

Memorandum



CITY OF DALLAS

DATE November 5, 2020

Honorable members of the Housing and Homelessness Solutions Committee: Chad West (Chair), Casey Thomas II (Vice Chair), Carolyn King Arnold, Paula Blackmon, Lee Kleinman, Cara Mendelsohn, Jaime Resendez

SUBJECT

Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act Approvals for Bond Issuance by the City of Dallas Housing Finance Corporation for Ridgecrest Terrace Apartments (\$40,000,000) and Ridge at Lancaster Apartments (\$50,000,000)

This memorandum is to inform you of an upcoming agenda item on December 9, 2020 to authorize approval of the City Council of the City of Dallas, to act as the applicable elected representative, as defined by Section 147(f)(2)(E) of the Internal Revenue Code of 1986, as amended ("Code"), of the issuance of multifamily residential mortgage revenue bonds ("Bonds") issued by the City of Dallas Housing Finance Corporation in one or more series of tax-exempt bonds in an amount not to exceed \$40,000,000 where proceeds of the Bonds will be loaned to Ridgecrest Terrace, LP to finance a portion of the cost for the acquisition of land and rehabilitation of 250 existing units for an affordable multifamily complex to be known as the Ridgecrest Terrace Apartments and located at 526 South Walton Walker Boulevard, Dallas, Texas 75211 ("Development") and \$50,000,000 where proceeds of the Bonds will be loaned to LDG The Ridge at Lancaster, LP to finance a portion of the cost for the acquisition of land and new construction of units for a mixed-income multifamily complex to be known as the Ridge at Lancaster and located at 5995 Crouch Road, Dallas, Texas ("Development"); a public hearing with respect to the Bonds and the Development was held on October 28, 2020, after reasonable public notice was published in a newspaper of general circulation in the City of Dallas all in compliance with Section 147(f) of the Code - Financing.

Background:

In order for the DHFC to issue tax-exempt bonds for a project, a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing must be held where individuals can voice their opinions or concerns regarding the issuance of such bonds for the project to be financed. This requirement originated under the Tax Equity and Financial Responsibility Act of 1982, so the industry term for this requirement is "TEFRA."

Since the Developments are located within the City of Dallas, Section 147 (f) of the Internal Revenue Code requires that in order for the bonds to be tax exempt, the City Council or the applicable elected representative of the City of Dallas, must approve the issuance of the bonds by the Issuer following an appropriate public hearing. The City of Dallas is not asked to issue bonds. The bonds shall not be a debt, liability, or an obligation of the City nor shall any of the City's assets be pledged for payment of the

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bonds. The City's name will not appear on the bonds. The approval is being requested is only for the purpose of complying with federal law and with regard to tax exempt debt.

Per the requirements of TEFRA, a hearing was published in the Dallas Morning News on October 20, 2020. On October 28, 2020, the public hearings were held with no outside participants in attendance, and thus, no comments made. Under applicable federal income tax law, the TEFRA approvals are only valid for a one-year term. Therefore, the public hearings for the Developments have a validity date through October 27, 2021. It is anticipated that the tax-exempt bonds to fund a portion of the costs for the Development will close on or about December 16, 2020 for Ridgecrest and June 1, 2021 for the Ridge at Lancaster.

On May 12, 2020, the City of Dallas Housing Finance Corporation ("Issuer") authorized an inducement in an amount not to exceed \$40,000,000 for Ridgecrest and \$50,000,000 for the Ridge at Lancaster. An application for the allocation of \$40,000,000 and another for \$50,000,000 in private activity bonds was submitted to the Texas Bond Review Board ("TBRB") and a reservation was received for both applications on August 18, 2020.

Project Summary - Ridgecrest:

Ridgecrest Terrace, LP ("RTLP") proposes to acquire land a portion which has existing improvements. The development includes rehabilitation of all 250 existing units to be located at 526 South Walton Walker Boulevard, Dallas, Texas 75211 ("Property") and to be known as Ridgecrest Terrace Apartments ("Development"). The 250 units are comprised of 18 1-bedroom, 184 2-bedroom, and 48 3-bedroom units. Interior renovations include upgrades to kitchens and bathrooms, new flooring, interior drywall and paint, cabinets, countertops, and brand new, energy efficient appliances. RTLP will construct a brand-new community center including space for after school tutoring, arts and crafts room, game room, community dining and gathering spaces, and a first responders resource and break room. Outdoor community spaces will include new playgrounds and sports court. Upgrades will be made to the building envelope and systems including new roofs, siding, insulation, and HVAC system.

