Legislation Text

File #: 24-383, **Version:** 1

STRATEGIC PRIORITY: Housing & Homelessness Solutions

AGENDA DATE: February 14, 2024

COUNCIL DISTRICT(S): 4

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize an increase in the development loan agreement with Texas Heavenly Homes Ltd., or its affiliate (Applicant), conditioned upon the completion of a third-party underwriting for the development of the Bottom Infill, a 32-unit single-family affordable housing project located in the Bottom neighborhood of Council District 4 - Not to exceed $3,084,427.00, from $500,000.00 to $3,584,427.00 - Financing: Community Development Block Grant Disaster Recovery Funds

BACKGROUND

On June 25, 2008, the City Council authorized the City Manager to execute a loan agreement with Texas Heavenly Homes, Ltd. (THH) for a loan in the amount of $500,000.00 at 0% interest for the purposes of acquiring improved and unimproved properties (Properties) in the Bottom neighborhood (Bottom), and for associated relocation, environmental remediation or demolition by Resolution No. 08-1800. The terms of the loan required THH to develop and sell or lease housing units on all of the Properties acquired with the loan funds to households earning 140% or less of area median income (AMI). On January 8, 2009, the City of Dallas executed the loan agreement with THH for the $500,000.00 in 2006 General Obligation Bond monies.

By 2012, THH acquired 36 residential lots in the Bottom and expended all loan proceeds. THH has also acquired an additional 55 residential lots in the Bottom without any City funding. However, THH did not, and has not, begun to develop housing units.

THH's failure to develop housing units was attributed to a combination of several factors, including: (1) the lack of upgraded public water and sewer infrastructure, (2) the small lot size of many of the Properties, (3) the costs and regulations related to developing in the floodplain, and (4) THH's desire to deviate from certain components of the Bottom Urban Structure and Guidelines.

powered by Legistar™

On May 22, 2019, the City Council authorized a construction contract for the construction of street paving, drainage, and water and wastewater main improvements for the Bottom Phase I Infrastructure Project which consists of: North Denley Drive from Hutchins Avenue to levee; North Moore Street from Hutchins Avenue to levee; and May Hall Street from North Denley Drive to Moore Street by Resolution No. 19-0757 to mitigate the lack of public infrastructure in the Bottom neighborhood.

On June 12, 2019, the City Council authorized the City Manager to execute the first amendment to the loan agreement with Texas Heavenly Homes, Ltd., approved as to form by the City Attorney to: (1) extend the completion date from January 9, 2016 to: (a) within two years of completion of the Bottom Phase I public infrastructure improvement project for the 10 parcels of real property located in Phase I of the public infrastructure improvement project; and (b) within two years of completion of Phase II of the public infrastructure improvement project for the 19 parcels of real property located in Phase II of the public infrastructure improvement project; (2) require house elevations and plans to conform with the Bottom Urban Structure and Guidelines and the Urban Design Expectations; (3) require the constructed homes to be sold to households earning 80% of area median income and below; (4) impose a five-year period of affordability wherein the home must remain occupied by an eligible household; (5) include performance thresholds and requirements; and (6) convert the loan agreement to a conditional grant agreement.

On May 15, 2023, THH submitted a subsequent proposal under the City's Notice of Funding Availability (NOFA), as amended, to receive additional funds to fill this most recent funding gap for development. Housing proposes to authorize the supplemental NOFA funding request of $2,740,007.00 in Community Development Block Grant Disaster Recovery Funds (CDBG-DR) Funds for the Bottom Infill (Project) in a total amount not to exceed $3,240,007.00.

THH is a Texas limited partnership with Hanover Development Company as the General Partner. Hanover Development Company, a Texas corporation, primarily specializes in the development of large-scale master planned residential communities in Dallas-Fort Worth. The President of Hanover Development Company is Richard LeBlanc and the Vice President is Walter Damon.

THH will construct 32 owner occupied single family detached residences in The Bottom District to households earning between 60.00%-80.00% AMI and will range in price between $185,000.00 to $270,000.00. 26 of the homes will be three-bedroom and two-bath layouts, two of the homes will be two-bedroom, two-bath layouts, and the remaining six will be two-bedroom, one-bath layouts.

Total development costs are anticipated to be approximately $10,679,427.00. The construction budget is anticipated to be approximately $8,557,302.00 which is $267,415.69 per unit.

The anticipated financing sources and uses are as follows:

Financing Sources	Amount
Developer Equity	$ 875,000.00
City of Dallas CDBG-DR Loan	$ 3,084,427.00
Construction Loan	$ 6,720,000.00
Total	**$10,679,427.00**

Proposed Uses	Costs
Site Development	$ 1,190,000.00
Total Construction Costs	$ 8,557,302.00
Financing Fees, Soft Costs	$ 410,125.00
Post Construction Costs	$ 522,000.00
Total	**$10,679,427.00**

The Development has been found to affirmatively further fair housing by the Office of Fair Housing. Staff recommends approval of this item as it furthers the mixed-income housing goals of the DHP33, meets the threshold requirements of the NOFA.

Staff confirmed that this Project would not be feasible but for the City's participation and that the Project furthers the goals of the DHP33. Staff recommends approval of this item to allow this mixed-income housing development to move forward.

ESTIMATED SCHEDULE OF PROJECT

Begin Construction July 2024
Complete Construction December 2026

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 25, 2008, the City Council authorized the City Manager to execute a loan agreement (Agreement) and related documents with Texas Heavenly Homes, Ltd. (THH) for a loan in the amount of $500,000.00 for the purposes of acquiring improved and unimproved properties (Properties) in the Bottom neighborhood (Bottom), and for associated relocation, environmental remediation or demolition by Resolution No. 08-1800.

On January 8, 2009, the City of Dallas executed the loan agreement with THH for $500,000.00.

On June 12, 2019, the City Council authorized City Manager to execute an amendment to the loan agreement with Texas Heavenly Homes, Ltd. for the acquisition and development of single-family homes in the Bottom neighborhood by Resolution No. 19-0942.

On December 14, 2022, the City Council held a public hearing and following the hearing, the City Council approved the final adoption of the 2022 Community Development Block Grant Disaster Recovery (CDBG-DR) Budget and draft Action Plan to accept CDBG-DR Funds from the U.S. Department of Housing and Urban Development which included New Construction - Multi-Unit funds by Resolution No. 22-1836.

The Housing and Homelessness Solutions Committee was briefed by memorandum regarding this matter on January 22, 2024. <
https://cityofdallas.legistar.com/LegislationDetail.aspx?ID=6486209&GUID=CC0A03DF-942A-4BDD-BDAE-CCA4032F0AAD>

FISCAL INFORMATION

Fund	FY 2023	FY 2024	Future Years
Community Development Block Grant Disaster Recovery Funds	$3,084,427.00	$0.00	$0.00

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**
$8,557,302.00	Construction	32.00%
M/WBE Subcontracting %	**M/WBE Overall %**	**M/WBE Overall Participation $**
0.00%	0.00%	$0.00
• This contract does not meet the M/WBE goal.		
• Texas Heavenly Homes Ltd. - Local; Workforce - 100.00% Local		

OWNER

Texas Heavenly Homes, Ltd.

Richard LeBlanc, Chief Executive Officer

MAP

Attached