

May 10, 2023

WHEREAS, the City of Dallas ("City") seeks to purchase a tract of land of approximately 2.85 acres located at 11520 North Central Expressway ("Premises") (further described on the attached Exhibit A); and

WHEREAS, City seeks to provide and promote the development of affordable housing; and;

WHEREAS, on May 9, 2018, the City Council adopted a Comprehensive Housing Policy (CHP), as amended, that set citywide production goals for homeownership and rental units for the next three years along with respective income bands that will be prioritized within the production goals and also set forth various programs, tools and strategies to be used to meet the production goals while also overcoming concentrations of poverty and racial segregation by Resolution No. 18-0704; and

WHEREAS, on April 12, 2023, the City Council adopted the Dallas Housing Policy 2033 to replace the CHP by Resolution No. 23-0443, and the Dallas Housing Resource Catalog to include the approved programs from the CHP by Resolution No. 23-0444; and

WHEREAS, the Department of Housing and Neighborhood Revitalization continues operating its programs, previously authorized and adopted under the CHP, now as restated in the Dallas Housing Resource Catalog approved on April 12, 2023; and

WHEREAS, affordable housing is recognized as a public purpose by the City's Dallas Housing Policy 2033 and Texas state law; and

WHEREAS, the City desires to lease the Land to Cypress Creek Forest Lane, LP ("Tax Credit Partnership/Tenant"), of up to 2.85 acres of leasable space within the Premises for the exclusive use to operate a mixed-income affordable multifamily apartment complex; and

WHEREAS, (Tax Credit Partnership) is willing to lease the Land, to serve the City's public purpose, and (i) construct the Improvements; and (ii) endeavor to establish the Premises as a mixed-income, affordable housing community; and

WHEREAS, the City will own the Premises and lease them, for a term of at least 5 years and not longer than 39 years, Cypress Creek Forest Lane, LP (Tax Credit Partnership) for the public purpose of constructing and operating a mixed-income, affordable housing community; and

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WHEREAS, the Tax Credit Partnership will be required to consult with the Office of Integrated Public Safety Solutions (OIPSS) for planning and design process for security input, community activities, and incorporate best practices of Crime Prevention Through Environmental Design. Additionally, the Tax Credit Partnership will be required to provide modern security features to include a full camera system with Dallas Police Department access, controlled access, lighting, a community crime watch program, and participation in National Night Out to ensure a safe living environment for all residents and staff.

WHEREAS, Tax Credit Partnership is willing to accept the Premises, in "as is" condition subject to a lease, to serve the City's public purpose and use, construct apartments, operate, and maintain the Premises to provide affordable housing (the "Project").

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City hereby identifies a severe lack of affordable housing. The City further finds that mixed-income communities create healthier and more sustainable affordable housing.

SECTION 2. That the City hereby establishes as a public purpose the purchase of the Premises and the construction and operation of mixed-income, affordable housing (hereinafter the "City's public purpose").

SECTION 3. That the City Manager **(1)** is hereby authorized to accept the conveyance of the Premises in an amount not to exceed \$6,000,000.00 in the name of the City utilizing financing to be secured by Cypress Creek Forest Lane, LP (Tax Credit Partnership) including the low-income housing tax credits provided by TDHCA, commercial debt, and soft debt approved by the City and secured by the Tax Credit Partnership for the Project; and **(2)** is further authorized to negotiate and execute a lease for a term of at least five years and not longer than 39 and development agreement with Tenant/Housing Tax Credit Partnership, approved as to form by City Attorney, allowing the construction and operation of the Project. The lease will be prepared once the lenders for the Project are identified and will include commercially reasonable provisions required by the lenders.

Lease terms are described below:

1. The lease will set forth the rental terms and detailed performance measures including Tenant reporting and City audit rights to ensure the City's public purpose is met. The performance measures will be the affordability requirements of the tax credits to be used to construct the Project.

