



## Legislation Text

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File #: 22-1962, Version: 1

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**STRATEGIC PRIORITY:** Housing & Homelessness Solutions

**AGENDA DATE:** September 28, 2022

**COUNCIL DISTRICT(S):** 4

**DEPARTMENT:** Department of Housing & Neighborhood Revitalization

**EXECUTIVE:** Majed Al-Ghafry

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### **SUBJECT**

Authorize **(1)** the sale of City owned property located at 4515 South Lancaster Road to the Dallas Public Facility Corporation (DPFC), pursuant to the Texas Local Government Code section 272.001 (g), for the development of low and moderate income housing; and **(2)** a development agreement between the DPFC and Lavoro Acquisitions, LLC, under which the City will be a third party beneficiary entitled to the rights and benefits established by the development agreement as if it were a party thereto, for the development of Trove Valor, an approximately 332-unit, mixed-income multifamily development to be located at 4515 South Lancaster Road - Estimated Revenue: General Fund \$44,032.95

### **BACKGROUND**

This item authorizes, **(1)** the sale of City owned property located at 4515 South Lancaster Road to the Dallas Public Facility Corporation (DPFC), pursuant to the Texas Local Government Code section 272.001(g), for the development of low and moderate income housing; and **(2)** a development agreement between the DPFC and Lavoro Acquisitions, LLC (Lavoro), subject to the terms outlined in the attached term sheet (Exhibit A), under which the City will be a third party beneficiary entitled to the rights and benefits established by the development agreement as if it were a party thereto, for the development of Trove Valor, an approximately 332-unit, mixed-income multifamily development to be located at 4515 South Lancaster Road (Project). Lavoro was one of the selected respondents to the City's 1,000-Unit Affordable Housing Challenge Request for Proposals to activate vacant, publicly owned land near DART Rail Stations. City Council authorized a Right of Entry for the project site with Lavoro on May 26, 2021, by Resolution No. 21-0928.

On May 26, 2021, City Council authorized the City Manager to execute a Right of Entry (ROE) Agreement and begin negotiations with Lavoro for the City-owned site at 4515 South Lancaster Road that was included in the 1,000 Unit Housing Challenge Request for Proposals by Resolution No. 21-0928. Significant progress has been made since the ROE was executed. Since July 28, 2021, Lavoro has:

- Received preliminary approval and executed a term sheet with the DPFC;
- Conducted extensive community outreach to gain feedback on the Project design and community/retail amenities;
- Met with the Office of Innovative Public Safety Solutions (OIPSS) to implement Crime Prevention Through Environmental Design (CPTED) strategies;
- Submitted an application to receive comments from the Urban Design Peer Review Panel (UDPRP); and
- Submitted an application for zoning variances/adjustments needed to complete the development.

Upon approval of the UDPRP as well as the zoning variances, Lavoro will be ready to execute a development agreement with the DPFC that includes their proposed development plan, financing plan, land use plan, and other terms and conditions. Upon execution, the DPFC will take title to the land, enter into a 75-year ground lease with Lavoro, and begin construction of the project.

The Project will consist of 332 units including 26 studio units, 193 1-bedroom units, 106 2-bedroom units, and 7 3-bedroom units. Upon completion, 40% of the units will be reserved for residents earning less than 80% Area Median Income (AMI), 10% of the units will be reserved for residents earning less than 60% AMI, and 50% will be at market rates. The affordable units will be disbursed evenly throughout the unit types and incomes will be adjusted for family size. The Project will also include four standalone retail pads with surface parking for retail customers and structured parking for residents. Community amenities will include a clubhouse, pool, courtyards, dog park, business center, fitness center, and onsite leasing center. The units will include energy efficient appliances, granite countertops, and other Class-A features. The Project is located directly in front of the VA Medical Center DART Rail Station. The Project will be designed to enhance walkability in the area and provide multimodal transportation options to residents and the community.

Lavoro has and continues to consult with the OIPSS for security input, community activities and the Crime Prevention Through Environmental Design (CPTED). Lavoro 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, lighting, and security access gates/entry points.

Lavoro is a subsidiary of Trinsic Residential Group (Trinsic), a limited partnership authorized to do business in Texas, that specializes in mixed-income and workforce multifamily projects throughout Texas. Together, they have completed 30 mixed-income developments totaling 9,396 units using the Public Facility Corporation structure and other affordable housing programs.

