



Legislation Text

File #: 23-1266, **Version:** 2

STRATEGIC PRIORITY: Housing & Homelessness Solutions
AGENDA DATE: May 24, 2023
COUNCIL DISTRICT(S): 7
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize the approval of the **(1)** City Council, to act as the applicable elected representative, as defined by Section 147(f)(2)(E) of the Internal Revenue Code of 1986, as amended (Code), of the issuance of multifamily residential mortgage revenue bonds (Bonds) issued by the Dallas Housing Finance Corporation (DHFC) or Issuer in one or more series of tax-exempt bonds in an amount not to exceed \$35,000,000.00; proceeds of the Bonds will be loaned to Positano Acquisition, LLC to finance a portion of the cost for the acquisition and renovation of units for an affordable multifamily complex for seniors to be known as The Positano and located at 2519 John West Road, Dallas, Texas (Development); and **(2)** application of the Texas Housing Finance Corporations Act, Chapter 394, Local Government Code (Act), to the property on which the Development will be constructed and the use of proceeds of the bonds issued by the DHFC pursuant to the Act to finance and construct the Development; a public hearing with respect to the Bonds and the Development was held on April 10, 2023 after reasonable public notice was published in a newspaper of general circulation in the City of Dallas, all in compliance with Section 147(f) of the Code - Financing: No cost consideration to the City

BACKGROUND

Positano Acquisition, LLC (Developer) proposes the DHFC or its affiliate acquire the property at 2519 John West Road and subsequently enter into a long-term lease for the Development. The Developer proposes to renovate all 232 units. The 232 units are comprised of 84, one-bedroom and 148, two-bedroom units for seniors. The renovation is focused on (1) life safety including security; (2) energy efficiency; (3) physical and functional obsolescence; (4) neighborhood stabilization; (5) accessibility. But for the investment of 4% non-competitive housing tax credits, this property would continue to deteriorate, add blight to the neighborhood, and provide substandard housing to the existing residents.

On October 13, 2022, the DHFC authorized an inducement in an amount not to exceed \$35,000,000.00. An application for the allocation of \$35,000,000.00 in private activity bonds was submitted to the Texas Bond Review Board ("TBRB") and a bond reservation was received in March

2023. On January 11, 2023, following a public hearing, the City Council adopted a Resolution of No Objection related to the Development and Developer's 4% Non-Competitive Low Income Housing Tax Credits application to Texas Department of Housing and Community Affairs by Resolution No. 23-0143.

Since the Development is located within the City of Dallas, Section 147 (f) of the Internal Revenue Code requires that in order for the bonds to be tax exempt, the City Council, the applicable elected representative of the City of Dallas, must approve the issuance of the bonds by the Issuer following a public hearing. The City of Dallas is not asked to issue bonds. The bonds shall not be a debt, liability, or an obligation of the City nor shall any of the City's assets be pledged for payment of the bonds. The City's name will not appear on the bonds. The approval being requested is only for the purpose of complying with federal law and with regard to tax exempt debt.

The Tax Equity and Fiscal Responsibility Act (TEFRA) hearing was published in the *Dallas Morning News* on April 3, 2023. On April 10, 2023, the public hearing was held with no outside participants in attendance, and thus, no comments made. Under applicable federal income tax law, the TEFRA approval is only valid for a one year term. Therefore, the public hearing for the Development has a validity date through April 10, 2024. It is anticipated that the tax-exempt bonds to fund a portion of the costs for the Development will close on or about September 30, 2023.

The Texas Housing Finance Corporations Act, Chapter 394 of the Texas Local Government Code requires that the City of Dallas approve the issuance of bonds by the DHFC and their use to finance the construction and development of affordable housing.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On October 13, 2022, the DHFC authorized a preliminary inducement in an amount not to exceed \$35,000,000.

On January 11, 2023, the City Council held a public hearing, and following the public hearing adopted a Resolution of No Objection related to the Development and Developer's 4% Non-Competitive Low Income Housing Tax Credits application to Texas Department of Housing and Community Affairs by Resolution No. 23-0143.

On April 11, 2023, the DHFC authorized (1) the negotiation of a master agreement with Devco Preservation, LLC; (2) an ownership interest as the general partner of Positano Acquisition, LLC; (3) serving as the co-developer of the project; (4) the acquisition of the land; and (5) entering into a long-term ground lease with Positano Acquisition, LLC.

[The Housing and Homelessness Solutions Committee was briefed by memorandum regarding this matter on April 24, 2023. <https://cityofdallas.legistar.com/gateway.aspx?M=F&ID=45768cab-2e95-4d9b-935a-7951f19c261c.pdf>](https://cityofdallas.legistar.com/gateway.aspx?M=F&ID=45768cab-2e95-4d9b-935a-7951f19c261c.pdf)

FISCAL INFORMATION

No cost consideration to the City.

MAP

Attached