



Legislation Details (With Text)

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On agenda: 9/14/2022 **Final action:**

Title: Authorize the Dallas Public Facility Corporation to acquire, develop, and own Jefferson University Hills, a mixed-income, multifamily development to be located at the Northwest Corner of University Hills Boulevard and East Camp Wisdom Road (Project) and enter into a seventy-five-year lease agreement with JPI Companies or its affiliate for the development of the Project - Estimated Revenue Forgone: General Funds \$72,768.00 (15 Years of Estimated Taxes)

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Attachments: 1. Map, 2. Resolution

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

AGENDA DATE: September 14, 2022

COUNCIL DISTRICT(S): 3

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize the Dallas Public Facility Corporation to acquire, develop, and own Jefferson University Hills, a mixed-income, multifamily development to be located at the Northwest Corner of University Hills Boulevard and East Camp Wisdom Road (Project) and enter into a seventy-five-year lease agreement with JPI Companies or its affiliate for the development of the Project - Estimated Revenue Forgone: General Funds \$72,768.00 (15 Years of Estimated Taxes)

BACKGROUND

JPI Companies (Applicant) submitted an application to the Dallas Public Facility Corporation (Corporation) for the development of Jefferson University Hills, a 400-unit mixed income multifamily development to be located at the northwest corner of University Hills Boulevard and East Camp Wisdom Road (Project). The Corporation will own the site and improvements and lease the Project back to the Applicant or its affiliate. Pursuant to the Texas Public Facility Corporation Act, Chapter 303 of the Texas Local Government Code, as amended (Act), any public facility owned by a Public

Facility Corporation is exempt from all ad valorem taxes. To qualify as a public facility, pursuant to the Act, a multifamily property must reserve at least 50% of the units for residents earning at or below 80% of the area median income (AMI). Jefferson University Hills will reserve 40% of the units for residents earning less than 80% AMI and 10% of the units will be reserved for residents earning less than 60% AMI. The other 50% of the units will be non-income restricted.

The Applicant will be a limited liability company owned by JPI Companies (JPI). JPI, a corporation authorized to do business in Texas, is a real estate development firm that specializes in mixed-income and workforce multifamily projects throughout Texas. JPI is one of the most prolific multifamily developers in the country and has completed 58 developments totaling more than 22,000 units in Texas alone; they have utilized the Public Facility Corporation structure and other affordable housing programs to achieve success on a very large scale.

The Project will consist of 400 residential units including 260 1-bedroom units, 120 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 swimming pool with outdoor grills and fire pits, fitness center, business and conference rooms, and common area lounge. The Market Value Analysis (MVA) market type is uncategorizable as the land is not currently developed with residential uses. The Project is part of a larger planned development that will include senior housing, for-sale single family housing, retail, and public/community amenities.

The Applicant will consult with the Office of Innovative Public Safety Solutions for security input, community activities and the Crime Prevention Through Environmental Design. The Applicant and OIPSS will continue to work together to ensure the community is secure and take proactive measures to ensure the safety of the residents that will include security cameras with Dallas Police Department access, lighting, and security access gates/entry points.

The anticipated unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
1BR	60.00%	26	\$1,097.00
1BR	80.00%	104	\$1,462.00
1BR	Market	130	\$1,473.00
2BR	60.00%	12	\$1,316.00
2BR	80.00%	48	\$1,718.00
2BR	Market	60	\$1,718.00
3BR	60.00%	2	\$1,520.00
3BR	80.00%	8	\$1,998.00
3BR	Market	10	\$1,998.00

The 80.00% AMI rents are meant to provide housing to the “missing middle” of the market: residents that earn above 60.00% AMI but would be cost burdened by market rents. These incomes range from approximately \$54,560.00 to \$77,900.00 in the City based on family size. These incomes represent a wide variety of employment sectors including, but not limited to, teachers, first responders,

government employees, etc.

Total development costs are anticipated to be approximately \$99,727,000.00 which includes the acquisition price for the land. The development budget less soft/financial costs is approximately \$77,386,000.00, which is \$193,465.00 per unit.

Proposed Financing Sources	Amount
Construction Loan	\$64,952,922.00
Mezz Loan	\$24,838,627.00
Developer/Investor Equity	\$ 9,935,451.00
Total	\$99,727,000.00
Proposed Uses	Amount
Hard Costs	\$77,386,000.00
Land Acquisition	\$ 5,603,000.00
Soft Costs	\$15,423,000.00
Financial Costs	\$ 1,315,000.00
Total	\$99,727,000.00

The Project will be owned by the Corporation and leased to the Applicant and other potential owners for a period of 75 years. In consideration for the Corporation’s participation in the Project, the Corporation is estimated to receive \$6,393,499.00 over the initial 15 years of the lease. Potential proceeds to the DPFC include (1) a \$250,000.00 structuring fee paid at closing; (2) a general contractor fee of \$481,502.12 paid at closing; (3) lease payments starting at \$325,000.00 and increasing by 3.00% annually; (4) a 15.00% sales commission after repayment of debt, equity, and preferred equity returns upon first sale of the Project and (5) a 2.00% sales commission on all future sales. In the event of a sale throughout the life of the Project, the Corporation will continue to receive the annual lease payments. Upon termination of the 75-year lease, the Project will be owned free and clear by the Corporation. The revenues of the Corporation will be used to fund operations and the provision of additional affordable and workforce housing throughout the City.

The Corporation’s estimated revenues were calculated by the Corporation’s partnership counsel and financial advisors. Market rent comps and current construction costs were analyzed to ensure the project costs were reasonable for the market. Corporation financial advisors also confirmed that but for the ad valorem tax exemption, the Project would not be economically feasible and would not attract responsible debt and equity investment in the property. The Corporation’s revenue consideration and affordability levels were also analyzed to confirm that the ad valorem tax exemption does not over subsidize the Project. The 2022 City tax bill for this property is \$3,913.00 and the 15-year estimate of foregone taxes is \$72,768.00.

The City is authorized by the Act to create a public facility corporation for the purposes established in the Act, including the financing, acquisition, construction, and leasing of public facilities under the Act. On June 24, 2020, City Council authorized the creation of the Corporation to further the public purposes stated in the Corporation’s articles of incorporation and bylaws pursuant to the Act by Resolution No. 20-1035. Section 6.2 of the Corporation’s bylaws requires City Council approval by written resolution prior to entering into any agreement that would result in a property tax exemption. Per Section 7.3 of the Corporation’s bylaws, any Public Facility related to multifamily residential development of the Corporation shall not proceed unless (1) the development of the Public Facility

could not be feasible but for the Corporation's participation, and (2) the development of the Public Facility is in furtherance of the City of Dallas's Comprehensive Housing Policy (CHP), as amended.

Staff and the Corporation's Counsel and Financial Advisors have confirmed that this Project would not be feasible but for the Corporation's participation and that the Project furthers the goals of the CHP. Staff recommend approval of this item to allow this mixed-income housing development to move forward.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 21, 2022, the Dallas Public Facility Corporation Board of Directors approved the negotiation and execution of a term sheet with the Applicant.

[The Housing and Homelessness Solutions Committee was briefed by memorandum regarding this matter on August 22, 2022. <https://cityofdallas.legistar.com/LegislationDetail.aspx?ID=5763732&GUID=BC05BCF8-1495-427D-AEAA-32B38C6F14B1&Options=&Search=>](https://cityofdallas.legistar.com/LegislationDetail.aspx?ID=5763732&GUID=BC05BCF8-1495-427D-AEAA-32B38C6F14B1&Options=&Search=>)

FISCAL INFORMATION

Estimated Revenue Foregone: General Funds \$72,768.00 (15 Years of Estimated Taxes)

MAP

Attached