Memorandum

CITY OF DALLAS

DATE June 27, 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 **Upcoming Agenda Item: NOFA Development Project – Patriot Pointe at Markville**

This memorandum is to inform the Housing and Homelessness Solutions Committee (HHSC) of an upcoming agenda item on August 10, 2022 to authorize the execution of a development loan agreement in an amount not to exceed $7,325,000.00 in HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG), or other eligible funds with TX Markville 2022, LTD or its affiliate (Applicant), conditioned upon Texas Markville 2022, LTD, receiving a 2022 9% Housing Tax Credit award for the development of The Patriot Pointe at Markville, a 131-unit mixed-income multi-family complex located at 9222 Markville Drive. The Applicant received a fundable score through the Notice of Funding Availability (NOFA) application process and a third-party underwrite of the Project is underway to confirm the funding gap associated with the development.

BACKGROUND

TX Markville 2022 LTD submitted a proposal under the City's NOFA, as amended, to receive gap financing in the form of a loan to support the construction of a 131-unit mixed-income multi-family complex. The NOFA was issued by the Department of Housing & Neighborhood Revitalization (Housing) in accordance with the City's Comprehensive Housing Policy (CHP). Patriot Pointe at Markville received a fundable score of 95 points.

In addition to NOFA funding, TX Markville 2022 LTD plans to utilize 2022 9% Competitive Low Income Housing Tax Credits (HTC) from the Texas Department of Housing and Community Affairs (TDHCA) to acquire and construct the property. The Resolution of Support for the development has already received City Council approval. 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. TDHCA requires all 9% Competitive HTC projects have final commitment of all funding sources by the August tax credit cycle deadline. NOFA funding is contingent upon completion of third-party underwriting report and confirmation of the $7,325,000.00 funding gap. Due to the timing of the City Council Recess, future HHSC meetings, and TDHCA's deadlines, this item is presented to the HHSC prior to final underwriting. Should the third-party underwrite of the project not identify a funding gap, no City funding will be provided, and this item will not be placed on the August 2022 City Council Agenda.

The Applicant intends to partner with the Dallas Housing Finance Corporation (DHFC). The City has successfully partnered with the Applicant in the development of Estates at Shiloh and Westmoreland Station. Other development team partners include Hill Tide Partners, LLC and Generation Housing Partners, LLC as developer and co-developer. Hill Tide Development, LLC, and Generation Housing Partners, LLC, have a long-standing track record of successfully completing and operating affordable housing developments throughout the southwest. Collectively, the members of Generation Housing Development and Hill Tide Development have been involved in the development and operation of over 5,500 units. The proposed property manager is Alpha Barnes who has extensive property management experience that includes other City-funded and DHFC-owned properties.

The Applicant proposes to develop 131 mixed-income multi-family units on 2.75 acres. The 131 units are comprised of 46 1-bedroom, 51 2-bedroom, and 34 3-bedroom units. The units will include Green Building elements and will incorporate an “open concept design.” Amenities will include Energy Star appliance, dishwasher, ceiling fans, laundry connection, High efficiency HVAC, faux wood flooring, Low-e windows, low-flow fixtures, covered entries, nine-foot ceilings, microwave ovens, and additional storage. Additional units will be wired with high-speed cable. The community will be provided with high-speed fiber and community wide Wi-Fi. Additionally, Patriot Pointe will provide a multitude of community amenities designed specifically to appeal to veterans. This includes an outdoor grill area, state of the art fitness center, business center, community room, and community workshop. The development will include modern security features based on best practices of the multi-family sector and Crime Prevention Through Environmental Design (CPTED).

Resident services that Patriot Pointe will also provide include:

1. Min. 4 hours/week organized onsite classes for adults;
2. Annual income tax preparation;
3. Contracted career training and placement partnerships with local employers;
4. Weekly exercise classes;
5. 2x monthly arts and crafts or recreational activities;
6. 2x monthly on-site social events;
7. Education/tuition savings match or scholarship program for residents.

All supportive services and classes will be provided to residents completely free of charge. In addition to the supportive services, this development is intended to be a veteran-focused property that is well-located near various veteran’s services, including the Dallas Vet Center and the UTD Military and Veteran Center. Of the estimated 4,500 homeless persons currently living in the North Texas area, approximately 10% of them are veterans, homeless veterans may receive a housing voucher yet still struggle to find a community that will accept them. Patriot Point will accept housing vouchers and help to address this issue.

Total development costs are anticipated to be approximately $36,912,962.00 which includes the acquisition price for the land. The construction budget is anticipated to be approximately $21,409,756.00 which is $163,433.00 per unit.

Proposed Financing Sources	Amount
Construction Loan Financing	$10,115,000.00
Investor Equity	$17,798,220.00
City of Dallas HOME/CDBG or other eligible source Loan	$ 7,325,000.00
Developer Fee	$ 1,471,942.00
City of Dallas Fee Reduction	$ 500.00
Refund of Freddie Mac Good Faith Deposit	$ 202,300.00
Total	**$36,912,962.00**

Proposed Uses	Costs
Acquisition	$ 6,755,000.00
Total Const. Costs	$21,409,756.00
Financing Fees, Soft Costs	$ 4,288,335.00
Developer Fee	$ 3,642,369.00
Reserves	$ 817,502.00
Total	**$36,912,962.00**

After the development is complete, 11 of the 131 units will be made available to households earning 0%-30% of Area Median Income (AMI), 42 of the 131 units will be made available to households earning 31%-50% of AMI, 50 of the 131 units will be made available to households earning 51%-60% of AMI. 28 units will remain as non-income-restricted market-rate units. All units funded using City funds will remain affordable for twenty years per federal and CHP requirements. A land use restrictive agreement (LURA) associated with the competitive 9% housing tax credits will also be recorded on the property to maintain affordability at the property for 45 years per the requirements of TDHCA's Qualified Allocation Plan (QAP).

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

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
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