



Legislation Text

File #: 20-232, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: February 12, 2020
COUNCIL DISTRICT(S): 8
DEPARTMENT: Office of Economic Development
EXECUTIVE: Michael Mendoza

SUBJECT

A public hearing to receive comments regarding an application by Murdeaux Rehab Development, LP to the Texas Department of Housing and Community Affairs (TDHCA) for 4% Non-Competitive Low Income Housing Tax Credits for the Sphinx at Murdeaux Villas located at 125 South Murdeaux Lane; and, at the close of the public hearing adopt a Resolution of No Objection for Murdeaux Rehab Development, LP, or its affiliate, related to its application to TDHCA for the acquisition and rehabilitation of the Sphinx at Murdeaux Villas - Financing: No cost consideration to the City

BACKGROUND

Murdeaux Rehab Development, LP (Applicant) submitted a pre-application to the Texas Department of Housing and Community Affairs (TDHCA) for private activity bonds and intends to submit a full application for 2020 4% Non-Competitive Housing Tax Credits (HTC) (4% HTCs) for the acquisition and rehabilitation of the Sphinx at Murdeaux, an existing multifamily complex built in 2004 with 240 units located at 125 South Murdeaux Lane, Dallas, Texas 75217. The property is currently owned by Murdeaux Villas, LP, an affiliate of Sphinx Development Corporation (Sphinx). TDHCA requires 4% HTC applicants to provide a resolution from the governing body of the jurisdiction in which the proposed development will be sited. As part of these TDHCA requirements, the governing body must also conduct a public hearing for citizens to provide comment on the proposed development. Once a resolution is adopted and submitted to TDHCA, then it cannot be changed or withdrawn.

The Applicant, a to be formed Texas limited partnership, is proposing to acquire, rehab, renovate, and manage Sphinx at Murdeaux. Banyu Murdeaux, LLC, (Banyu) or its affiliate, will be the general partner. An amended and restated agreement of limited partnership will be executed to admit the tax credit equity investor as special limited partner or investor member once identified. Sphinx, or its affiliate, will serve as the developer of the project.

The proposed property manager is Sphinx Residential, LLC which is an integrated affiliate of Sphinx.

Sphinx was founded in the 1980's and through its various affiliates has developed more than 1,500 units in the State of Texas. Sphinx has four divisions: development, management, construction, and international development.

Sphinx and its affiliates have extensive experience in affordable housing development and redevelopment.

The Applicant proposes to rehabilitate all 240 units. The 240 units are comprised of 128 2-bedroom, 64 3-bedroom, and 48 4-bedroom units. Interior renovations include replacing: existing appliances and fixtures with energy efficient products, kitchen cabinets, sinks and faucets; and in bathrooms vanities, tub venting and flooring; all windows and doors upgraded and replaced with energy efficient and storm rated models. New paint on all surfaces, interior and exterior. Add a new community room and pool with sufficient space for a community of its size.

Total development costs are anticipated to be approximately \$49,686,679.00 which includes the acquisition price for the apartment complex. The hard cost rehabilitation budget is anticipated to be \$20,385,571.00 which is \$84,940.00 per unit.

Proposed Financing Sources	Estimated Amount
Tax Exempt Bond	\$25,211,000.00
Housing Tax Credits Equity	\$15,900,600.00
Deferred Developer Fee	\$925,079.00
HUD PPC Loan	\$6,000,000.00
Construction Income	\$1,650,000.00
Total	\$49,686,679.00

Proposed Uses	Estimated Costs
Acquisition	\$17,000,000.00
Rehab. Construction Costs	\$20,385,571.00
Soft Costs & Financing Fees	\$7,743,944.00
Developer Fees	\$3,809,683.00
Reserves	\$747,481.00
Total	\$49,686,679.00

Currently, there is a Bond Land Use Restriction Agreement (LURA) and a Low Income Housing Tax Credit (LIHTC) LURA on the property. The LIHTC LURA contract requires units to be set aside for low income residents between 31%-50% Area Median Income (AMI). The LIHTC LURA will expire in November 2034.

The Dallas City Council on May 9, 2018, adopted the Comprehensive Housing Policy (CHP),

Resolution Nos. 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 HTC through TDHCA. On June 12, 2019, City Council 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 HTC through TDHCA by Resolution by No. 19-0884.

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.

For developments involving rehabilitation of existing housing, the proposed scope of work must be informed by a capital needs assessment (CNA), prepared by a qualified third-party professional that is independent from the development's architect or engineer, builder/general contractor, or other member of the development team. The City will review the CNA and conduct a site visit. The CNA must demonstrate to the City's satisfaction that the initial scope of work is sufficient to address all City code violations (whether formally cited or not). Further, the scope of work, combined with planned replacement reserve funding, must be determined sufficient to address all projected repairs or replacements of the following items through the entire term of the development's affordability period:

- All major systems including roof, foundation, electrical, heating, ventilation and air conditioning, and plumbing;
- Interior and exterior windows and doors;
- The interiors of all units including the kitchen and bathroom and all major appliances;
- The exterior of the development, including balconies, walkways, railings, and stairs;
- Communal facilities such as community rooms, fitness centers, business centers, etc.;
- Security features including gates and security cameras; and
- Accessibility.

To receive a staff recommendation for a resolution of no objection, the applicant must satisfy all threshold requirements, rehabilitation requirements, and affirmatively further fair housing. After review, Sphinx at Murdeaux has satisfied all application requirement and staff recommend a resolution of no objection. As demonstrated on the Market Value Analysis, Sphinx at Murdeaux, is located near the Pleasant Grove emerging market area which is one of the 15 Reinvestment Strategy Areas identified in the CHP and in a G market type surrounded by other G market types.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Housing and Homelessness Solutions Committee was briefed regarding this matter on February 4, 2020.

FISCAL INFORMATION

No cost consideration to the City.