



Legislation Text

File #: 23-3043, Version: 1

STRATEGIC PRIORITY: Housing & Homelessness Solutions
AGENDA DATE: December 13, 2023
COUNCIL DISTRICT(S): 11
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize an increase in the development loan agreement with Cypress Creek Montfort Drive, LP, or its affiliate in the amount of \$7,646,555.00, for the development of Cypress Creek Apartment Homes at Montfort, a 168-unit mixed income multifamily complex located at 14119 Montfort Drive, Dallas, Texas 75254 - Not to exceed \$7,646,555.00, from \$4,100,000.00 to \$11,746,555.00 - Financing: Community Development Block Grant Funds Disaster Recovery

BACKGROUND

Cypress Creek Montfort Drive, LP (Applicant) submitted a proposal under the City's Notice of Funding Availability (NOFA), as amended, to receive gap financing in the form of a cash flow loan to support the construction of a 168-unit mixed-income multifamily complex. The NOFA was issued by the Department of Housing & Neighborhood Revitalization (Housing) in accordance with the City's Comprehensive Housing Policy (CHP), as amended by the Dallas Housing Policy 2033 (DHP33) and Dallas Housing Resource Catalog (DHRC). Cypress Creek Apartment Homes at Montfort (Project) received a fundable score of 99 of 143 points.

On August 24, 2022, the City Council authorized the execution of a development loan agreement in an amount not to exceed \$4,100,000.00 in Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan Act (ARPA) by Resolution No. 22-1191. In addition to NOFA funding, Cypress Creek Montfort Drive, LP, received 2022 9% Competitive Low Income Housing Tax Credits from the Texas Department of Housing and Community Affairs (TDHCA) to acquire and construct the property.

On October 4, 2023, due to continued increases in construction cost and construction loan interest rates, the Applicant submitted a subsequent proposal under the City's NOFA, as amended, to receive additional funds to fill this most recent funding gap. The requested additional NOFA Funds, if approved, will cover the gap created by recent market conditions. Additional funding gap for the Project has been confirmed by the completion of the third-party underwriting report.

Housing proposes to authorize the supplemental NOFA funding request of \$7,646,555.00 in Community Development Block Grant Funds Disaster Recovery (CDBG-DR) Funds for the Project in a total amount not to exceed \$11,746,555.00.

The Applicant will serve as the developer and guarantor of the project. The Project specializes in the development of mixed-income and affordable housing and is a Texas-certified Historically Underutilized Business (HUB). The Developer has decades of experience working in the public and private sectors and will act as the general partner of the ownership structure. The property management company is Bonner Carrington, a professional management company based in Austin, TX with a 20-year track record and portfolio of 4,500+ apartments.

The Applicant proposes to develop 168 mixed-income multifamily units on 3.8 acres. The 168 units are comprised of 67 1-bedroom, 84 2-bedroom, and 17 3-bedroom units. The project will be a 4-story wrap construction product. The units will include energy efficient appliances and lighting and other TDHCA-required features. The Project will also include security cameras, swimming pool, courtyard, community kitchen, media/gathering room, clubhouse, fitness center, and business center with Wi-Fi and in common areas. The development is just minutes from three major highways allowing easy access to major corporations in the area, retail, shopping, entertainment, and the International District. Also, the development has access to public transportation within 0.3 miles. The development will include modern security features based on best practices of the multifamily sector and Crime Prevention Through Environmental Design.

The unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
1BR-A	30%	20	\$2,075.00
1BR-A	60%	20	\$1,188.00
1BR-A	70%	7	\$1,386.00
1BR-A	80%	5	\$1,584.00
1BR-B	30%	2	\$2,075.00
1BR-B	60%	2	\$1,188.00
1BR-B	70%	3	\$1,386.00
1BR-B	80%	4	\$1,584.00
1BR-B	Market	29	\$1,855.00
2BR	30%	16	\$2,425.00
2BR	60%	18	\$1,425.00
2BR	70%	9	\$1,663.00
2BR	80%	5	\$1,900.00
2BR	Market	8	\$2,314.00
2BR	Market	8	\$2,331.00
3BR	30%	3	\$3,050.00
3BR	60%	1	\$1,647.00
3BR	80%	1	\$2,196.00
3BR	Market	7	\$2,455.00

Total development costs are anticipated to be approximately \$58,494,756.00 which includes the acquisition price for the land. The hard cost construction budget is anticipated to be \$36,615,121.00 which is \$217,947.15 per unit.

The anticipated financing sources and uses are as follows:

Proposed Financing Sources	Amount
Permanent Loan	\$ 22,267,500.00
Tax Credit Equity	\$ 17,498,250.00
GP Equity	\$ 982,451.00
City of Dallas SLFRF Loan	\$ 4,100,000.00
City of Dallas CDBG-DR Loan	\$ 7,646,555.00
Deferred Developer Fee	\$ 6,000,000.00
Total	\$ 58,494,756.00

Proposed Uses	Costs
Acquisition	\$ 5,880,000.00
Total Construction Costs	\$ 36,615,121.00
Financing Fees, Soft Costs	\$ 9,011,830.00
Developer Fee	\$ 6,000,000.00
Reserves	\$ 987,805.00
Total	\$ 58,494,756.00

In late April 2022, the United States Department of Housing and Urban Development (HUD) announced that approximately \$24.4 million of Community Development Block Grant Disaster Recovery funding has been allocated to the City of Dallas under the second tranche of funds released from the Disaster Relief and Supplemental Appropriations Act of 2022. This funding was allocated to the City as a result of the winter and ice storm that occurred in February 2021.

The CDBG-DR Funds must only be spent for necessary activities related to disaster relief, long-term recovery, restoration of infrastructure and housing, economic revitalization, and mitigation in the “most impacted and distressed (MID)” areas of qualifying disasters. The entire City of Dallas is included in the MID. New construction of affordable housing is an eligible activity under HUD’s CDBG -DR policy as it clearly addresses a direct or indirect impact of the February 2021 winter and ice storm that resulted in damaged or destroyed available affordable housing stock in Dallas, TX.

On December 14, 2022, the City Council held a public hearing to receive public comments and approved the final adoption of the 2022 CDBG-DR Budget and draft Action Plan to accept CDBG-DR Funds from HUD which included New Construction - Multi-Unit funds by Resolution No. 22-1836.

After the development is complete, 41 of the 168 units will be made available to households earning 0%-30% of Area Median Income (AMI), 41 of the 168 units will be made available to households earning 31%-60% of AMI, 34 of the 168 units will be made available to households earning 61%-80% of AMI, meeting CDBG-DR requirements for 51 percent of total units reserved for household earning at or below 80.00% AMI. Of the 116 affordable units, the Applicant must provide 58 ARPA/CDBG-DR -assisted units consisting of 46 High ARPA/CDBG-DR and 12 Low ARPA/CDBG-DR units. These ARPA/CDBG-DR-assisted units must remain affordable for a minimum of 30 years per federal and DHRC requirements secured by a restrictive covenant. Fifty-two units will remain as non-income-restricted market-rate units. A Land Use Restrictive Agreement associated with the competitive 9% housing tax credits will also be recorded on the property to maintain affordability at the property for 45 years per the requirements of TDHCA's Qualified Allocation Plan.

The development has been found to affirmatively further fair housing by the Office of Equity and Inclusion Fair Housing Division. Staff recommends approval of this item as it furthers the mixed-income housing goals of the DHP33, meets the threshold requirements of the NOFA, and the financial gap has been confirmed by third-party underwriting.

Staff confirmed that the Project would not be feasible but for the City's participation and that the Project furthers the goals of the DHP33. Staff recommends approval of this item to allow this mixed-income housing development to move forward.

The Applicant has agreed to pay the City's outside legal counsel fees incurred for the for the drafting and negotiation of the loan agreement and any related financing, subordination and associated documents for the Project, approved as to form by the City Attorney (the Loan Documents), directly to the City's outside legal counsel on the date that all of the financing for construction of the Project and execution of the Loan Documents, as approved by the City, the Applicant's other lenders and all necessary parties, other than the federal funds (the Closing) takes place. In the event that the Closing does not occur, then Applicant agrees to be obligated to pay the City an amount equal to the City's outside legal fees incurred by the City to draft and negotiate the Loan Documents within thirty days of the date on which the Closing was to occur.

ESTIMATED SCHEDULE OF PROJECT

Begin Construction	February 2024
Complete Construction	June 2025

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Housing and Homelessness Solutions Committee (HHSC) was briefed on the development and the authorization of a Resolution of Support on February 15, 2022. The HHSC approved moving forward to Council for consideration.

On February 23, 2022, the City Council held a public hearing and following the hearing, adopted a Resolution of Support related to the Development and Developer's (i.e., Applicant's) 9% Competitive Low Income Housing Tax Credits application to TDHCA by Resolution No. 22-0364.

On August 24, 2022, the City Council authorized the execution of a development loan agreement in an amount not to exceed \$4,100,000.00 in Coronavirus State and Local Fiscal Recovery Funds by Resolution No. 22-1191.

On December 14, 2022, the City Council held a public hearing to receive public comments and approved the final adoption of the 2022 Community Development Block Grant Disaster Recovery (CDBG-DR) Budget and draft Action Plan to accept CDBG-DR funds from the U.S. Department of Housing and Urban Development which included New Construction - Multi-Unit funds by Resolution No. 22-1836.

[The Housing and Homelessness Solutions Committee was briefed by memorandum regarding this requested increase to the previously approved development loan agreement with Applicant on November 14, 2023. <https://cityofdallas.legistar.com/gateway.aspx?M=F&ID=169f26ab-e645-41d7-bbfa-f0a595dea188.pdf>](https://cityofdallas.legistar.com/gateway.aspx?M=F&ID=169f26ab-e645-41d7-bbfa-f0a595dea188.pdf)

FISCAL INFORMATION

Fund	FY 2024	Future Years
Community Development Block Grant Disaster Recovery Funds	\$7,646,555.00	\$0.00

M/WBE INFORMATION

In accordance with the City’s Business Inclusion and Development Policy adopted on September 23, 2020, by Resolution No. 20-1430, as amended, the M/WBE participation on this contract is as follows:

Contract Amount	Procurement Category	M/WBE Goal	M/WBE %	M/WBE \$
\$29,298,116.00	Construction	32.00%	32.00%	\$9,375,397.12
• This contract meets the M/WBE goal.				
• Cypress Creek Montfort Drive, LP - Local Workforce - 100.00% Local				

OWNER/DEVELOPER

Cypress Creek Montfort Drive, LP

Zachary Krochtengel, Member of the General Partner

MAP

Attached