



Legislation Text

File #: 20-228, Version: 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: February 26, 2020
COUNCIL DISTRICT(S): 1
DEPARTMENT: Office of Economic Development
EXECUTIVE: Michael Mendoza

SUBJECT

Authorize **(1)** adoption of a Resolution of Support for S Zang, LP, or its affiliate ("Applicant"), related to its application to the Texas Department of Housing and Community Affairs for 9% Competitive Low Income Housing Tax Credits ("LIHTC") for the acquisition and redevelopment of the HighPoint at Wynnewood Apartments; **(2)** a line of credit for the proposed multifamily development in an amount not to exceed \$500.00 related to the Resolution of Support; and **(3)** an amended and restated redevelopment loan agreement with the Applicant (originally with WCH Limited Partnership, the current owner of the property) for low income housing for families at the Parks at Wynnewood, to **(a)** require the Applicant to obtain 2020 9% Low Income Housing Tax Credit for the HighPoint at Wynnewood Apartments; **(b)** extend the timeline for completion by 10 years, to 2027; **(c)** extend the maturity date by 10 years, to 2027; **(d)** lower the number of units to be built from 160 to 120; **(e)** require a 15 year affordability period; **(f)** allow for the forgiveness of the remaining balance of \$418,750.00 upon satisfaction of the loan terms; and **(g)** require the Applicant to provide onsite classes for adults, career development/job training, annual health fairs, and a one-time set aside in the amount of \$50,000.00 for social services, as consideration to the City for such amendments - Not to exceed \$500.00 - Financing Public/Private Partnership Fund

BACKGROUND

The Parks at Wynnewood is a three-phase redevelopment of a 48-acre site located near the intersection of South Zang Boulevard and West Illinois Avenue ("Project"). Two phases of the Project have been completed. The first phase (Phase 1), named HighPoint Seniors, was comprised of 140 units of senior housing, financed, in part, with 9% LIHTC and was completed in December 2013. The second phase (Phase II), named HighPoint Family Living, is comprised of 161 units of family housing, financed, in part, with 9% Low Income Housing Tax Credit ("LIHTC") and was completed in June 2016.

On December 31, 1993, the WCH Limited Partnership ("Partnership") obtained a housing redevelopment loan from the City in the original principal amount \$1,080,000.00 ("Loan"). The Loan bore interest at 6.25%. Under the original loan terms, unpaid principal and accrued interest was due

and payable on July 1, 2010; repayment was later extended to 2012. Between the Loan's origination and 2011, the Loan accrued interest of \$1,113,750.00, resulting in an outstanding balance of \$2,193,750.00. In 2011, City Council approved a modification to the Loan whereby \$850,000.00 of the then outstanding balance was forgiven in exchange for a lump sum payment by the Partnership of \$500,000.00 to be applied to the Loan balance. It also required the Partnership to repay the then remaining balance of \$843,750.00 as a five year, 0% interest loan. In 2012 and in 2013, City Council authorized various amendments to the Loan agreement including but not limited to partial assumptions and partial forgiveness of Loan balance and repayment to the City in the amount of \$125,000.00 for design services provided by the City Design Studio.

Lastly, on February 22, 2017, City Council approved the assumption of Loan by Wynnewood Senior Housing II, LP, a related party of Banc of America Community Development Corporation ("BACDC"), and forgiveness of the then outstanding balance, conditioned upon the successful award of 2017 LIHTC, which would have left a zero balance. This would have been the 3rd Phase of redevelopment with Phase I and Phase II complete. The Project was not granted a 2017 LIHTC award. The Loan matured on July 3, 2017 and currently has an unpaid principal amount of \$418,750.00 due to the City. The loan is secured by a third lien on the property.

The reason why the Project went back to City Council many times between 1993-2017, was to re-authorize the Project requirements when the Partnership was unable to obtain the tax credits.

S Zang, LP or affiliate ("Applicant") would like to purchase the property from the Partnership. The Partnership and Applicant requests that the City provide a Resolution of Support for the Applicant to obtain 2020 9% LIHTC's and to restate and amend the terms of a housing development loan for the redevelopment of the Parks at Wynnewood to:

- Extend the timeline for completion by **10** years;
- Lower the number of units to be built from **160** to **120**;
- Extend the maturity date by **10** years;
- Require the Applicant to obtain 2020 9% LIHTC for the HighPoint at Wynnewood Apartments;
- Require a 15 year affordability period to enforced by deed restrictions;
- Include additional resident services as consideration to the City for such amendments; and
- Allow forgiveness of the remaining balance upon satisfaction of the loan terms.

Resident services will be provided during the affordability period and will include organized onsite classes for adults, contracted career training and placement partnerships, food pantry accessible to residents, annual health fair, case management for elderly, disabled, or special needs tenants, and a one-time set aside of \$50,000.00 for other social services.

The Partnership and Applicant also request that the City authorize the sale of the property from the Partnership to the Applicant to allow Applicant to receive a Resolution of Support for its housing tax credit application to the Texas Department of Housing and Community Affairs ("TDHCA").

Applicant submitted a pre-application to TDHCA for 2020 9% Competitive Housing Tax Credits ("HTC") (9% HTC) for the third phase of the acquisition and redevelopment of the Project, an existing multifamily complex with an original total of 404 affordable units located at 1805 South Zang Boulevard or 1911 Pratt Street, Dallas, Texas 75224 to be renamed HighPoint at Wynnewood. The

property is currently owned by the Partnership and under contract with Applicant. The Partnership has completed phase one, HighPoint Seniors, and phase two, HighPoint Family, of the overall redevelopment of the Parks at Wynnewood.

