



## Legislation Text

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**File #:** 20-748, **Version:** 1

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**STRATEGIC PRIORITY:** Economic and Neighborhood Vitality

**AGENDA DATE:** May 27, 2020

**COUNCIL DISTRICT(S):** 3

**DEPARTMENT:** Office of Economic Development

**EXECUTIVE:** Dr. Eric A. Johnson

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### **SUBJECT**

A public hearing to receive comments regarding an application by Ridgecrest Terrace, LP or its affiliate (Applicant) to the Texas Department of Housing and Community Affairs (TDHCA) for 4% Non-Competitive Low Income Housing Tax Credits for the Ridgecrest Terrace Apartments located at 526 South Walton Walker Boulevard; and, at the close of the public hearing adopt a Resolution of No Objection for Applicant, or its affiliate, related to its application to TDHCA for the acquisition, renovation and rehabilitation of the Ridgecrest Terrace Apartments - Financing: No cost consideration to the City

### **BACKGROUND**

The Applicant submitted a Request for Resolution (RFR) application to the City for a Resolution of No Objection for its application to TDHCA for 2020 4% Non-Competitive Housing Tax Credits (HTC) (4% HTCs). The 4% HTC will be used for the acquisition, renovation, and rehabilitation of the Ridgecrest Terrace Apartments, an existing 250-unit affordable multifamily complex built in 1969 located at 526 South Walton Walker Boulevard, Dallas, Texas 75211 (Property). A purchase and sale agreement for the Property has been executed between Ridgecrest Holdings, LLC, the current owner of the property, and an affiliate of the Applicant. TDHCA requires 4% HTC applicants provide a Resolution of No Objection 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 Once a resolution is adopted and submitted to TDHCA, it cannot be changed or withdrawn.

The Applicant, a to be formed Texas limited partnership, is proposing to acquire, rehabilitate, renovate, and manage the Property. DHFC Ridgecrest GP, LLC, a to be formed single asset entity or its affiliate with the Dallas Housing Finance Corporation (DHFC) as 100% owner, will be the general partner. Steele Ridgecrest SLP, LLC, a to be formed limited liability company or its affiliate with Steele Properties III, LLC as 100% owner, will be the special limited partner. An amended and restated agreement of limited partnership will be executed to admit the tax credit equity investor as investor member once identified

On April 14, 2020, the DHFC Board of Directors approved the creation of the proposed limited partnership and authorized any action necessary to complete the redevelopment and funding of the Property. The DHFC Board of Directors also adopted a resolution declaring its intent to issue bonds

for the Property and authorized the filing of an application for allocation of private activity bonds with the Texas Bond Review Board.

Steele Properties III, LLC (Steele), or its affiliate, will serve as the developer and guarantor of the project. Steele has successfully completed over \$1 billion in acquisitions, sales, and development involving over 70 properties and more than 6,600 units. The proposed property manager is Monroe Group, Ltd. (Monroe), an affiliate of Steele, founded in 1982. Monroe Group manages all 6,600 units developed by Steele. Steele and Monroe have over 280 employees who reside in 21 states, including Texas.

The Applicant proposes to rehabilitate all 250 units. The 250 units are comprised of 18 1-bedroom, 184 2-bedroom, and 48 3-bedroom units. Interior renovations include upgrades to kitchens and bathrooms, new flooring, interior drywall and paint, cabinets, countertops, and brand new, energy efficient appliances. The Applicant will construct a brand-new community center including space for after school tutoring, arts and crafts room, game room, community dining and gathering spaces, and a First Responders Resource and Break room. Outdoor community spaces will include new playgrounds and sports court. Upgrades will be made to the building envelope and systems including new roofs, siding, insulation, and heating, ventilation and air conditioning (HVAC) system.

The Applicant proposes operational improvements to provide better management and more access to opportunity for residents of the Property. Comprehensive security upgrades designed with input from Dallas Police Department (DPD) will include:

1. Increased security patrols during construction and after stabilization;
2. New modern security camera system with DPD access;
3. New light emitting diode (LED) lighting throughout the Property; and
4. Perimeter fencing repairs and full replacement of unit exterior doors.

The Applicant has an experienced management team with six affordable Section 8 properties in the Dallas-Fort Worth submarket and will include:

1. Housing and Urban Development (HUD) file review by third-party specialists to ensure tenant compliance;
2. Six full-time, on-site staff; and
3. District and regional management staff who are well versed in managing large multifamily communities similar to the Property.

The Applicant proposes to provide, through an experienced third-party operator, 70 hours per month of resident services including:

1. After-school tutoring and computer training for kids;
2. Arts & crafts programs;
3. Family literacy programs;
4. Addiction recovery resources;
5. Healthy eating habits on a budget;
6. Legal assistance resources;
7. Organized team sports; and
8. Health screening services.

Total development costs are anticipated to be approximately \$57,361,223.00 which includes the acquisition price for the apartment complex. The hard cost rehabilitation budget is anticipated to be approximately \$16,750,000.00 which is \$67,000.00 per unit.

<b>Proposed Financing Sources</b>	<b>Estimated Amount</b>
<b>Private Activity Bonds</b>	\$34,200,000.00
<b>Housing Tax Credits Equity</b>	\$18,211,373.00
<b>Deferred Developer Fee</b>	\$ 3,403,995.00
<b>NOI During Development</b>	\$ 1,545,855.00
<b>Total</b>	<b>\$57,361,223.00</b>

<b>Proposed Uses</b>	<b>Estimated Costs</b>
<b>Acquisition</b>	\$22,640,000.00
<b>Total Const. Costs</b>	\$20,177,535.00
<b>Cost of Financing</b>	\$ 5,434,842.00
<b>Fees, Reserves, Soft Costs</b>	\$ 9,108,846.00
<b>Total</b>	<b>\$57,361,223.00</b>

The proposed 4% HTC and to be issued bonds will require a 30-year Land Use Restrictive Agreement (LURA) be placed on the Property with 225 of the units reserved for tenants at or below 60% area median income (AMI) and 25 of the units reserved for tenants at or below 30% AMI. The Property currently has a Project-Based Section 8 Housing Assistance Payments (HAP) Contract that will expire in August 2020. Due to the nature of the contract, the majority of the tenants are at or below 30% AMI. The Applicant intends to extend the HAP Contract for a period of 20 years to continue to provide housing options to the extremely low-income tenants that current reside at the Property.

If during the affordability period market rents become higher than current 60% AMI rents published by HUD, Steele will work with HUD to modify, transfer, or renegotiate the HAP contract to introduce additional income bands (including market rate) at the Property. Any modification to the HAP contract is subject to the approval of HUD. Steele will also work with TDHCA to modify the LURA to apply income averaging and serve additional income bands at the Property. Any modification to the LURA is subject to the approval of TDHCA.

On May 9, 2018, City Council 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 Housing Tax Credits 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 Housing Tax Credits through TDHCA by Resolution 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, HVAC, 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, the Applicant has satisfied all application requirements and staff recommend a resolution of no objection.

### **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

The Economic Development Committee was briefed regarding this matter on May 4, 2020.

### **FISCAL INFORMATION**

No cost consideration to the City.

### **MAP**

Attached