



Legislation Details (With Text)

File #: 22-667 **Version:** 1 **Name:**
Type: CONSENT AGENDA **Status:** Approved as Amended
File created: 3/6/2022 **In control:** Department of Housing & Neighborhood Revitalization
On agenda: 5/11/2022 **Final action:**
Title: Authorize a development loan agreement with LDG The Terrace at Southern Oaks, LP and/or its affiliate, for the development of The Terrace at Southern Oaks, a 300-unit affordable multifamily complex located at 3300 Southern Oaks Boulevard, Dallas, Texas 75216 (Project) - Not to exceed \$7,900,000.00 - Financing: HOME Funds (\$3,500,000.00) and CDBG Funds (\$4,400,000.00)

Sponsors:

Indexes: 4

Code sections:

Attachments: 1. Map, 2. Resolution

Date	Ver.	Action By	Action	Result
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STRATEGIC PRIORITY: Housing & Homelessness Solutions

AGENDA DATE: May 11, 2022

COUNCIL DISTRICT(S): 4

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize a development loan agreement with LDG The Terrace at Southern Oaks, LP and/or its affiliate, for the development of The Terrace at Southern Oaks, a 300-unit affordable multifamily complex located at 3300 Southern Oaks Boulevard, Dallas, Texas 75216 (Project) - Not to exceed \$7,900,000.00 - Financing: HOME Funds (\$3,500,000.00) and CDBG Funds (\$4,400,000.00)

BACKGROUND

LDG The Terrace at Southern Oaks, LP and/or its affiliate (Applicant) submitted a Proposal under the City's Notice of Funding Availability (NOFA), as amended, to receive gap financing in the form of a loan to support the construction of a 300-unit affordable multifamily complex located within the City limits. The NOFA was issued by the Department of Housing & Neighborhood Revitalization (Housing) in accordance with the City's Comprehensive Housing Policy (CHP).

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 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. The applicant received a fundable score of 96 points.

On September 22, 2021, City Council authorized a Resolution of No Objection for 4% housing tax credits for the Project; however, the Project did not receive a bond reservation from the Texas Bond Review Board and will subsequently no longer qualify for 4% housing tax credits. The State allocation of bonds is oversubscribed by about \$2 billion so it is not surprising the Applicant did not receive an allocation for this project this year. Bond reservations are given via lottery and the fact that the Project did not receive a bond reservation is not indicative of its quality or economic viability. The Applicant will now fund the Project using conventional debt and equity sources in conjunction with the NOFA funding.

The general partner of the Applicant will be LDG The Terrace at Southern Oaks, GP, LLC, a to be formed single asset entity with the Dallas Housing Finance Corporation (DHFC) as 100% owner. LDG The Terrace at Southern Oaks, SLP, LLC, a to be formed limited liability company or its affiliate with Texas Quad, 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 an equity investor once identified.

LDG Development, LLC (LDG), or its affiliate, will serve as the developer and guarantor of the project. LDG has successfully completed over 77 multifamily properties totaling 13,673 units and is currently developing two other workforce housing developments in partnership with the City and the DHFC totaling 480 units. The proposed property manager is Capstone Real Estate Services, Inc. (Capstone). Capstone is a professional management company based in Austin, TX that currently manages 35,000 multifamily units including over 21,000 affordable units.

The Applicant proposes to develop 300 mixed-income multi-family units on 22 acres. The 300 units are comprised of 36 1-bedroom, 132 2-bedroom, 120 3-bedroom units, and 12 4-bedroom units. The units will include energy efficient appliances, washer/dryer hookups, covered entries/patios, and other Class A features. The Project will also include controlled gate access, a multipurpose community room, swimming pool, fitness center, theater room, children's playscape, full perimeter fencing a gazebo area, picnic areas with grills, and landscaped walking paths.

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

1. 12 hours per week of after school tutoring;
2. 4 hours per week of adult financial literacy courses;
3. Food pantry;
4. Annual health fair and flu shots;
5. Notary services;
6. Arts and crafts programming twice a month;
7. Organized social gatherings twice a month; and

8. Weekly chore and preventative maintenance for elderly and disabled residents.

The Applicant has consulted with the Office of Innovative 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.

The site is situated conveniently near the intersection of Interstate Highway 45 and East Illinois Avenue, roughly 4 miles south of Downtown Dallas. There are nine different DART stops within 1/4 mile that surround the development, making it easy to access via transit. In addition to the ease of access via transit, the site is located directly across the street from John C. Phelps Community Park, a 20+ acre park and is within walking distance to J.P. Phelps Math Science and Technology elementary school (Great Schools rated 8). The site does not require a zoning change as it is currently zoned MU-2 (Multifamily and Retail).

The Market Value Added (MVA) market type is uncategorizable as it is vacant land. The MVA market types of the adjacent neighborhoods are 'G', 'H', 'I' ranging from 26% to 60.00% owner-occupied housing. The nearby multifamily developments have MVA market types of 'H' and 'G'. The introduction of a new, Class A mixed-income multifamily development will provide significant market pressure on the existing housing stock to provide substantial renovations and services to remain competitive. Because the site is already zoned as multifamily, addition of quality mixed-income housing units on that site will ensure affordability as the surrounding area continues to be developed.

Total development costs are anticipated to be approximately \$70,148,000.00 which includes the acquisition price for the land. The construction budget is anticipated to be approximately \$51,167,527.00 which is \$170,558.42 per unit.

Proposed Financing Sources	Amount
Construction Loan Financing	\$53,148,000.00
Investor Equity	\$ 9,358,743.00
City of Dallas CDBG Loan	\$ 4,400,000.00
City of Dallas HOME Loan	\$ 3,500,000.00
Total	\$70,406,743.00

Proposed Uses	Costs
Acquisition	\$ 3,626,370.00
Total Const. Costs	\$51,167,527.00
Financing Fees, Soft Costs	\$12,042,509.00
Developer Fee	\$ 3,520,337.00
Total	\$70,406,743.00

After the development is complete, 153 of the 300 units will be made available to households earning 0.00%-80.00% of Area Median Income (AMI), of which 20 will be HOME-assisted units for a minimum of 20 years, and 147 of the 300 units will not be income restricted. In addition, 40% of the market rate units will serve residents at 140% (annual income of \$106,800.00).

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

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On March 8, 2022, the DHFC Board of Directors approved a partnership term sheet with the Applicant to develop and own the Project.

[The Housing and Homelessness Solutions Committee was briefed regarding this matter on April 25, 2022. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=10833926&GUID=C877CF58-704A-4E82-B265-ACDCF2C969BE>](https://cityofdallas.legistar.com/View.ashx?M=F&ID=10833926&GUID=C877CF58-704A-4E82-B265-ACDCF2C969BE)

FISCAL INFORMATION

Fund	FY 2022	FY 2022	Future Years
HOME Fund	\$3,500,000.00	\$0.00	\$0.00
CDBG Fund	\$4,400,000.00	\$0.00	\$0.00
Total	\$7,900,000.00	\$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 \$
\$51,167,527.00	Construction	32.00%	32.00%	\$16,373,608.64
• This contract meets the M/WBE goal.				
• LDC Multifamily, LLC - Non-Local; Workforce - 0.00% Local				

MAP

Attached