

Memorandum



CITY OF DALLAS

DATE May 31, 2019

TO The Honorable Members of the Economic Development and 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 City's Plan of Action to meet the U.S. Department of Housing and Urban Development
Community Development Block Grant Funds Expenditure Deadline

The purpose of this memorandum is to provide details on how staff intends to meet expenditure deadlines tied to the annual allocation of U.S. Department of Housing and Urban Development ("HUD") Community Development Block Grant ("CDBG") funds.

Summary

The City of Dallas ("City") receives an annual allocation of CDBG funds in the approximate amount of **\$14,700,000**. These CDBG funds are programmed through a variety of projects, programs, and activities including: public services; economic development activities; public improvements, down payment and closing cost for first time home buyers; home repair and home improvements; and fair housing oversight. HUD regulations stipulate that expenditures for these activities must be made by scheduled deadlines – "timeliness test." These provisions also state that the City cannot have more than **1.5** times its CDBG allocation in its U.S. Department of the Treasury ("Treasury") line of credit **60** days prior to the end of a programming year, which for the City of Dallas is September 30, 2019. If the City continuously has more than **1.5** times its CDBG allocation, HUD can reduce funding allocations and withhold future grants. HUD will conduct a "timeliness test" to determine if the City has more than **1.5** times its allocation on August 2, 2019. This memorandum explains how staff will draw **\$7,517,016.00** of CDBG funds, before August 2.

Background

For the City to meet HUD requirements with respect to CDBG regulations, Housing and Neighborhood Revitalization ("HNR") staff proposes to adjust federal grant allocations — CDBG and HOME Investment Partnership Program ("HOME") for the Three developments that were awarded funding under the Notice of Funding Availability ("NOFA"). The adjustment will increase CDBG funding for the 2400 Bryan project and decrease CDBG funding on the other two projects, which are not expected to expend funds until September and October 2019. Additionally, HNR staff recommends amending

SUBJECT

City’s Plan of Action to meet the U.S. Department of Housing and Urban Development Community Development Block Grant Funds Expenditure Deadline

certain terms and conditions included in Resolution Nos. 19-0360, 19-0385, and 19-0387 authorized by City Council on February 27, 2019.

Funding Plan

HNR staff recommends reducing the CDBG allocations for the Estates at Shiloh and Palladium Redbird developments; increasing the CDBG allocation and eliminating the HOME funds allocation for the 2400 Bryan Street development as follows:

CURRENT FUNDING				
Type of Funds	2400 Bryan	Palladium Redbird	Estates at Shiloh	Total Fund Type
CDBG	\$3,421,373.00	\$2,696,300.00	\$3,801,000.00	\$9,918,673.00
HOME	\$3,605,570.00	\$3,575,276.00	\$0.00	\$7,180,846.00
GO Bonds	\$973,057.00	\$2,028,424.00	\$199,000.00	\$3,200,481.00
P/PP	\$6,000,000.00	\$0.00	\$0.00	\$6,000,000.00
Total	\$14,000,000.00	\$8,300,000.00	\$4,000,000.00	\$26,300,000.00
REVISED FUNDING				
Type of Funds	2400 Bryan	Palladium Redbird	Estates at Shiloh	Total Fund Type
CDBG	\$7,026,943.00	\$1,271,576.00	\$1,620,154.00	\$9,918,673.00
HOME	\$0.00	\$5,000,000.00	\$2,180,846.00	\$7,180,846.00
GO Bonds	\$973,057.00	\$2,028,424.00	\$199,000.00	\$3,200,481.00
P/PP	\$6,000,000.00	\$0.00	\$0.00	\$6,000,000.00
Total	\$14,000,000.00	\$8,300,000.00	\$4,000,000.00	\$26,300,000.00

HNR staff consulted with the three development partners and with Texas Department of Housing and Community Affairs (“TDHCA”). The transaction involves City of Dallas Housing Finance Corporation (“DHFC”) accepting ownership of the land, along with provisions whereby DHFC must enter into a development loan agreement with the City for the CDBG funds, subject to DHFC board approval. In order to meet the timeliness test, closing on the land will occur by July 5, in advance of closing on developer equity, and other financing for the 2400 Bryan Street development which is scheduled to occur between mid-July and early August 2019.

The following terms and conditions will need to be amended in Resolution No. 19-0360 to allow for the DHFC to take down the land prior to closing on all other financing:

- Amend the development loan agreement amount with 2400 Bryan Street, LLC (“2400 Bryan”);

SUBJECT **City's Plan of Action to meet the U.S. Department of Housing and Urban Development Community Development Block Grant Funds Expenditure Deadline**

- Authorize a development loan agreement with the DHFC for the CDBG funds, subject to DHFC Board approval;
- Allow the City's loan and grant to close prior to equity and other financing;
- Allow 2400 Bryan and the DHFC to be reimbursed for costs associated with the acquisition at closing; and
- Allow the City to maintain no less than 3rd lien position.

