

Memorandum



CITY OF DALLAS

DATE April 21, 2023

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 - Terrace at Highland Hills located at 3100 Persimmon Road**

LDG The Terrace at Highland Hills, LP, an affiliate of LDG Development, LLC (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 development of The Terrace at Highland Hills, a new 300-unit multifamily development located at 3100 Persimmon Road, Dallas, Texas 75241 (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. After review, the Applicant has satisfied all application requirements and staff recommend a Resolution of No Objection.

Background

LDG The Terrace at Highland Hills, LP (Applicant), a 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 Terrace at Highland Hills, a 300-unit affordable multifamily complex located at 3100 Persimmon Road, Dallas, Texas 75241 (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 residents to provide comment on the proposed development. Once a resolution is adopted and submitted to TDHCA, it cannot be changed or withdrawn.

On September 13, 2022, the Dallas Housing Finance Corporation (DHFC) Board of Directors authorized a preliminary inducement resolution declaring intent to issue \$60,000,000.00 in private activity bonds to fund the Development. The general partner of the Applicant is LDG The Terrace at Highland Hills GP, LLC, a Texas limited liability company and a single asset entity with the DHFC as 100% owner. The DHFC will also own the land and lease the property to the Applicant.

DATE April 21, 2023
SUBJECT **Request for a Resolution of No Objection for 4% Non-Competitive Housing Tax Credits - Terrace at Highland Hills located at 3100 Persimmon Road**
PAGE **2 of 4**

City Council previously approved a Resolution of No Objection on November 9, 2022, but the developer has since revised their financial estimates and needs to remove the market rate units in the unit mix to make this a 100% rent-restricted property. Due to the nature of tax credits, this allows the project more tax credit equity and makes it stronger financially. Without these additional tax credits, this project would not be economically feasible in the current market.

Applicant is an experienced developer that has completed over 15,000 apartment units across the country, including roughly 7,000 units in Texas. They have recently partnered with the DHFC in three previous developments including The Ridge at Lancaster, Meadowbrook, and The Terrace at Southern Oaks. These developments are currently under construction and set to open in the next two years.

The Applicant proposes to develop 300 units. The 300 units are comprised of 36 1-bedroom, 120 2-bedroom, 132 3-bedroom units, and 12 4-bedroom units. The units will include energy efficient appliances, washer/dryer hookups, covered entries/patios, and other TDHCA-required features. The Property will also include controlled gate access, a multipurpose community room, swimming pool, fitness center, theater room, children's playscape, full perimeter fencing, a gazebo area, picnic areas with grills, and landscaped walking paths.

The Applicant proposes to provide on-site resident services including:

1. 12 hours per week of after school tutoring; and
2. 4 hours per week of adult financial literacy courses; and
3. Food pantry; and
4. Annual health fair and flu shots; and
5. Notary services; and
6. Arts and crafts programming twice a month; and
7. Organized social gatherings twice a month; and
8. Weekly chore and preventative maintenance for elderly and disabled residents.

LDG will work with the Office of Innovative Public Safety Solutions for security input, community activities, and incorporate best practices of Crime Prevention Through Environmental Design (CPTED). Additionally, LDG 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 site is situated on Persimmon Road near the intersection of Simpson Stuart Road and Bonnie View Road and is less than a mile from Paul Quinn College and three miles from UNT Dallas. These educational centers provide opportunity, valuable job training, and a place of employment for area residents. The development is located within the DART GoLink Inland Port Zone. This service provides on demand door to door service for passengers needing transportation to and from the area. Through the GO Link service, property owners can setup partnerships with the inland port businesses to provide free door to door service to and from the businesses. The logistics industry is rapidly growing in Southern Dallas and will need to

be serviced by employees seeking affordable housing. The Southern Dallas County Inland Port is home to over 30,000 jobs and hundreds of employers and continues to grow to meet the needs of the region.

Total development costs are anticipated to be approximately \$92,669,310.00 which includes the acquisition price for the land. The hard construction budget is anticipated to be approximately \$58,746,670.00 which is \$195,821.00 per unit.

Proposed Financing Sources	Amount
Private Activity Bonds	\$45,911,000.00
Housing Tax Credits Equity	\$38,099,119.00
Deferred Developer Fee	\$ 8,659,191.00
Total	\$92,669,310.00

Proposed Uses	Costs
Development Costs	\$61,146,670.00
Financing Fees, Soft Costs	\$19,200,440.00
Reserves	\$ 1,398,146.00
Developer Fee	\$10,924,054.00
Total	\$92,669,310.00

After the development is complete, all the 300 units will be made available to households earning 0%-60% of Area Median Income (AMI).

The Development is within one mile of The Ridge at Lancaster and Palladium Simpson Stuart, recent 4% Housing Tax Credit projects located at 5703 South Lancaster Road and 3380 Simpson Stuart Road, respectively. Per the requirements of TDHCA’s Qualified Action Plan and 10 TAC § 11.3(d), City Council must vote to specifically approve the construction of a new tax credit development within one linear mile of a tax credit development authorized within the past three years. The agenda item includes language acknowledging this proximity.

The Development is located within a census tract with a poverty rate over 40%. Per the requirements of TDHCA’s Qualified Action Plan and 10 TAC §11.101(a)(3), City Council must specifically approve the construction of a new tax credit development in such a census tract. The agenda item includes language acknowledging the high poverty rate. Per the City of Dallas Comprehensive Housing Plan (CHP), For any Development located in a census tract with a poverty rate of 40% or higher, the Development must achieve a minimum score under the Resident Services element of the scoring factors below of:

- 1) 17 points for elderly developments;
- 2) 23 points for family developments; or
- 3) 22 points for permanent supportive housing developments

As a family development, the project scored 23 points to complete this requirement.

DATE April 21, 2023
SUBJECT **Request for a Resolution of No Objection for 4% Non-Competitive Housing Tax Credits - Terrace at Highland Hills located at 3100 Persimmon Road**
PAGE **4 of 4**

The Development is located within a census tract with 20% Housing Tax Credit Units per total households. Per the requirements of TDHCA's Qualified Action Plan and 10 TAC §11.3(e) and §11.4(c)(1), City Council must specifically approve the construction of a new tax credit development in such a census tract and that the proposed Development is consistent with the City's obligation to affirmatively further fair housing. The agenda item includes language acknowledging this requirement.

The Development has been found to affirmatively further fair housing by the Office of Fair Housing.

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 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% Housing Tax Credits applications such as evidence of site control, TDHCA minimum site standards, affirmatively further fair housing, and other requirements.

To receive a staff recommendation for a resolution of no objection, the applicant must satisfy all threshold requirements, TDHCA underwriting standards, and affirmatively further fair housing. After review, the Applicant has satisfied all application requirements and staff recommends a resolution of no objection.

Recommendation

The Development satisfies the threshold requirements of the Comprehensive Housing Policy and Staff recommends City Council authorize a resolution of no objection for LDG The Crossing at Clear Creek, LP'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


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 Bizar 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