

Memorandum



CITY OF DALLAS

DATE August 2, 2024

TO Honorable Members of the City Council Economic Development Committee: Tennell Atkins (Chair), Omar Narvaez (Vice Chair), Carolyn King Arnold, Chad West, Adam Bazaldua, Paul Ridley, and Kathy Stewart

SUBJECT **Upcoming Agenda Item: The Adaline Mixed-Income Multi-Family Residential Project at Bonnie View Road and Riverside Road (City Council District 8)**

On August 28, 2024, staff will seek City Council authorization of an economic development incentive agreement with Onu Ventures, Inc. and/or its affiliates ("Developer/Grantee") and The Adaline at Bonnie View, LLC, and/or its affiliates ("RP Owner") to include: (1) a real property tax abatement ("RP Tax Abatement") for a period of ten (10) years in an amount equal to the City's taxes assessed on ninety percent (90%) of the added taxable value of the Property; and (2) a Chapter 380 economic development grant ("Grant") in an amount not to exceed \$3,500,000, in consideration of The Adaline Mixed-Income Multi-Family Residential Project ("Project") to be situated on approximately 10 acres currently addressed as 4343 and 4425 Riverside Road ("Property") in City of Dallas NEZ No. 21.

The proposed development Project will be located at the northeast corner of Bonnie View Road and Riverside Road (across the street from Tommie M. Allen park and recreation center) and shall include a minimum of 238 residential units of which a minimum of twenty percent (20%) or forty-eight (48) units shall be set aside and leased solely to those households earning at or below eighty percent (80%) of AMI, as determined by the U.S. Department of Housing and Urban Development ("HUD"), for fifteen (15) years. With an estimated total Project cost of \$46.7 million, the Project will also include approximately 333 on-site surface parking spaces, on-site improvements (e.g. grading, utilities, paving, drainage, lighting, landscaping, signage, etc.); and resident amenities specifically including a swimming pool and clubhouse.

Please see the attached **Exhibit A** for more detailed information regarding the Project and the proposed economic development incentive agreement. Should you have any questions, please contact Tamara Leak, Assistant Director (I) in the Office of Economic Development, at 214.671.8043 or tamara.leak@dallas.gov.

Service First, Now!

Robin Bentley,
Assistant City Manager (I)

DATE August 2, 2024
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PAGE **2 of 2**

c: Kimberly Bizer Tolbert, City Manager (I)
Tammy Palomino, City Attorney
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

