

Memorandum



DATE October 22, 2021

CITY OF DALLAS

TO Honorable Members of the Housing & Homelessness Solutions Committee:
Casey Thomas (Chair), Jesse Moreno (Vice-Chair), Carolyn King Arnold,
Paula Blackmon, Cara Mendelsohn, Paul Ridley, Jaynie Schultz

SUBJECT **Oaklawn Place: An Affordable Senior Multi-Family Development Project in the Maple/Mockingbird Tax Increment Financing (TIF) District**

On October 27, 2021, staff will seek City Council authorization to execute a development agreement and all other necessary documents with Sadler Circle Senior Apartments LLC and/or its affiliates in an amount not to exceed \$4,438,154, payable from Maple/Mockingbird TIF District Funds, in consideration of the Oaklawn Place Project ("Project"), a senior multi-family development on approximately 1.8 acres of property currently addressed at 5717-5725 Sadler Circle in Tax Increment Financing Reinvestment Zone Number Eighteen (Maple/Mockingbird TIF District)

The proposed Project, which has an estimated total cost of \$24,116,922, consists of 84 income-restricted multi-family units (79 one-bedroom units and 5 two-bedroom units) in a new five-story building with a large outdoor terrace that overlooks a creek and, from the upper levels, allows for dynamic views of downtown Dallas. Additional Project amenities include a lobby, management and leasing office, community room, mail room, conference/dining room, kitchen, fitness room, and a business center.

The Project's financing includes 9% Low Income Housing Tax Credits ("LIHTC"), which is conditioned on Developer providing 100% of the units for seniors (aged 55 years or older) earning between 30% and 60% of the Area Median Family Income ("AMFI"). Based on its mission, the Resource Center of Dallas will target LGBTQ senior citizens.

The Office of Economic Development engaged an independent outside underwriter to extensively review the Project and the Developer's incentive application along with subsequent revisions in response to changing conditions during recent months. Using the outside underwriting as a guide, the Office of Economic Development negotiated a detailed Letter of Intent with the Developer for an amount not to exceed \$4,438,154.00 ("TIF Subsidy"), payable upon completion of the Project and Developer's satisfaction of all terms and conditions in the development agreement.

See the attached **Exhibit A** for more detailed information regarding the Project as well as the proposed terms, conditions, and requirements of the TIF Subsidy.

Should you have any questions, please contact Kevin Spath, Assistant Director in the Office of Economic Development, at (214) 670-1691 or kevin.spath@dallascityhall.com

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in the Maple/Mockingbird Tax Increment Financing (TIF) District**

Regards,



Dr. Eric A. Johnson

Chief of Economic Development & Neighborhood Services

c: Honorable Mayor and City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer 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



City of Dallas

Oaklawn Place

**An Affordable Senior Multi-Family Development Project
in the Maple/Mockingbird TIF District**

**Housing and Homelessness
Solutions Committee
October 25, 2021**

Kevin Spath, AICP, EDFP, HDFP
Assistant Director
Office of Economic Development

Presentation Overview



- Background
- Proposed Project
- Staff Recommendation
- TIF Board Recommendation
- Next Steps

