

Memorandum



CITY OF DALLAS

December 10, 2024

DATE

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

TO

Upcoming Agenda Item: Authorize the Dallas Public Facility Corporation to acquire, develop, and own the Burnett Lofts, a mixed-income, multifamily development to be located at 512 North Ewing Avenue, Dallas Texas 75203 and 801 North Lancaster Avenue, Dallas, Texas 75203 (Project); and enter into a seventy-five- year lease agreement with Savoy Equity Partners, LLC (Applicant) or its affiliate, for the development of the Project

SUBJECT

This memorandum is to inform the Housing and Homelessness Solutions Committee of an upcoming agenda item on December 11, 2024 to authorize the Dallas Public Facility Corporation (Corporation) (1) to acquire, develop and own the Burnett Lofts, a mixed-income, multifamily development to be located at 512 North Ewing Avenue, Dallas Texas 75203 and 801 North Lancaster Avenue, Dallas, Texas 75203 (Project); and (2) enter into a seventy-five-year lease agreement with Savoy Equity Partners, 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 City of Dallas' Comprehensive Housing Policy which has been restated in and replaced by the Dallas Housing Policy 2033 (DHP33) and the Dallas Housing Resource Catalog.

Savoy Equity Partners, LLC (Applicant), a Texas limited liability company, submitted an application to the Corporation for the development of the Burnett Lofts, a 172-unit mixed income multifamily development to be located at 512 North Ewing Avenue, Dallas Texas 75203 and 801 North Lancaster Avenue, Dallas, Texas 75203 (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 42% of these units at 80% AMI and below and 10% of these units at 60% AMI and below and 48% of the units at market rate.

On September 24, 2024, the DPFC Board of Directors adopted a resolution authorizing the negotiation and execution of a term sheet for the Burnett Lofts in partnership with the Applicant. The Applicant is a limited liability company, Savoy Equity Partners, LLC. This partner is Texas-based with real estate development and multifamily construction experience. Their current multifamily portfolio totals approximately 500 self-built units with approximately 600 additional units in various stages of development.

The Project will be located in southern Dallas, just south of Trinity River off 35E in North Oak Cliff. The Project will be situated on two 1.6-acre sites on Lancaster Avenue and N Ewing Avenue. Amenities will include a sky lounge and a resident coworking space and is accessible to Dallas Area Rapid Transit bus stops. The Project is zoned for multifamily development without any opposition. The Applicant has held a meeting with the surrounding neighborhoods and has received support from each neighborhood group. The Applicant will consult with the Office of Integrated Public Safety Solution for security input, community activities and crime prevention through environmental design.

The anticipated unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
1BR	60%	14	\$1,188
1BR	80%	54	\$1,584
1BR	Market	62	\$1,708
2BR	60%	2	\$1,425
2BR	80%	18	\$1,900
2BR	Market	22	\$2,445

The rents for individuals and families earning between 60% and 80% AMI are meant to provide housing to the “missing middle” of the market: residents who earn above low-income housing tax credit income restrictions of 60% AMI but would be cost burdened by market rents. These incomes range from approximately \$54,560.00 to \$77,900.00 in the City based on family size and represent a wide variety of employment sectors including, but not limited to, teachers, first responders, government employees, health care providers, etc. The rents for individuals and families earning below 60% are included provide deeper affordability at this property. These incomes range from \$40,920.00 to \$58,440.00 depending on family size.

Total development costs are anticipated to be approximately \$37,695,541.00 which includes the acquisition price for the land. The development budget less soft/financial costs is anticipated to be approximately \$30,890,693.00, which is \$179,597.00 per unit.

Proposed Financing Sources		Amount
Mortgage Loan		\$ 25,604,604.00
Developer/Investor Equity		\$ 12,090,937.00
Total		\$37,695,541.00
Proposed Uses		Amount
Development Costs		\$ 24,828,853.00
Land Acquisition		\$ 5,630,679.00
Soft Costs/Other Costs		\$ 6,804,848.00
Contingency		\$ 431,161.00
Total		\$37,695,541.00

The Project will be owned by the Corporation and leased to the Applicant for a period of 75 years. In consideration for the Corporation’s participation in the Project, the Corporation is estimated to receive \$124,654,359.00 in revenue over the 75 years of the lease. Potential proceeds to the DPFC include (1) a \$250,000.00 structuring fee paid at closing; (2) an estimated \$230,000.00 general contractor fee, half collected at closing and half collected at stabilization; (3) lease payments starting at \$144,480.00 and increasing by 3% annually upon stabilization; (4) a 15% sales commission after repayment of debt, equity, and preferred equity returns upon first sale of the Project; and (5) a 2% sales commission on all future sales. In the event of a sale during the life of the Project, the Corporation will continue to receive the annual lease payments. Upon termination of the 75-year lease, the Corporation will own the Project free and clear.

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

On September 24, 2024, the Dallas Public Facility Corporation Board of Directors approved the negotiation and execution of a term sheet with the Applicant.

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!



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Kimberly Bizzor Tolbert City Manager (I)
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Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety (I)
Dev Rastogi, Assistant City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager (I)
Jack Ireland, Chief Financial Officer
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors