Memorandum

CITY OF DALLAS

DATE March 24, 2025

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

SUBJECT **Upcoming Agenda Item: Authorize the Dallas Public Facility Corporation to acquire, develop, and own 5550 LBJ, a mixed-income, multifamily development to be located at 5550 Lyndon B Johnson Fwy, Texas (Project); and enter into a seventy-five-year lease agreement with High Street Residential, LLC (Applicant) or its affiliate, for the development of the Project**

This memorandum is to inform the Housing and Homelessness Solutions Committee of an upcoming agenda item on April 23, 2025 to authorize the Dallas Public Facility Corporation (Corporation) (1) to acquire an improved property, develop and own HSR LBJ, a 399-unit mixed-income multifamily development to be located at 5550 Lyndon B Johnson Freeway, Dallas, Texas 75240 (Project); and (2) enter into a seventy-five-year lease agreement with High Street Residential, LLC (Applicant) or its affiliate, for the development of the Project.

BACKGROUND

The City is authorized by the Public Facility Corporation Act, Chapter 303 of the Texas Local Government Code, as amended (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, by Resolution No. 20-1035, City Council authorized the creation of the Corporation pursuant to the Act to further the public purposes stated in the Corporation's Articles of Incorporation and Bylaws, which were subsequently amended by Resolution No. 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 Dallas Housing Policy 2033 (DHP33) and the Dallas Housing Resource Catalog.

High Street Residential, LLC (Applicant), a Texas limited liability company submitted an application to the Corporation for the development of 5550 LBJ, a 399-unit mid-rise multifamily development to be located at 5550 Lyndon B Johnson Freeway, Dallas, Texas 75240 (Project). The Corporation will own the site and improvements and lease the Project back to the Applicant or its affiliate. Pursuant to the 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 40% of the units for residents earning at or below 80% of the Area Median Income (AMI) and at least 10% of the units for residents earning at or below 60% of the AMI. The Project will reserve 5% of the units at below 50% AMI, 5% of the units at below 60% AMI, 40% of the units at below 80% AMI, and the remaining units will be at a fair market rate.

On February 25, 2025, the DPFC Board of Directors adopted a resolution authorizing the negotiation and execution of a term sheet for 5550 LBJ in partnership with the Applicant. The Applicant is a limited liability company, High Street Residential LLC. This Applicant is Texas-based with real estate development and multifamily construction experience. In the last ten years they have developed ten multifamily projects in the DFW metroplex with a $670,000,000.00 footprint.

The Project will be located at the South-East corner of the intersection of Dallas North Tollway and Interstate 635 on 4.4 acres that is currently a vacant office building. Once acquired, the developer will be required to secure the property no more than 60 days after closing and provide security until completion of the project. Amenities will include a clubhouse, dog park, green space, a pool, fitness center and is accessible to Dallas Area Rapid Transit bus stops. The Project is zoned for multifamily development without any opposition. The Applicant will work with the Office of Emergency Management and Crisis Response throughout the planning and design process for security input, community activities, and incorporate best practices of Crime Prevention Through Environmental Design.

The anticipated unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
Efficiency	50%	3	$ 966.00
Efficiency	60%	3	$1,159.00
Efficiency	80%	24	$1,546.00
Efficiency	Market	30	$1,650.00
1BR	50%	13	$1,035.00
1BR	60%	12	$1,242.00
1BR	80%	101	$1,656.00
1BR	Market	126	$1,995.00
2BR	50%	4	$1,241.00
2BR	60%	5	$1,489.00
2BR	80%	35	$1,986.00
2BR	Market	43	$2,875.00

Reserving units for individuals and families earning between 60% and 80% AMI provides affordable housing for the “missing middle” of the housing market: residents that earn above low-income housing tax credit income restrictions of 60% AMI but would be cost-burdened by market rents. Household incomes between 60 and 80% AMI range from approximately $54,560.00 to $77,900.00 in the City, based on family size, and reflect average incomes for a variety of employment sectors, such as teachers, first responders, government employees, and health care providers. The rents for individuals and families earning at or below 60% AMI are included to provide deeper affordability at this property with incomes ranging from $40,920.00 to $58,440.00, depending on family size.

Total development costs are anticipated to be approximately $111,931,580.00 which includes the acquisition price for the land. The development budget less soft/financial costs is anticipated to be approximately $93,327,921.00, which is $233,904.56 per unit.

Proposed Financing Sources	Amount
Mortgage Loan	$ 61,562,369.00
Developer/Investor Equity	$ 50,369,211.00
Total	$111,931,580.00
Proposed Uses	**Amount**
Development Costs	$ 71,388,177.00
Land Acquisition	$ 21,939,744.00
Soft Costs/Other Costs	$ 18,603,659.00
Contingency	$ 0.00
Total	$111,931,580.00

The Project will be owned by the DPFC and leased to the Applicant and other potential owners for a period of 75 years. In consideration for the DPFC's participation in the Project, the DPFC is estimated to receive $544,294,124.00 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) lease payments starting at $231,855.00 and increasing by 3% annually upon stabilization; (3) 20% of net profits after repayment of debt, equity, and preferred equity returns upon first capital event of the Project; and (4) 2% of gross profits on all future capital events. In the event of a sale during the life of the Project, DPFC will continue to receive the annual lease payments. Upon completion of the 75-year lease, DPFC will own the Project free and clear.

The DPFC's Project revenues will be used to fund DPFC 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 current City tax bill for this property is $78,035.00 and the 75-year estimate of foregone taxes is $170,331,504.00. However, the workforce housing rental savings of $488,658,206.00 over 75 years and the estimated $55,635,918.00 in Project revenues provide the City with $544,294,124.00 in benefits that outweigh the foregone revenue.

The DPFC's estimated revenues were calculated by DPFC's partnership counsel and financial advisors. Market rent comps and current construction costs were analyzed to ensure the project costs are reasonable for the market. DPFC financial advisors have 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 Project. Also, the DPFC's revenue consideration and affordability levels have been analyzed to confirm that the ad valorem tax exemption does not over-subsidize the Project.

The DPFC Board, its outside legal counsel, and its financial advisors have confirmed that this Project would not be feasible but for the DPFC's participation and that the Project furthers the goals of the DHP33. The DPFC Board recommends approval of this item to allow this mixed-income housing development to move forward.

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

Service First, Now!

Robin Bentley
Assistant City Manager

c: Kimberly Bizor Tolbert, City Manager
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Bilierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety
Dev Rastogi, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager
Robin Bentley, Assistant City Manager
Jack Ireland, Chief Financial Officer
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors