File #: 22-49, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality

AGENDA DATE: January 26, 2022

COUNCIL DISTRICT(S): 3

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize the Dallas Public Facility Corporation to acquire, develop, and own the Mountain Creek Apartments, a mixed-income, multifamily development to be located at the intersection of Mountain Creek Parkway and Interstate 20 (Project) and enter into a seventy-five-year lease agreement with the Applicant or its affiliate for the development of the Project - Estimated Revenue Forgone: General Fund $118,575.00

BACKGROUND

The NRP Holdings LLC (NRP) submitted an application to the Dallas Public Facility Corporation (Corporation) for the development of the Mountain Creek Apartments, a 324-unit mixed income multifamily development to be located at the intersection of (Project). The Corporation will own the site and improvements and lease the Project back to an affiliate of NRP. 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 area median income (AMI). The Project will reserve 50.00% of the units for residents earning at or below 80.00% AMI and 50.00% of the units will be market rate.

NRP is the 5th largest multifamily developer and the 3rd largest multifamily general contractor in the country. Since 1994, NRP has developed over 45,000 apartment homes and currently manages over 23,000 apartment homes throughout the country. NRP is a leader in the provision of mixed-income, workforce housing using the Public Facility Corporation structure in the State of Texas.

The Project will consist of 324 units including 189 1-bedroom, 117 2-bedroom, and 18 3-bedroom units. The units will include energy efficient appliances, quartz countertops, in-unit washer/dryers, and other Class-A features. The Property will also include a multipurpose community room, business center/conference rooms, resort-style swimming pool, fitness center, dog park, coffee bar, and private yards, amongst other amenities. The Project does not require a zoning change and will serve as an economic development catalyst for remaining development on the site which will include for-sale single family and townhome residences. A preliminary site plan for the area is attached as **Exhibit A**. The market rate rents will also set new competitive rates to spur additional economic development in the area. The Market Value Analysis (MVA) market type is uncategorizable as it is undeveloped land.

The unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
1BR	80.00%	93	$1,175.00 - $1,475.00
1BR	Market	94	$1,450.00 - $1,525.00
2BR	80.00%	59	$1,650.00 - $1,700.00
2BR	Market	58	$1,825.00 - $1,925.00
3BR	80.00%	9	$1,725.00
3BR	Market	9	$1,900.00

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 $64,030,497.00 which includes the acquisition price for the land. The construction budget is anticipated to be approximately $46,143,432.00 which is $142,418.00 per unit.

Proposed Financing Sources	Amount
Construction Loan	$ 41,619,823.00
Developer/Investor Equity	$ 22,410,674.00
Total	$ 64,030,497.00

Proposed Uses	Amount
Acquisition/Offsite Costs	$ 3,564,000.00
Construction	$ 46,143,432.00
Pre-Development Costs	$ 288,310.00
Architecture/Engineering	$ 1,538,000.00
Permits/Fees	$ 814,214.00
Furniture, Fixtures & Equipment	$ 730,000.00
Marketing	$ 401,500.00
Legal & Professional Services	$ 2,056,500.00
Other Development Costs	$ 786,336.00
Development Fee	$ 2,165,282.00
Contingency	$ 3,982,676.00
Interest & Operating Reserves	$ 1,560,247.00
Total	$ 64,030,497.00

The Project will be owned by the Corporation and leased to NRP 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 $5,260,093.00 over the initial 15-years of the lease. This includes (1) a $350,000.00 structuring fee paid at closing; (2) 7 years of post-stabilization lease payments starting at $267,000.00 and increasing by 2.5% annually; (3) lease payments in years 11-75 that will increase by the Consumer Price Index (CPI); (4) a $500,000.00 sales commission upon first sale of the Project, and (5) a 1.00% sales commission on all future sales. The first potential sale is estimated to generate approximately $799,669.00. 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 affordable and workforce housing throughout the City.

The Corporation's estimated revenues were calculated by the Corporation's financial advisors. The financial advisors also confirmed that but for the ad valorem tax exemption, the Project would not be economically feasible. 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 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 November 18, 2021, the Dallas Public Facility Corporation Board of Directors approved the negotiation and execution of a term sheet with the NRP Group.

The Housing and Homelessness Solutions Committee was briefed by memorandum regarding this matter on December 14, 2021. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=10348971&GUID=10054FD0-81A0-461D-8400-7B649FA22735>

FISCAL INFORMATION

Estimated Revenue Foregone: General Fund $118,575.00

MAP

Attached