



Legislation Text

File #: 20-2376, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: February 24, 2021
COUNCIL DISTRICT(S): 3
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

A public hearing to receive comments regarding an application by TX Westmoreland 2020, Ltd. to the Texas Department of Housing and Community Affairs (TDHCA) for the 2021 4% Non-Competitive Housing Tax Credits for Westmoreland Station located at 2700 South Westmoreland Drive; and, at the close of the public hearing, authorize **(1)** a Resolution of No Objection for TX Westmoreland 2020, Ltd. or its affiliate, related to its application to TDHCA for the acquisition and new construction of improvements to be known as Westmoreland Station; and **(2)** HOME Investment Partnerships Funds (HOME) and Community Development Block Grant Funds (CDBG) development loan agreements and security documents in an amount not to exceed \$3,000,000.00 in CDBG funds and \$5,000,000.00 in HOME funds with TX Westmoreland 2020, Ltd., or an affiliate thereof, and City of Dallas Housing Finance Corporation, or an affiliate thereof (DHFC), conditioned upon TX Westmoreland 2020, Ltd. 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 TX Westmoreland 2020, Ltd., and take an ownership interest in TX Westmoreland 2020, Ltd. for the development of a mixed-income multifamily complex located at 2700 South Westmoreland Drive - Total not to exceed \$8,000,000.00 - Financing: HOME Funds (\$5,000,000.00) and Community Development Block Grant Funds (\$3,000,000.00)

BACKGROUND

Resolutions of No Objection from the governing body of a municipality for the 4% Housing Tax Credit Program are required for the development to move forward with TDHCA. In compliance with the Qualified Allocation Plan issued by the TDHCA and the Texas Government Code §2306.67071, the governing body of the municipality must hold a public hearing to receive comments on 4% Housing Tax Credits, prior to approving a Resolution of No Objection. This item satisfies that requirement.

TX Westmoreland 2020, Ltd. (TX Westmoreland) an affiliate of Generation Housing Partners, LLC

(GHP) and Hill Tide Development, LLC (HTD) 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 new development of affordable, transit-oriented 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).

Housing administers programs to seek 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. TX Westmoreland received a fundable score of 93 points.

TX Westmoreland proposes to allow the DHFC or its affiliate to acquire the site at 2700 South Westmoreland Drive and subsequently enter into a long-term lease for the property. The development includes construction of 248 new units. The 248 units will be dispersed equitably by bedroom size and amongst income bands throughout the development. The proposed development includes a three-story, Class "A" building with several sustainable design features including but not limited to the following: Energy Star appliances, high-efficiency Heating/Ventilation/Air Conditioning systems, and low-flow fixtures. Additionally, all units will feature an "open concept design" to maximize versatility of floor space. Ground floor units will have direct access to street level sidewalks thus enhancing access to the Westmoreland DART Station. Planned amenities include a community center, a resort-style swimming pool, a community garden, a theatre room, event space, a fitness center, and co-working business/entrepreneurial space to be available for the residents and the community.

Total development costs are anticipated to be approximately \$52,564,106.00 which includes the \$3,000,000.00 acquisition price for the land. The anticipated sources and uses are as follows:

Financing Sources	Amount
Conventional Loan/USDA	\$28,000,000.00
City of Dallas CDBG	\$ 3,000,000.00
City of Dallas HOME	\$ 5,000,000.00
Low Income Housing Tax Credit Equity	\$14,961,446.00
Deferred Developer Fee	\$ 1,602,660.00
	\$52,564,106.00

Proposed Uses	Costs
Acquisition	\$ 3,000,000.00
Construction Costs	\$33,466,398.00
Soft Costs & Financing Fees	\$ 8,789,987.00
Developer Fees	\$ 5,921,000.00
Reserves	\$ 1,386,721.00
	\$52,564,106.00

The City proposes to provide an amount not to exceed \$8,000,000.00 in gap financing for the acquisition and construction of the development. The funds will be funded from two sources:

1. \$5,000,000.00 in HOME funds; and
2. \$3,000,000.00 in CDBG.

Repayment terms will be an annual surplus cash payment. The City's surplus cash loans funding will be structured with note provisions requiring that at least 50 percent of Eligible Cash in excess of \$50,000.00 be paid annually to subordinate lenders (including funding partners and related parties) on a prorated basis.

