

April 14, 2021

WHEREAS, on May 9, 2018, City Council adopted a Comprehensive Housing Policy Manual (Policy) by Resolution No. 18-0704 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; and

WHEREAS, on November 28, 2018, City Council adopted certain amendments to the Policy in order to correct inconsistencies and to facilitate effective implementation by Resolution No. 18-1860; and

WHEREAS, on June 12, 2019, City Council amended the Policy to amend the policy for developers requesting a Resolution of Support or No Objection (Resolutions) for multifamily rental housing developments seeking Housing Tax Credits (HTC) through the Texas Department of Housing and Community Affairs (TDHCA) by Resolution No. 19-0884; and

WHEREAS, on August 7, 2020, the City issued a Notice of Funding Availability in accordance with the Policy and Midpark Towers Apts. LP (Applicant) submitted an application for gap financing and received a fundable score; and

WHEREAS, on October 19, 2020, the City of Dallas Housing Finance Corporation (DHFC) Board of Directors at its Board meeting approved entering into an agreement to purchase and own the land; enter into a long-term ground lease, and taking an ownership interest with Applicant or its affiliate; and

WHEREAS, on November 11, 2020, following a public hearing, City Council adopted a Resolution of No Objection related to the Applicant and Applicant's 4% Non-Competitive Low Income Housing Tax Credits application to TDHCA by Resolution No. 20-1844; and

WHEREAS, on January 27, 2021, City Council approved the issuance of multifamily revenue bonds by the DHFC and the Tax Equity and Fiscal Responsibility Act (TEFRA) for the Development by Resolution No. 21-0215; and

WHEREAS, Applicant has proposed the acquisition and renovation of a 202-unit mixed-income multifamily complex known as Midpark Towers located at 8550 Midpark Road and provides future residents with access to quality affordable housing; and

WHEREAS, Applicant or its affiliate (collectively referred to as Applicant) has advised the City that it submitted an application to TDHCA for 2021 4% Non-Competitive HTC for the proposed acquisition of the land and the construction of new improvements for the development of Midpark Towers.

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Now, Therefore,

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

SECTION 1. That the City Manager, conditioned upon Midpark Towers Apts. LP or its affiliate (Midpark Towers) receiving a 2021 4% HTC award from TDHCA, is authorized to execute a Community Development Block Grant Funds (CDBG) development loan agreement with Midpark Towers, approved as to form by the City Attorney, in an amount not to exceed \$2,500,000.00 of CDBG Funds with Midpark Towers, subject to the requirements below.

SECTION 2. That the City of Dallas Housing Finance Corporation (DHFC) or its affiliate is authorized to purchase and own the land, enter into a long-term ground lease with Midpark Towers and take an ownership interest in Midpark Towers conditioned upon Midpark Towers receiving a 2021 4% HTC award.

SECTION 3. That the City Manager is hereby authorized to execute each of the agreements described herein including any financing and associated documents related to the loan agreement, subordinations to the senior lender for a loan in a greater amount, and release of liens and termination of deed restrictions on the property upon satisfaction of all applicable conditions, approved as to form by the City Attorney. The Director of the Department of Housing and Neighborhood Revitalization may extend deadlines for up to two years.

SECTION 4. That as a requirement for the loan, Midpark Towers must provide at least 15 of the 202 units to households earning at or below 30 percent of Area Median Income (AMI) as defined by the U.S. Department of Housing and Urban Development (HUD) and 187 of the 202 units to households at or below 60 percent of AMI. These affordable units must remain affordable for a minimum of ~~20~~ 15 years. Additionally, in conformance with Dallas City Code, Midpark Towers shall set aside at least 10 percent of the total units, and solely lease those units to holders of housing vouchers, including vouchers directly or indirectly funded by the federal government. The voucher units must be set aside to voucher holders for a minimum of 15 years from the date of initial lease-up of all voucher units. These affordable and voucher units must be dispersed throughout the residential floor area and shall have identical finish-out and materials as the market rate units.

