

Memorandum



CITY OF DALLAS

DATE November 5, 2021

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

SUBJECT **Request for a Resolution of No Objection for 4% Non-Competitive Housing Tax Credits – Highpoint at Wynnewood**

S. Zang, LP, an affiliate of Auxano Development and MVAH Holdings, LLC, (Applicant), submitted a Request for a Resolution of No Objection for its application to the Texas Department of Housing and Community Affairs (TDHCA) for 4% Non-Competitive Housing Tax Credits (4% Housing Tax Credits). The 4% Housing Tax Credits will be used for the development of Highpoint at Wynnewood, a 220-unit multifamily development located at 1911 Pratt Street, Dallas, TX 75224 (Property) that is the third phase of the three-phase redevelopment of the Wynnewood area. A resolution of no objection is required for the Applicant to receive 4% Housing Tax Credits from TDHCA. To receive a staff recommendation for a resolution of no objection, the Applicant must satisfy all threshold requirements, TDHCA underwriting requirements, and affirmatively further fair housing as described in the Comprehensive Housing Policy (CHP). After review, the Applicant has satisfied all application requirements and staff recommend a resolution of no objection.

In addition to the resolution of no objection, to move forward with this development, an amended and restated development loan agreement with the Applicant (originally with WCH Limited Partnership, the current owner of the property) is necessary as this is the third phase of a development loan agreement originally authorized in 1993, amended from time to time as described below. The proposed amendment will (a) require the Applicant to obtain 4% housing tax credits for the HighPoint at Wynnewood Apartments; (b) extend the timeline for completion by 10 years, to 2028; (c) extend the maturity date by 10 years, to 2028; (d) increase the number of units to be built from 160 to 220; (e) require a fifteen (15) year affordability period; (f) allow for the forgiveness of the remaining balance of \$418,750.00 upon satisfaction of the loan terms; and (g) require the Applicant to provide onsite classes for adults, career development/job training, annual health fairs, and a set aside in the amount of \$75,000.00 for social services, as consideration to the City for such amendments. Staff recommend authorizing the amended and restated development loan agreement in order to allow this redevelopment to be completed.

Background

The redevelopment of Wynnewood is a three-phase redevelopment of a 48-acre site located near the intersection of S. Zang Boulevard and West Illinois Avenue (Project). Two phases of the Project have been completed. The first phase (Phase 1), named HighPoint Seniors, was comprised of 140 units of senior housing, financed, in part, with 9% Low Income Housing Tax Credits (LIHTC) and was completed in December 2013. The second phase (Phase II), named HighPoint Family Living, is comprised of 161 units of family housing, financed, in part, with 9% LIHTC and was completed in June 2016.

DATE November 9, 2021
SUBJECT **Request for a Resolution of No Objection for 4% Non-Competitive Housing Tax Credits – HighPoint at Wynnewood**

On December 31, 1993, the WCH Limited Partnership (Partnership) obtained a housing redevelopment loan from the City in the original principal amount \$1,080,000 (Loan). The Loan bore interest at 6.25%. Under the original loan terms, unpaid principal and accrued interest was due and payable on July 1, 2010; repayment was later extended to 2012. Between the Loan's origination and 2011, the Loan accrued interest of \$1,113,750, resulting in an outstanding balance of \$2,193,750. In 2011, the City Council approved a modification to the Loan whereby \$850,000 of the then outstanding balance was forgiven in exchange for a lump sum payment by the Partnership of \$500,000 to be applied to the Loan balance. It also required the Partnership to repay the then remaining balance of \$843,750.00 as a five (5) year, 0% interest loan. In 2012 and in 2013, City Council authorized various amendments to the Loan agreement including but not limited to partial assumptions and partial forgiveness of Loan balance and repayment to the City in the amount of \$125,000.00 for design services provided by the City Design Studio.

On February 22, 2017, City Council, approved the assumption of Loan by Wynnewood Senior Housing II, LP, a related party of BACDC, and forgiveness of the then outstanding balance, conditioned upon the successful award of 2017 LIHTC, which would have left a zero balance. This would have been the 3rd Phase of redevelopment with Phase I and Phase II complete. The Project was not granted a 2017 LIHTC award. The Loan matured on July 3, 2017 and currently has an unpaid principal amount of \$418,750 due to the City. The loan is secured by a third lien on the property.

On February 26, 2020, City Council authorized a Resolution of Support for Applicant's application to TDHCA for 9% competitive housing tax credits. This resolution also authorized an amendment to the development loan agreement to require the same terms and conditions below. The project did not receive 9% competitive housing tax credits in the 2020 cycle. The Applicant has now restructured the development to be funded using 4% housing tax credits which requires a resolution of no objection and amendment to the development loan.