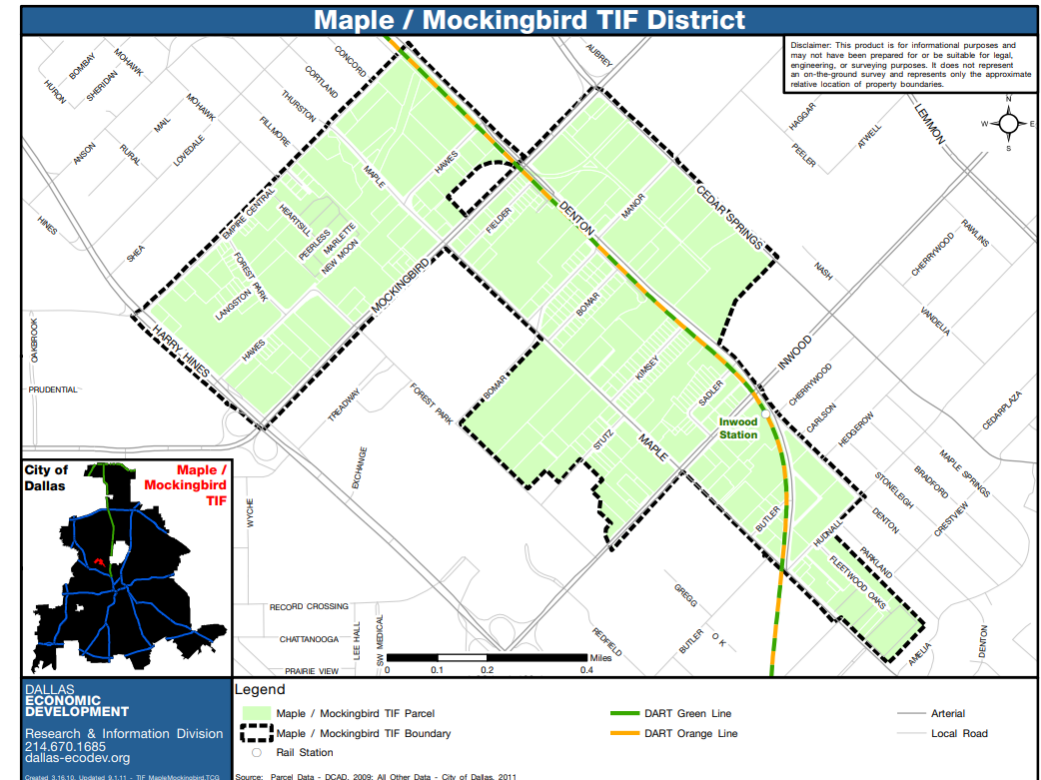
- Appendix



Background: Maple/Mockingbird TIF District



- Created in 2009 as a long-term tool to encourage redevelopment in the area southwest of Dallas Love Field Airport and northwest of the Southwestern Medical Center
- Participation rates
 - City: 70% 2009 - 2011
 - City: 85% 2012 - 2026
 - City: 70% 2027 - 2033
 - County: 55% 2012 - 2032
- District expires in 2033
- To date, taxable value of real property has increased by \$576 million within the District, an increase of 313% above the base value



Background: Location of Project



Oaklawn Place (the "Project") is located at 5717-5725 Sadler Circle in City Council District 2 in the Maple/Mockingbird TIF District



Background: Existing Conditions



- Current site consists of an undeveloped tract, boat and vehicle storage, a one-story residence, and a vacant one-story office building
- In October 2020, City Council approved Ordinance 31663 to change the zoning from an Industrial Research District (IR) to PD 1037 to accommodate this proposed Project



