



Legislation Text

File #: 21-2011, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: December 8, 2021
COUNCIL DISTRICT(S): 1
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

A public hearing to receive comments regarding an application by S. Zang, LP, or its affiliates (Applicant) to the Texas Department of Housing and Community Affairs (TDHCA) for 4% Non-Competitive Low Income Housing Tax Credits for the acquisition and redevelopment of the HighPoint at Wynnewood located at 1911 Pratt Street, Dallas, TX 75224; and at the close of the public hearing authorize **(1)** the adoption of a Resolution of No Objection for the Applicant related to its application to TDHCA for the development of HighPoint at Wynnewood, a multifamily development; **(2)** the rescission of Resolution No. 20-0379, approved on February 26, 2020; and **(3)** the sale of the property from WCH Limited Partnership to S. Zang, LP and amended and restated redevelopment loan documents with the Applicant (originally with WCH Limited Partnership, the current owner of the property) for low income housing for families at the Parks at Wynnewood, to **(a)** require the Applicant to obtain 2021 4% Low Income 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; **(g)** require the Applicant to provide onsite classes for adults, career development/job training, annual health fairs, and a one-time set aside in the amount of \$75,000.00 for social services; and **(h)** require at least 185 of the 220 units will be available to rent to low-income households earning 60% or below of area median income (AMI) and 35 of the 220 units will be available to rent to low-income households earning 30% or below of AMI - Financing: No cost consideration to the City

BACKGROUND

The Parks at 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.

On December 31, 1993, the WCH Limited Partnership (Partnership) obtained a housing redevelopment loan from the City in the original principal amount \$1,080,000.00 (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 \$1,113,750.00, resulting in an outstanding balance of \$2,193,750.00. In 2011, the City Council approved a modification to the Loan whereby \$850,000.00 of the then outstanding balance was forgiven in exchange for a lump sum payment by the Partnership of \$500,000.00 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 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 \$418,750.00 due to the City. The loan is secured by a third lien on the property.

On February 26, 2020, City Council authorized adoption of a Resolution of Support for the S. Zang, LP (the prospective new owner and "Applicant") for 9% Competitive LIHTC and an amended, restated redevelopment loan agreement to (a) require the Applicant to obtain 2020 9% Low Income Housing Tax Credit for the HighPoint at Wynnewood Apartments; (b) extend the timeline for completion by 10 years, to 2027; (c) extend the maturity date by 10 years, to 2027; (d) lower the number of units to be built from 160 to 120; (e) require a 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 one-time set aside in the amount of \$50,000.00 for social services, as consideration to the City for such amendments by Resolution No. 20-0379.

The reason why the Project went back to City Council many times between 1993-2020, was to re-authorize the Project requirements when the Partnership/Applicant was unable to obtain the tax credits and complete construction.

Applicant would like 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% LIHTC's and to restate and amend the terms of a housing development loan documents 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 be 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 \$75,000.00 for other social services.

The Partnership and Applicant also request that the City authorize the sale of the property from the Partnership to the Applicant to allow Applicant to receive a Resolution of No Objection for its housing tax credit application to TDHCA.

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 South Zang Boulevard 75224 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 Partners 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 been developing, building, and managing 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
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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

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 up to 60% of the AMI.

The Dallas City Council on May 9, 2018, adopted the Comprehensive Housing Policy (CHP), Resolution Nos. 18-0704 and 18-1680, as amended, 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.

To receive a staff recommendation for a resolution of no objection, the applicant must satisfy all threshold requirements, TDHCA underwriting standards, and affirmatively further fair housing. After review, the Applicant has satisfied all application requirements and staff recommends a resolution of no objection.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On September 7, 2011, City Council authorized an amendment to the Loan whereby \$850,000.00 of the then outstanding balance was forgiven in return for a \$500,000.00 lump sum repayment and an agreement from the developer to repay the remaining balance as a five year, 0% interest loan by Resolution No. 11-2360.

On June 13, 2012, City Council authorized forgiveness of \$850,000.00 of the current balance of the loan; to receive a partial payment of \$500,000.00, to amend the terms of the \$843,750.00 remaining balance of the loan to a five-year, 0% interest loan; and to reimburse the City \$125,000.00 for master planning for the Parks at Wynnewood and the Wynnewood Village Shopping Center, with all amended terms subject to certain conditions to be negotiated in future definitive agreements by Resolution No. 12-1589.

On February 27, 2013, City Council authorized (1) a resolution in support of TDHCA's 9% LIHTC allocation for Wynnewood Family Housing, located at 2048 South Zang Boulevard, for the acquisition and new construction of the proposed 160-unit multifamily residential development for low income families; and (2) an amendment to the terms of a housing redevelopment loan provided for The Parks at Wynnewood located at 1910 Argentia Drive, Dallas, Texas 75224 to forgive \$425,000.00 of the current balance of the loan conditioned on the award of 2013 9% Low Income Housing Tax Credit by Resolution No. 13-0461.

On February 22, 2017, City Council considered and approved the assumption of the City of Dallas Loan by Wynnewood Senior Housing II, LP, and affiliate of BACDC, and forgiveness of the remaining balance, conditioned upon the successful award of 2017 LIHTC by Resolution No. 17-0444.

On February 26, 2020, City Council authorized (1) adoption of a Resolution of Support for S Zang, LP, or its affiliate ("Applicant"), related to its application to the Texas Department of Housing and Community Affairs for 9% Competitive Low Income Housing Tax Credits for the acquisition and redevelopment of the HighPoint at Wynnewood Apartments; (2) a line of credit for the proposed multifamily development in an amount not to exceed \$500.00 related to the Resolution of Support; and (3) an amended and restated redevelopment loan agreement with the Applicant (originally with WCH Limited Partnership, the current owner of the property) for low income housing for families at the Parks at Wynnewood, to (a) require the Applicant to obtain 2020 9% Low Income Housing Tax Credit for the HighPoint at Wynnewood Apartments; (b) extend the timeline for completion by 10 years, to 2027; (c) extend the maturity date by 10 years, to 2027; (d) lower the number of units to be built from 160 to 120; (e) require a 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 one-time set aside in the amount of \$50,000.00 for social services, as consideration to the City for such amendments by Resolution No. 20-0379.

The Housing and Homelessness Solutions Committee was briefed regarding this matter on November 9, 2021.

FISCAL INFORMATION

No cost consideration to the City.

MAP

Attached