SECTION 3. (continued)

2. The development agreement will define the terms of development of the Project including time anticipated for construction and placement into service of both the market-rate and affordable units.
3. The City, as landlord and after acquiring the Premises, will have no obligations other than as provided in the lease and development agreement.
4. The lease between the City, as landlord, and Tenant, pursuant to which the City leases each phase of the Project to the Tenant for a term of no more than 39 years. So long as Tenant is not in default under the lease, Tenant will be permitted under the lease to assign its interest in the lease without the requirement of any consent from Landlord.
5. The lease will provide that Tenant will construct 189 units of multifamily residential housing and set aside or rent 40% of the units to tenants whose income is less than 80% of the AMI and 10% of the units to tenants whose income is 60% of the AMI (the "Affordable Units"), such AMI shall have a floor no lower than the AMI on the Closing Date. The income and rent limits will be adjusted for family size and bedroom size and rent shall be calculated by using the Novogradac Rent and Income Limit Calculator. The Affordable Units at each AMI level will be spread pro-rata with the overall unit mix between one, two, and three-bedroom units. Once initially qualified, Tenants and their assigned units will remain income restricted so long as they are eligible under LIHTC/TDHCA income guidelines which are monitored annually by city staff for compliance.
6. Tenant will pay City a one-time structuring fee of \$100,000.00 in addition to rent of 20% of the total cash flow, commencing six months after the Project stabilizes, which is defined as reaching 90% occupancy, which shall be the start of Year 1. Rent will be paid annually, in full, on the first of the month following six months after stabilization and every 12 months thereafter.

SECTION 3. (continued)

7. The lease will require the Tenant to maintain the Project as a Class A residential project and will require renovations to the extent financially feasible, to the extent necessary to maintain the Project as a Class A residential project. Tenant will insure the Project and will set aside an amount per door per year as determined by lenders as a reserve for replacements. Tenant will provide full indemnities to City. Provisions will be negotiated to help the City assure that the Project remains a Class A residential project throughout the Term of the Lease, including conducting periodic needs assessments by an engineer experienced in such assessments at predetermined intervals, prior to a capital event, and at any point in time when there is a significant negative change in occupancy. For avoidance of doubt, the parties agree that maintaining the Project as a Class A apartment project means keeping the Project as originally designed and constructed in appropriate condition to compete with other Class A residential projects of the same age as the Project, but does not mean adding amenities, making structural or other changes to the exterior or interior of the Project to make it consistent with newly constructed Class A apartment projects at a future date.
8. The "Project Term" is from commencement of Project for a minimum period of 5 years after the affordable units are placed in service (as defined by TDHCA) and a maximum period of 39 years after the affordable units are placed in service. Within one month after the commencement of Lease, (Tax Credit Partnership) shall at its sole cost and expense, begin preparing the Premises for use as a mixed-income multifamily community ("Leasehold Improvements"), with completion of the Leasehold Improvements to be fully accomplished within two years after the commencement of Lease.
9. The initial lease term will be for 39 years from the date the units are placed in service. The lease is eligible for one automatic renewal period of six years. Within one year after the minimum Project Term, Tenant or its assign or designee shall have the option to purchase the Project from the City for the price of \$1,000,000.00
10. Tenant will indemnify the City for litigation expenses and damages arising out of the restrictive covenants attached hereto as Exhibit B, in an amount not to exceed the cash portion of the Developer Fee as defined by the development agreement. Dallas may, at its option, require funds sufficient for this indemnity to be deposited with a mutually agreeable escrow agent, to be held for a period of three years from the Closing Date, and distributed in accordance with an escrow agreement in form acceptable to Tenant and City.

SECTION 4. That this Agreement is designated as Contract No.HOU-2023-00022127.

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SECTION 5. That the Chief Financial Officer is hereby authorized to receive and deposit revenue lease payments in the Lease Revenues Fund, Fund 0764, Department HOU, Unit (TBD), Revenue Code 8483.

SECTION 6. That the City Controller is hereby authorized to setup accounts payable for generated receipts from the Property to allow the Housing Department to use funds from this account for similar activities.

SECTION 7. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.