Legislation Details (With Text)

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On agenda:	6/22/2022			**Final action:**	
Title:	Authorize the Dallas Public Facility Corporation to acquire, develop, and own Standard Shoreline, a mixed-income, multifamily development to be located at 10715 Garland Road (Project) and enter into a seventy-five-year lease agreement with OP Acquisitions, LLC or its affiliate for the development of the Project - Financing: No cost consideration to the City ..title				
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Date	Ver.	Action By	Action	Result

STRATEGIC PRIORITY: Housing & Homelessness Solutions

AGENDA DATE: June 22, 2022

COUNCIL DISTRICT(S): 9

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize the Dallas Public Facility Corporation to acquire, develop, and own Standard Shoreline, a mixed-income, multifamily development to be located at 10715 Garland Road (Project) and enter into a seventy-five-year lease agreement with OP Acquisitions, LLC or its affiliate for the development of the Project - Financing: No cost consideration to the City

BACKGROUND

OP Acquisitions, LLC (Applicant), a Texas limited liability company, submitted an application to the Dallas Public Facility Corporation (Corporation) for the development of the Standard Shoreline, a 300 -unit mixed income multifamily development to be located at 10715 Garland Road (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 50.00% of the units for residents earning at or below 80.00% of the

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area median income (AMI). The Project will reserve a minimum of 51.00% of the units for residents earning at or below 80.00% AMI and 49.00% of the units will be market rate.

The Applicant will be a limited liability company owned by Ojala Partners, LP (Ojala). Ojala, a limited partnership authorized to do business in Texas, is a real estate development firm that specializes in mixed-income and workforce multifamily projects throughout Texas. Ojala has completed 17 mixed-income developments totaling almost 5,000 units using the Public Facility Corporation structure and other affordable housing programs.

The Project will consist of 300 residential units including 282 multifamily units and 18 single family rental units. The anticipated unit mix includes 69 studio units, 141 1-bedroom units, 81 2-bedroom units, and nine (9) 3-bedroom units. The units will include energy efficient appliances, granite countertops, in-unit washer/dryers, and other Class-A features. The Property will also include a swimming pool with outdoor grills and fire pits, fitness center, business and conference rooms, a common area lounge, and approximately 3,000 square feet of creative office and artist space along the property's Garland Road frontage. The Project requires a zoning change. Further Council action will be required to approve the zoning change. The Market Value Analysis (MVA) market type is uncategorizable as the land is not currently developed with residential uses.

The Applicant is consulting with the Office of Innovative Public Safety Solutions (OIPSS) for security input, community activities and the Crime Prevention Through Environmental Design (CPTED). 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 site is currently owned and occupied by Shoreline Church. Because Shoreline Church is not subject to property taxes, this proposed DPFC development does not result in any foregone revenues of the City.

The anticipated unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
Studio	80.00%	35	$1,246.00
Studio	Market	34	$1,275.00
1BR	80.00%	72	$1,335.00
1BR	Market	69	$1,425.00
2BR	80.00%	41	$1,602.00
2BR	Market	40	$1,815.00
3BR	80.00%	5	$1,852.00
3BR	Market	4	$2,240.00

The 80.00% AMI rents are meant to provide housing to the "missing middle" of the market: residents that earn above 60.00% AMI but would be cost burdened by market rents. These incomes range from approximately $49,840.00 to $71,200.00 in the City based on family size. These incomes represent a wide variety of employment sectors including, but not limited to, teachers, first responders,

government employees, etc.

Total development costs are anticipated to be approximately $66,419,868.00 which includes the acquisition price for the land. The development budget less soft/financial costs is anticipated to be approximately $57,972,785.00, which is $193,243.00 per unit.

Proposed Financing Sources	**Amount**
Construction Loan	$ 48,572,985.00
Developer/Investo	$ 16,190,995.00
Total	$ 64,763,980.00
Proposed Uses	**Amount**
Development	$57,972,785.00
Soft Costs	$6,430,663.00
Financial Costs	$2,016,420.00
Total	$66,419,868.00

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 $10,739,636.00 over the initial 15 years of the lease. This includes (1) a $250,000.00 structuring fee paid at closing; (2) 15 years of lease payments starting at $200,000.00 and increasing by 2.00% in years 2-10 annually; (3) lease payments in years 11-75 that will increase by the Consumer Price Index (CPI) with a cap of 3.00%; (4) a 15.00% sales commission after repayment of debt, equity, and preferred equity returns upon first sale of the Project anticipated in year 15 of the lease term and estimated at $5,081,491.00 in proceeds to the DPFC, and (5) a 2.00% sales commission on all future sales. In the event of a sale throughout the life of the Project, the Corporation will continue to receive the annual lease payments. Upon termination of the 75-year lease, the Project will be owned free and clear by the Corporation. The revenues of the Corporation will be used to fund operations and the provision of additional affordable and workforce housing throughout the City.

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. 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 Corporation's 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

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Facility is in furtherance of the City of Dallas's Comprehensive Housing Policy (CHP), as amended.

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. Staff recommend approval of this item to allow this mixed-income housing development to move forward.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On March 22, 2022, 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 May 23, 2022.

FISCAL INFORMATION

No Cost Consideration to the City

MAP

Attached

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