Memorandum

CITY OF DALLAS

DATE April 19, 2024

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

SUBJECT **Upcoming Agenda Item: Dallas Public Corporation - Bloc House Santa Fe Trail**

This memorandum is to inform the Housing and Homelessness Solutions Committee of an upcoming agenda item on May 22, 2024 to authorize the Dallas Public Facility Corporation's (Corporation) acquisition, development and ownership of Bloc House Santa Fe Trail, a 92-unit mixed-income multifamily development to be located at 4533 Willow Street (Project). In order to receive a property tax exemption as a public facility, the Texas Public Facility Corporation Act requires a multifamily property reserve at least 50% of the units for residents earning at or below 80% of the area median income (AMI). The Project will reserve 40% of the units for residents earning less than 80% AMI, 10% of the units at 60% AMI, and the remaining 50% of the units will be non-income restricted. The Corporation's bylaws require Council approval of any development that results in a property tax exemption and staff recommends Council approval of this item.

BACKGROUND

Bloc House Santa Fe Trail, LLC (Applicant), a Texas limited liability company, submitted an application to the Dallas Public Facility Corporation (Corporation) for the development of Bloc House Santa Fe Trail, a 92-unit mixed income multifamily development to be located at 4533 Willow Street (Project). The Corporation will own the site and improvements and lease the Project back to the Applicant or its affiliate. Pursuant to the Texas Public Facility Corporation Act, Chapter 303 of the Texas Local Government Code, as amended (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 50% of the units for residents earning at or below 80% of the area median income (AMI). The Project will reserve 40% of these units at 80%-AMI & 10% of these units at 60%-AMI.

The Applicant will be a limited liability company, Bloc House Santa Fe Trail LLC. Bloc House Santa Fe Trail LLC. The LLC is a partnership between Bloc House, Madison Partners and Crimson Building Company. Each partner is Texas-based with real estate development and multifamily construction experience, as well as commercial and mixed-use projects. Their current portfolio includes 5 multifamily projects in Dallas totaling approximately 600 units.

The property is a 92-unit low-rise multifamily development in East Dallas, just north of Fair Park and bordering the City's equity target area #1. The Project will be situated on

1.49 acres on Willow Street, along the Santa Fe Trail. Amenities will include a clubhouse, green space, fitness center and community events. The Project is accessible to DART bus stops and bike trail.

The Project has been re-zoned for multifamily development without any opposition to the request. Bloc House has held three meetings with the surrounding neighborhoods and has received significant support from each neighborhood group. The project also has the support of from the Board of the Friend of the Santa Fe Trail. The Applicant will consult with the Office of Integrated Public Safety Solutions (OIPSS) for security input, community activities and the Crime Prevention Through Environmental Design (CPTED).
The anticipated unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
Studio	60%	9	$1,136.00
Studio	80%	40	$1,444.00
Studio	Market	37	$1,510.00
2BR	50%	3	$1,283.00
2BR	80%	3	$1,473.00

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 that 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 to provide deeper affordability at this property. These incomes range from $40,920.00 to $58,440.00 depending on family size. This project also aims to provide a small number of units serving households at 50% AMI and below.

Total development costs are anticipated to be approximately $14,682,259.00 which includes the acquisition price for the land. The development budget less soft/financial costs is anticipated to be approximately $8,246,321.00, which is $89,634.00 per unit.

Proposed Financing Sources	Amount
Mortgage Loan	$8,804,568.00
Developer/Investor Equity	$5,877,691.00
Total	$14,682,259.00

Proposed Uses	Amount
Development Costs	$8,246,321.00
Land Acquisition	$2,265,684.00
Soft Costs/Other Costs	$3,757,954.00
Contingency	$412,300.00
Total	$14,682,259.00

The Project will be owned by the Corporation and leased to the Applicant and other potential owners for a period of 75 years. In consideration for the Corporation's participation in the Project, the Corporation is estimated to receive $10,393,005.00 in revenues over the 75 years of the lease. Potential proceeds to the DPFC include (1) a $250,000.00 structuring fee paid at closing; (2) lease payments starting at $58,398.00 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 revenues of the Corporation will be used to fund operations and the provision of additional affordable and workforce housing throughout the City. This proposed development results in foregone tax revenues for the City while the DPFC owns the asset. The 2023 City tax bill for this property (8 parcels) is $7,607 and the 75-year estimate of foregone taxes is $23,549,377.00. However, the workforce housing rental savings of $51,753,912.00 over 75 years and the estimated $10,393,005.00 in revenues provides the City with $62,146,917.00 in benefits that outweigh the foregone revenue. Without the Dallas Public Facility Corporation's participation in this project, the project would require a subsidy of approximately $28.6 million over the same period.