CDBG Funds will be used for acquisition costs and other allowable development costs, as allowed by federal regulations governing the use of the funds and the Comprehensive Housing Policy (CHP). All funds will be provided on a reimbursable basis. The terms of the loan agreements are as follows:

1. The term of the loan agreement is ~~35~~ 40 years beginning from the effective date; and

SECTION 4. (continued)

2. The term of the loan shall be ~~35~~ 40 years and ends on the maturity date to be defined in the loan agreement(s) and other financing documents for the loan, in accordance with the CHP; and
3. Midpark Towers shall complete renovation of the 202 units within two years of the effective date of the agreement, which may be extended by the Director of the Department of Housing and Neighborhood Revitalization for up to two years (unless prohibited by the applicable regulations); and
4. 15 of the 202 units to households earning at or below 30 percent AMI and 187 of the 202 units to households earning at or below 60 percent of AMI; and
5. Loan amortization is ~~35~~ 40 years, with an interest rate of 1 percent simple annual interest; and
6. Midpark Towers must execute a promissory note for the total loan amount; and
7. The owner of the property, DHFC, and Midpark Towers shall execute and record deed restrictions on the property. The deed restrictions may be subordinate to deed restrictions issued by TDHCA, HUD and/or to other financing (without waiving compliance with such deed restrictions), and shall be recorded to secure the affordability period for the CDBG units and 15-year voucher period for the voucher units, which are subject to the requirements of Chapter 20A of the Dallas City Code; and
8. The owner of the Property, DHFC, and Midpark Towers shall execute and record a deed of trust on the property, including the leasehold and all improvements to secure payment and performance which will be released once all terms and conditions of the CDBG loan agreement is met; and
9. The City's lien for the loan agreement may only be subordinate to a financial institution's superior lien for a loan in a greater amount. In the event subordination agreements are required, the City agrees to provide in a form acceptable to the City; and
10. DHFC shall purchase and own the land, enter into a long-term ground lease with Midpark Towers, and take an ownership interest in Midpark Towers for the acquisition and renovation of an affordable multifamily complex located at 8550 Midpark Road; and
11. Elizabeth Property Group Texas LLC shall provide guarantees including a completion and operating deficit guaranty for the loan agreement; and
12. Midpark Towers must provide payment and performance bonds or guarantees, or acceptable equivalent methods of guarantees to the City in the total amount of the construction of the development; and
13. Repayment of loan principal and interest should be an annual surplus cash payment. The City's surplus cash loan funding will be structured with note provisions requiring that at least 50 percent of Eligible Cash, as defined in the CHP, in excess of \$50,000.00 be paid annually to subordinate lenders (including funding partners and related parties) on a prorated basis; and

SECTION 4. (continued)

14. The CDGB loan shall be a nonrecourse loan and the City's remedies are limited to foreclosure only, in the event of an uncured default; and
15. Although the term, the maturity date, and the amortization are anticipated to be for a period of ~~35~~ 40 years, the Director of the Department of Housing and Neighborhood Revitalization may adjust the period of years, subject to the CHP, so that it is coterminous with the senior lender; and

The CDBG loan agreement is conditioned upon:

1. Midpark Towers receiving 2021 4% housing tax credit allocation from TDHCA; and
2. Approval of equity, construction and permanent financing documentation in a form acceptable to the City; and
3. HUD federal requirements including environmental review, site and neighborhood standards, cost reasonableness, subsidy layering, and underwriting; and
4. Midpark Towers shall make a good faith effort to comply with the City's Business Inclusion and Development goal of 25 percent participation by certified Minority/Women-owned Business Enterprises for all hard construction expenditures of the Development (i.e. public and private improvements) and meet all reporting requirements of the City of Dallas Office of Economic Development Business Workforce and Inclusion Division; and
5. All conditions listed in the CHP for developer programs; and
6. Final underwriting; and
7. Closing on equity and all other financing for the development.

SECTION 5. That the Chief Financial Officer is hereby authorized to encumber funds and disburse funds in an amount not to exceed \$2,500,000.00 to Midpark Towers Apts. LP, as the City receives and reviews reimbursement requests and related supporting documentation submitted by Midpark Towers for eligible expenditures and accepts supporting evidence as defined in the agreements from funding sources listed and described as follows:

CDBG Reprogramming No. 1

Fund 20RP, Department HOU, Unit 475E, Object 3015

Encumbrance/Contract No. HOU-2021-00015856

Vendor VC22825

\$2,011,333.00

Community Development Block Grant

Fund CD20, Department HOU, Unit 406E, Object 3015

Encumbrance/Contract No. HOU-2021-00015856

Vendor VC22825

\$ 488,666.00

Total amount not to exceed

\$2,500,000.00

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SECTION 6. That the Chief Financial Officer is hereby authorized to record notes receivable - developers loan in Balance Sheet Account 033F and deferred revenue in Balance Sheet Account 050A for the amount of the loan in Section 8.

SECTION 7. That this resolution does not constitute a binding agreement upon the City or subject the City to any liability or obligation until such time as the loan documents are duly approved by all parties and executed.

SECTION 8. 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.