File #: 23-2159, **Version:** 1

STRATEGIC PRIORITY: Housing & Homelessness Solutions

AGENDA DATE: September 13, 2023

COUNCIL DISTRICT(S): 1

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize the Dallas Public Facility Corporation to **(1)** acquire, develop, and own Bishop 8th, a mixed-income, multifamily development to be located at Bishop 8th (Project); and **(2)** enter into a seventy-five-year lease agreement with BV Acquisitions, LLC or its affiliate, for the development of the Project - Estimated Revenue Foregone: General Funds $1,086,687.00 (15 Years of Estimated Taxes)

BACKGROUND

BV Acquisitions, LLC (Applicant), a Texas limited liability company, submitted an application to the Dallas Public Facility Corporation (Corporation) for the development of Bishop 8th, a 232-unit mixed income multifamily development to be located at 505 and 510 West 8th Street (Project). The Corporation will own the site and improvements and lease the Project back to the Applicant or its affiliate. 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% of the units for residents earning at or below 80% of the Area Median Income (AMI). The Project will reserve 40% of these units at 80%-AMI and 10% of these units at 60%-AMI.

The Applicant will be a limited liability company owned by BV Acquisitions, LLC. Breunig Ventures is a real estate private equity firm primarily focused on multifamily and single-family rental investments throughout the sunbelt states. Breunig's prior experience includes over a billion dollars of multifamily development and acquisitions of luxury high rise, midrise, garden, and mixed-use developments. President Benjamin Breunig previously served as the Division President of Texas for Lennar Multifamily Communities where he oversaw a $1.2 billion development portfolio, and before that as Vice President of Development for Lincoln Property Company. Breunig Ventures recently closed the Wisteria District into a PFC joint venture in Mansfield, TX with the Mansfield Public Facilities Corporation.

The Project will be constructed as two four-story, elevator-served structures with private garage, carport, & surface parking which will include 106 and 126 residential units respectively. The unit mix will consist of six studio units and 226 one-bedroom units. The project will have Class-A unit finishes with washer/dryer, quartz countertops, stainless steel appliances, balconies (2nd - 4th floor units), and porches (1st floor units). Community features include a Sky Lounge, fitness center, and co-working space. Maintenance services will be provided with leasing office and agents available by phone/email at the neighborhood office. Mailroom and package lockers are located on the first floor. Electronic access and security are available to every tenant. Each unit will have internet and streaming services available. The land is not currently developed with residential uses but is surrounded by Market Value Analysis market type E. The district is made up of 1920's era buildings & homes that have been revitalized with over 60 independent boutiques, restaurants, bars, coffee shops, and art galleries. Residents of the Bishop Arts District enjoy easy access to the largest concentration of jobs in the Dallas-Fort Worth metroplex. Downtown, Uptown, the Stemmons Corridor, and the Medical District are proximate via I-30 and I-35. Downtown Dallas is home to over 4,000 employers with more than 135,000 jobs. Residents can drive to Downtown Dallas without ever accessing a highway or can reach downtown via the Bishop Arts Streetcar Station (0.5 miles).

The Applicant will consult with the Office of Integrated Public Safety Solutions (OIPSS) for security input, community activities and the Crime Prevention Through Environmental Design. The Applicant 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, individual entry key fobs, lighting, and security access gates/entry points.

The anticipated unit mix and rental rates are as follows:

Unit Type	AMI	Units	Rent
Studio	60%	1	$1,108.00
Studio	80%	3	$1,478.00
Studio	Market	2	$1,528.00
1BR	60%	23	$1,188.00
1BR	80%	91	$1,584.00
1BR	80%	112	$2,134.00

The rents for individuals and families earning between 60% and 80% AMI are meant to provide housing to the "missing middle" of the market: residents that earn above low-income housing tax credit income restrictions of 60% AMI but would be cost burdened by market rents. These incomes range from approximately $54,560.00 to $77,900.00 in the City based on family size and represent a wide variety of employment sectors including, but not limited to, teachers, first responders, government employees, health care providers, etc. The rents for individuals and families earning below 60% are included to provide deeper affordability at this property. These incomes range from $40,920.00 to $58,440.00 depending on family size.

Total development costs are anticipated to be approximately $58,143,820.00 which includes the acquisition price for the land. The development budget less soft/financial costs is anticipated to be approximately $47,819,018.00, which is $206,116.46 per unit.

Proposed Financing Sources	**Amount**
Mortgage Loan	$34,886,292.00
Developer/Investor Equity	$23,257,528.00
Total	$58,143,820.00
Proposed Uses	**Amount**
Development Costs	$35,257,804.00
Land Acquisition	$12,561,214.00
Soft Costs	$ 8,799,392.00
Contingency	$ 1,525,410.00
Total	$58,143,820.00

The Project will be owned by the Corporation and leased to the Applicant 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 $15,941,352.28 in revenues over the initial 15 years of the lease. Potential proceeds to the Corporation include (1) a $232,000.00 structuring fee paid at closing; (2) a general contractor fee of $436,315.32 paid at closing; (3) lease payments starting at $224,669.00 and increasing by 3% annually upon stabilization; (4) a 15% sales commission after repayment of debt, equity, and preferred equity returns upon first sale of the Project; and (5) a 2% sales commission on all future sales. In the event of a sale during the life of the Project, the Corporation will continue to receive the annual lease payments. Upon termination of the 75-year lease, the Corporation will own the Project free and clear.

The revenues of the Corporation will be used to fund operations and the provision of additional affordable and workforce housing throughout the City. This proposed development results in foregone tax revenues for the City while the Corporation owns the asset. The 2022 City tax bill for this property is $58,427.45 and the 15-year estimate of foregone taxes is $1,086,687.00. However, the workforce housing rental savings of $15,941.352.28 over 15 years and the estimated $4,507,082.69 in revenues provides the City with $20,448,434.97 in benefits that outweigh the foregone revenue.

The Corporation's estimated revenues were calculated by the Corporation's partnership counsel and financial advisors. Market rent comps and current construction costs were analyzed to ensure the project costs were reasonable for the market. Corporation 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 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, the 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, which were subsequently amended by Resolution No. 22-1194 (bylaws). 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 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 restated in the Dallas Housing Policy 2033 (DHP33).

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, as restated in the DHP33. Staff recommends approval of this item to allow this mixed-income housing development to move forward.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 27, 2023, the Dallas Public Facility Corporation Board of Directors approved the negotiation and execution of a term sheet with the Applicant.

FISCAL INFORMATION

Estimated Revenue Foregone: General Funds $1,086,687.00 (15 Years of Estimated Taxes)

MAP

Attached