EXHIBIT A

The Adaline Mixed-Income Multi-Family Residential Project

**Economic Development Committee
August 5, 2024**

Kevin Spath, AICP, EDFP, HDFP
[Interim] Director
Office of Economic Development



City of Dallas

Overview



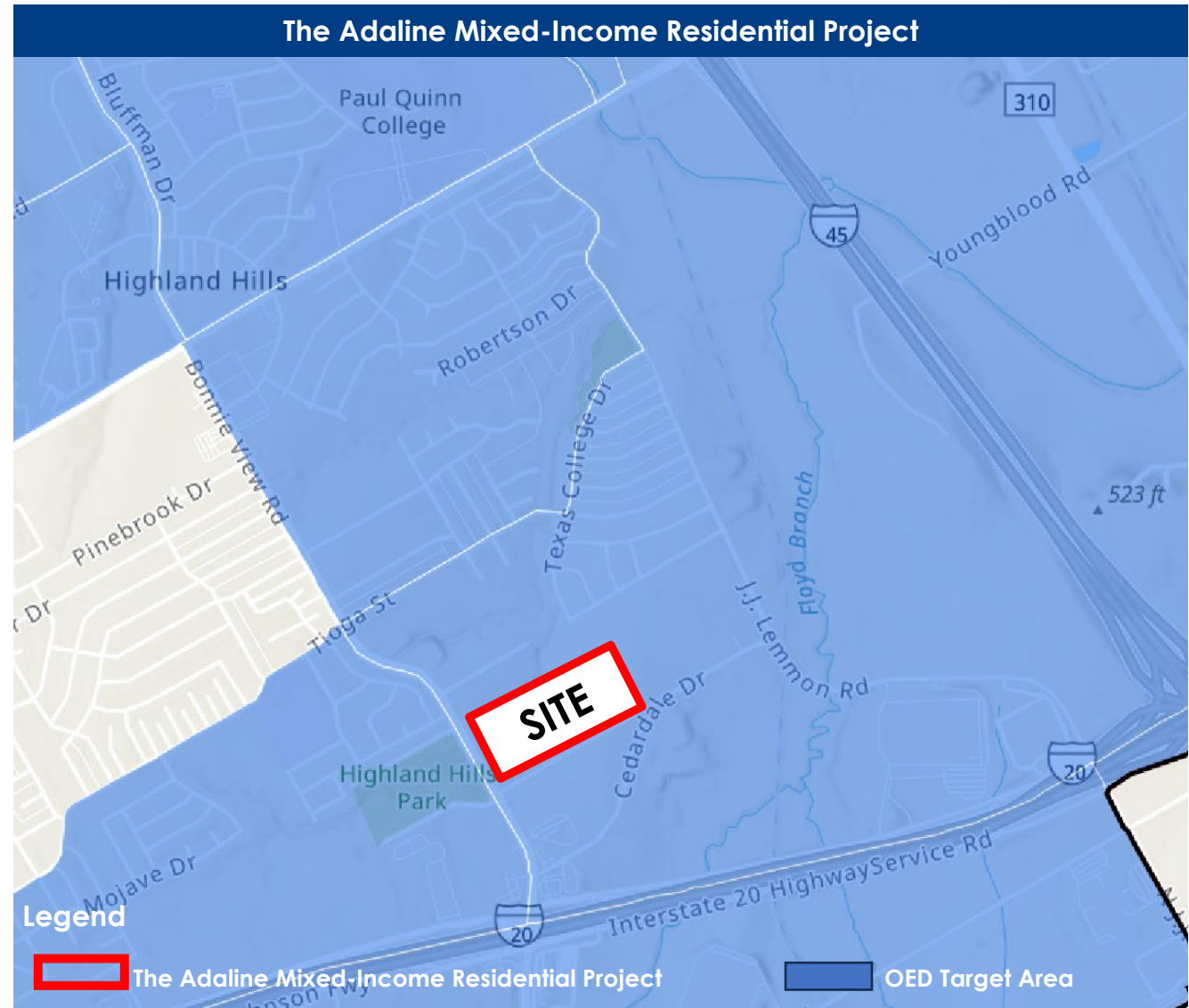
- Background
- Proposed Project
- Staff Recommendation
- Next Step
- Appendix



Background: Project Location



- approximately 10 acres
- located at northeast corner of Bonnie View Road and Riverside Road
- across the street from Tommie M. Allen park and recreation center
- approximately 1/2 mile from the International Inland Port of Dallas
- zoning: MF-2(A); SUP 191
- in City Council District 8
- in a Target Area per City's Economic Development Incentive Policy



Background: Existing Site Conditions



SEC OF PROPERTY NORTH ALONG EAST BOUNDARY



INTERIOR OF PROPERTY ALONG SOUTH BOUNDARY



SUBJECT PROPERTY INTERIOR



SOUTH ALONG BONNIE VIEW ROAD FROM SEC



INTERIOR OF PROPERTY ALONG THE EAST BOUNDARY



SEC OF PROPERTY FACING WEST



NORTH ALONG BONNIE VIEW ROAD



EAST ALONG RIVERSIDE ROAD FROM SEC

Proposed Project: Summary



- **Project Developer/Grantee:** Onu Ventures, Inc. and/or its affiliates (“Developer/Grantee”) will design, fund and construct The Adaline Mixed-Income Multi-Family Residential Project (“Project”)
- **Real Property Owner:** The Adaline at Bonnie View, LLC, and or its affiliates (“RP Owner”) will own the approximately 10 acres currently addressed as 4343 and 4425 Riverside Road (“Property”)
- **Project Summary:** A year ago, Developer/Grantee applied to the Office of Economic Development for a City incentive (i.e. gap funding) to make the Project financially feasible. The Project will include:
 - new ground-up construction of seven buildings totaling 238 multi-family residential units
 - 20% of the units (48 units) reserved for households earning at/below 80% AMI
 - residential amenities including a swimming pool and club house
 - approximately 333 on-site surface parking spaces
 - on-site improvements including grading, utilities, paving, drainage, lighting, landscaping, signage, etc.
- **Estimated total Project cost:** \$46.7 million
- **Note:** Adaline Plaza is a retail development immediately adjacent to the Project and will include:
 - approximately 10,000 square feet of retail, commercial and/or restaurant space
 - small open space anticipated to host farmers markets, outdoor exhibits, etc.
- **Adaline Plaza is separate and apart from the proposed Project and was not included in the underwriting of the proposed Project incentive**



