Legislation Details (With Text)

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On agenda:	12/14/2022		**Final action:**		

Title: Authorize the Dallas Public Facility Corporation to acquire, develop, and own The Legacy at White Rock, a mixed-income, multifamily development to be located at the 2825 North Buckner Boulevard (Project) and enter into a seventy-five-year lease agreement with LDG Development, LLC or its affiliate for the development of the Project - Estimated Revenue Foregone: General Fund $42,331.00 (15 Years of Estimated Taxes)

Sponsors:

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Attachments: 1. Map, 2. Resolution

Date	Ver.	Action By	Action	Result

STRATEGIC PRIORITY: Housing & Homelessness Solutions

AGENDA DATE: December 14, 2022

COUNCIL DISTRICT(S): 7

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize the Dallas Public Facility Corporation to acquire, develop, and own The Legacy at White Rock, a mixed-income, multifamily development to be located at the 2825 North Buckner Boulevard (Project) and enter into a seventy-five-year lease agreement with LDG Development, LLC or its affiliate for the development of the Project - Estimated Revenue Foregone: General Fund $42,331.00 (15 Years of Estimated Taxes)

BACKGROUND

LDG Development, LLC (Applicant) submitted an application to the Dallas Public Facility Corporation (Corporation) for the development of The Legacy at White Rock, a 212-unit mixed income multifamily development to be located at 2825 North Buckner Boulevard (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). The Project will reserve 40% of the units for residents earning less than 80% AMI, 10% of the units for residents earning less than 60% AMI, and 50% of the units will be market rate.

The Applicant will be a limited liability company owned by LDG Development, LLC (LDG). The Applicant has successfully completed over 77 multifamily properties totaling 13,673 units and is currently developing two other workforce housing developments in partnership with the City and the Dallas Housing Finance Corporation (DHFC) totaling 480 units. The proposed property manager is Capstone Real Estate Services, Inc. (Capstone). Capstone is a professional management company based in Austin, TX that currently manages 35,000 multifamily units including over 21,000 affordable units.

The Project will consist of 212 residential units including 27 1-bedroom units, 93 2-bedroom units, 80 3-bedroom units, and 12 4-bedroom units. 76 of these units will be in townhome-style buildings instead of traditional apartments. 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 market type is uncategorizable as the land is not currently developed with residential uses.

The Applicant is consulting with the Office of Innovative Public Safety Solutions (OIPSS) 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, individual entry key fobs, lighting, and security access gates/entry points.

The anticipated unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
1BR	60%	4	$1,095.00
1BR	80%	8	$1,462.00
1BR	Market	12	$1,500.00
2BR	60%	7	$1,315.00
2BR	80%	18	$1,754.00
2BR	Market	23	$1,875.00
3BR	60%	8	$1,519.00
3BR	80%	19	$2,026.00
3BR	Market	25	$2,150.00
4BR	60%	2	$1,695.00
4BR	80%	4	$2,260.00
4BR	Market	6	$2,425.00

1BR-TH	80%	2	$1,462.00
1BR-TH	Market	1	$1,615.00
2BR-TH	80%	22	$1,754.00
2BR-TH	Market	23	$1,900.00
3BR-TH	80%	14	$2,026.00
3BR-TH	Market	14	$2,100.00

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 $77,900.00 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 60% are included to provide deeper affordability at this property. These incomes range from $40,920.00 to $58,440.00 depending on family size.

Total development costs are anticipated to be approximately $59,842,980.00 which includes the acquisition price for the land. The development budget less soft/financial costs is anticipated to be approximately $45,335,980.00, which is $213,849.00 per unit.

Proposed Financing Sources	**Amount**
Mortgage Loan	$38,898,000.00
Developer/Investor Equity	$20,944,629.00
Total	$59,842,629.00
Proposed Uses	**Amount**
Development Costs	$45,335,980.00
Developer Fee	$ 2,992,000.00
Soft Costs	$10,041,889.00
Financial Costs	$ 1,472,760.00
Total	$59,842,629.00

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 $6,594,647.00 over the initial 15 years of the lease. Potential proceeds to the Corporation include (1) a $250,000.00 structuring fee paid at closing; (2) a general contractor fee of $575,000.00 paid at closing; (3) lease payments starting at $300,000.00 and increasing by 3% annually; (4) a 15% sales commission after repayment of debt, equity, and preferred equity returns upon first sale of the Project and (5) a 2% 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. Potential sales proceeds are not included in the estimated revenue calculation above as LDG does not anticipate selling its leasehold interest in the Project within the first 15 years of operations.

The revenues of the Corporation will be used to fund operations and the provision of additional affordable and workforce housing throughout the City. In addition to the lease payments and the estimated sales proceeds, the first 15 years of rental savings to qualified residents is estimated to be $11,106,035.00.

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 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 September 27, 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 November 15, 2022. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=11450526&GUID=E50BE9A3-F18E-4EB4-92F7-842F1FFE081F>

FISCAL INFORMATION

Estimated Revenue Foregone: General Fund $42,331.00 (15 Years of Estimated Taxes).

MAP

Attached