The Corporation's estimated revenues were calculated by the Corporation's partnership counsel and financial advisors. Market rent comps and current construction costs were analyzed to ensure the project costs were reasonable for the market. Corporation financial advisors also confirmed that but for the ad valorem tax exemption, the Project would not be economically feasible and would not attract responsible debt and equity investment in the property. The Corporation's revenue consideration and affordability levels were also analyzed to confirm that the ad valorem tax exemption does not over subsidize the Project.
The City is authorized by the 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, City Council authorized the creation of the Corporation to further the public purposes stated in the Corporation's articles of

incorporation and bylaws pursuant to the Act by Resolution No. 20-1035, which were subsequently amended by Resolution 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's Comprehensive Housing Policy (CHP), as restated in the Dallas Housing Policy 2033 (DHP33).

Staff and the Corporation's 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 CHP, as restated in the DHP33. Staff recommends approval of this item to allow this mixed-income housing development to move forward.

On March 26, 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, Interim Director, Department of Housing & Neighborhood Revitalization at Cynthia.Rogers.Ellic@Dallas.gov or 214-670-3601.

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Assistant City Manager

c:
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Jon Fortune, Deputy City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Dr. Robert Perez, Assistant City Manager
Jack Ireland, Chief Financial Officer
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Bloc House Santa Fe Trail

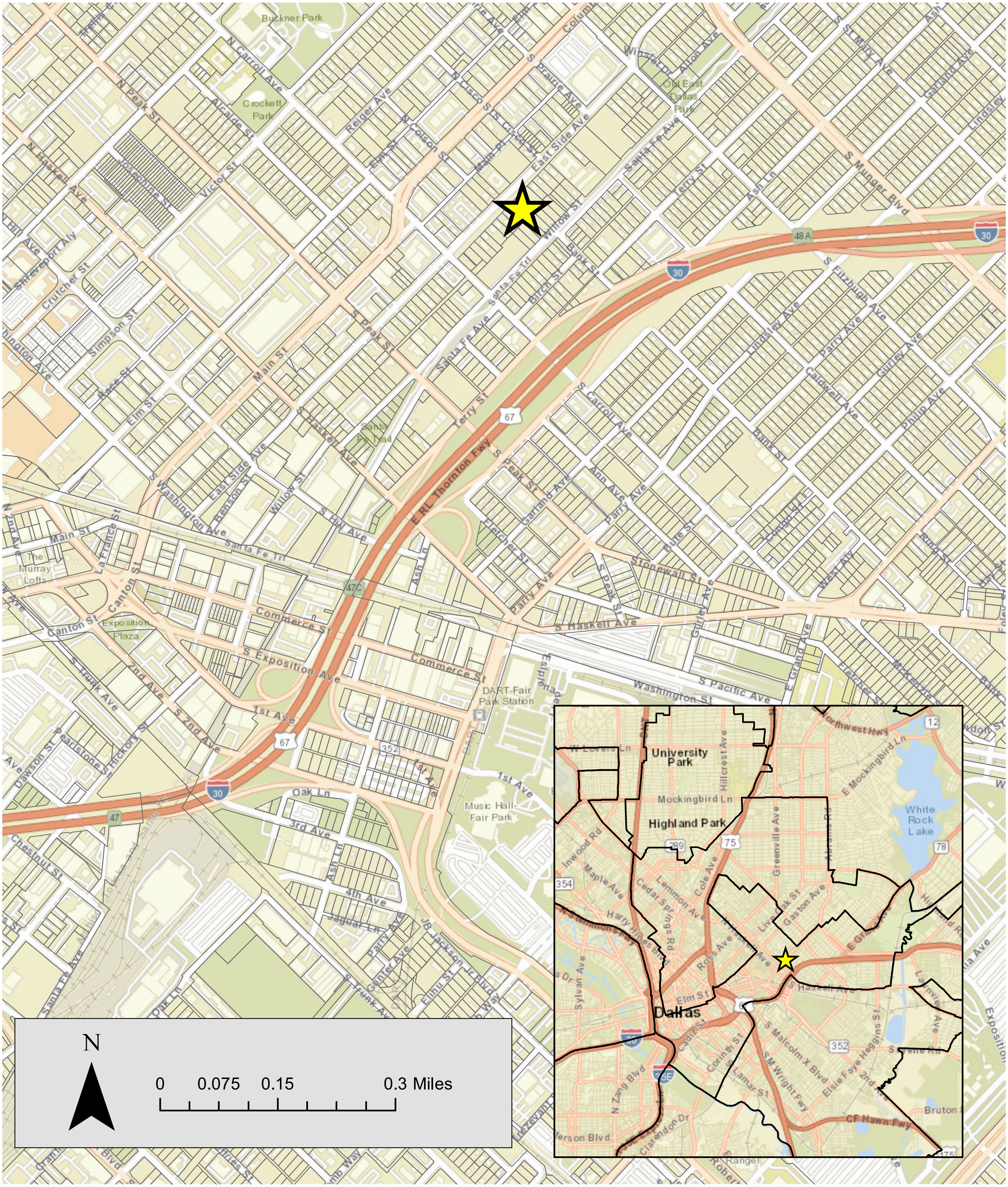

Exhibit A
Dallas Public Facility Corporation - Blochouse Santa Fe Trail
75-Year Estimates