Proposed Project: Market Value Analysis



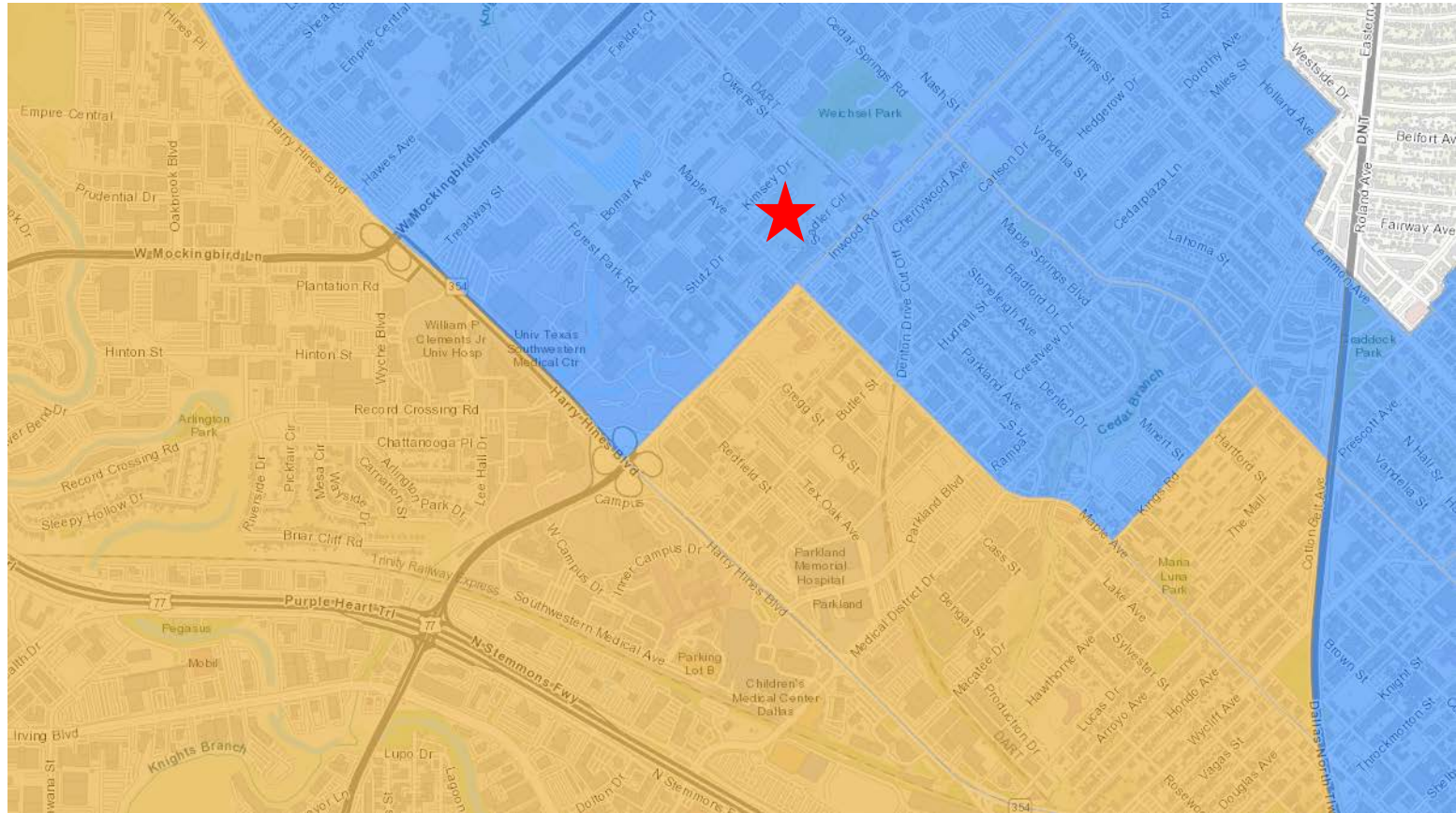
- Market Value Analysis (MVA) is a tool to assist residents and policy-makers to more precisely target intervention strategies in weak residential markets and support sustainable growth in stronger residential markets
- Project site is located on a non-residential tract; surrounded to the northwest by residential market type E (a middle residential market) and to the southeast by residential market types D, E, and F (middle residential markets)



Proposed Project: High Opportunity Area



- Project site is located in High Opportunity Area (depicted in **blue** color on the map)
- High Opportunity Areas within the city of Dallas are census tracts with poverty rate of 20% or below
- High Opportunity Areas often have attributes that, based on recent research, correlate with positive effects on the economic mobility of residents



Proposed Project: Summary



Project Developer: Sadler Circle Senior Apartments, LLC, a Texas limited liability company with equity investment in the form of 9% Low Income Housing Tax Credits (LIHTC) from National Equity Fund (TDHCA notification of LIHTC award on September 16, 2021)

Project Summary: Developer submitted an incentive application to the Office of Economic Development for the Oaklawn Place (the “Project”)

- 84 apartments, of which 100% shall be rent restricted for senior (55 or older) households earning between 30% and 60% of AMFI
- Total Project cost estimated \$24.1 million
- Start construction: January 1, 2022
- Complete construction: May 1, 2023

	RESID UNITS
30% AMFI	21
50% AMFI	34
60% AMFI	29
Low Income Total	84
Market Rate	0
Total units	84

Bedroom Type	RESID UNITS
1 Bedroom	79
2 Bedroom	5
Total Units	84



Proposed Project: Urban Design



- In August 2021, the City's Urban Design Peer Review Panel ("UDPRP") reviewed the Project and commended the development team for a high-quality design and for bringing much needed affordable housing to this area of the City
- UDPRP recommendations:
 - Explore opportunities to leverage the wooded ravine as a potential open space asset with a possible walking path, while also exploring ways to better connect the amenity deck to the surrounding natural areas
 - Leverage the landscaping, streetscape, and the Sadler Circle façade architecture to create a more pedestrian-oriented, human-scaled character
 - Apply integrated stormwater management (iSWM) design approaches, including bioswales, to manage on-site water quality as it exits the site and enters the adjacent riparian area
 - Work with the City to explore adjacent streetscape improvements to enhance walkability and access to the Love-Inwood DART Station
 - Give further design thoughts to the pedestrian bridge to maximize user experience while enhancing the connection to the adjacent open space
 - Refine the design of the fire lane to maximize it as an asset while also considering functionality and maintenance
 - Refine the parking lot design to allow for screening of the parking for adjacent neighbors and allow for enhanced landscaping on the parking field itself
- Developer has committed to working with staff to incorporate UDPRP's recommendations into the Project's final conceptual design



Proposed Project: Preliminary Rendering



Source: Perkins & Will



Proposed Project: Preliminary Elevations



Source: Perkins & Will



Proposed Project: Preliminary Site Plan



Source: Perkins & Will



Proposed Project: Budget



Uses	Amount	Percent
Acquisition	\$ 2,994,200	12.4%
Demolition	\$ 105,545	0.4%
Off-Site Infrastructure	\$ 250,000	1.0%
On-Site Preparation	\$ 825,957	3.4%
Site Amenities	\$ 422,455	1.8%
Building Construction, Finish-Out and Furnishings	\$ 10,742,127	44.5%
Contingency (6%)	\$ 740,765	3.1%
Contractor Overhead & Profit	\$ 1,832,159	7.6%
Soft Costs	\$ 1,176,701	4.9%
Professional Fees	\$ 895,000	3.7%
Financing	\$ 1,237,396	5.1%
Developer Fee	\$ 2,510,000	10.4%
Reserves	\$ 384,617	1.6%
Total Uses	\$ 24,116,922	100.0%



Proposed Project: Sources



Permanent Sources	Amount	Percent
Permanent Loan (BBVA Bank)	\$ 3,242,540	13%
Resource Center of Dallas	\$ 1,691,294	7%
Developer Fee Deferral	\$ 522,720	2%
FHLB Dallas AHP	\$ 750,000	3%
3rd Party Equity as 9% LIHTC (National Equity Fund)	\$ 13,472,214	56%
City (Maple/Mockingbird TIF Funds)	\$ 4,438,154	18%
Total Sources	\$ 24,116,922	100%



Staff Recommendation: TIF Funding



Staff Recommendation

- Authorize a development agreement and all other necessary documents with Sadler Circle Apartments LLC and/or its affiliates in an amount not to exceed **\$4,438,154** payable upon completion of the Project and Developer's satisfaction of all terms and conditions in the development agreement

Category	Amount
Environmental Remediation and Demolition	\$240,545
Infrastructure/Utility Improvements	\$843,536
Affordable Housing	\$3,354,073
TOTAL TIF SUBSIDY – amount not to exceed	\$4,438,154

Note: Funding could be less if final (actual documented) costs for the environmental remediation and demolition and infrastructure/utility improvements are less. Funds may be shifted from one category to another as long as the total amount of TIF funding does not exceed \$4,438,154. No interest shall accrue on any portion of the TIF funding. Related design, engineering, and professional services may be included in these categories.



Staff Recommendation: Conditions of TIF Funding



- Developer shall incur (or cause to be incurred) and provide documentation evidencing a **minimum of \$17,000,000 in Investment Expenditures** for the Project, including site acquisition, off-site infrastructure, on-site preparation, site amenities, building construction/finish-out/furnishings, and professional fees (e.g. architecture, engineering, landscape architecture, interior design)
- Project shall include a minimum of **84 residential units of which 100% (84) of the units shall be set aside and leased solely to those households earning between 30% and 60%** of the Area Median Family Income (AMFI) for a minimum of 15 years (the City's required "Affordability Period") (although anticipated to be set aside for 45 years for LIHTC)
- Developer shall set aside at least 10 percent of the dwelling units and solely lease those dwelling units to **holders of housing vouchers** or abide by any amendments to Ordinance 30246 and Chapter 20A
- Developer shall obtain a building permit by **July 1, 2022**. A foundation permit may constitute meeting the obligation of this requirement
- Construction of the Project, including associated public improvements streetscape improvements, shall be complete, and all portions of the building shall be occupiable by **December 31, 2023 or the placed in service deadline established by TDHCA** for the Project, as evidenced by certificate of occupancy, letter of acceptance, certificate of completion, and/or similar documentation from the City