As a requirement for the loan, TX Westmoreland must provide at least 223 of the 248 units to households earning at or below 80 percent of Area Median Income (AMI) as defined by the U.S. Department of Housing and Urban Development (HUD). These affordable units must remain affordable for a minimum of 20 years. The remaining units will be market rate. Additionally, in conformance with Dallas City Code, TX Westmoreland shall set aside at least 10 percent of the total units, which for this development is 25 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 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 other allowable development costs, as allowed by federal regulations governing the use of the funds and the CHP. The HOME funds will be used for hard and soft construction cost, in accordance with the CHP and the regulations. All funds will be provided on a reimbursable basis. The terms of the loan agreements are as follows:

1. The term of the loan agreement(s) is 35 years beginning from the effective date; and
2. The term of the loan(s) shall be 35 years and ends on the maturity date. The maturity date and the repayment schedule shall be defined/detailed in the loan agreement(s) and other financing documents for the loan(s), in accordance with the CHP; and
3. TX Westmoreland shall complete construction of the 248 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. 223 of the 248 units to households earning at or below 80 percent AMI; and
5. Loan amortization is 35 years, with an interest rate of 1 percent simple annual interest; and
6. TX Westmoreland must execute a promissory note(s) for the total loan amount(s); and
7. The owner of the property, DHFC, and TX Westmoreland shall execute and record deed

- restrictions on the property. The deed restrictions may be subordinate to deed restrictions issued by TDHCA or HUD and to other financing (without waiving compliance with such deed restrictions), and shall be recorded to secure the 20-year affordability period for the affordable HOME/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 TX Westmoreland 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 HOME and CDBG loan agreement(s) are met; and
 9. The City's lien or liens for loan agreements 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
 10. A default under the HOME loan agreement shall constitute a default under the CDBG loan agreement, and vice versa; and
 11. DHFC shall purchase and own the land, enter into a long-term ground lease with TX Westmoreland, and take an ownership interest in TX Westmoreland for the development of a mixed-income multifamily complex located at 2700 South Westmoreland Drive; and
 12. GHP, HTD, and Monarch Private Investments, LLC shall provide guarantees including a completion and operating deficit guaranty for the loan agreements; and
 13. TX Westmoreland 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 loans 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 HOME and CDGB loan shall be a nonrecourse loan and the City's remedies 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 years, the City may adjust the period of years so that it is conterminous with the senior lender.

The HOME/CDBG loan agreements are conditioned upon:

1. TX Westmoreland 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
5. TX Westmoreland 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
7. All conditions listed in the CHP for developer programs; and
8. Final underwriting; and
9. 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 GHP. The DHFC approved taking an ownership interest in the development by serving as the general partner of TX Westmoreland once current members are withdrawn. 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 TX Westmoreland. 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.

TX Westmoreland intends to submit an application to TDHCA for 2021 4% Non-Competitive Housing Tax Credits (4% Housing Tax Credits) for the development of Westmoreland Station. The property is currently owned by A S 131 Westmoreland Ave Glenfield St, LP, a Texas limited partnership. 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. As part of these TDHCA requirements, the governing body must also conduct a public hearing for citizens to provide comment on the proposed development. Once a resolution is adopted and submitted to TDHCA, then it cannot be changed or withdrawn.

TX Westmoreland 2020 GP, LLC, will be the general partner with the DHFC as its sole member once GHP and HTD are withdrawn as members. An amended and restated agreement of limited partnership will be executed to admit the tax credit equity investor as special limited partner or investor member once identified. GHP and HTD will serve as the co-developers.

The proposed property manager is Alpha-Barnes Real Estate Services II, LLC (Alpha Barnes). Alpha Barnes has over 30 years' experience and expertise including developing multifamily properties. Currently, Alpha Barnes manages over 24,000 units in Texas, Oklahoma and Arkansas.

On May 9, 2018, City Council adopted the CHP, by Resolution No. 18-0704, as amended on November 28, 2018 (among other amendments), City Council authorized amendments to the CHP by Resolution No. 18-1680 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 developments seeking Housing Tax Credits through TDHCA by Resolution No. 19-0884. The modified evaluation criteria include standard thresholds for both 4% and 9% Housing Tax Credit applications such as evidence of site control, TDHCA minimum site standards, affirmatively further fair housing, and other requirements.

City Council approval of this item will authorize a Resolution of No Objection to the application to TDHCA for 4% Housing Tax Credits, the City Manager to execute the loan agreement(s) and all financing documents related to the loans; 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 requirements for a Resolution of No Objection, 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 TX Westmoreland 2020, Ltd. and an inducement of multifamily mortgage revenue bonds.

The Housing and Homelessness Solutions Committee will be briefed regarding this item on February 22, 2021.

FISCAL INFORMATION

Fund	FY 2020	FY 2021	Future Years
Community Development Block Grant Fund	\$3,000,000.00	\$0.00	\$0.00
HOME Investment Partnerships Fund	\$5,000,000.00	\$0.00	\$0.00
Total	\$8,000,000.00	\$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 \$
\$8,000,000.00	Construction	32.00%	32.00%	\$2,560,000.00
• This contract meets the M/WBE goal.				
• Tx Westmoreland 2020, Ltd. - Local; Workforce - 50.00% Local				

OWNER

TX Westmoreland 2020, Ltd.

TX Westmoreland 2020 GP, LLC is the general partner, a formed entity with GHP and HTD as

members.

GHP and HTD will serve as the Developer.

Adrian Iglesias, President of GHP

Chris Applequist, Vice-President of GHP

MAP

Attached