



Legislation Details (With Text)

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On agenda: 4/14/2021 **Final action:**
Title: Authorize a Community Development Block Grant Funds (CDBG) development loan agreement and security documents in an amount not to exceed \$2,500,000.00 in CDBG funds with Midpark Towers Apts. LP (Midpark Towers), or an affiliate thereof, and the City of Dallas Housing Finance Corporation, or an affiliate thereof (DHFC), conditioned upon Midpark Towers receiving a 2021 4% Housing Tax Credit award, for which the DHFC shall purchase and own the land, enter into a long-term ground lease with Midpark Towers, and take an ownership interest in Midpark Towers for the acquisition and renovation of an affordable multifamily complex located at 8550 Midpark Road - Not to exceed \$2,500,000.00 - Financing: Community Development Block Grant Funds

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Attachments: 1. Map, 2. Resolution

Date	Ver.	Action By	Action	Result
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STRATEGIC PRIORITY: Economic and Neighborhood Vitality

AGENDA DATE: April 14, 2021

COUNCIL DISTRICT(S): 11

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize a Community Development Block Grant Funds (CDBG) development loan agreement and security documents in an amount not to exceed \$2,500,000.00 in CDBG funds with Midpark Towers Apts. LP (Midpark Towers), or an affiliate thereof, and the City of Dallas Housing Finance Corporation, or an affiliate thereof (DHFC), conditioned upon Midpark Towers receiving a 2021 4% Housing Tax Credit award, for which the DHFC shall purchase and own the land, enter into a long-term ground lease with Midpark Towers, and take an ownership interest in Midpark Towers for the acquisition and renovation of an affordable multifamily complex located at 8550 Midpark Road - Not to exceed \$2,500,000.00 - Financing: Community Development Block Grant Funds

BACKGROUND

Midpark Towers, an affiliate of Elizabeth Property Group Texas LLC (EPG) submitted a proposal

under the City's Notice of Funding Availability (NOFA), issued on August 7, 2020, to receive gap financing in the form of a repayable loan to support acquisition and the renovation of existing affordable housing units located within the city limits. The NOFA was issued by the Department of Housing and Neighborhood Revitalization (Housing) in accordance with the City's Comprehensive Housing Policy (CHP). In addition to NOFA funding, Midpark Towers also plans to utilize 4% Non-Competitive Low Income Housing Tax Credits from the Texas Department of Housing and Community Affairs (TDHCA) to develop the property while partnering with the City of Dallas Housing Finance Corporation (DHFC).

Housing administers programs to appropriately incentivize private investment for the development of quality, sustainable housing that is affordable to the residents of the City. Specifically, Housing administers the New Construction and Substantial Rehabilitation Program which where necessary seeks to provide financial assistance to new developments or substantially rehabilitate existing developments. All projects seeking financial assistance are required to submit a Notice of Intent to apply for financial assistance through the Notice of Funding Availability (NOFA) to Develop Affordable Homeownership and Rental Housing. As outlined in the NOFA, multiple sources of funding are available, however, proposed projects must meet specific thresholds to qualify for the use of a specific funding source. At minimum, each proposed project must be composed of at least five affordable units and must achieve a fundable score as outlined in the NOFA solicitation. Midpark Towers received a fundable score of 93 points.

Midpark Towers proposes that the DHFC or its affiliate to acquire the property at 8550 Midpark Road and subsequently enter into a long-term lease for the property. The development includes the renovation of 202 units which are located in two separate 10 and 11-story buildings that were initially built in 1978. The 202 units are all one-bedroom units. Interior renovation plans include upgrades to cabinets, countertops, flooring, paint, energy efficient appliances, packaged terminal air conditioner units and window replacements. Improvements include installing new elevators, replacing the roof, and replacing the property's boiler, amongst other improvements. Midpark Towers will add a new fitness center and new computer center as well as renovate the laundry facilities, corridors, and entryways. There will also be social programming that will fit the needs and interests of the residents including financial literacy and adult education classes, income tax preparation, notary services, food pantry, career training and placement, exercise/fitness classes, and other supportive services.

Increased security at the property including onsite patrol will be provided. Cameras will be installed at all entrances and in elevators. Improved lighting will be placed throughout the interior and exterior of the property. A professional property management firm, Alpha Barnes, will be brought in to manage the property. Alpha Barnes currently manages approximately 30,000 multifamily units and employs over 850 staff members in the field.

Total development costs are anticipated to be approximately \$30,620,786.00 which includes the \$12,900,000.00 acquisition price for the property. Midpark Towers provided staff with a third-party capital needs assessment that Housing's Inspections Division confirmed would substantially renovate and modernize the property. Midpark Towers informed all residents of the proposed acquisition 45 days prior to applying for a Resolution of No Objection and submitted a relocation and renovation plan that meets City requirements. The anticipated sources and uses are as follows:

Financing Sources	Amount
Permanent Loan	\$15,867,000.00

City of Dallas CDBG	\$ 2,500,000.00
Low Income Housing Tax Credit Equity	\$10,979,221.00
Deferred Developer Fee	\$ 643,575.00
Operating Cash Flow	\$ 700,000.00
Total	\$30,689,796.00

Proposed Uses	Costs
Acquisition	\$12,900,000.00
Construction Hard Costs	\$ 8,915,264.00
Construction Soft Costs	\$ 1,928,526.00
Financing/Syndication/Bond Costs	\$ 2,362,289.00
Developer Fees	\$ 3,545,000.00
Reserves	\$ 1,038,717.00
Total	\$30,689,796.00

The City proposes to provide an amount not to exceed \$2,500,000.00 in CDBG gap financing for the acquisition and construction of the development.

As a requirement for the loan, Midpark Towers must provide at least 15 of the 202 units to households earning at or below 30 percent of Area Median Income (AMI) as defined by the U.S. Department of Housing and Urban Development (HUD). The remaining units will be leased to residents earning at or below 60 percent of AMI. These affordable units must remain affordable for a minimum of ~~20~~ 15 years. Additionally, in conformance with Dallas City Code, Midpark Towers shall set aside at least 10 percent of the total units and solely lease those units to holders of housing vouchers, including vouchers directly or indirectly funded by the federal government. The voucher units must be set aside to voucher holders for a minimum of 15 years from the date of the initial lease-up of all voucher units. These affordable and voucher units must be dispersed throughout the residential floor area and shall have identical finish-out and materials as the market rate units.

CDBG funds will be used for acquisition costs and/or other allowable development costs, as allowed by federal regulations governing the use of the funds and the CHP. All funds will be provided on a reimbursable basis. The terms of the loan agreement are as follows:

1. The term of the loan agreement is ~~35~~ 40 years beginning from the effective date; and
2. The term of the loan shall be ~~35~~ 40 years and ends on the maturity date. The maturity date and the repayment schedule shall be defined/detailed in the loan agreement and other financing documents for the loan, in accordance with the CHP; and
3. Midpark Towers shall complete renovation of the 202 units within two years of the effective date, which may be extended by the Director of Housing and Neighborhood Revitalization for up to two years (unless prohibited by the applicable regulations); and
4. 15 of the 202 units to households earning at or below 30 percent AMI and 187 of the 202 units to households earning at or below 60 percent of AMI; and
5. Loan amortization is ~~35~~ 40 years, with an interest rate of 1 percent simple annual interest; and
6. Midpark Towers must execute a promissory note(s) for the total loan amount; and
7. The owner of the property, DHFC, and Midpark Towers shall execute and record deed restrictions on the property. The deed restrictions may be subordinate to deed restrictions

- issued by TDHCA, HUD and/or to other financing (without waiving compliance with such deed restrictions), and shall be recorded to secure the ~~20~~ 15-year affordability period for the affordable CDBG units and 15-year voucher period for the voucher units, which are subject to the requirements of Chapter 20A of the Dallas City Code; and
8. The owner of the Property, DHFC, and Midpark Towers shall execute and record a deed of trust on the property, including the leasehold and all improvements to secure payment and performance which will be released once all terms and conditions of the CDBG loan agreement are met; and
 9. The City's lien for the loan agreement may only be subordinate to a financial institution's superior lien for a loan in a greater amount. In the event subordination agreements are required, the City agrees to provide it in a form acceptable to the City; and
 11. DHFC shall purchase and own the land, enter into a long-term ground lease with Midpark Towers, and take an ownership interest in Midpark Towers for the acquisition and renovation of an affordable multifamily complex located at 8550 Midpark Road; and
 12. EPG shall provide guarantees including a completion and operating deficit guaranty for the loan agreement; and
 13. Midpark Towers must provide payment and performance bonds or guarantees, or acceptable equivalent methods of guarantees to the City in the total amount of the construction of the development; and
 14. Repayment of loan principal and interest should be an annual surplus cash payment. The City's surplus cash loan funding will be structured with note provisions requiring that at least 50 percent of Eligible Cash, as defined in the CHP, in excess of \$50,000.00 be paid annually to subordinate lenders (including funding partners and related parties) on a prorated basis; and
 15. The CDGB loan shall be a nonrecourse loan and the City's remedy is limited to foreclosure only, in the event of an uncured default; and
 16. Although the term, the maturity date, and the amortization are anticipated to be for a period of ~~35~~ 40 years, the City may adjust the period of years, subject to the CHP, so that it is coterminous with the senior lender.