Staff Recommendation: Conditions of TIF Funding



- Developer will execute a **20-year Operating and Maintenance Agreement** for all **non-standard public improvements**
- Developer will make a good faith effort to comply with City's Business Inclusion and Development ("BID") **goal of 32% participation by certified Minority/Women-owned Business Enterprises ("M/WBE")** for **all hard construction expenditures** of the Project and meet all reporting requirements
- Developer shall submit an **Affirmative Fair Housing Marketing Plan** for approval
- Until the Project has passed final building inspection and all required paperwork for payment has been submitted, Developer will submit to the Office of Economic Development **quarterly status reports** for ongoing work on the Project as well as public improvements (reporting information that will already be provided to the lender, tax credit investor, and TDHCA will be accepted)
- Developer shall submit updated conceptual drawings and renderings in **substantial conformance with the UDPRP's advice provided by the Urban Design Peer Review Panel on August 27, 2021**; allowable minor modifications may include those required for compliance with development regulations



Staff Recommendation: Conditions of TIF Funding



- For all permanent employment opportunities, Developer shall submit **a written plan describing how Developer or property management group will use and document best efforts to recruit and hire residents of the city of Dallas**. At a minimum, the written plan shall describe how local recruitment will be targeted through local advertisement, community outreach, local engagement, participation in local job fairs, and/or coordination with local hiring sources
- **Director of the Office of Economic Development may authorize minor modifications** to the Project, including, but not limited to, adjustment in unit type, unit mix, set-aside duration, and/or qualifying Area Median Family Income (only if also consistent with the Texas Department of Housing and Community Affairs Project requirements and in compliance with Maple/Mockingbird TIF District Policies and Plans)
- **With approval of the TIF Board and Director of the Office of Economic Development, deadline extension up to 12 months** may be granted



TIF Board Recommendation



On October 19, 2021, the Maple/Mockingbird TIF District Board of Directors reviewed and recommended for approval TIF funding for the Oaklawn Place Project in an amount not to exceed \$4,438,154 as recommended by staff



