

Memorandum



CITY OF DALLAS

DATE April 23, 2024

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

SUBJECT **Upcoming Agenda Item: NOFA Development Project – Tenison Lofts at Samuell
Grand**

The purpose of this memorandum is to inform the Housing and Homelessness Solutions Committee of an upcoming agenda item on May 22, 2024 to authorize the execution of a development loan agreement with TX Tenison 2024, Ltd., an affiliate of Generation Housing Partners, LLC (Applicant) in the amount of \$11,000,000.00 in Community Development Block Grant (CDBG), HOME Investment Partnerships (HOME), and Community Development Block Grant Disaster Recovery Funds (CDBG-DR) for the development of Tenison Lofts at Samuell Grand, a 164-unit mixed income multi-family complex located at 3500-3632 Samuell Boulevard, Dallas, Texas 75523 (Project).

BACKGROUND

TX Tenison 2024, Ltd., or its affiliate (Applicant), a to be formed Texas limited partnership, submitted a proposal under the City's Notice of Funds Availability (NOFA), as amended, to receive gap financing in the form of a cash flow loan to support the development and construction of Tenison Lofts at Samuell Grand, a 164-unit mixed-income, Class A multifamily complex. The NOFA was issued by the Department of Housing and Neighborhood Revitalization (Housing) in accordance with the City's Comprehensive Housing Policy (CHP), as amended by the Dallas Housing Policy 2033 (DHP33) and the Dallas Housing Resource Catalog (DHRC).

Housing administers programs to appropriately incentivize private investment for the development of quality, sustainable housing that is affordable to the residents of the City. Specifically, Housing administers the New Construction and Substantial Rehabilitation Program which, when necessary, seeks to provide financial assistance to new developments or to substantially rehabilitate existing developments. All projects seeking financial assistance are required to submit a Notice of Intent to apply for financial assistance through the NOFA to develop affordable homeownership and rental housing. As outlined in the NOFA, multiple sources of funding are available; however, proposed projects must meet specific thresholds to qualify for the use of a specific funding source. At minimum, each proposed project must be composed of at least five affordable units and must achieve a fundable score as outlined in the NOFA solicitation. The Project received a fundable score of 112.5 of 143 points.

In addition to NOFA funding, the Applicant, or an affiliate thereof, plans to utilize 2023 4% Non-Competitive Housing Tax Credits (4% Housing Tax Credits) from the Texas Department of Housing and Community Affairs (TDHCA) to acquire and construct the development. The City Council approved a Resolution of No Objection on February 14, 2024, by Resolution No. 24-0290. On September 12, 2023, the Dallas Housing Finance Corporation (DHFC) Board of Directors adopted a resolution declaring its intent to issue bonds for the property and authorized the filing of an application for allocation of private activity bonds with the Texas Bond Review Board. 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.

The Applicant, a Texas-based developer, owner, and asset manager of Class A multi-family assets throughout the southwest. As a long-term owner, the Applicant has been involved in the development, construction, and management of over 4,000 units with a capitalization value of approximately \$385,000,000.00. The units include multi-story apartment properties for families, seniors, senior cottages, rehabilitation, and adaptive reuse developments. The Applicant has partnered with the DHFC in two other developments (Estates at Shiloh, Estates at Ferguson, and Westmoreland Station) and intends to use Asset Living Property Management to manage the development once completed. Asset Living Property Management has been in the residential property business for 36 years and has developed approximately 20,000 units and currently manages over 24,000 units.

When formed, TX Tenison 2024, Ltd., a Texas limited partnership and the general partner of which is anticipated to be TX Tenison 2024 GP, LLC, will be a single asset entity solely owned by the DHFC. A to-be-formed special limited partnership company will be a to-be-formed special limited partner. TX Tenison 2024 SLP will be owner of the special limited partner. An amended and restated agreement of limited partnership will be executed to admit the tax credit equity investor as investor member once identified.

The Applicant proposes to remove all existing buildings and/or structures and redevelop the property with a Class-A, new construction, mixed-income residential development of 164 units on 3.4 acres. The existing property(s) consists of a commercial strip center, with several existing businesses and associated parking. The units are comprised of 24 one-bedroom, 76 two-bedroom, and 64 three-bedroom units. The project will be a five-story wrap construction product. The units will include nine-foot ceilings, granite countertops, 100% masonry exteriors, Low-e thermal windows, low flow fixtures, ample storage, Energy Star appliances, faux wood flooring, ceiling fans, covered entries, open floor plans, and Berber carpet. Community amenities will include a state-of-the-art fitness center, community room, resort style pool, and computer learning center.

Onsite resident services will include free health and wellness classes, income tax preparation, food pantry, health fair and flu shots, weekly exercise classes, notary services, community and social events, bi-weekly after-school programming, and financial literacy classes.

The Applicant will work with the Office of Integrated Public Safety Solutions for security input/upgrades, community activities, and incorporate best practices of Crime Prevention Through Environmental Design. Additionally, the Applicant will provide modern security features to include a full camera system, controlled access, a community crime watch program, and participation in National Night Out to ensure a safe living environment for all residents and staff.

