Legislation Text

File #: 23-2773, **Version:** 1

STRATEGIC PRIORITY: Housing & Homelessness Solutions

AGENDA DATE: November 8, 2023

COUNCIL DISTRICT(S): 2

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize the Dallas Public Facility Corporation to acquire, develop, and own Maple Highline, a mixed-income, multifamily development to be located at 5908 Maple Avenue (Project) and enter into a seventy-five-year lease agreement with Urban Genesis, LLC or its affiliate, for the development of the Project - Estimated Revenue Foregone: General Fund $4,938,708.00 (75 Years of Estimated Property Taxes, See Fiscal Information)

BACKGROUND

Urban Genesis, LLC (Applicant), a Texas limited liability company, submitted an application to the Dallas Public Facility Corporation (Corporation) for the development of Maple Highline, a 130-unit mixed income multifamily development to be located at 5908 Maple Avenue (Project). The Corporation will own the site and improvements and lease the Project back to the Applicant or its affiliate. Pursuant to the Texas Public Facility Corporation Act, Chapter 303 of the Texas Local Government Code, as amended (Act), any public facility owned by a Public Facility Corporation is exempt from all ad valorem taxes. To qualify as a public facility, pursuant to the Act, a multifamily property must reserve at least 50% of the units for residents earning at or below 80% of the Area Median Income (AMI). The Project will reserve 40% of the units for residents earning less than 80% AMI, 10% of the units for residents earning less than 60% AMI and 50% of the units will be market rate.

The Applicant will be a limited liability company owned by Urban Genesis, LLC. Urban Genesis is a Texas-based real estate development and construction company that has acquired and is actively developing a portfolio of roughly 5,000 units of multifamily properties. This includes various workforce and affordable housing sites in Dallas, Houston, Austin, Fort Worth, and San Antonio. Urban Genesis is led by an experienced team of professionals including Sameer Walvekar and Matt Shafiezadeh who work in the local Dallas market.

The Project will be constructed as a four-story transit-oriented community. The project will have Class A apartment units with in-unit smart washer/dryer, smart thermostats, secured access control, storage space, dog park, and 24-hour emergency maintenance. Community benefits include streetscape improvements with new trees, improved sidewalks and public lighting, and activation of underutilized sites. In addition to being in proximity to Medical District, Central Business District, and Uptown. Maple Highline is strategically located in walking distance to Inwood Station, a light rail system connecting 92k daily riders to Dallas major employment centers, and within a five-minute drive to Love Field Airport, host to Southwest Airline's Headquarters.

The Applicant will consult with the Office of Integrated Public Safety Solutions (OIPSS) for security input, community activities and the Crime Prevention Through Environmental Design. The Applicant and OIPSS will continue to work together to ensure the community is secure and take proactive measures to ensure the safety of the residents that will include security cameras with Dallas Police Department access, individual entry key fobs, lighting, and security access gates/entry points.

The anticipated unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
1BR	60%	13	$1,188.00
1BR	80%	52	$1,584.00
1BR	Market	65	$1,750.00

The rents for individuals and families earning between 60% and 80% AMI are meant to provide housing to the "missing middle" of the market: residents that earn above low-income housing tax credit income restrictions of 60% AMI but would be cost burdened by market rents. These incomes range from approximately $54,560.00 to $77,900.00 in the City based on family size and represent a wide variety of employment sectors including, but not limited to, teachers, first responders, government employees, health care providers, etc. The rents for individuals and families earning below 60% are included to provide deeper affordability at this property. These incomes range from $40,920.00 to $58,440.00 depending on family size.

Total development costs are anticipated to be approximately $28,058,088.00, which includes the acquisition price for the land. The development budget less soft/financial costs is anticipated to be approximately $25,841,215.00, which is $198,779.00 per unit.