RTLP will make operational improvements to provide better management and more access to opportunity for residents of the Property. The comprehensive security upgrades are designed with input from DPD including, increased security patrols during construction and after stabilization, a new modern security camera system with DPD access, new LED lighting throughout the Property, a first responders resource and break room, and perimeter fencing repairs and full replacement of unit exterior doors.

RTLP has an experienced management team with six affordable Section 8 properties in the Dallas-Fort Worth submarket and will include six full-time, on-site staff, Housing and Urban Development (HUD) file review by third-party specialists to ensure tenant compliance, and District and regional management staff who are well versed in managing large multifamily communities similar to the Property.

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RTLTP will provide, through an experienced third-party operator, 70 hours per month of resident services including:

- 1.After-school tutoring and computer training for kids;
- 2.Arts & crafts programs;
- 3.Family literacy programs;
- 4.Addiction recovery resources;
- 5.Healthy eating habits on a budget;
- 6.Legal assistance resources;
- 7.Organized team sports; and
- 8.Health screening services.

Project Summary – Ridge at Lancaster:

LDG The Ridge at Lancaster, LP (“Developer”) proposes to acquire land and construction of 300 new units to be located at 5995 Crouch Road and to be known as the Ridge at Lancaster (“Development”). The 300 units are comprised of 48 1-bedroom, 120 2-bedroom, 108 3-bedroom units, 24 4-bedroom units. The units will include energy efficient appliances, washer/dryer hookups, covered entries/patios, and other Texas Department of Housing & Community Affairs (“TDHCA”)-required features. The Development will also include controlled gate access, a multipurpose community room, swimming pool, fitness center, theater room, children’s playscape, and landscaped walking paths. Developer proposes to provide on-site resident services including:

- 1.12 hours per week of after school tutoring;
- 2.4 hours per week of adult financial literacy courses;
- 3.Food pantry;
- 4.Annual health fair and flu shots;
- 5.Notary services;
- 6.Arts and crafts programming twice a month;
- 7.Organized social gatherings twice a month; and
- 8.Weekly chore and preventative maintenance for elderly and disabled residents.

Timeline:

On May 4, 2020, the Economic Development Committee (EDC) was briefed on both the developments and proposed bond issuance. The EDC approved moving forward to Council for consideration for both properties.

On May 12, 2020, the Issuer authorized an inducement in an amount not to exceed \$40,000,000. The Issuer also authorized 1) the negotiation of a master agreement with DHFC Ridgecrest, LLC, 2) an ownership interest as the general partner of DHFC Ridgecrest, LLC, 3) serving as the co-developer of the project, 4) the acquisition of the land, 5) entering into a long-term ground lease with DHFC Ridgecrest, LLC, and 6) serving as the General Contractor.

On May 12, 2020, the Issuer authorized an inducement in an amount not to exceed \$50,000,000. The Issuer also authorized 1) the negotiation of a master agreement with

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LDG The Ridge at Lancaster, LP, 2) an ownership interest as the general partner of LDG The Ridge at Lancaster, LP, 3) serving as the co-developer of the project, 4) the acquisition of the land, 5) entering into a long-term ground lease with LDG The Ridge at Lancaster, LP, and 6) serving as the General Contractor.

On May 25, 2020, the Housing & Homelessness Solutions Committee (HHSC) was briefed on the development and proposed bond issuance. The HHSC approved moving forward to Council for consideration of both properties.

On May 27, 2020, following a public hearing, City Council adopted a Resolution of No Objection for both properties related to the Development and Developer's 4% Non-Competitive Low-Income Housing Tax Credits application to TDHCA by Resolution No. 20-0867 and 20-0868.

On October 28, 2020, City Council approved the Developer's application for a zoning change for the Ridge at Lancaster.

Should you have any questions or require any additional information, please contact me or David Noguera, Director, Department of Housing & Neighborhood Revitalization at David.Noguera@DallasCityHall.com or 214-670-3619.



Dr. Eric Anthony Johnson
Chief of Economic Development & Neighborhood Services

c: Honorable Mayor and City Council
T.C. Broadnax, City Council
Chris Caso, City Attorney
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors