



Legislation Details (With Text)

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File created:	1/24/2020		In control:	Office of Economic Development	
On agenda:	2/12/2020		Final action:	2/12/2020	
Title:	Authorize (1) the adoption of a Resolution of Support for The Magenta, LLC, an affiliate of Saigebrook Development, LLC (Applicant), related to its application to the Texas Department of Housing and Community Affairs for 9% Low Income Housing Tax Credits for the development of The Magenta; and (2) an agreement with the Applicant for a line of credit in an amount not to exceed \$500.00 for the proposed multifamily development - Not to exceed \$500.00 - Financing: Public/Private Partnership Fund				
Sponsors:					
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Date	Ver.	Action By	Action	Result
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STRATEGIC PRIORITY: Economic and Neighborhood Vitality

AGENDA DATE: February 12, 2020

COUNCIL DISTRICT(S): 6

DEPARTMENT: Office of Economic Development

EXECUTIVE: Michael Mendoza

SUBJECT

Authorize **(1)** the adoption of a Resolution of Support for The Magenta, LLC, an affiliate of Saigebrook Development, LLC (Applicant), related to its application to the Texas Department of Housing and Community Affairs for 9% Low Income Housing Tax Credits for the development of The Magenta; and **(2)** an agreement with the Applicant for a line of credit in an amount not to exceed \$500.00 for the proposed multifamily development - Not to exceed \$500.00 - Financing: Public/Private Partnership Fund

BACKGROUND

The Magenta, LLC, an affiliate of Saigebrook Development, LLC (Applicant) submitted a pre-application to the Texas Department of Housing and Community Affairs (TDHCA) for 2020 9% Competitive Housing Tax Credits (HTC) (9% HTC) for the development of The Magenta, a ground-up development of a 78-unit mixed income multifamily complex located at 1508 Fort Worth Avenue, Dallas, Texas 75208. Saigebrook Development, LLC has executed a purchase contract with SLJ

Company, LLC, the current property owner.

In the administration of its **9%** HTC Program, TDHCA awards application points for a resolution from a Governing Body of a local municipality on the following basis:

Within a municipality, the application will receive:

- **17** points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality supports (Resolution of Support) the application or development; or
- **14** points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality has no objection (Resolution of No Objection) to the application or development.

Within the extraterritorial jurisdiction of a municipality, the Application may receive:

- **8.5** points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality supports (Resolution of Support) the Application or Development; or
- **7** points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality has no objection (Resolution of No Objection) to the Application or Development

The Applicant, a Texas limited liability company, is proposing to develop The Magenta. The Applicant proposes to form a limited liability company to act as managing member of The Magenta, LLC. The Magenta, LLC will also include a to be determined investment member to the limited liability company. Saigebrook Development, LLC (Saigebrook) and O-SDA Industries, Inc. (OSDA) will serve as co-developers of the project.

The property will be managed Saigebrook and OSDA. Saigebrook and OSDA have secured 23 9% HTC in the last 10 application cycles in Texas. Saigebrook and OSDA have financed and closed approximately 5,000 units in the southeastern United States.

The Applicant proposes to develop 78 units. The 78 units will be comprised of 18 1-bedrooms, 34 2-bedrooms, and 26 3-bedrooms ranging from 650 square feet to 1,050 square feet. Planned amenities feature an on-site leasing center, cybercafé, community room with kitchen, barbeque grills, and commercial space.

Total development costs are anticipated to be approximately \$19,768,599.00 which includes the acquisition price for the apartment complex. The hard cost construction budget is anticipated to be \$10,129,927.00 which is \$129,871.00 per unit. The total construction amount includes 7% contingency.

Proposed Financing Sources	Estimated Amount
Permanent Loan	\$4,100,000.00
Housing Tax Credits Equity	\$13,798,620.00
Deferred Developer Fee	\$869,979.00

TIF Funding	\$1,000,000.00
Total	\$19,768,599.00

Proposed Uses	Estimated Costs
Acquisition	\$3,125,000.00
Hard Construction Costs	\$10,129,927.00
Soft Costs & Financing Fees	\$4,177,316.00
Developer Fees	\$1,972,939.00
Reserves	\$363,417.00
Total	\$19,768,599.00

After the development is complete, 8 of the 78 units will be made available to households earning 0%-30% of Area Median Income (AMI), 29 of the 78 units will be made available to households earning between 31%-50% of AMI, 36 of the 78 units will be made available to households earning between 51%-60% of AMI, and 5 market rate units.

The Dallas City Council on May 9, 2018, adopted the Comprehensive Housing Policy (CHP) by 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 HTC 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 HTC 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.

The evaluation criteria for 9% HTC applications seeking a Resolution of Support also requires applications meet a priority housing need of the City. The applications must meet at least one of the following six priorities:

- The project has been selected to receive City funding such as Community Development Block Grant, Housing and Urban Development HOME Fund, or General Obligation Bond Funding;
- The applicant intends to partner with the Dallas Housing and Finance Corporation or Public Facility Corporation (if created);
- The proposal involves the redevelopment of public housing owned by the Dallas Housing Authority under the Choice Neighborhoods, Rental Assistance Demonstration, HOPE IV, or other similar Housing and Urban Development programs that may be created;
- The project is located in a census tract with a poverty rate below 20%;
- The project located in a Redevelopment Reinvestment Strategy Area (RSA) or Stabilization RSA; and
- A 50-unit project dedicating 20% of the units for tenants referred from the Continuum of Care list.

Applications that do not qualify as a priority housing need must score at least 50 points based on if the proposed project is mixed income, includes a non-profit or Historically Underutilized Business, its

proximity of amenities to the development site, and resident services to be provided.

The ongoing investment and redevelopment of the West Dallas area requires the City support affordable housing development to ensure low-to moderate-income residents are not displaced. The Magenta is qualified to receive a staff recommendation for a resolution of support as it is a priority housing need development located in the West Dallas Stabilization area and met all application thresholds. The development site is an H market type adjacent to B, C, D, and E market types per the Market Value Analysis.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Housing and Homelessness Solutions Committee was briefed regarding this matter on February 4, 2020.

FISCAL INFORMATION

Fund	FY 2020	FY 2021	Future Years
Public/Private Partnership Fund	\$500.00	\$0.00	\$0.00