Proposed Financing Sources	**Amount**
Equity	$11,075,760.00
Debt	$16,982,328.00
Total	**$28,058,088.00**
Proposed Uses	**Amount**
Land Purchase	$ 3,575,000.00
Project Costs	$22,266,215.00
PFC Costs	$ 670,871.00
Financing Costs	$ 1,546,002.00
Total	**$28,058,088.00**

The Project will be owned by the Corporation and leased to the Applicant and other potential owners for a period of 75 years. In consideration for the Corporation's participation in the Project, the Corporation is estimated to receive $63,291,908.00 in revenues over the 75 years of the lease. Potential proceeds to the DPFC include (1) a $250,000.00 structuring fee paid at closing; (2) lease payments starting at $120,000.00 and increasing by 3% annually upon stabilization; (3) a 15% sales commission after repayment of debt, equity, and preferred equity returns upon first sale of the Project; and (4) a 2% sales commission on all future sales. In the event of a sale during the life of the Project, the Corporation will continue to receive the annual lease payments. Upon termination of the 75-year lease, the Corporation will own the Project free and clear.

The revenues of the Corporation will be used to fund operations and the provision of additional affordable and workforce housing throughout the City. This proposed development results in foregone tax revenues for the City while the DPFC owns the asset. The 2022 City tax bill for this property is $18,115.00 and the 75-year estimate of foregone taxes is $4,938,708.00. However, the Corporation will receive an estimated $30,608,071 in lease revenues over the 75 years resulting in a net revenue of $25,669,363.00, the difference between forgone taxes for City and lease revenue payments. The workforce housing rental savings of $48,783,144.00 over 75 years and the estimated $30,858,071.00 in revenues provides the City with $79,641,215.00 in total benefits that far outweigh the foregone revenue. If this same project were to be constructed without a partnership with the PFC, the city would need to subsidize the property with payments of approximately $16.6 million in order to keep the project as is with the affordability levels that are currently planned at the property.

Extending the foregone tax and revenue estimates over the entire 75-year lease period, we can estimate that the foregone taxes to the city would total $4,938,675.00, rental savings to the PFC would total $52,142,287.00, and revenues would be $30,608,081.00. The combined rental savings and revenue to the PFC totals $82,750,358.00 which far outweighs the total taxes foregone, reinforcing the tremendous public benefit of these projects.

The Corporation's estimated revenues were calculated by the Corporation's partnership counsel and financial advisors. Market rent comps and current construction costs were analyzed to ensure the project costs were reasonable for the market. Corporation financial advisors also confirmed that but for the ad valorem tax exemption, the Project would not be economically feasible and would not attract responsible debt and equity investment in the property. The Corporation's revenue consideration and affordability levels were also analyzed to confirm that the ad valorem tax exemption does not over subsidize the Project.

The City is authorized by the Act to create a public facility corporation for the purposes established in the Act, including the financing, acquisition, construction, and leasing of public facilities under the Act. On June 24, 2020, City Council authorized the creation of the Corporation to further the public purposes stated in the Corporation's articles of incorporation and bylaws pursuant to the Act by Resolution No. 20-1035, which were subsequently amended by Resolution 22-1194 (bylaws). Section 6.2 of the Corporation's bylaws requires City Council approval by written resolution prior to entering into any agreement that would result in a property tax exemption. Per Section 7.3 of the bylaws, any Public Facility related to multifamily residential development of the Corporation shall not proceed unless (1) the development of the Public Facility could not be feasible but for the Corporation's participation, and (2) the development of the Public Facility is in furtherance of the City of Dallas's Comprehensive Housing Policy (CHP), as restated in the Dallas Housing Policy 2033 (DHP33).

Staff and the Corporation's Counsel and Financial Advisors have confirmed that this Project would not be feasible but for the Corporation's participation and that the Project furthers the goals of the CHP, as restated in the DHP33. Staff recommends approval of this item to allow this mixed-income housing development to move forward.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On August 22, 2023, the Dallas Public Facility Corporation Board of Directors approved the negotiation and execution of a term sheet with the Applicant.

The Housing and Homelessness Solutions Committee was briefed regarding this matter on September 19, 2023.

FISCAL INFORMATION

Exhibit A provides supporting details on the estimated $30,608,071.00 in lease payments over 75 years in addition to an acquisition fee in the amount of $250,000.00 totaling $30,858,071.00 to the Corporation. Additionally, the estimated revenue forgone (General Fund) is $4,938,708.00 in City taxes over 75 years resulting in a net revenue of 25,919,363.00.

MAP

Attached