Proposed Project: Summary



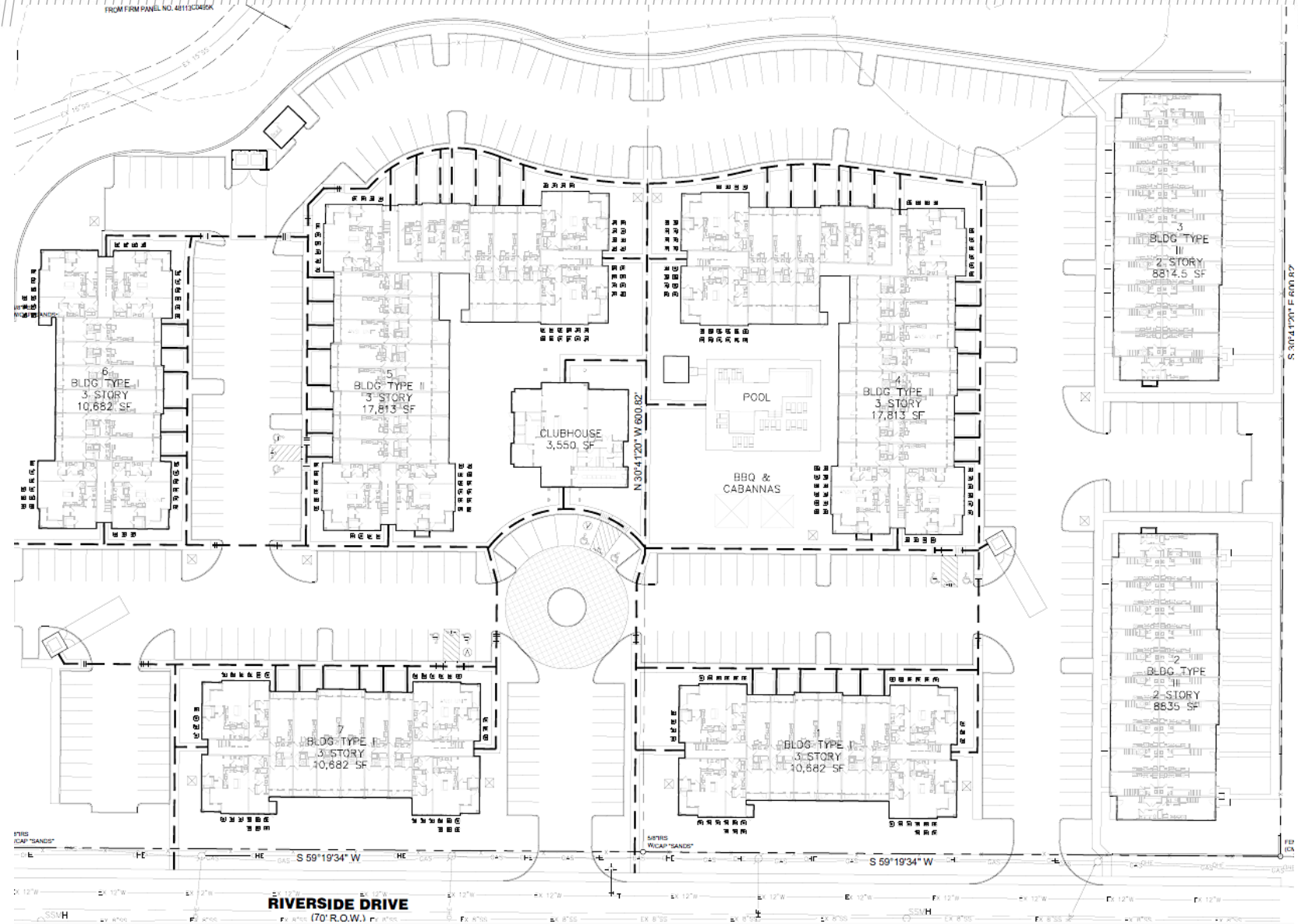
Project Unit Mix			
Unit Type	Restricted at/below 80% AMI	Market	Total
Studio	5	19	24
1Bd 1Ba	24	98	122
2Bd 2Ba	17	67	84
2Bd 2Ba (townhome style)	2	6	8
Totals	48	190	238
% of Total Units	20%	80%	100%



