non-Competitive Housing Tax Credits (4% Housing Tax Credits). The 4% Housing Tax Credits will be used for the development of The Mondello, a 150-unit seniors multifamily complex located at 2000 Highland Road, Dallas, TX 75228 (Property). A purchase and sale agreement for the Property has been executed between the current owner of the Property and an affiliate of the Applicant. TDHCA requires 4% Housing Tax Credit applicants provide a Resolution of No Objection from the governing body of the jurisdiction in which the proposed development will be sited. As part of these TDHCA requirements, the governing body must also conduct a public hearing for citizens to provide comment on the proposed development. Once a resolution is adopted and submitted to TDHCA, it cannot be changed or withdrawn.

Applicant or its affiliate shall form Mondello Apartments, LLC, a Texas limited liability corporation, the general partner of which is anticipated to be Mondello Manager, LLC, a single asset entity solely owned by the Dallas Housing Finance Corporation (DHFC). A to-be-formed special limited partnership company will be a to-be-formed special limited partner. Mondello Member, LLC will be owner of the special limited partner. An amended and restated agreement of limited partnership will be executed to admit the tax credit equity investor as investor member once identified.

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On October 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.

DevCo or its affiliate will serve as the developer and guarantor of the project. DevCo has successfully built or acquired over 10,000 multifamily units including market rate, mixed-use, and affordable. DevCo is an integrated development and investment company focused on multi-family communities. DevCo has retained the services of Avenue5 Property Management to manage the property upon closing of the re-syndication (they also currently manage the Property). Avenue5 currently manages sixty-eight affordable properties, forty of which are Low-Income Housing Tax Credit (LIHTC). Nationally, Avenue5 manages more than four hundred properties with over 75,000 units.

The Applicant proposes to acquire and renovate all 150 units. The 150 units are comprised of 42 1-bedroom and 108 2-bedroom units. The units will include energy efficient appliances, washer/dryer hookups, covered entries/patios, and other TDHCA-required features.

The Mondello is a 2007 built, 150-unit, 55+ affordable housing property located in Dallas, Texas (6.3 miles east of Dallas Central Business District (CBD)). The Property sits on 7.06 acres and has a density of 21.24 units/acre. Community amenities include a business center, clubhouse, fitness center, salon, theater room, swimming pool, elevator service, gated access, on-site laundry facility, barbecue, and picnic area. Residents have public transportation access to downtown, utilizing the Ferguson at Highland stop of the DART bus which is walking distance from the Property. The Property currently has 20% of units that are market-rate and unrestricted. DevCo is planning on converting them to 60% AMI units to provide additional affordability at the property for the seniors aged 55 and better.

The proposed renovation budget is \$8,932,544.00 (\$59,550/unit) in hard costs (exclusive of general contractor requirements, contractor's profit and overhead). Renovations will include the following:

- woods and plastic repairs (includes kitchen cabinets, countertops, etc.),
- drywall/floor/ceiling/paint, and
- plumbing/HVAC.

Major items include:

- kitchen cabinet replacement,
- new kitchen countertops,
- replacement of new roof shingles and underlayment,
- installation of Luxury Vinyl Plank (LVP) flooring,
- interior and exterior paint,
- mechanical system upgrades,
- low-flow toilets/showerheads,
- A/C condenser and heat pump system replacement.

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Planned rehab includes light tenant-relocation during rehab. During the renovations, there will be upgrades to eight (8) units to be fully Americans with Disabilities Act (ADA) compliant. The scope of work for these units includes the reconfiguration of new kitchen cabinetry to allow for proper clearances, renovated and enlarge bathroom to allow for proper clearances, new paint and flooring and new interior doors. These units will need to be relocated for four weeks. In addition to the ADA upgrades, one hundred forty-two (142) units will have full unit renovations. The households in these units will need to be out of their apartments for one week to accommodate construction. At all units, residents, and their belongings, will need to be fully relocated while renovations are being completed in their units. Renovations may include new plumbing fixtures, light fixtures, cabinets and countertops, flooring, paint, roofing, appliances, and site amenities. DevCo has budgeted \$900,000.00 for tenant relocations (\$6,000/unit).