In conjunction with their submittal to the City's 1,000-Unit Affordable Housing Challenge, Lavoro submitted an application to the DPFC for the development of the Trove Valor. The DPFC will acquire the site and lease the Project to Lavoro for a period of 75 years, subject to the terms of the development agreement, under which the City will be a third-party beneficiary entitled to the rights and benefits established by the development agreement as if it were a party thereto. 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.

The anticipated unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
Studio	60%	3	\$1,023.00
Studio	80%	11	\$1,364.00
Studio	Market	12	\$1,364.00
1BR	60%	19	\$1,096.00
1BR	80%	80	\$1,462.00
1BR	Market	94	\$1,462.00
2BR	60%	10	\$1,315.00
2BR	80%	45	\$1,754.00
2BR	Market	51	\$1,754.00
3BR	60%	1	\$1,519.00
3BR	80%	2	\$2,026.00
3BR	Market	4	\$2,026.00

Based on current submarket conditions, the market rents are equivalent to the 80% AMI restricted rents. As continued economic development and investment activity occurs in the area, the market rents will surpass the 80% AMI rents and provide a broader diversity of incomes to the area. The 80% AMI incomes range from approximately \$58,440.00 to \$77,900.00 in the City based on family size. These incomes represent a wide variety of employment sectors including, but not limited to, health care providers, teachers, first responders, government employees, etc.

Total development costs are anticipated to be approximately \$58,639,162.00. Hard construction costs are estimated to be approximately \$51,955,272.00 which is \$156,492.00 per unit.

Proposed Financing Sources	Amount
Construction Loan	\$ 35,183,497.00
Developer/Investor Equity	\$ 23,455,665.00
Total	\$ 58,639,162.00
Proposed Uses	Amount
Development	\$51,955,272.00
Soft Costs	\$ 6,433,890.00
DPFC Structuring Fee	\$ 250,000.00
Total	\$58,639,162.00

The development of the Project and the transfer of the land to the DPFC is subject to the terms outlined in the Term Sheet executed by the DPFC and Lavoro attached hereto as Exhibit A. In consideration for the DPFC's participation in the Project, the DPFC will receive (1) a \$250,000.00 structuring fee paid at closing; (2) annual lease payments upon stabilization starting at \$300,000.00 and increasing by 3% annually; (3) a 15% sales commission after repayment of debt, equity, and preferred equity returns upon first sale of the Project, and (4) a 2% sales commission on all future sales. In the event of a sale throughout the life of the Project, the DPFC 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 DPFC. The revenues of the DPFC will be used to fund operations and the provision of additional affordable and workforce housing throughout the City.

Market rent comps and current construction costs were analyzed to ensure the project costs were reasonable for the market. DPFC 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 DPFC's revenue consideration and affordability levels were also analyzed to confirm that the ad valorem tax exemption does not over subsidize the Project.

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. In addition to the development agreement, Lavoro will also execute a lease agreement with the DPFC as well as record a regulatory agreement on the property to ensure compliance with the affordability and ongoing maintenance/operational requirements. Staff recommend approval as it furthers the goals of the Comprehensive Housing Policy and meets the requirements of the 1,000-Unit Affordable Housing Challenge.

#### **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On May 26, 2021, City Council Resolution 21-0928 authorized the City Manager to execute a Right of Entry (ROE) Agreement and begin negotiations with Lavoro for the City-owned site at 4515 S. Lancaster Road that was included in the 1,000 Unit Housing Challenge Request for Proposals.

On June 21, 2022, the Dallas Public Facility Corporation Board of Directors approved a preliminary term sheet with Lavoro.

[The Housing and Homeless Solutions Committee was briefed by memorandum regarding this matter on August 22, 2022. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=11144749&GUID=DF51AD3F-E4B5-4EAE-928C-1EFB54A6E2ED>](https://cityofdallas.legistar.com/View.ashx?M=F&ID=11144749&GUID=DF51AD3F-E4B5-4EAE-928C-1EFB54A6E2ED)

#### **FISCAL INFORMATION**

Estimated Revenue: General Fund \$44,032.95

#### **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
\$58,693,162.00	Construction	25.00%*
M/WBE Subcontracting %	M/WBE Overall %	M/WBE Overall Participation \$
25.00%	25.00%	\$14,673,290.00

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| • * This item reflects the previous Business Inclusion and Development Policy M/WBE goal. |
| • This contract meets the M/WBE goal.   |
| • Lavoro Acquisitions, LLC - Local; Workforce - 68.00% Local                              |

**OWNER**

**Lavoro Acquisitions, LLC**

Jim Campbell, Chief Executive Officer

**MAP**

Attached