



Legislation Text

File #: 20-403, Version: 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: February 26, 2020
COUNCIL DISTRICT(S): 6
DEPARTMENT: Office of Economic Development
EXECUTIVE: Michael Mendoza

SUBJECT

Authorize **(1)** the adoption of a Resolution of Support for Dallas Stemmons, Ltd., an affiliate of Palladium USA International, Inc. (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 Dallas Stemmons Apartments; 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

Dallas Stemmons, Ltd., an affiliate of Palladium USA International, Inc. (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 Dallas Stemmons Apartments, a ground-up development of an 87-unit mixed income multifamily complex located at 11070 North Stemmons Freeway, Dallas, Texas 75229. Palladium USA International, Inc., an affiliate of applicant, has executed a purchase contract with RWS Land 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 to be formed Texas limited partnership, is proposing to develop Dallas Stemmons Apartments. The Applicant proposes to have the City of Dallas Housing Finance Corporation (DHFC) serve as 65% owner of the general partner entity and a to be determined company certified as a Texas Historically Underutilized Business (HUB) as 35% owner of the general partner entity, subject to the approval of the DHFC Board of Directors. The Applicant proposes the limited partnership include Dallas Stemmons SLP, LLC, a to be formed limited liability company with Palladium USA International, Inc. (Palladium) as 100% owner of the Special Limited Partner (SLP). Additionally, a limited partner will be admitted to the partnership once a tax credit investor is identified. Palladium, DHFC, and HUB will serve as co-developers.

The proposed property manager is Omnium Management Company, a United States subsidiary of the Palladium Group. Palladium has been developing, building, and managing quality multifamily and senior rental communities throughout Texas since 1992. Palladium has expertise in market rate, workforce housing, 9% Housing Tax Credits, and senior independent living.

The Applicant proposes to develop 87 units. The 87 units will be comprised of 42 1-bedrooms, 36 2-bedrooms, and 9 3-bedrooms. The interior will include 9-foot ceilings and granite countertops. Planned amenities feature a swimming pool, fitness center, business center, and controlled access gates.

Total development costs are anticipated to be approximately \$20,020,169.00 which includes the acquisition price for the land. The hard cost construction budget is anticipated to be \$12,607,941.00 which is \$144,919.00 per unit. The total construction amount includes a 4.58% contingency.

Proposed Financing Sources	Estimated Amount
Permanent Loan	\$5,919,000.00
Housing Tax Credits Equity	\$13,028,358.00
Deferred Developer Fee	\$1,072,811.00
Total	\$20,020,169.00

Proposed Uses	Estimated Costs
Acquisition	\$2,225,000.00
Hard Construction Costs	\$12,607,941.00
Soft Costs & Financing Fees	\$2,361,978.00
Developer Fees	\$2,141,133.00
Reserves	\$684,117.00
Total	\$20,020,169.00

After the development is complete, 9 of the 87 units will be made available to households earning 0%-30% of Area Median Income (AMI), 35 of the 87 units will be made available to households earning between 31%-50% of AMI, and 43 of the 87 units will be made available to households earning between 51%-60% of AMI.

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 Housing Tax Credits 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 Funds, 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 HUB, its proximity of amenities to the development site, and resident services to be provided.

Dallas Stemmons Apartments is qualified to receive a staff recommendation for a resolution of support as it is a priority housing need development located in a census tract with a poverty rate less than 20% (Census Tract 48113009900) and met the required application thresholds. The proposed site has insufficient data to provide a Market Value Analysis market type, but is surrounded by B, D, and E market types.

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