



Legislation Text

File #: 23-70, **Version:** 1

STRATEGIC PRIORITY: Housing & Homelessness Solutions
AGENDA DATE: January 11, 2023
COUNCIL DISTRICT(S): 7
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Majed Al-Ghafry

SUBJECT

A public hearing to receive comments regarding an application by Rosemont Meadow Lane Apartments, LLC, or its affiliates (Applicant) to the Texas Department of Housing and Community Affairs (TDHCA) for 4% Non-Competitive Low Income Housing Tax Credits for Rosemont at Meadow Lane located at 4722 Meadow Street, Dallas, Texas 75215; and, at the close of the public hearing adopt a Resolution of No Objection for Applicant, related to its application to TDHCA for the development of Rosemont at Meadow Lane - Financing: No cost consideration to the City

BACKGROUND

Rosemont Meadow Lane Apartments, LLC, an affiliate of DevCo, Inc. (Applicant), submitted a Request for a Resolution of No Objection for its application to the Texas Department of Housing and Community Affairs (TDHCA) for 4% Non-Competitive Housing Tax Credits (4% Housing Tax Credits). The 4% Housing Tax Credits will be used for the development of Rosemont at Meadow Lane, a 264-unit multifamily complex located at 4722 Meadow Street, Dallas, Texas 75215 (Property). A purchase and sale agreement for the Property has been executed between the current owner of the Property and an affiliate of the Applicant. TDHCA requires 4% Housing Tax Credit applicants 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 Once a resolution is adopted and submitted to TDHCA, it cannot be changed or withdrawn.

Applicant or its affiliate shall form Rosemont Meadow Lane Apartments, LLC, a Texas limited liability corporation, the general partner of which is anticipated to be a to-be-formed single asset entity solely owned by the Dallas Housing Finance Corporation (DHFC). Meadow Lane Preservation Manager, LLC will be owner of the special limited partner. An amended and restated agreement of limited partnership will be executed to admit the tax credit equity investor as investor member once identified.

On October 13, 2022, the DHFC Board of Directors adopted a resolution declaring its intent to issue

bonds for the Property and authorized the filing of an application for allocation of private activity bonds with the Texas Bond Review Board.

DevCo or its affiliate will serve as the developer and guarantor of the project. DevCo has successfully built or acquired over 10,000 multifamily units including market rate, mixed-use, and affordable. DevCo is an integrated development and investment company focused on multi-family communities. DevCo has retained the services of Avenue5 Property Management to manage the property upon closing of the re-syndication (they also currently manage the Property). Avenue5 currently manages sixty-eight affordable properties, forty of which are Low-Income Housing Tax Credit (LIHTC). Nationally, Avenue5 manages more than four hundred properties with over 75,000 units.

Built in 2004, Rosemont at Meadow Lane consists of thirty-nine residential buildings and a community building. The 19.63-acre site is located less than a mile away from the Hatcher Dallas Area Rapid Transit rail station and a mile and a half from grocery stores. The Applicant proposes to acquire and substantially renovate all 264 units comprised of 96 2-bedroom, and 168 3-bedroom units. The units will include energy efficient appliances, washer/dryer hookups, covered entries/patios, and other TDHCA-required features.

The renovation budget is \$13,200,000.00 (\$50,000.00/unit) in hard costs (exclusive of general contractor requirements, contractor's profit and overhead). Renovations will include the following: wood and plastic repairs (includes new cabinets, etc.), insulation and roofing repair/replacement, doors/hardware/glass/glaze, flooring, ceiling, and paint, plumbing and heating, ventilation, and air conditioning (HVAC), and electrical repairs. More specifically, improvements will include installation of erosion control drainage systems at downspout locations, termite treatment, parking lot restripe and curb painting, installation of new drive gates and operators, landscaping and irrigation upgrades, stone façade repairs, retaining wall repairs, repairs to site fencing, new countertops in the laundry room, wood replacement at gable ends, fascia and batten board trim, stucco repair work, installation of new underlayment, architectural shingles and flashings, hard siding repairs at breezeways and patios, repair and replacement of gutters and downspouts, new unit entry doors and hardware, new window screens, installation of new low e vinyl windows, general drywall repairs, new luxury vinyl plank (LVP) flooring throughout units with MDF baseboard, painting of unit interiors, refinishing of existing tubs and surrounds, new unit ID signage, new community and common area signage, new wall-mounted mailboxes and parcel boxes, install new bathroom accessories (towel bars, medicine cabinets, shower rods), new appliances, new vinyl window coverings, laundry room finish upgrades, repair of carports, and swimming pool repairs.

