

Request for a Resolution of No Objection for 4% Housing Tax Credits Allocated through Texas Department of Housing and Community Affairs for Ridgcrest Terrace Apartments

**Housing & Homelessness Solutions Committee
May 26, 2020**

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City of Dallas**



Presentation Overview

- Background
- Application Summary
- Application History
- Application Improvements
- Accountability
- Recommendation and Next Steps

Background

- **May 9, 2018:** City Council adopted the Comprehensive Housing Policy (CHP), Resolution No. 18-0704 and 18-1680, as amended on November 28, 2018
- CHP contains scoring criteria and a timeframe for reviewing housing developments seeking Housing Tax Credits (HTCs) through Texas Department of Housing and Community Affairs (TDHCA)
- **June 12, 2019:** City Council adopted an amendment to the CHP updating the terms by which the City will receive, score, and approve HTC developments
- **No** City funds required for HTC developments

Background

- Ridgecrest Terrace Apartments is requesting a Resolution of No Objection for their application to TDHCA for non-competitive 4% housing tax credits
- CHP outlines the City's timeline and process for authorizing Resolutions of No Objection:
 - Request for Applications (RFA) deadlines spread quarterly throughout the calendar year
 - Staff reviews applications for completion, threshold requirements, and fair housing
 - Provides recommendation to Committee/Council based on application completion, threshold requirements, and fair housing review
 - TDHCA provides HTC allocations using criteria listed in its Qualified Action Plan and formal underwriting of the application
- Threshold requirements outlined in the CHP, as amended

Background

- **Application Threshold Requirements**
 - Submission of a complete application
 - Must have site control
 - If rezoning is required, Applicant must complete consultation with City Planning Staff
 - Must meet TDHCA minimum site and development requirements or provide a mitigation plan to meet requirements
 - Must meet TDHCA underwriting standards
 - Must meet Fair Housing requirements

Background

- **Application Threshold Requirements**

- Any affected residents must be notified within 45 days of application
 - If relocation is required, subject to Uniform Relocation Act (URA)
- Any renovation of existing space must submit a plan and cost review
 - Housing & Neighborhood Revitalization Inspectors visit site to confirm project scope
- Applicant not eligible if they are a) in debt to the City, b) is currently in litigation with the City, or c) in violation of Fair Housing or Human Rights and Sexual Orientation sections of the Dallas City Code

Application Summary

- **526 South Walton Walker Boulevard**
- **Council District: 3**
- **Applicant:** Ridgecrest Terrace, LP
- **Co-Developers:** Steele Properties III, LLC and the Dallas Housing Finance Corporation (DHFC)
 - Steele has developed/acquired over 70 affordable properties totaling over 6,000 units (over \$1B in investments)
 - Specializes in acquisition and renovation of affordable multifamily properties
- **Property Manager:** Monroe Group
 - Manages over 70 affordable housing properties for a total of 6,600 units
 - REAC Portfolio Score: 91 (HUD Real Estate Assessment Center)

Application Summary











- **Total Units:** 250 affordable units
 - 225 Units @ 31%-60% AMI
 - 25 Units @ 0%-30% AMI
 - 18 One-Bedroom
 - 184 Two-Bedroom
 - 48 Three-Bedroom
 - 98% of the units are covered by a Section 8 Project Based Voucher HAP Contract
- **Site Information**
 - 16.27 Acres / MF-2
 - Year built: 1969
- **Total Renovation Budget: \$16,750,000 (\$67,000/unit)**

Market Value Analysis

G MVA Market Type

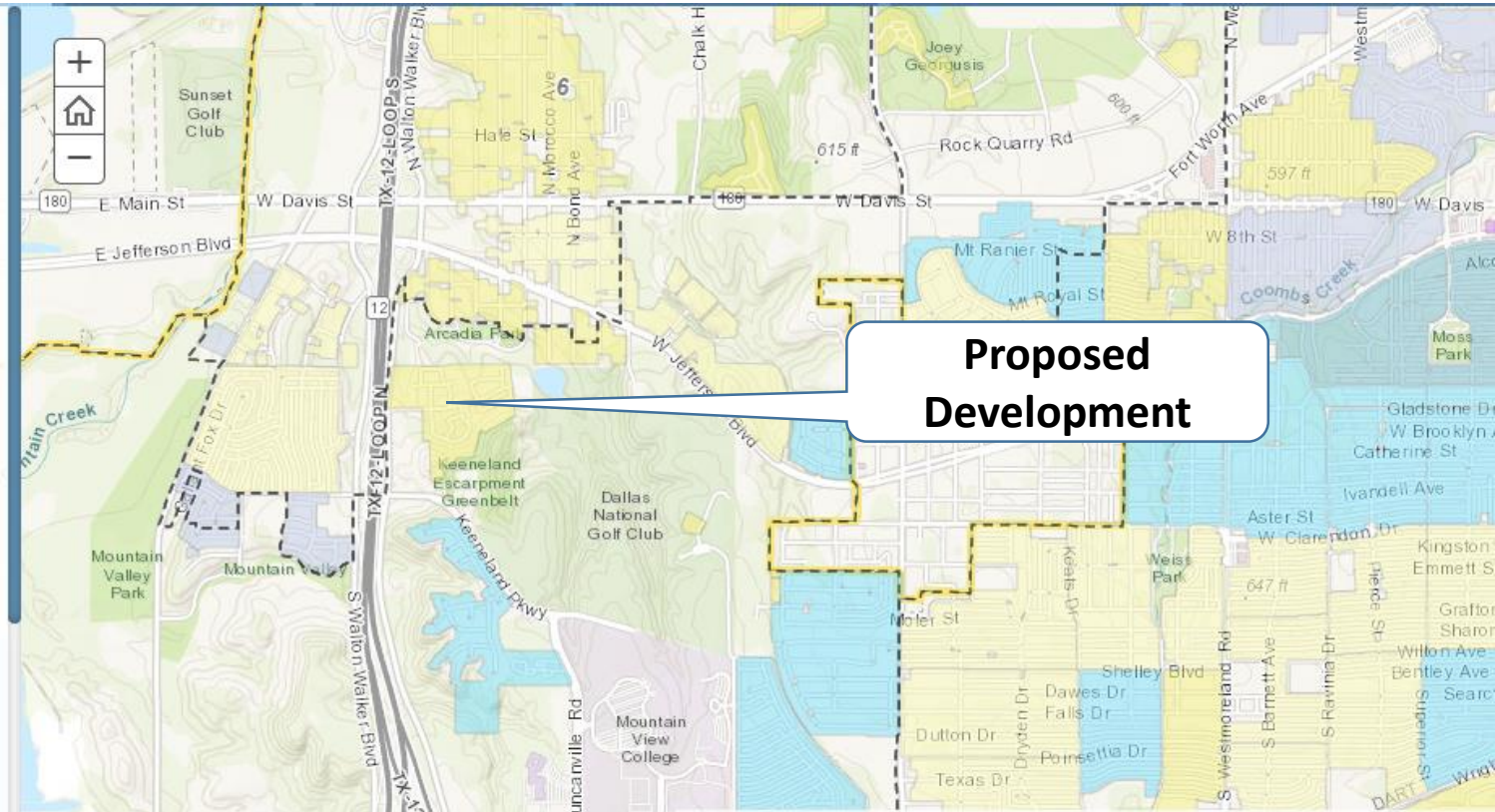
Near E, F, G MVA Market Types

MVA Legend

	A		F
	B		G
	C		H
	D		I
	E		NA

Dallas MVA

The Market Value Analysis (MVA) is a tool to assist residents and policy-makers identify and understand the elements of their local real estate markets. Similarly colored area represent neighborhood areas of similar market type. Because this analysis is for residential market



Ridgecrest Terrace Apartments



Project History

- Ridgecrest has long been neglected by the current owner
 - History of code violations
 - Lawsuit filed by Community Prosecution to make repairs of all violations
- **September 2018**, Steele applied to the City for a resolution of no objection which was denied due to Fair Housing concerns
- **January 2020**, revised application with increased budget, additional resident services, and robust security improvements submitted
- **March 2020**, application passed Fair Housing review
- **May 5, 2020**, Economic Development Committee briefed
- **May 12, 2020**, DHFC Board of Directors unanimously approves partnership with Steele

Substantial Renovation Scope

- **Budget increased from \$46,000/unit to \$67,000/unit**
- **Interior Renovations will include:**
 - New kitchens and bathrooms
 - New flooring, interior drywall and paint
 - Cabinets and countertops
 - Energy efficient appliances
- **Exterior Renovations will include:**
 - New playgrounds and sports court
 - Upgrades to the building envelope
 - New roofs, siding, insulation
 - HVAC system
- **Construction** of a community center to include space for after school tutoring, arts and crafts room, game room, community dining and gathering spaces, and a First Responders Resource and Break Room

Security Improvements

- **Security upgrades to be implemented based on Dallas Police Department recommendations:**
 - Increased security patrols during construction and after stabilization
 - Intend to utilize DPD's off-duty officer patrol program
 - \$228,000 annual security budget
 - New modern security camera system with DPD access
 - New LED lighting throughout the Property
 - First Responders Resource and Break Room in new community building
 - Perimeter fencing repairs and full replacement of unit exterior doors

Resident Services

- **70 hours per month of resident services will be provided including:**
 - After-school tutoring and computer training for kids
 - Arts & crafts programs
 - Financial literacy programs
 - Addiction recovery resources
 - Healthy eating habits on a budget
 - Legal assistance resources
 - Organized team sports
 - Health screening services

Dedicated Staff

- **Management will include:**
 - Full-time staff includes:
 - Qualified Property Manager
 - Assistant Property Manager
 - Compliance Specialist
 - Three Maintenance Staff
 - District and regional management staff who are well versed in managing large multifamily communities similar to the Property
 - Housing and Urban Development (HUD) file review by third-party specialists to ensure tenant compliance
 - Relocation Specialist

Workforce/Economic Development

- **Office of Economic Development** to work with employers to connect City/DHFC partnered affordable housing with job opportunities
- Job opportunities and employment centers exist near Ridgecrest:
 - Dallas Global Industrial Center
 - Home Depot e-commerce center (2 million SF)
 - Mountain Creek Industrial Park
- Workforce Development Partnerships with Dallas Community College District and Workforce Solutions
- Per capita income for 75211 is \$16,000 – City of Dallas is \$33,000
 - Job placement key to higher opportunity in the area

Accountability

- **Agreements will be drafted to ensure developer and property manager provide the specified renovations and services**
 - Master Agreement between Steele Properties and DHFC to define the roles and responsibilities of the participants
 - Limited Partnership Agreement
 - Steele will act as the Special Administrative Partner and DHFC will serve as the General Partner
 - Land Use Restrictive Agreement (LURA)
 - Recorded on property – TDHCA requires resident services be included in the LURA
 - TDHCA and the Department of Housing & Neighborhood Revitalization will monitor for compliance
- Council must approve the to be formed partnership prior to the issuance of private activity bonds and tax credit allocation
 - Project specifications, services and enforceability can be confirmed by staff and Council prior to close
- Quarterly performance reports will be made to the DHFC Board of Directors

Recommendations

- **Staff reviewed other redevelopment options for Ridgecrest**
 - Other options were either not economically feasible or would result in the displacement of a majority of the existing residents
 - Section 8 Project Based Voucher HAP contract provides subsidies to most residents (many pay as low as \$25/month in rent)
 - There are not enough available vouchers or deeply affordable units in the City relocate residents after converted to a mixed-income property
- In the event the City does not authorize a resolution of no objection, the current property owner will continue to neglect the property and make the minimal improvements mandated by the City's lawsuit against the property
 - The currently structured proposal and DHFC partnership provides one of the only opportunities to deliver the safe, decent affordable housing and services the current residents deserve

Recommendations

Staff recommends the Housing and Homelessness Solutions Committee recommend approval of the following items for Council consideration at the **May 27, 2020** meeting:

- Conduct a public hearing and adopt a Resolution of No Objection related to the applications to TDHCA for 4% Non-Competitive Housing Tax Credits for Ridgecrest Terrace Apartments

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Appendix

Additional Project Information



Ridgecrest Terrace Apartments

Proposed Financing Sources	Amount
Private Activity Bonds	\$34,200,000
Housing Tax Credits Equity	\$18,211,373
Deferred Developer Fee	\$3,403,995
NOI During Renovation	\$1,545,855
Total	\$57,361,223

Proposed Uses	Costs
Acquisition	\$22,640,000
Construction Costs	\$20,177,535
Cost of Financing	\$5,434,842
Fees, Reserves, Soft Costs	\$9,108,846
Total	\$57,361,223