

Memorandum



CITY OF DALLAS

DATE June 27, 2022

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 – Cypress Creek Apartment Homes at Montfort**

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 \$4,100,000.00 in HOME Investment Partnerships Program (HOME), Community Development Block Grant (CDBG), or other eligible funds with Cypress Creek Montfort Drive, LP or its affiliate (Applicant), conditioned upon Cypress Creek Montfort Drive, LP receiving a 2022 9% Housing Tax Credit award for the development of Cypress Creek Apartment Homes at Montfort, a 168-unit mixed income multifamily complex located at 14119 Montfort 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

Cypress Creek Montfort Drive, LP 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 168-unit mixed-income multifamily complex. The NOFA was issued by the Department of Housing & Neighborhood Revitalization (Housing) in accordance with the City's Comprehensive Housing Policy (CHP). Cypress Creek Apartment Homes at Montfort received a fundable score of 99 points.

In addition to NOFA funding, Cypress Creek Montfort Drive, LP 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 \$4,100,000.00 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.

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The Applicant specializes in the development of mixed-income and affordable housing and is a Texas-certified Historically Underutilized Business (HUB). The Applicant has decades of experience working in the public and private sectors and will act as the general partner of the ownership structure. The property management company is Bonner Carrington, a professional management company based in Austin, TX with a 20-year track record and portfolio of 4,500+ apartments.

The Applicant proposes to develop 168 mixed-income multi-family units on 3.8 acres. The 168 units are comprised of 67 1-bedroom, 84 2-bedroom, and 17 3-bedroom units. The project will be a 4-story wrap construction product. The units will include energy efficient appliances and lighting and other TDHCA-required features. The Project will also include security cameras, swimming pool, courtyard, community kitchen, media/gathering room, clubhouse, fitness center, and business center with Wi-Fi and in common areas. The development is just minutes from three major highways allowing easy access to major corporations in the area, retail, shopping, entertainment, and the International District. Also, the development has access to public transportation within 0.3 miles. The development will include modern security features based on best practices of the multi-family sector and Crime Prevention Through Environmental Design (CPTED).

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

1. Monthly transportation to community/social events;
2. Annual income tax preparation;
3. Food pantry;
4. Annual health fair and flu shots;
5. Weekly exercise class;
6. Notary services;
7. Arts and crafts programming twice a month;
8. Organized social gatherings twice a month; and
9. Weekly chore and preventative maintenance for elderly and disabled residents;
10. Partnership with local law enforcement to provide quarterly activities with tenants.

Total development costs are anticipated to be approximately \$44,904,976.00 which includes the acquisition price for the land. The construction budget is anticipated to be approximately \$29,298,116.00 which is \$174,394.00 per unit.

Proposed Financing Sources	Amount
Permanent Loan	\$22,000,000.00
Investor Equity	\$16,998,300.00
City of Dallas HOME/CDBG or other eligible source Loan	\$ 4,100,000.00
Deferred Developer Fee	\$ 1,806,676.00
Total	\$44,904,976.00

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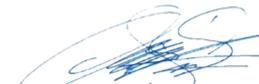
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Proposed Uses	Costs
Acquisition	\$ 5,500,000.00
Total Const. Costs	\$29,298,116.00
Financing Fees, Soft Costs	\$ 4,111,796.00
Reserves	\$ 1,213,303.00
Developer Fee	\$ 4,781,761.00
Total	\$44,904,976.00

After the development is complete, 41 of the 168 units will be made available to households earning 0%-30% of Area Median Income (AMI), 41 of the 168 units will be made available to households earning 51%-60% of AMI, 34 of the 168 units will be made available to households earning 61%-80% of AMI. 52 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
Chris Caso, City Attorney
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Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Deputy City Manager
Jon Fortune, Deputy City Manager

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