	Y15 TTL	Y1	Y2	Y3	Y4	Y5	Y6	Y7	Y8	Y9	Y10	Y11	Y12	Y13	Y14	Y15
COD Property Taxes	$ 1,491,052	$ 7,607	$ 44,719	$ 92,121	$ 94,885	$ 97,731	$ 100,663	$ 103,683	$ 106,793	$ 109,997	$ 113,297	$ 116,696	$ 120,197	$ 123,803	$ 127,517	$ 131,343
Rent Savings	$ 3,168,897	$ -	$ -	$ 202,903	$ 208,990	$ 215,260	$ 221,718	$ 228,369	$ 235,220	$ 242,277	$ 249,545	$ 257,031	$ 264,742	$ 272,685	$ 280,865	$ 289,291
Acquisition Fee	$ 250,000	$ 250,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual Lease Payment	$ 621,057	$ -	$ -	$ 39,766	$ 40,959	$ 42,188	$ 43,453	$ 44,757	$ 46,100	$ 47,483	$ 48,907	$ 50,374	$ 51,886	$ 53,442	$ 55,045	$ 56,697
Annual TTL Revenue	$ 871,057	$ 250,000	$ -	$ 39,766	$ 40,959	$ 42,188	$ 43,453	$ 44,757	$ 46,100	$ 47,483	$ 48,907	$ 50,374	$ 51,886	$ 53,442	$ 55,045	$ 56,697
Benefits (Sav. + Rev.)	$ 4,039,954	$ 250,000	$ -	$ 242,669	$ 249,949	$ 257,448	$ 265,171	$ 273,126	$ 281,320	$ 289,759	$ 298,452	$ 307,406	$ 316,628	$ 326,127	$ 335,911	$ 345,988

	Y30 TTL	Y16	Y17	Y18	Y19	Y20	Y21	Y22	Y23	Y24	Y25	Y26	Y27	Y28	Y29	Y30
COD Property Taxes	$ 4,007,166	$ 135,283	$ 139,341	$ 143,522	$ 147,827	$ 152,262	$ 156,830	$ 161,535	$ 166,381	$ 171,372	$ 176,513	$ 181,809	$ 187,263	$ 192,881	$ 198,667	$ 204,627
Rent Savings	$ 8,710,813	$ 297,970	$ 306,909	$ 316,116	$ 325,600	$ 335,368	$ 345,429	$ 355,792	$ 366,465	$ 377,459	$ 388,783	$ 400,447	$ 412,460	$ 424,834	$ 437,579	$ 450,706
Acquisition Fee	$ 250,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual Lease Payment	$ 1,707,191	$ 58,398	$ 60,150	$ 61,954	$ 63,813	$ 65,727	$ 67,699	$ 69,730	$ 71,822	$ 73,976	$ 76,196	$ 78,482	$ 80,836	$ 83,261	$ 85,759	$ 88,332
Annual TTL Revenue	$ 1,957,191	$ 58,398	$ 60,150	$ 61,954	$ 63,813	$ 65,727	$ 67,699	$ 69,730	$ 71,822	$ 73,976	$ 76,196	$ 78,482	$ 80,836	$ 83,261	$ 85,759	$ 88,332
Benefits (Sav. + Rev.)	$ 10,668,004	$ 356,368	$ 367,059	$ 378,070	$ 389,413	$ 401,095	$ 413,128	$ 425,522	$ 438,287	$ 451,436	$ 464,979	$ 478,928	$ 493,296	$ 508,095	$ 523,338	$ 539,038