S Zang, LP seeks to purchase the property from the Partnership. The Partnership and Applicant requests that the City provide a Resolution of No Objection for the Applicant to obtain 4% housing tax credits and to restate and amend the terms of a housing development loan for the redevelopment of the Parks at Wynnewood to:

- Extend the timeline for completion by 10 years;
- Increase the number of units to be built from 160 to 220;
- Extend the maturity date by 10 years;
- Require the Applicant to obtain 4% LIHTC for the HighPoint at Wynnewood Apartments;
- Require a fifteen (15) year affordability period to enforced by deed restrictions;
- Include additional resident services as consideration to the City for such amendments; and
- Allow forgiveness of the remaining balance upon satisfaction of the loan terms.

Resident services will be provided during the affordability period and will include organized onsite classes for adults, contracted career training and placement partnerships, food pantry accessible to residents, annual health fair, case management for elderly, disabled, or special needs tenants, and a one-time set aside of \$75,000 for other social services.

DATE November 9, 2021
SUBJECT **Request for a Resolution of No Objection for 4% Non-Competitive Housing Tax Credits – HighPoint at Wynnewood**

On October 15, 2021, the Dallas Housing Finance Corporation (DHFC) approved a preliminary bond inducement and authorized the Applicant to submit an application to the Texas Bond Review Board to finance the third phase of the acquisition and redevelopment of the Project, an existing multifamily complex with an original total of 404 affordable units located at 1805 S. Zang Boulevard or 1911 Pratt Street, Dallas, Texas 75224 to be renamed HighPoint at Wynnewood. The property is currently owned by the Partnership and under contract with Applicant. The Partnership has completed phase one, HighPoint Seniors, and phase two, HighPoint Family, of the overall redevelopment of the Parks at Wynnewood.

The Applicant, a Texas limited partnership, is proposing to acquire, redevelop and manage the HighPoint at Wynnewood Apartments. The Applicant proposes the limited partnership includes S Zang GP, LLC as general partner, an entity that will include the DHFC as 100% owner, a Special Limited Partner to include as members Auxano Development, LLC (Auxano), a Texas limited liability company, MVAH Holding, LLC, a Georgia limited liability company, and Banc of America Community Development Corporation (BACDC), a North Carolina corporation. BACDC will also be admitted to the limited partnership as limited partner and investor.

The proposed property manager is MVAH Management, LLC, an affiliate of MVAH Partners (MVAH). MVAH has developed, built, and managed high quality multifamily and senior rental communities in the Midwest and the Southeast for more than 20 years. MVAH has expertise in workforce housing, 4% Housing Tax Credits, and senior independent living.

The Applicant proposes to develop 220 units. The 220 units will be comprised of 90 1-bedrooms, 107 2-bedrooms, and 23 3-bedrooms. The units will include energy efficient appliances, washer/dryer hookups, covered entries/patios, and other TDHCA-required features. Planned amenities feature a swimming pool, fitness center, business center, and on-site offices.

Total development costs are anticipated to be approximately \$46,845,856.00. The hard cost construction budget is anticipated to be \$27,020,394.00 which is \$122,820.00 per unit. The total construction amount includes a 5.00% contingency.

Proposed Financing Sources	Amount
Permanent Financing	\$21,900,000.00
Housing Tax Credits Equity	\$19,812,206.00
Bank of America Gap Financing	\$2,500,000.00
Deferred Developer Fee	\$2,633,650.00
Total	\$46,845,856.00

Proposed Uses	Costs
Total Const. Costs	\$34,044,713.00
Soft Costs	\$2,295,414.00
Financing Costs	\$4,857,872.00
Developer Fee	\$5,647,857.00
Total	\$46,845,856.00

DATE November 9, 2021
SUBJECT **Request for a Resolution of No Objection for 4% Non-Competitive Housing Tax Credits – HighPoint at Wynnewood**

After the development is completed, 35 of the 220 units will be made available to households earning 0%-30% of Area Median Income (AMI), and 185 of the 220 units will be made available to households earning between up to 60% of AMI.

The Dallas City Council on May 9, 2018, adopted the Comprehensive Housing Policy (CHP), Resolution No. 18-0704 and 18-1680, as amended on November 28, 2018, which provided a policy including evaluation criteria for developers requiring Resolutions of Support or No Objection for rental housing developments seeking Housing Tax Credits through TDHCA. On June 12, 2019, Council Resolution No. 19-0884 authorized an amendment to the CHP to modify the evaluation criteria for developers requiring Resolutions of Support or No Objection for rental housing development seeking Housing Tax Credits through TDHCA. The modified evaluation criteria include standard thresholds for both 4% and 9% HTC applications such as evidence of site control, TDHCA minimum site standards, affirmatively further fair housing, and other requirements.

Recommendation

The Development satisfies the threshold requirements of the Comprehensive Housing Policy and Staff recommends City Council authorize a resolution of no objection for S. Zang, LP's application to the Texas Department of Housing and Community Affairs for Non-Competitive 4% Housing Tax Credits and authorize an amendment to the existing development loan agreement with the Applicant.

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: T.C. Broadnax, City Manager 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
--	---