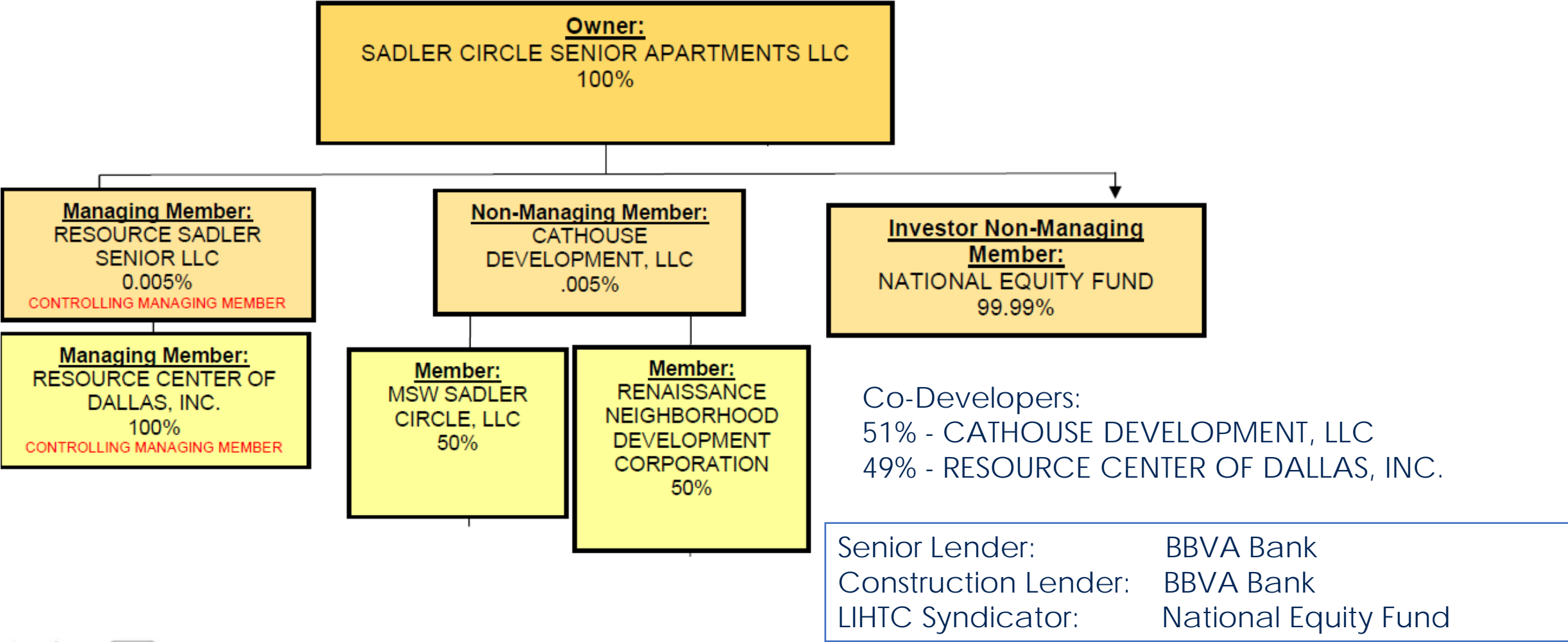
Next Steps



City Council voting agenda on October 27, 2021



Appendix: Ownership Structure



Appendix: Development Team



Role	Party Name
Owner Entity/Primary Contact	Sadler Circle Apartments LLC
Developer	Matthews Southwest (MSW); Resource Center of Dallas; Renaissance Neighborhood Development Corporation
Architect	Perkins & Will
Contractor	Spring Valley Construction Company
Property Management	Volunteers of America



Appendix: Project History



- On February 22, 2021, Housing and Homelessness Solutions Committee was briefed regarding the proposed Project
- On February 24, 2021, City Council authorized a Resolution of Support for Developer, related to its application to the TDHCA for 9% Low Income Housing Tax Credits for the proposed Project by Resolution No. 21-0374
- On September 16, 2021, Developer received formal notice from the TDHCA that the proposed Project was awarded 9% LIHTC
- On October 19, 2021, Maple/Mockingbird TIF District Board of Directors reviewed and recommended for approval TIF funding for the proposed Project in an amount not to exceed \$4,438,154 as recommended by staff



Appendix: Resident Support Services



The Project will provide the following support services to residents:

- monthly transportation to community events
- adult education classes
- income tax preparation classes
- health fairs
- exercise classes
- organized community programming

Resident services coordinator will provide:

- linkage to health services
- access to Resource Center services, including primary care, mental health counseling, health and support for AIDS, HIV+, Ryan White-eligible persons



Appendix: Maple/Mockingbird TIF District Budget



Category	Estimated TIF Expenditures (Current Dollars)	Allocated to Date	Pending Allocation for Oaklawn Place Project	Balance
Infrastructure/Utility Improvements	\$ 30,323,696	\$ 2,595,000	\$ 240,545	\$ 27,488,151
Environmental Remediation and Demolition	\$ 4,318,248	\$ 315,000	\$ 843,536	\$ 3,159,712
Affordable Housing	\$ 8,156,690	\$ 4,400,000	\$ 3,354,073	\$ 402,617
Retail/High Density Grant Program	\$ 7,782,442	\$ 3,690,000	\$ -	\$ 4,092,442
Administration and Implementation	\$ 2,735,606	\$ 414,673	\$ -	\$ 2,320,933
Total Project Costs	\$ 53,316,682	\$ 11,414,673	\$ 4,438,154	\$ 37,463,855



Appendix: Underwriting



- Project has also been through underwriting process with LIHTC application to TDHCA
- Developer's amended incentive application requested \$4,500,000 in TIF funding
- National Development Council (NDC), under contract with the City, conducted independent underwriting of the incentive application
- Conclusions of independent underwriting:
 - **Development team:** The development team appears highly qualified to carry out the proposed project
 - **Equity investors:** As a tax credit project, over half (approx. \$13.5M of \$24M) of project funding comes from equity generated from the LIHTCs. The tax credit investor requires several guarantees including completion. Should the Developer not perform, the investor (99.99% owner) may intercede to complete the project. Audited Financial Statements for the guarantor General Partner involved in the ownership structure were reviewed and show a more than adequate ability to fund guarantees.
 - **Permanent debt capacity of Project:** Maximized
 - **Appraisal and Market Study:** Applicant's assumptions are consistent with information presented
 - **Cost estimates of Project:** Costs reasonable in current market; Total development costs proved higher than projected since the original figures provided by the developer were not contracted prices.
 - **Rationale for subsidy:** The main driver of the subsidy need is TDHCA's artificial restriction of the tax credits to \$1.5M per year (\$15M total). Without the TDHCA restriction, the project has the potential to qualify for over \$24M in tax credits which would eliminate the gap.
 - **Rational for subsidy based on Returns:** 4.0% IRR for tax credit investor; within reasonable range; no undue enrichment





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