



Legislation Details (With Text)

File #: 23-1288 **Version:** 1 **Name:**

Type: ITEMS FOR INDIVIDUAL CONSIDERATION **Status:** Approved; Remanded

File created: 5/4/2023 **In control:** Department of Housing & Neighborhood Revitalization

On agenda: 5/10/2023 **Final action:**

Title: Authorize the (1) City Manager to accept conveyance of the Premises in an amount not to exceed \$6,000,000.00 in the name of the City utilizing financing to be secured by Cypress Creek Forest Lane, LP (Tax Credit Partnership) including Low Income Housing Tax credits provided by Texas Department of Housing and Community Affairs (TDHCA) commercial debt, and soft debt approved by the City and secured by the Tax Credit Partnership; and (2) negotiation and execution of a lease for a term of at least five years and not longer than 39 years and development agreement with Cypress Creek Forest Lane, LP (Tenant/Tax Credit Partnership) allowing construction and operation of the project called Cypress Creek at Forest Lane Apartments located at 11520 North Central Expressway, Dallas, Texas 75243 - Estimated Revenue: \$2,153,042.00 (15 years of estimated fees and lease payments)

Sponsors:

Indexes: 10

Code sections:

Attachments: 1. Map, 2. Resolution, 3. Exhibit A

| Date | Ver. | Action By | Action | Result |
|------|------|-----------|--------|--------|
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STRATEGIC PRIORITY: Housing & Homelessness Solutions

AGENDA DATE: May 10, 2023

COUNCIL DISTRICT(S): 10

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize the (1) City Manager to accept conveyance of the Premises in an amount not to exceed \$6,000,000.00 in the name of the City utilizing financing to be secured by Cypress Creek Forest Lane, LP (Tax Credit Partnership) including Low Income Housing Tax credits provided by Texas Department of Housing and Community Affairs (TDHCA) commercial debt, and soft debt approved by the City and secured by the Tax Credit Partnership; and (2) negotiation and execution of a lease for a term of at least five years and not longer than 39 years and development agreement with Cypress Creek Forest Lane, LP (Tenant/Tax Credit Partnership) allowing construction and operation of the project called Cypress Creek at Forest Lane Apartments located at 11520 North Central Expressway, Dallas, Texas 75243 - Estimated Revenue: \$2,153,042.00 (15 years of estimated fees and lease payments)

BACKGROUND

In an effort to support the Dallas Housing Policy 2033 goals and provide mixed-income affordable housing to serve the City's affordable housing public purpose, the City desires to enter into a partnership with Cypress Creek Forest Lane, LP, (Tax Credit Partnership/Tenant). The Cypress Creek Forest Lane, LP is willing to convey property to the City in consideration for the City leasing the property back to the Developer who will at their sole cost and expense to finance, develop and manage an affordable housing project, per City-approved development plans. The tract of land is approximately 2.85 acres located at 11520 North Central Expressway called Cypress Creek at Forest Lane Apartments (Property). The site was initially planned as a pure tax credit development, but due to private deed restrictions that cannot be removed through the purchase process, the City has chosen this route. This alternative has no Dallas Public Facility Corporation participation but will include a Developer obligation to indemnify the City for any potential litigation expenses and damages for the duration of the project ground lease term. Additionally, the City will require standard performance and payment bond requirements for a transaction of this kind.

Without the City's participation in this acquisition and ground lease development structure, this mixed-income affordable housing development will not move forward to serve the City's affordable housing public purpose.

The Developer will be a limited liability company owned by Sycamore Strategies, LLC. Sycamore Strategies, LLC specializes in planning and developing multifamily projects for both public and private sector clients. Additionally, they specialize in environmental, social, and corporate governance, strategic communications, and public diplomacy. Sycamore Strategies is a Texas-certified Historically Underutilized Business (HUB) and has decades of experience working in the public and private sectors.

The Project will be constructed as a 4-story midrise product with a wrapped parking structure and will include 189 residential units. The unit mix will consist of 68 1-bedroom units, 101 2-bedroom units, and 20 3-bedroom units. The units will include energy efficient appliances, granite countertops, in-unit washer/dryers, and other Class-A features. The Property will also include a co-working space, dog park, secured access, and 24-hour emergency maintenance. The Market Value Analysis (MVA) market type is uncategorizable as the land is not currently developed with residential uses. The development is well-located in close proximity to multiple job centers such as Medical City Dallas, big box retailers, grocery stores, and transportation. The Forest Lane DART Station is less than 0.5 miles away. This is a centrally located development that will be well-suited to serve the needs of the mixed income tenants it intends to serve.

The Tax Credit Partnership will be required to consult with the Office of Integrated Public Safety Solutions (OIPSS) for planning and design process for security input, community activities, and incorporate best practices of Crime Prevention Through Environmental Design. Additionally, the Tax Credit Partnership will be required to provide modern security features to include a full camera system with Dallas Police Department access, controlled access, lighting, a community crime watch program, and participation in National Night Out to ensure a safe living environment for all residents and staff.

The lease will provide that Tenant will construct 189 units of multifamily residential housing and set aside for rent 40% of the units to tenants with a household income at or below than 80% of the Area Median Income (AMI) and 10% of the units to tenants with a household income at or below 60% of

the AMI. The income and rent limits will be adjusted for family size and bedroom size and rent shall be calculated by using the Novogradac Rent and Income Limit Calculator. The Affordable Units at each AMI level will be spread pro-rata with the overall unit mix between one, two, and three-bedroom units. Once initially qualified, tenants and their assigned units will remain income restricted so long as they are eligible under LIHTC TDHCA income guidelines which are monitored annually by city staff for compliance and TDHCA.

The lease duration will be no more than 39 years. The Tenant will pay City a one-time structuring fee of \$100,000.00 in addition to rent of 20% of the total cash flow, commencing six months after the project stabilizes, which is defined as reaching 90% occupancy, which shall be the start of Year 1. Rent will be paid annually, in full, on the first of the month following six months after stabilization and every 12 months thereafter. The Tenant must maintain the project as a Class A residential project and will require renovations to the extent financially feasible, to the extent necessary to maintain the project as Class A residential. Within one year after the minimum Project Term, the Tenant or its assign or designee shall have the option to purchase the Project from the City for the price of \$1,000,000.00. Tenant will indemnify the City for litigation expenses and damages arising out of the restrictive covenants attached hereto as Exhibit B, in an amount not to exceed the cash portion of the Developer Fee as defined by the development agreement.

The rents for individuals and families earning between 60% and 80% AMI are meant to provide housing to the “missing middle” of the market: residents that earn above low-income housing tax credit income restrictions of 60% AMI but would be cost burdened by market rents. These incomes range from approximately \$54,560.00 to \$77,920.00 in the City based on family size and represent a wide variety of employment sectors including, but not limited to, teachers, first responders, government employees, health care providers, etc. The rents for individuals and families earning below 30% are included to provide deeper affordability at this property. These incomes range from \$20,450.00 to \$29,200.00 depending on family size.

Total development costs are anticipated to be approximately \$50,716,927.00 which includes the acquisition price for the land. The development budget less soft/financial costs are anticipated to be approximately \$32,482,583.00, which is \$171,865.00 per unit.

| Proposed Financing Sources | Amount |
|-----------------------------------|------------------------|
| Mortgage Loan | \$36,013,846.00 |
| Tax Credit Equity | \$13,048,695.00 |
| Deferred Developer Fee | \$1,654,386.00 |
| Total | \$50,716,927.00 |

| Proposed Uses Amount | |
|-----------------------------|------------------------|
| Development Costs | \$32,482,583.00 |
| Reserves | \$1,021,969.00 |
| Developer Fee | \$5,408,948.00 |
| Land Acquisition | \$6,339,063.00 |
| Soft Costs | \$5,464,364.00 |
| Total | \$50,716,927.00 |

Without the City’s participation in this acquisition and ground lease development structure, this mixed-income affordable housing development will not move forward to serve the City’s affordable housing public purpose. City staff has confirmed that this Project furthers the goals of the Dallas Housing Policy 2033. Additionally, the developer’s application for the 2021 tax credit cycle met all requirements of the City’s Low Income Housing Tax Credit Policy and qualified for a recommendation by the Department of Housing & Neighborhood Revitalization as it is a priority housing needs development (located in a census tract with less than 20% poverty) which also received a resolution of support by City Council. The project was subsequently awarded 9% housing tax credits by the Texas Department of Housing and Community Affairs (TDHCA). Staff recommend approval of this item to allow this mixed-income housing development to move forward.

ESTIMATED SCHEDULE OF PROJECT

Begin Construction August 2023
Complete Construction February 2025

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On February 24, 2021, the City Council held a public hearing to receive public comments and approved a Resolution of Support for Sycamore Strategies, LLC, for 9% Competitive Low Income Housing Tax Credits for Cypress Creek at Forest Lane Apartments by Resolution No. 21-0378.

[The Housing and Homelessness Solutions Committee was briefed by memorandum regarding this matter on February 27, 2023. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=11674064&GUID=0DB7558B-BC26-4F4D-8776-58AA678884C5>](https://cityofdallas.legistar.com/View.ashx?M=F&ID=11674064&GUID=0DB7558B-BC26-4F4D-8776-58AA678884C5)

On April 12, 2023, the City Council adopted the Dallas Housing Policy 2033 to replace the CHP by Resolution No. 23-0443.

On April 12, 2023, the City Council also authorized the continued operation of the housing programs previously authorized under the CHP, but now documented and restated in the Dallas Housing Resource Catalog under Resolution No. 23-0444.

FISCAL INFORMATION

Estimated Revenue: Lease Revenues Fund \$2,153,042.00. 15 years of estimated fees and lease payments

M/WBE INFORMATION

In accordance with the City’s Business Inclusion and Development Policy adopted on September 23, 2020, by Resolution No. 20-1430, as amended, the M/WBE participation on this contract is as follows:

| Contract Amount | Procurement Category | M/WBE Goal |
|------------------------|-----------------------------|-------------------|
| \$ | Construction | 32.00% |

| M/WBE Subcontracting % | M/WBE Overall % | M/WBE Overall Participation |
|---|------------------------|------------------------------------|
| 32.00% | 32.00% | \$ |
| • This contract meets the M/WBE goal. | | |
| • Sycamore Strategies, LLC - Non-local; Workforce - 0.00% Local | | |

OWNER

Sycamore Strategies, LLC

Zachary Krochtengel, Owner

MAP

Attached