The unit mix and rental rates are as follows:

| Unit Type | AMI | Units | Rent |
|-----------|-----|-------|------------|
| 1BR | 30% | 6 | \$519.00 |
| 1BR | 50% | 6 | \$905.00 |
| 1BR | 60% | 6 | \$1,099.00 |
| 1BR | 70% | 4 | \$1,292.00 |
| 1BR | 80% | 2 | \$1,486.00 |
| 2BR | 30% | 10 | \$614.00 |
| 2BR | 50% | 12 | \$1,078.00 |
| 2BR | 60% | 24 | \$1,310.00 |
| 2BR | 70% | 20 | \$1,542.00 |
| 2BR | 80% | 10 | \$1,593.00 |
| 3BR | 30% | 8 | \$702.00 |
| 3BR | 50% | 12 | \$1,238.00 |
| 3BR | 60% | 14 | \$1,506.00 |
| 3BR | 70% | 20 | \$1,774.00 |
| 3BR | 80% | 10 | \$1,798.00 |

Total development costs are anticipated to be approximately \$43,613,009.00 which includes the acquisition price for the land. The construction budget is anticipated to be approximately \$27,571,941.00 which is \$168,121.59 per unit.

| Proposed Financing Sources | Amount |
|----------------------------|--------|
|----------------------------|--------|

| | |
|-----------------------------|-------------------------|
| Permanent Loan | \$ 18,290,057.00 |
| Tax Credit Equity | \$ 12,643,339.00 |
| City of Dallas CDBG-DR Loan | \$ 6,500,000.00 |
| City of Dallas HOME Loan | \$ 1,000,865.51 |
| City of Dallas CDBG Loan | \$ 3,499,134.49 |
| Deferred Developer Fee | \$ 1,679,613.00 |
| Total | \$ 43,613,009.00 |

| Proposed Uses | Costs |
|---------------------------|-------------------------|
| Acquisition | \$ 4,505,000.00 |
| Hard Costs | \$ 27,571,941.00 |
| Soft Costs | \$ 904,460.00 |
| Developer Fee | \$ 4,650,000.00 |
| Financing Fees & Reserves | \$ 5,981,608.00 |
| Total | \$ 43,613,009.00 |

After the development is complete, 24 of the 164 units to be made available to households earning 0.00%-30.00% Area Median Income (AMI), 30 of the 164 units to households earning 31.00% - 50.00% AMI, 44 of the 164 units to households earning 51.00% - 60.00% AMI, 44 of the 164 units to households earning 61.00% - 70.00% AMI, and 22 of the 164 units to households earning 71.00% - 80.00% AMI. CDBG and CDBG-DR regulations require 51% of the total number of units or 84 units be reserved for households earning at or below 80.00% AMI. A subset of these affordable units will be counted as HOME-assisted units as well. All CDBG, CDBG-DR, and HOME-assisted units must remain affordable for a minimum of 20 years secured by a restrictive covenant as required by the DHRC and federal guidelines to ensure long-term affordability.

In April 2022, the U.S. Department of Housing and Urban Development (HUD) announced that approximately \$24.4 million of Community Development Block Grant Disaster Recovery funding has been allocated to the City of Dallas under the second tranche of funds released from the Disaster Relief and Supplemental Appropriations Act of 2022. This funding was allocated to the City as a result of the winter and ice storm that occurred in February 2021.

On December 14, 2022, the City Council held a public hearing to receive public comments and approved the final adoption of the 2022 Community Development Block Grant Disaster Recovery (CDBG-DR) Budget and draft Action Plan to accept CDBG-DR funds from the U.S. Department of Housing and Urban Development which included New Construction - Multi-Unit funds by Resolution No. 22-1836.

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The CDBG-DR Funds must only be spent for necessary activities related to disaster relief, long-term recovery, restoration of infrastructure and housing, economic revitalization, and mitigation in the “most impacted and distressed (MID)” areas of qualifying disasters. The entire City of Dallas is included in the MID. New construction of affordable housing is an eligible activity under HUD’s CDBG-DR policy as it clearly addresses a direct or indirect impact of the February 2021 winter and ice storm that resulted in damaged or destroyed available affordable housing stock in Dallas, TX.

The Project has been found to affirmatively further fair housing by the Office of Equity and Inclusion Fair Housing Division. Staff recommends approval of this item as it furthers the mixed-income housing goals of the DHP33, complies with the DHRC, meets the threshold requirements of the NOFA, and the financial gap has been confirmed by third-party underwriting.

Staff confirmed that this Project would not be feasible but for the City’s participation and that the Project furthers the goals of the DHP33. Staff 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 Cynthia Rogers-Ellickson, Interim Director, Department of Housing & Neighborhood Revitalization at Cynthia.rogersellic@dallas.gov or 214-670-3601.



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Assistant City Manager

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Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Deputy City Manager
Jon Fortune, Deputy City Manager

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