	Y45 TTL	Y31	Y32	Y33	Y34	Y35	Y36	Y37	Y38	Y39	Y40	Y41	Y42	Y43	Y44	Y45
COD Property Taxes	$ 7,927,188	$ 210,766	$ 217,089	$ 223,602	$ 230,310	$ 237,219	$ 244,336	$ 251,666	$ 259,216	$ 266,992	$ 275,002	$ 283,252	$ 291,750	$ 300,502	$ 309,517	$ 318,803
Rent Savings	$ 17,344,938	$ 464,227	$ 478,154	$ 492,499	$ 507,274	$ 522,492	$ 538,167	$ 554,312	$ 570,941	$ 588,069	$ 605,711	$ 623,883	$ 642,599	$ 661,877	$ 681,734	$ 702,186
Acquisition Fee	$ 250,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual Lease Payment	$ 3,399,352	$ 90,982	$ 93,711	$ 96,523	$ 99,418	$ 102,401	$ 105,473	$ 108,637	$ 111,896	$ 115,253	$ 118,711	$ 122,272	$ 125,940	$ 129,718	$ 133,610	$ 137,618
Annual TTL Revenue	$ 3,649,352	$ 90,982	$ 93,711	$ 96,523	$ 99,418	$ 102,401	$ 105,473	$ 108,637	$ 111,896	$ 115,253	$ 118,711	$ 122,272	$ 125,940	$ 129,718	$ 133,610	$ 137,618
Benefits (Sav. + Rev.)	$ 20,994,291	$ 555,209	$ 571,865	$ 589,021	$ 606,692	$ 624,893	$ 643,640	$ 662,949	$ 682,837	$ 703,322	$ 724,422	$ 746,155	$ 768,539	$ 791,595	$ 815,343	$ 839,804

	Y60 TTL	Y46	Y47	Y48	Y49	Y50	Y51	Y52	Y53	Y54	Y55	Y56	Y57	Y58	Y59	Y60
COD Property Taxes	$ 14,034,454	$ 328,367	$ 338,218	$ 348,364	$ 358,815	$ 369,580	$ 380,667	$ 392,087	$ 403,850	$ 415,965	$ 428,444	$ 441,298	$ 454,537	$ 468,173	$ 482,218	$ 496,684
Rent Savings	$ 30,796,624	$ 723,251	$ 744,949	$ 767,297	$ 790,316	$ 814,026	$ 838,446	$ 863,600	$ 889,508	$ 916,193	$ 943,679	$ 971,989	$ 1,001,149	$ 1,031,183	$ 1,062,119	$ 1,093,982
Acquisition Fee	$ 250,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual Lease Payment	$ 6,035,685	$ 141,747	$ 145,999	$ 150,379	$ 154,890	$ 159,537	$ 164,323	$ 169,253	$ 174,330	$ 179,560	$ 184,947	$ 190,496	$ 196,210	$ 202,097	$ 208,160	$ 214,404
Annual TTL Revenue	$ 6,285,685	$ 141,747	$ 145,999	$ 150,379	$ 154,890	$ 159,537	$ 164,323	$ 169,253	$ 174,330	$ 179,560	$ 184,947	$ 190,496	$ 196,210	$ 202,097	$ 208,160	$ 214,404
Benefits (Sav. + Rev.)	$ 37,082,309	$ 864,998	$ 890,948	$ 917,676	$ 945,206	$ 973,563	$ 1,002,769	$ 1,032,853	$ 1,063,838	$ 1,095,753	$ 1,128,626	$ 1,162,485	$ 1,197,359	$ 1,233,280	$ 1,270,278	$ 1,308,387

	Y75 TTL	Y61	Y62	Y63	Y64	Y65	Y66	Y67	Y68	Y69	Y70	Y71	Y72	Y73	Y74	Y75
COD Property Taxes	$ 23,549,377	$ 511,585	$ 526,932	$ 542,740	$ 559,023	$ 575,793	$ 593,067	$ 610,859	$ 629,185	$ 648,060	$ 667,502	$ 687,527	$ 708,153	$ 729,398	$ 751,280	$ 773,818
Rent Savings	$ 51,753,912	$ 1,126,802	$ 1,160,606	$ 1,195,424	$ 1,231,287	$ 1,268,225	$ 1,306,272	$ 1,345,460	$ 1,385,824	$ 1,427,399	$ 1,470,221	$ 1,514,327	$ 1,559,757	$ 1,606,550	$ 1,654,746	$ 1,704,389
Acquisition Fee	$ 250,000	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Annual Lease Payment	$ 10,143,005	$ 220,837	$ 227,462	$ 234,285	$ 241,314	$ 248,553	$ 256,010	$ 263,690	$ 271,601	$ 279,749	$ 288,142	$ 296,786	$ 305,689	$ 314,860	$ 324,306	$ 334,035
Annual TTL Revenue	$ 10,393,005	$ 220,837	$ 227,462	$ 234,285	$ 241,314	$ 248,553	$ 256,010	$ 263,690	$ 271,601	$ 279,749	$ 288,142	$ 296,786	$ 305,689	$ 314,860	$ 324,306	$ 334,035
Benefits (Sav. + Rev.)	$ 62,146,917	$ 1,347,638	$ 1,388,067	$ 1,429,709	$ 1,472,601	$ 1,516,779	$ 1,562,282	$ 1,609,151	$ 1,657,425	$ 1,707,148	$ 1,758,362	$ 1,811,113	$ 1,865,447	$ 1,921,410	$ 1,979,052	$ 2,038,424