The CDBG loan agreement is conditioned upon:

1. Midpark Towers receiving 2021 4% housing tax credit allocation from TDHCA; and
2. Approval of equity, construction and permanent financing documentation in a form acceptable to the City; and
3. HUD federal requirements including environmental review, site and neighborhood standards, cost reasonableness, subsidy layering, and underwriting; and
4. Midpark Towers shall make a good faith effort to comply with the City's Business Inclusion and Development goal of 25 percent participation by certified Minority/Women-owned Business Enterprises for all hard construction expenditures of the Development (i.e. public and private improvements) and meet all reporting requirements of the City of Dallas Office of Business Diversity; and
5. All conditions listed in the CHP for developer programs; and
6. Final underwriting; and
7. Closing on equity and all other financing for the development.

In addition to the City's funds, the DHFC Board of Directors, at its October 19, 2020 board meeting, approved entering into an agreement with EPG. The DHFC approved taking an ownership interest in the development by serving as the general partner of Midpark Towers and co-developer of the

Midpark Towers project. The DHFC would own the land which allows the land and improvements to be tax exempt and provides savings on the operating costs for the development. The DHFC would enter into a long-term ground lease for the land with Midpark Towers. As part of the DHFC's participation, the DHFC will receive a 25 percent share of the developer fee, 30 percent of the cash flow once deferred development fee is paid, and 30 percent of any future sale proceeds. Finally, the DHFC Board of Directors approved serving as the issuer and authorized a preliminary inducement of multifamily mortgage revenue bonds.

Midpark Towers has submitted an application to TDHCA for 2021 4% Non-Competitive Housing Tax Credits (4% Housing Tax Credits) for the development of the Midpark Towers project. The property is currently owned by MPT Towers LLC. TDHCA requires 4% Housing Tax Credit applicants to provide a resolution of no objection from the governing body of the jurisdiction in which the proposed development will be sited. On November 11, 2020, the City Council issued a Resolution of No Objection by Resolution No. 20-1844 for Midpark Towers.

City Council approval of this item will authorize the City Manager to execute the loan agreement and all financing documents related to the loan; and the DHFC to purchase, own, enter into a long-term ground lease, and take an ownership interest in the development. Staff have confirmed the proposed development meets all threshold and underwriting requirements of the standing NOFA application, and recommends City Council approval.

ESTIMATED SCHEDULE OF PROJECT

Construction Commence July 2021
Construction Complete June 2023

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On October 19, 2020, the DHFC Board of Directors approved owning the land, entering into a long-term ground lease, and taking an ownership interest in Midpark Towers, LP and an inducement of multifamily mortgage revenue bonds.

On October 26, 2020, the Housing and Homelessness Committee was briefed on the development and the authorization of a Resolution of No Objection and approved moving forward to City Council for consideration.

On November 11, 2020, following a public hearing, City Council adopted a Resolution of No Objection related to the Development and Developer's 4% Non-Competitive Low Income Housing Tax Credits application to TDHCA by Resolution No. 20-1844.

The Housing and Homeless Solutions Committee was briefed on the development and proposed bond issuance on January 25, 2021.

On January 27, 2021, City Council approved the DHFC's issuance of multifamily revenue bonds and the Tax Equity and Fiscal Responsibility Act (TEFRA) for the Development by Resolution No. 21-0215.

The Housing and Homelessness Solutions Committee was briefed regarding this item on March 22, 2021.

FISCAL INFORMATION

Fund	FY 2020	FY 2021	Future Years
Community Development Block Grant Fund	\$2,500,000.00	\$0.00	\$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 \$
\$2,500,000.00	Construction	32.00%	32.00%	\$630,692.48
• This contract meets the M/WBE goal.				
• Midpark Towers, LP - Local; Workforce - 50.00% Local				

OWNER

Midpark Towers Apts. LP, a formed partnership with Elizabeth Property Group serving as the Special Limited Partner and the DHFC serving as the General Partner of the partnership

Tisha Vaidya, Owner of EPG

Moira Concannon, Owner of EPG

EPG and DHFC will serve as the co-developers.

MAP

Attached