The Applicant will also work with the Office of Integrated Public Safety Solutions for security input/upgrades, community activities, and incorporate best practices of Crime Prevention Through Environmental Design. Additionally, the Applicant will provide modern security features to include a full camera system, controlled access, a community crime watch program, and participation in National Night Out to ensure a safe living environment for all residents and staff.

The Applicant proposes to provide on-site resident services including:

1. After school programs,
2. Adult education programs,

3. Health screening and mobile immunizations,
4. Family counseling/family crisis intervention,
5. Coordination with local social services agencies,
6. Computer lab/computer training,
7. Emergency assistance and relief,
8. Community outreach programs,
9. Vocational guidance,
10. Social/recreational activities,
11. State workforce development and Welfare program assistance, and
12. An Individual Development Account program.

DevCo has retained the services of Avenue5 Property Management to manage the property upon closing of the re-syndication (they also currently manage the Property). Avenue5 currently manages sixty-eight affordable properties, forty of which are LIHTC. Nationally, Avenue5 manages more than four hundred properties with over 75,000 units.

Total development costs are estimated to be approximately \$52,285,406.00 which includes the acquisition price for the land. The construction budget is estimated to be approximately \$17,900,800.00 which is \$67,806.00 per unit.

Proposed Sources	Amount
Private Activity Bonds	\$25,614,000.00
Housing Tax Credits Equity	\$19,167,135.00
Soft Funding	\$ 2,000,000.00
Deferred Developer Fee	\$ 3,752,105.00
Income from Operations	\$ 1,752,165.00
Total	\$52,285,406.00

Proposed Uses	Costs
Acquisition	\$23,500,000.00
Total Const. Costs	\$17,900,800.00
Financing Fees, Soft Costs	\$ 4,030,937.00
Reserves	\$ 740,000.00
Developer Fee	\$ 6,113,669.00
Total	\$52,285,406.00

The current income restrictions will be maintained at the property to ensure no residents are displaced due to increased rents. The current rental restrictions are broken down as follows: 6 of the 264 units are reserved for households earning between 0%-30% of Area Median Income (AMI), 129 of the 264 units are reserved for households earning between 31%-50% of AMI, and 129 of the 264 are reserved for households earning between 51%-60% of AMI.

If approved, this tax credit re-syndication and bond issuance will allow the Applicant to implement much needed capital improvements and modernize the property thereby extending its useful life.

Without this investment of new capital, the property will either fall into state of disrepair or be subject to a conversion to market rate units, further eroding the access to affordable housing in the city. The preservation of existing affordable housing is a priority of the City to ensure our residents are provided with safe, decent affordable housing and are not displaced due to expiring income restrictions or forced to reside in substandard living conditions. Over the next decade, the income restrictions on almost 10,000 units originally developed through the LIHTC program will expire unless they are acquired, renovated, or redeveloped by affordable housing preservation developers like DevCo.

The Dallas City Council on May 9, 2018, adopted the Comprehensive Housing Policy (CHP), 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, Council 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 Housing Tax Credits 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.

On October 13, 2022, the DHFC Board of Directors authorized a preliminary inducement resolution declaring intent to issue \$45,000,000.00 in private activity bonds to fund the Rosemont at Meadow Lane.

For developments involving rehabilitation of existing housing, the proposed scope of work must be informed by a capital needs assessment (CNA), prepared by a qualified third-party professional that is independent from the development's architect or engineer, builder/general contractor, or other member of the development team. The City will review the CNA and conduct a site visit. The CNA must demonstrate to the City's satisfaction that the initial scope of work is sufficient to address all City code violations (whether formally cited or not). Further, the scope of work, combined with planned replacement reserve funding, must be determined sufficient to address all projected repairs or replacements of the following items through the entire term of the development's affordability period:

- All major systems including roof, foundation, electrical, HVAC, and plumbing;
- Interior and exterior windows and doors;
- The interiors of all units including the kitchen and bathroom and all major appliances;
- The exterior of the development, including balconies, walkways, railings, and stairs;
- Communal facilities such as community rooms, fitness centers, business centers, etc.;
- Security features including gates and security cameras; and
- Accessibility.

To receive a staff recommendation for a resolution of no objection, the applicant must satisfy all threshold requirements, rehabilitation requirements, and affirmatively further fair housing. After review, the Applicant has satisfied all application requirements and staff recommends a Resolution of No Objection.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Housing and Homelessness Solutions Committee was briefed regarding this matter on

December 14, 2022.

FISCAL INFORMATION

No cost consideration to the City.

MAP

Attached