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.
- **7** points if the development is located in an area with a Concerted Revitalization Plan (“CRP”) such as a Tax Increment Financing district or Land Use Plan and receives (1) a letter from a local official documenting measurable improvements within the area; and (2) a resolution by the municipality that affirms the development contributes more than any other development to the concerted revitalization efforts of area.

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 partnership, is proposing to acquire, redevelop and manage the HighPoint at Wynnewood Apartments. The Applicant proposes the limited partnership includes S Zang GP, LLC as general partner, an entity to include as members Auxano Development, LLC (“Auxano”), a Texas limited liability company, MVAH Holding, LLC, a Georgia limited liability company, and BACDC, a North Carolina corporation. BACDC will also be admitted to the limited partnership as limited partner and investor. Auxano, MVAH Development, LLC, and BACDC will serve as co-developers.

The proposed property manager is MVAH Management, LLC, an affiliate of MVAH Partners (“MVAH”). MVAH has been developing, building, and managing quality multifamily and senior rental communities in the Midwest and the Southeast for more than 20 years. MVAH has expertise in workforce housing, 9% HTC, and senior independent living.

The Applicant proposes to develop 120 units. The 120 units will be comprised of 30 1-bedrooms, 66 2-bedrooms, and 24 3-bedrooms in garden style buildings. 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 \$24,392,423.00 which includes the acquisition price for the apartment complex. The hard cost construction budget is anticipated to be \$17,358,713.00 which is \$144,656.00 per unit. The total construction amount includes 4% contingency.

Proposed Financing Sources	Estimated Amount
Permanent Loan	\$5,500,000.00
Housing Tax Credits Equity	\$18,398,160.00
Deferred Developer Fee	\$494,263.00
Total	\$24,392,423.00

Proposed Uses	Estimated Costs
Acquisition	\$1,000,000.00
Hard Construction Costs	\$17,358,713.00
Soft Costs & Financing Fees	\$2,794,321.00
Reserves	\$484,441.00
Total	\$24,392,423.00

After the acquisition and redevelopment is complete, 13 of the 120 units will be made available to households earning 0%-30% of Area Median Income ("AMI"), 49 of the 120 units will be made available to households earning between 31%-50% of AMI, 52 of the 120 units will be made available to households earning between 51%-60% of AMI, and 6 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, Resolution No. 19-0884 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. 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, HOME Funds, or General Obligation Bond Funding;
- The applicant intends to partner with the DHFC 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.

HighPoint at Wynnewood is qualified to receive a staff recommendation for a resolution of support as it is a priority housing need development located in the Wynnewood Redevelopment target area identified in the CHP and met all application thresholds. The proposed site is in a G market type surrounded by D, F, and H market types per the Market Value Analysis.

HighPoint at Wynnewood is located in the Wynnewood Redevelopment Reinvestment Strategy Area, as defined in the CHP adopted by City Council on May 9, 2018, by Resolution No. 18-0704, as amended. The Wynnewood Redevelopment Area is also defined in the Wynnewood Urban Design Guide adopted by City Council on April 8, 2015 by Resolution No. 15-0703. The project is qualified to receive additional CRP points from TDHCA as being the development that contributes most significantly to the concerted redevelopment of the City. Staff recommends Council affirms within the Resolution of Support that the development contributes most significantly to the concerted revitalization efforts of the area.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On January 11, 1989, City Council authorized execution of a participation contract between the City of Dallas and NationsBank to allow NationsBank to act as an administrative agent for the City’s Rental Rehabilitation Program to receive and disburse funds at the direction of the City for the funding of Program loans and grants by Resolution No. 89-0192.

December 31, 1993, the City of Dallas executed a housing redevelopment loan agreement with WCH Limited Partnership, a Texas Limited Partnership, comprised of two parties: Wynnewood Community Housing Corporation and NationsBank Community Development Corporation, in the amount of \$1,080,000.00 for The Parks at Wynnewood.

On September 7, 2011, City Council authorized an amendment to the Loan by providing the City’s local financial support in the form of forgiveness of an existing loan on the Parks at Wynnewood; and whereby \$850,000.00 of the then outstanding balance was forgiven in return for a \$500,000.00 lump sum repayment and an agreement from the developer to repay the remaining balance as a five year, 0% interest loan by Resolution No. 11-2360 whereby \$850,000.00 of the then outstanding balance was forgiven in return for a \$500,000.00 lump sum repayment and an agreement from the developer to repay the remaining balance as a five year, 0% interest loan by Resolution No. 11-2360.

On June 13, 2012, City Council authorized forgiveness of \$850,000.00 of the current balance of the loan; to receive a partial payment of \$500,000.00, to amend the terms of the \$843,750.00 remaining balance of the loan to a five-year, 0% interest loan; and to reimburse the City \$125,000.00 for master planning for the Parks at Wynnewood and the Wynnewood Village Shopping Center, with all amended terms subject to certain conditions to be negotiated in future definitive agreements by Resolution No. 12-1589.

On February 27, 2013, City Council authorized a resolution in support of TDHCA's 9% LIHTC allocation for Wynnewood Family Housing, located at 2048 South Zang Boulevard, for the acquisition and new construction of the proposed 160-unit multifamily residential development for low income families; and an amendment to the terms of a housing redevelopment loan provided for The Parks at Wynnewood located at 1910 Argentia Drive to forgive \$425,000.00 of the current balance of the loan conditioned on the award of 2013 9% LIHTC by Resolution No. 13-0461.

On February 22, 2017, City Council considered and approved the assumption of the City of Dallas Loan by Wynnewood Senior Housing II, LP, and affiliate of BACDC, and forgiveness of the remaining balance, conditioned upon the successful award of 2017 LIHTC by Resolution No. 17-0444.

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