Proposed Project: Renderings



Proposed Project: Site Plan



Proposed Project: Renderings



Proposed Project: Sources and Uses



Project Funding (Sources)

Sources of Funds	Amount	
Senior Loan	\$23,365,793	50%
Property Assessed Clean Energy (PACE) Loan	\$7,009,738	15%
Equity	\$12,856,038	28%
City grant	\$3,500,000	7%
Total	\$46,731,569	100%

Project Budget (Uses)

Uses of Funds	Amount	
Land Acquisition	\$3,000,000	6%
Site Improvements	\$7,113,197	15%
Construction	\$31,266,255	67%
Professional Fees	\$851,725	2%
Construction Finance	\$3,077,518	7%
Soft Costs	\$50,000	.5%
Developer/Grantee Fee	\$1,250,000	2%
Reserves	\$122,874	.5%
Total	\$46,731,569	100%



Staff Recommendation



Economic Development Grant

Up to \$3,500,000 (payable in a single installment upon substantial completion)

- City Source: Public/Private Partnership Fund

Real Property (RP) Tax Abatement

10-year/90% abatement on added taxable value of Property resulting from the real property investment in the Project

- estimated value of RP Tax Abatement (foregone tax revenue) over 10 years: \$3,972,780

Staff recommends an economic development incentive agreement ("Incentive Agreement") with an estimated total value of \$7,472,780 million over 10 years

- Economic development grant: \$3,500,000
- RP tax abatement: estimated foregone revenue \$3,972,780



Staff Recommendation: Incentive Agreement Conditions



Project Financing. Prior to or contemporaneously with the City's execution of the Incentive Agreement, Developer/Grantee shall close construction financing for the Project and provide evidence to the Director of binding commitments of all capital sources necessary to deliver the Project.

Deadline for Execution of Incentive Agreement. Developer/Grantee shall execute the Incentive Agreement by December 31, 2024.

Required Project Components. The Project shall include the following Required Project Components:

- a) new ground-up construction of seven buildings totaling 238 multi-family residential units with a total minimum size of 85,321 gross square feet; and
- b) minimum 333 on-site parking spaces; and
- c) resident amenities specifically including a swimming pool and clubhouse; and
- d) on-site improvements (e.g. grading, utilities, paving, drainage, lighting, landscaping, signage, etc.) necessary to complete the components in (a), (b), and (c)

Building Permit Deadline. Developer/Grantee shall obtain a building permit from the City by December 31, 2025.

Substantial Completion Deadline. Developer/Grantee shall cause the construction of the Required Project Components described above to be substantially completed by December 31, 2027, as evidenced by certificate(s) of occupancy, letter(s) of acceptance, certificate(s) of substantial completion, and/or similar documentation issued by the City. Developer/Grantee shall also obtain final acceptance of any public infrastructure improvements associated with the construction of the Project, as evidenced by a letter of acceptance or similar documentation issued by the City by June 30, 2028.



Staff Recommendation: Incentive Agreement Conditions



Minimum Investment. Developer/Grantee shall invest (or cause to be invested) and provide documentation evidencing a minimum investment of \$40,000,000 in acquisition costs and real property improvements, including the design, engineering and construction of site improvements and building improvements associated with the Project by December 31, 2027

Affordability. The Project shall include a minimum of 238 residential units of which a minimum of twenty percent (20%) or forty-eight (48) units shall be set aside and leased solely to those households earning at or below 80% of AMI for a minimum of 15 years

Affirmative Fair Housing Marketing Plan. Developer/Grantee shall complete an Affirmative Fair Housing Marketing Plan and submit the plan to the Fair Housing division within the City's Office of Equity and Inclusion for approval. Developer/Grantee shall submit a copy of the approved plan to the Director within 30 days of approval and market the residential units in the Project pursuant to the approved plan

Vouchers. In accordance with Section 20-4.1 (b) of the Dallas City Code, Developer/Grantee shall make best efforts to lease up to ten percent (10%) of the Project's residential units to voucher holders during the 15-year affordability period from the date of Project's substantial completion