The Applicant will also work with the Office of Integrated Public Safety Solutions for security input/upgrades, community activities, and incorporate best practices of Crime Prevention Through Environmental Design (CPTED). 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 on-site resident services including:

1. Activity coordination,
2. Spiritual wellness,
3. Exercise programs,
4. Food assistance programs,
5. Benefits counseling,
6. Prescription program,
7. Health education programs,
8. Computer classes,
9. Financial assistance,
10. Meals on wheels, and
11. Financial assistance.

Total development costs are estimated to be approximately \$39,610,045.00 which includes the acquisition price for the land. The construction budget is estimated to be approximately \$12,808,167.00 which is \$85,388.00 per unit.

Proposed Financing	
Permanent Loan	\$16,343,000.00
Housing Tax Credits Equity	\$14,538,736.00
Soft Funding	\$ 5,000,000.00
Deferred Developer Fee	\$ 2,692,330.00
Income from Ops	\$ 1,035,979.00
Total	\$39,610,045.00

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Proposed Uses	
Acquisition	\$18,750,000.00
Total Const. Costs	\$12,808,167.00
Financing Fees, Soft Costs	\$ 2,957,727.00
Reserves	\$ 422,000.00
Developer Fee	\$ 4,672,151.00
Total	\$39,610,045.00

The current income restrictions will be maintained at the property to ensure no residents are displaced due to increased rents. The current rental restrictions are broken down as follows: 13 of the 150 units are reserved for households earning between 0%-30% of Area Median Income (AMI), 5 of the 150 units are reserved for households earning between 31%-40% of AMI, 30 of the 150 units are reserved for households earning between 41%-50% of AMI, and 102 of the 150 units are reserved for households earning between 51%-60% of AMI.

If approved, this tax credit re-syndication and bond issuance will allow the Applicant to implement much needed capital improvements and modernize the property thereby extending its useful life. Without this investment of new capital, the property will either fall into state of disrepair or be subject to a conversion to market rate units, further eroding the access to affordable housing in the city. The preservation of existing affordable housing is a priority of the City to ensure our residents are provided with safe, decent affordable housing and are not displaced due to expiring income restrictions or forced to reside in substandard living conditions. Over the next decade, the income restrictions on almost 10,000 units developed through the LIHTC program will expire unless they are acquired, renovated, or redeveloped by affordable housing preservation developers like DevCo.

The Dallas City Council on May 9, 2018, adopted the Comprehensive Housing Policy (CHP), Resolution No. 18-0704 and 18-1680, as amended on November 28, 2018, which provided a policy including evaluation criteria for developers requiring Resolutions of Support or No Objection for rental housing developments seeking Housing Tax Credits (HTC) through TDHCA. On June 12, 2019, Council Resolution No. 19-0884 authorized an amendment to the CHP to modify the evaluation criteria for developers requiring Resolutions of Support or No Objection for rental housing development seeking Housing Tax Credits through TDHCA. The modified evaluation criteria include standard thresholds for both 4% and 9% HTC applications such as evidence of site control, TDHCA minimum site standards, affirmatively further fair housing, and other requirements.

For developments involving rehabilitation of existing housing, the proposed scope of work must be informed by a capital needs assessment (CNA), prepared by a qualified third-party professional that is independent from the development's architect or engineer, builder/general contractor, or other member of the development team. The City will review the CNA and conduct a site visit. The CNA must demonstrate to the City's satisfaction that the initial scope of work is sufficient to address all City code violations (whether formally cited or not). Further, the scope of work, combined with planned replacement reserve funding, must be determined

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sufficient to address all projected repairs or replacements of the following items through the entire term of the development's affordability period:

- All major systems including roof, foundation, electrical, HVAC, and plumbing;
- Interior and exterior windows and doors;
- The interiors of all units including the kitchen and bathroom and all major appliances;
- The exterior of the development, including balconies, walkways, railings, and stairs;
- Communal facilities such as community rooms, fitness centers, business centers, etc.;
- Security features including gates and security cameras; and
- Accessibility.

To receive a staff recommendation for a Resolution of No Objection, the applicant must satisfy all threshold requirements, rehabilitation requirements, and affirmatively further fair housing.

Recommendation

The Development satisfies the threshold requirements of the Comprehensive Housing Policy and Staff recommends City Council authorize a Resolution of No Objection for Mondello Apartments, LLC's application to the Texas Department of Housing and Community Affairs for Non-Competitive 4% Housing Tax Credits.

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


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Dr. Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
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