

Memorandum



CITY OF DALLAS

DATE February 2, 2018

Members of the Economic Development & Housing Committee: Tennell Atkins, Chair,
TO Rickey D. Callahan, Vice-Chair, Lee M. Kleinman, Scott Griggs, Casey Thomas, II, B.
Adam McGough, Mark Clayton, Kevin Felder, Omar Narvaez

SUBJECT **Flora Lofts Project—Proposed Changes**

On your February 14, 2018, City Council agenda, there is an item that would authorize an amendment to Resolution Number 17-0534, previously approved on March 22, 2017, to (1) amend the agreement parties to reflect the owner as Flora Street Lofts, Ltd., and the developer as Artspace Projects, Inc., and (2) allow for a six-month extension to project deadlines in the future, if necessary, for the development agreement associated with previously approved TIF funding for Flora Lofts Project located at 2121 Flora Street in the Arts District.

Summary

The change of the developer from Flora Street Lofts, Ltd. to Artspace Project, Inc. is requested to maximize post-tax benefit of the TIF funds. The project owner (Flora Street Lofts, Ltd.) desires to assign its rights to payment of the TIF funds to Artspace Project, Inc., a non-profit entity that is the 51% owner of the general partner of the project owner.

This item also allows for a six-month administrative deadline extension, if necessary, with City Center TIF District Board of Director's and Office of Economic Development Director's approval.

Background

On March 22, 2017, City Council approved a TIF development agreement in an amount not to exceed \$4,577,916 for the affordable housing development of the Flora Lofts Project located at 2121 Flora Street in the Arts District, by Resolution 17-0534. At the same March City Council meeting, City Council also awarded 2012 Bond Funds in the amount of \$2,500,000 for the project. On September 7, 2017, TDHCA granted the Project approval for the 4% tax credits in the amount of \$6,737,560.

Section 4Q of Resolution 17-0534, approved on March 22, 2017, approving TIF funding for the Flora Lofts project, allowed the extension of project deadlines up to twelve months with the Director of Economic Development and City Center TIF District Board of Directors' approval. This administrative extension has been granted. The Housing and Neighborhood Revitalization Department has a related item on this same upcoming agenda which proposes a deadline extension to match the extensions already granted for the TIF funding portion of the project.

Flora Street Lofts is a proposed 52-unit rental apartment project located in the downtown arts district, directly across Pearl Street from the Meyerson Symphony Hall. 43 of the units (83%) will be affordable at 50% and 60% of Area Median Family Income (AMFI) for local working artists. The project will have 35 structured parking spaces dedicated for resident use and share a common

lobby area and ground floor retail space with a separately owned 364-unit market rate high rise apartment development, located on an adjoining property.

Program Update

Flora Street Lofts is scheduled to begin construction in July 2018 and be completed in March 2020. Flora Street Lofts has an estimated construction cost of \$24.9 million.

Program Issues

The developer entity change will allow the project to maximize tax benefits of the TIF funds. The additional future deadline extension is being requested in the case that there is an unforeseen circumstance that would require additional time to complete the project.

Next Steps

The next step is to execute the amendment to the Flora Street Lofts Development Agreement.

Alternatives

If no action is taken, the development agreement would remain with the owner entity, and the TIF funds would be taxable to the project. This would result in a smaller project basis, which would result in a smaller tax credit award. That ultimately would lead to a financial gap in the project's financing sources, which would likely mean that the project would not be built, or would be built as purely market-rate housing.

Fiscal Impact

This action has no fiscal impact.

Departments/Committee Coordination

OED will continue working with the Housing and Neighborhood Revitalization Department on this project.

Staff Recommendation

Staff recommends that the Economic Development and Housing Committee approve the developer name change as well as the future administrative allowance for deadline extension, if necessary, for the Flora Street Lofts project.

Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela

Chief of Economic Development & Neighborhood Services

C: T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Billerae Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jo M. (Jody) Puckett, Assistant City Manager (Interim)
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Memorandum



DATE February 2, 2018

TO The Honorable Members of the Economic Development & Housing Committee:
Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman,
Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,
Omar Narvaez

SUBJECT **Flora Lofts Project—Proposed Changes**

Summary

On January 5, 2018, Graham Greene, President of GREENarc Corporation on behalf of Artspace Projects, Inc. (the “Developer”) and Flora Street Lofts, Ltd. (the “owner” or “LIHTC Applicant”) requested an amendment to Resolution No. 17-0535, previously approved on March 22, 2017, for a 2012 Bond conditional grant agreement with Flora Street Lofts, Ltd. in the amount of \$2.5 million for new construction of a 52-unit multifamily project at 2121 Flora Street (the “Project”), conditioned upon 2017 4% LIHTC award to (1) amend the parties to reflect the owner/LIHTC Applicant as Flora Street Lofts, Ltd., and the developer as Artspace Projects, Inc.; (2) extend the commencement of construction and the completion date; and (3) allow for an additional six-month extension to project deadlines. These changes are consistent with the Office of Economic Development City Center TIF District Funds agreement terms.

Background

The original 2012 Bond conditional grant agreement with Flora Street Lofts, Ltd. was drafted and circulated to all involved parties for review but never executed. In light of the unexecuted agreement, Flora Street Lofts, Ltd. desires to assign its rights of the contract to its non-profit partner in the transaction, Artspace Projects, Inc. in order to maximize post-tax benefit of the Bond funds.

The construction start of this project was delayed awaiting TDHCA’s approval of the 4% tax credits. On September 7, 2017, TDHCA granted the Project approval for the 4% tax credits in the amount of \$6,737,560. The Project will be financed through the issuance of bonds in the amount of up to \$15 million by the Dallas Housing Finance Corporation (DHFC). Additionally, the Project was awarded 2012 Bond Funds in the amount of \$2,500,000 and City Center TIF District Funds in the amount of \$4,577,916. Flora Street Lofts is a 52-unit rental apartment located in the downtown arts district, directly across Pearl Street from the Meyerson Symphony Hall. 43 of the units (83%) will be affordable at 50% and 60% of Area Median Family Income

(AMFI) for local working artists. The project will have 35 structured parking spaces dedicated for resident use and share a common lobby area and ground floor retail space with a separately owned 364-unit market rate high rise apartment development, located on an adjoining property. No City funds are being utilized for the separate high-rise development projects.

The anticipated construction closing for the Project with Flora Street Lofts, Ltd. is March 21, 2018. Commencement for construction is no later than July 1, 2018 with a completion date by March 1, 2020.

Issue

Since the original grant agreement with Flora Street Lofts, Ltd. was never executed, it is their desire to assign its rights of the contract to the developer and non-profit partner in the transaction, Artspace Projects, Inc., in order to maximize post-tax benefit of the Bond funds. Extension to the commencement date for construction will allow Developer/LIHTC applicant to close on the construction financing, start and complete the project in the approved timeline.

Alternatives

If no action is taken, the Developer will not be able to enter into the conditional grant agreement for gap construction financing in support of this 52-unit development and will require that the Developer identify other funding sources or risk their LIHTC allocation.

Fiscal Impact

There is no cost consideration to the City for this request.

Departments/Committee Coordination

On February 22, 2017 and March 22, 2017, the City Council approved DHFC Flora Lofts application for the issuance of tax exempt bonds by Resolution Nos. 17-0377 and 17-0533.

On March 22, 2017, the City Council approved City Center TIF funds by Resolution No. 17-0534.

On March 22, 2017, the City Council approved Bond funds by Resolution No. 17-0535.

Staff Recommendation

February 2, 2018
Page 3 of 3

Staff recommends approval of an amendment to Resolution No. 17-0535, previously approved on March 22, 2017, to (1) amend the parties to reflect the owner/LIHTC Applicant as Flora Street Lofts, Ltd., and the developer as Artspace Projects, Inc.; (2) extend the commencement of construction and the completion date; and (3) allow for an additional six-month extension to project deadlines. This item has been placed on the City Council agenda for February 14, 2018.

Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela
Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Biliera Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizar Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jo M. (Jody) Puckett, Assistant City Manager (Interim)
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Flora Lofts Project - Proposed Changes

**Economic Development &
Housing Committee**
February 5, 2018

**David Noguera, Director,
Housing and Neighborhood Revitalization**

**Robin Bentley, Assistant Director,
Office of Economic Development**



Presentation Overview

- Project Summary
- Background
- Comparison of Proposed Amendments
- Alternatives
- Fiscal Impact
- Next Steps



Project Summary

Flora Street Lofts is a proposed 52-unit rental apartment project located in the downtown arts district, directly across Pearl Street from the Meyerson Symphony Hall, at 2121 Flora Street.

The project contains 31 one-bedroom units, 19 two-bedroom units, and 2 three-bedroom units. Forty-three units will be affordable at 50% and 60% of Area Median Family Income (AMFI) for local working artists. The remaining units will be leased at market rents.

The project will share a common lobby area and ground floor retail space with a separately owned 364-unit market rate high rise apartment development.

Background

The City of Dallas has agreed to support for the Flora Street Lofts development in several ways.

- On February 22, 2017 and March 22, 2017, City Council approved the project's application for the issuance of tax exempt bonds in the approximate amount of \$15,000,000 by the City of Dallas Housing Finance Corporation, by Resolutions 17-0377 and 17-0533.
- On March 22, 2017, City Council approved a TIF development agreement in an amount not to exceed \$4,577,916, by Resolution 17-0534.
- At the same March City Council meeting, City Council also approved a conditional grant agreement for 2012 General Obligation Bond Funds in an amount not to exceed \$2,500,000, by Resolution 17-0535.

Background

The project has been delayed for several reasons.

1. Complex Structure.

- The ownership of the Flora Lofts Project and the associated market rate building, retail, and parking components are split into several condominium units, each of which has to coordinate financial closing and construction timing with the others.
- TDHCA delayed its approval of the 4% tax credit award until these complex timing and ownership issues were resolved.
- On September 7, 2017, TDHCA granted the project approval for 4% tax credits in the amount of \$6,737,560.

2. Tax Reform Legislation.

- After the state approved the tax credits, a closing was scheduled for late 2017. That closing was paused, however, to see how the federal tax reform legislation might impact the project.

5

Comparison of Proposed Amendments

TIF Development Agreement Amendments	Conditional Grant Agreement Amendments
Assign payments from owner, Flora Street Lofts Ltd. to developer, Artspace Projects, Inc.	Assign payments from owner, Flora Street Lofts Ltd. to developer, Artspace Projects, Inc.
No change to commencement date, which is July 1, 2018. No change to completion date, which is March 1, 2020.	Amend commencement date from July 1, 2017 to July 1, 2018 and completion date from March 1, 2019 to March 1, 2020.
If necessary, allow for one 6-month extension to completion deadline on director approval. Current completion deadline is March 1, 2020.	If necessary, allow for one 6-month extension to amended completion deadline on director approval. Current completion deadline is March 1, 2019; as amended above, would be March 1, 2020.

Alternatives

If no action is taken, the project will likely not move forward, or will move forward with market rate units only.

The commencement deadline for the Conditional Grant Agreement as approved in 2017 has already passed, and so those funds would not be available.

The TIF funds would be available, but would be paid to the owner instead of the controlling entity of the general partner of the owner. This small change has large tax implications which would result in a reduced basis for the project, a reduction in tax credits awarded to the project, and a resulting financial gap that would make the project untenable.

7

Fiscal Impact

There is no cost consideration to the City for this request, as all funding was approved by previous council action.



Next Steps

- 1) Item to approve proposed amendments placed on the City Council agenda for February 14, 2018.
- 2) Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing scheduled for February 13, 2018 related to the issuance of the HFC bonds, and adoption of the public comment(s) on February 28, 2018.
- 3) Project closing scheduled for March 21, 2018.

Flora Lofts Project - Proposed Changes

**Economic Development &
Housing Committee**
February 5, 2018

**David Noguera, Director,
Housing and Neighborhood Revitalization**

**Robin Bentley, Assistant Director,
Office of Economic Development**