Staff Recommendation: Incentive Agreement Conditions



M/WBE Inclusion in Construction of Project. Developer/Grantee shall make a good faith effort to comply with a goal of 40% participation by certified Minority/Women-owned Business Enterprises (M/WBE) for all hard construction expenditures (i.e. public and private improvements) for the Project and meet all process and reporting requirements of the City's Business Inclusion and Development (BID) program

Property Management. The proposed management group for the Project shall be submitted at least three (3) months prior to Project's substantial completion for review by Director

Operating and Maintenance Agreement. Prior to substantial completion of Project, RP Owner and/or Developer/Grantee shall execute a 20-year Operating and Maintenance (O&M) Agreement for all non-standard public improvements associated with the Project

Quarterly Reporting. Until the Project has passed final building inspection and all required paperwork documenting substantial completion has been submitted to the Office of Economic Development, Developer/Grantee shall submit to the Director quarterly status reports for ongoing work on the Project

Minor Modifications. At Developer/Grantee's written request, the Director may authorize minor modifications to the Project, including a reduction in the number of residential units by up to 5% and an extension of the Project's material dates and deadlines by up to 12 months for just cause



Staff Recommendation: Incentive Conditions



Local Hiring. For all permanent employment opportunities created by operation of the Project and prior to City payment of the Grant, Developer/Grantee will submit to the City a written plan describing how Developer/Grantee or property management group will use and document best efforts to recruit and hire residents of the city of Dallas. At a minimum, the written plan will describe how Developer/Grantee or property management group will target local recruitment through local advertisement, community outreach, local engagement, participation in local job fairs, and/or coordination with local hiring sources. The plan will be subject to approval by the Director to ensure that employment opportunities are targeted to Dallas residents and that reasonable efforts are made to promote the hiring of neighborhood residents for any new jobs created

Public Access to Infrastructure Not Owned by City. If applicable, prior to City's payment of the Grant and at no cost to the City, RP Owner will provide public access easements, deed restrictions, or other instruments reasonably acceptable to the Director if any internal streets and utility infrastructure improvements associated with the Project remain in non-City ownership but require public access



Staff Recommendation: Incentive Agreement Conditions



Design. Following a formal review of the Project's preliminary conceptual drawings and renderings on April 15, 2024, the City of Dallas Planning and Urban Design ("PUD") Department staff provided advice. Prior to submitting construction plans as part of a building permit application, Developer/Grantee will submit a set of the construction drawings to the PUD Department for a final staff review to ensure that the Project (i.e. public and private improvements) will be constructed in substantial conformance with the conceptual drawings presented to City Council. PUD Department staff shall complete the final staff review of permit drawings within 10 business days of submission by Developer/Grantee.

Allowable minor modifications to the Project's design may include those required to comply with City development regulations, federal, state and local laws, codes and regulations. Prior to making any Project design changes that would be considered minor in nature, Developer/Grantee will notify the Director and submit proposed changes to the Director and PUD Department for review and approval.



Next Step



August 28, 2024: City Council





Appendix



Appendix: Development Team



Developer/Grantee

Onu Ventures, Inc. (Mikial Onu, CEO & Founder)

Architect

Humphreys & Partners
Merriman Anderson
Plan B Group

Construction Mgmt

Onu Ventures, Inc.

Contractor

BBL Building Company

Property Mgmt

RPM

Construction Lender

Vista Bank



Appendix: Underwriting



- Grow America (formerly National Development Council), under contract with the City, conducted independent underwriting of the incentive application
- Developer/Grantee's incentive application requested approximately \$8.5 million in incentives
- Conclusions of independent underwriting:
 - **Development team:** appears highly qualified to carry out the Project
 - **Financial/Debt capacity of Project:** adequate debt and equity financing information was provided by Developer/Grantee. Project's debt capacity is being maximized at \$30.4 million
 - **Cost reasonableness of Project:** Project costs are reasonable.
 - **Rationale for incentive based on Returns:** permanent debt financing interest rates combined with depressed market rate rents for the Project impact the Developer/Grantee's return on invested equity, driving the need for gap financing assistance. Projected equity returns with the proposed City incentive are reasonable (12.95% IRR over 15-year holding period and annual cash-on-cash returns of less than 12% through Year 5 of operations) and will not provide an undue enrichment of the Developer/Grantee.



The Adaline Mixed-Income Multi-Family Residential Project

**Economic Development Committee
August 5, 2024**

Kevin Spath, AICP, EDFP, HDFP
[Interim] Director
Office of Economic Development



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