

October 13, 2021

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

WHEREAS, on November 28, 2018, City Council authorized amendments to the CHP to make technical changes to the Home Improvement and Preservation Program, the Dallas Homebuyer Assistance Program, and the New Construction and Substantial Rehabilitation Program by Resolution No. 18-1680; and

WHEREAS, on August 7, 2020, the City issued a Notice of Funding Availability, as amended in accordance with the CHP and Dallas City Homes, Inc. submitted an application that received a fundable score and passed a preliminary underwriting review for the Dallas City Homes, Inc. – Armonia Apartments (Project); and

WHEREAS, on September 23, 2021, the Housing and Homelessness Committee was briefed regarding this item; and

WHEREAS, to assist in the affordable housing production goals established in the CHP, the City desires to enter into a development loan agreement with Dallas City Homes, Inc. and/or its affiliates in an amount not to exceed \$2,085,504.00 in HOME funding for the development of the Armonia Apartments and a conditional grant agreement in an amount not to exceed \$300,000.00 in general funds to install solar panels on the Project.

Now, Therefore,

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

SECTION 1. That the City Manager is hereby authorized to execute the following agreements with Dallas City Homes, Inc. and/or affiliates (“Developer”): **(1)** a conditional grant agreement in the amount of \$300,000.00 in General Funds for the purchase and installation of solar panels for the multifamily development to be located at 3115 Topeka Avenue, Dallas Texas 75212 (“Property”); and **(2)** a HOME Investment Partnership (HOME) loan agreement in an amount not to exceed \$2,085,504.00 for the construction of affordable housing on the Property, which will provide 11 HOME-funded units of housing for persons at or below 80 percent of the area median income (AMI) for a minimum of 20 years, and 4 market-rate units, pursuant to the City’s New Construction and Substantial Rehabilitation Program, approved as to form by the City Attorney.

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SECTION 2. That the terms of the loan agreement shall include, but are not limited to the following terms:

1. For the conditional grant ("Grant"), \$300,000.00 in General Funds shall be used for the purchase and installation of solar panels for the Project, which will be forgiven at the end of the Term, subject to compliance with the terms and conditions of the agreements;
2. The HOME loan "(Loan)" will be used for hard and soft constructions costs, in accordance with the CHP and regulations. All funds will be provided on a reimbursable basis;
3. The term of the Loan and the Grant agreement is 35 years beginning from the effective date of the agreement ("Term");
4. The Term ends on the maturity date, to be defined in the loan agreement and other financing documents for the loan, in accordance with the CHP;
5. Complete construction of the 15 units within 2 years of the effective date of the agreement, which may be extended by the Director of the Department of Housing and Neighborhood Revitalization (Director) for up to two years (unless prohibited by the applicable regulations or the CHP);
6. 11 of the 15 units shall be rented to households earning at or below 80 percent AMI;
7. The development shall consist of approximately 16,000 square feet distributed over 3 stories of rentable living space. The unit mix will include 10 1-bedroom apartments and 5 2-bedroom apartments. The requirements of this subsection may be modified by the Director;
8. Loan amortization is 35 years, with an interest rate of 1 percent simple annual interest;
9. Developer must execute a promissory note for the total Loan and Grant amount;
10. Developer shall execute and record deed restrictions on the property. The deed restrictions may be recorded senior to other financing documents such that the HOME covenant is not extinguished in the case of foreclosure by a senior lender and shall be recorded to secure the 20-year affordability period for the affordable HOME units, which shall also include a 15-year voucher period for the voucher units, which are subject to the requirements of Chapter 20A of the Dallas City Code and the CHP.

SECTION 2. (continued)

11. Developer 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 Loan and Grant are met. Developer shall execute one deed of trust for the total Loan and Grant amount. The City shall maintain a first or second lien position. The lien will run concurrently with the lien associated with the Loan and Grant, and will be released upon satisfaction of the obligations detailed herein and in the agreements (subject to the City's review and approval).
12. The City's lien for loan agreements may be subordinate to a financial institution's lien, subject to the requirements of the CHP. In the event subordination agreements are required, the City agrees to provide the subordination document in a form acceptable to the City.
13. Developer 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.
14. Repayment of HOME loan principal and interest should be an annual surplus cash payment. The City's surplus cash loans funding will be structured with the 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 the subordinate lenders on a prorated basis. The Grant is forgivable at the end of the Term.
15. The HOME Loan and Grant shall be a nonrecourse and the City's remedies is limited to foreclosure only, in the event of an uncured default.
16. Although the Term, the maturity date, and the amortization are anticipated to be for a period of 35 years, the Director may adjust the terms so that it is coterminous with the lender.

The HOME loan agreement is conditioned upon:

1. Approval of construction and permanent financing documentation in a form acceptable to the City;
2. The United States Department of Housing and Urban Development federal requirements including environmental review, site and neighborhood standards, cost reasonableness, subsidy layering, and underwriting;

SECTION 2. (continued)

3. Dallas City Homes, Inc. shall make a good faith effort to comply with the City's Business Inclusion and Development goal of 32 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;
4. All conditions listed in the CHP for developer programs;
5. Final underwriting; and
6. Closing on all other financing for the development.

SECTION 3. That the City Manager is hereby authorized to appropriate an amount not to exceed \$300,000.00 in the General Fund, Fund 0001, Department MGT, Unit 5602, Object 3016.

SECTION 4. That the Chief Financial Officer is hereby authorized to encumber funds and disburse funds to Developer as the City receives and reviews reimbursement requests and related supporting documentation submitted by Developer, for eligible expenditures and accepts supporting evidence as defined in the agreement for the total amount not to exceed \$2,085,504.00 from HOME Investment Partnerships Grant Fund, Fund HM21, Department HOU, Unit 520F, Object 3015, Encumbrance/Contract No. HOU-2021-00017747, Vendor 261438.

SECTION 5. 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 0859 for the HOME fund for the amount of the loan in Section 3.

SECTION 6. That the Chief Financial Officer is hereby authorized upon receipt of payment on the notes receivable to record principal payment revenue in Housing Home Program Inc Hmpi Fund, Fund HMPI, Department HOU, Unit 6317, Revenue Code 8520 and interest payment revenue in Fund HMPI, Department HOU, Unit 6317, Revenue Code 8521.

SECTION 7. That this resolution does not constitute a binding agreement upon the City or subject the City to any liability or obligation with respect to this transaction, until such a time as the 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.