



Legislation Text

File #: 23-69, **Version:** 1

STRATEGIC PRIORITY: Housing & Homelessness Solutions
AGENDA DATE: January 11, 2023
COUNCIL DISTRICT(S): 7
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Majed Al-Ghafry

SUBJECT

A public hearing to receive comments regarding an application by Positano Apartments, LLC, an affiliate of DevCo, Inc. (Applicant) to the Texas Department of Housing and Community Affairs (TDHCA) for 4% Non-Competitive Low Income Housing Tax Credits for The Positano Apartments located at 2519 John West Road, Dallas, Texas 75228;, and at the close of the public hearing adopt of a Resolution of No Objection for Applicant, related to its application to TDHCA for the development of The Positano Apartments - Financing: No cost consideration to the City

BACKGROUND

Positano Apartments, LLC (Applicant), a to be formed Texas limited partnership, submitted a Request for Resolution application to the City for a Resolution of No Objection for its application to TDHCA for 4% Non-Competitive Housing Tax Credits (4% Housing Tax Credits). The 4% Housing Tax Credits will be used for the development of The Positano, a 232-unit multifamily complex for seniors located at 2519 John West Road, Dallas, Texas 75228 (Property). A purchase and sale agreement for the Property has been executed between the current owner of the Property and an affiliate of the Applicant. TDHCA requires 4% Housing Tax Credit 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 Once a resolution is adopted and submitted to TDHCA, it cannot be changed or withdrawn.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 develop the Property. 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. A to-be-formed limited liability company or its affiliate with Positano Manager, LLC, a Texas limited liability company 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 October 13, 2022, the DHFC Board of Directors 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.

DevCo or its affiliate will serve as the developer and guarantor of the project. DevCo has successfully built or acquired over 10,000 multifamily units including market rate, mixed-use, and affordable. DevCo is an integrated development and investment company focused on multi-family communities. DevCo has retained the services of Avenue5 Property Management to manage the property upon closing of the re-syndication (they also currently manage the Property). Avenue5 currently manages sixty-eight affordable properties, forty of which are Low-Income Housing Tax Credit. Nationally, Avenue5 manages more than four hundred properties with over 75,000 units.

The Applicant proposes to acquire and renovate all 232 units. The 232 units are comprised of 84 1-bedroom and 148 2-bedroom units. The Property sits on 19.80 acres and has a density of 11.72 units/acre. Residents have public transportation access to downtown, utilizing the John West at Homeway Dallas Area Rapid Transit bus station, which provides direct access to Central Business District Dallas and the broader metroplex. The units will include energy efficient appliances, washer/dryer hookups, covered entries/patios, and other TDHCA-required features. The development will provide an abundance of amenities for residents, which will include a business center, clubhouse, fitness center, theater room, swimming pool, on-site laundry facility, and a barbeque/picnic area.

The renovation budget is \$13,514,000.00 (\$53,627.00/unit) in hard costs (exclusive of general contractor requirements, contractor's profit and overhead). Renovations will include the following:

- wood and plastic repairs (includes new cabinets, etc.)
- insulation and roofing repair/replacement
- doors/hardware/glass/glaze, flooring, ceiling paint,
- plumbing and heating, ventilation, and air-conditioning (HVAC), and
- electrical repairs.

Major items include:

- replacement of concrete for Americans with Disabilities Act path of travel,
- installation of countertops,
- roof shingle replacements,
- installation of luxury vinyl plank flooring,
- painting unit interiors and painting building exteriors,
- bathtub refinishing and repairs,
- energy star refrigerator installation,
- vinyl window coverings,
- mechanical system upgrades,
- stainless steel kitchen sink and supply lines,
- bathroom sinks and faucets,
- installation of angle stops,
- low-flow energy efficient toilets and shower heads,
- replacement of water heaters,

- ceiling mounted air handlers.

The Applicant will also work with the Office of Integrated Public Safety Solutions for security input/upgrades, community activities, and incorporate best practices of Crime Prevention Through Environmental Design. Additionally, the Applicant will provide modern security features to include a full camera system, controlled access, a community crime watch program, and participation in National Night Out to ensure a safe living environment for all residents and staff.

The Applicant proposes to provide on-site resident services including:

1. Activity coordination;
2. Spiritual wellness;
3. Exercise programs;
4. Food assistance programs;
5. Benefits counseling;
6. Prescription program;
7. Health education programs;
8. Computer classes;
9. Financial assistance;
10. Meals on wheels, and;
11. Financial assistance.

Total development costs are estimated to be approximately \$56,016,293.00 which includes the acquisition price for the land. The construction budget is estimated to be approximately \$16,694,000.00 which is \$71,956.00 per unit.

| Proposed Sources | Amount |
|-------------------------|------------------------|
| Permanent Loan #1 | \$24,084,000.00 |
| Tax Credit Equity | \$20,168,046.00 |
| Soft Loan | \$ 5,500,000.00 |
| Deferred Developer Fee | \$ 4,581,634.00 |
| Income from Operations | \$ 1,682,613.00 |
| Total | \$56,016,293.00 |

| Proposed Uses | Costs |
|-----------------------------------|------------------------|
| Acquisition | \$28,000,000.00 |
| Total Const. Costs | \$16,694,000.00 |
| Financing Fees, Soft Costs | \$ 4,150,563.00 |
| Reserves | \$ 635,000.00 |
| Developer Fee | \$ 6,536,730.00 |
| Total | \$56,016,293.00 |

The current income restrictions will be maintained at the property to ensure no residents are displaced due to increased rents. The current rental restrictions are broken down as follows: 5 of the

232 units are reserved for households earning between 0%-30% of Area Median Income (AMI), 114 of the 232 units are reserved for households earning between 31%-50% of AMI, and 113 of the 232 units are reserved for households earning between 51%-60% of AMI.

If approved, this tax credit resyndication and bond issuance will allow the Applicant to implement much needed capital improvements and modernize the property thereby extending its useful life. Without this investment of new capital, the property will either fall into state of disrepair or be subject to a conversion to market rate units, further eroding the access to affordable housing in the city. The preservation of existing affordable housing is a priority of the City to ensure our residents are provided with safe, decent affordable housing and are not displaced due to expiring income restrictions or forced to reside in substandard living conditions. Over the next decade, the income restrictions on almost 10,000 units developed through the LIHTC program will expire unless they are acquired, renovated, or redeveloped by affordable housing preservation developers like DevCo.

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 Housing Tax Credits through TDHCA. On June 12, 2019, 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.

On October 13, 2022, the Dallas Housing Finance Corporation authorized a preliminary inducement resolution declaring intent to issue \$35,000,000.00 in private activity bonds to fund The Positano.

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.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Housing and Homelessness Solutions Committee was briefed regarding this matter on November 15, 2022.

FISCAL INFORMATION

No cost consideration to the City.

MAP

Attached