For Estates at Shiloh and Palladium Redbird, HNR staff recommends allowing the City's loan and grant to close prior to equity and other financing for the developments only to assist the City to meet a federal expenditure deadline. Additionally, for Palladium Redbird, HNR staff recommends entering to a development loan agreement with the DHFC only if CDBG funds are needed to acquire the land.

All other terms and conditions authorized under Resolution Nos. 19-0360, 19-0385, and 19-0387 would remain unchanged.

Issue

If amending Resolution Nos. 19-0360, 19-0385, and 19-0387 does not move forward, then the City is at risk of losing its CDBG funds that exceed the maximum amount allowed to be kept in its line of credit with the Treasury. Additionally, future allocations for CDBG funding will be at risk of being reduced due to not meeting the timeliness test. This is lost revenue to the City to serve its low-to-moderate households through the City's activities designated for the use of CDBG funds.

Fiscal Impact

There is no cost consideration to the City to revise the funding allocations as proposed.

Departments/Committee/Council Actions

The City Attorney's Office and the Community Development Division of the Office of Budget were consulted and reviewed this item.

Staff Recommendation

On June 12, 2019, if recommended for approval by the Economic Development and Housing Committee ("EDHC"), HNR staff would bring forward the items to City Council to

DATE May 31, 2019

Page 4 of 4

SUBJECT **City's Plan of Action to meet the U.S. Department of Housing and Urban
Development Community Development Block Grant Funds Expenditure Deadline**

consider amending Resolution Nos. 19-0360, 19-0385, and 19-0387. The agenda items for the June 12, 2019, Council meeting are attached for your review. Staff recommends moving forward amendments to the Resolutions in order to assist the City in meeting its CDBG timeliness deadline as required by HUD and avoid risking the loss of CDBG funds.

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



Michael A. Mendoza
Chief of Economic Development and Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
Directors and Assistant Directors

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: June 12, 2019
COUNCIL DISTRICT(S): 14
DEPARTMENT: Housing & Neighborhood Revitalization
EXECUTIVE: Michael Mendoza

SUBJECT

Authorize the first amendment to Resolution No.19-0360, previously approved on February 27, 2019, for a mixed-use and mixed-income multifamily residential development to be located at 2400 Bryan Street to: **(1)** amend the development loan amount with 2400 Bryan Street, LLC or an affiliate (“2400 Bryan”) to only include an amount not to exceed \$6,000,000.00 in Public/Private Partnership funds for construction, **(2)** authorize a development loan agreement with the City of Dallas Housing Finance Corporation (“DHFC”), instead of 2400 Bryan, for acquisition of land and construction, subject to DHFC Board of Directors’ approval, in amount not to exceed \$7,026,943.00 in Community Development Block Grant (“CDBG”) funds, **(3)** allow the closing of the 2400 Bryan and DHFC grant/loan to occur prior to closing on the equity and all other financing for the development, **(4)** allow 2400 Bryan and DHFC to be reimbursed for costs associated to acquisition at closing, but must meet all other requirements under Resolution No.19-0360 to be reimbursed the remaining loan and grant amounts and **(5)** allow the City to maintain no less than 3rd lien position – No cost consideration to the City

BACKGROUND

This item is being added to the addendum to expedite an amendment to Resolution No. 19-0360, approved on February 27, 2019 for the development of a mixed-used and mixed-income multifamily residential development to be located at 2400 Bryan Street. The approval will assist the City in meeting its housing production goals under the Comprehensive Housing Policy plus expenditure and commitment requirements for the use of the federal funds from the U.S. Department of Housing and Urban Development (“HUD”).

On February 27, 2019, City Council authorized a development loan and conditional grant agreement with 2400 Bryan Street, LLC or its affiliate to develop a 15-story mixed-use development with approximately 10,000 square feet of retail space and a mixed-income multifamily rental residential with 217 units in downtown. The retail space will include an early childhood education or childcare facility. The development includes structured parking with approximately 312 spaces. Planned amenities for the development include a multipurpose room with fitness center and swimming pool. RMGM Bryan Street, LLC or RMGM Developers, LLC, both affiliates of Matthews Southwest, Inc. (MSW) will serve as the Developer for the development. MSW redeveloped the historic Old Dallas High

School in partnership with the City using TIF funds from Deep Ellum TIF District which is adjacent to the proposed development.

At this time, staff recommends reducing the CDBG allocations for the Estates at Shiloh and Palladium Redbird developments and increase the CDBG allocation and eliminate the HOME Investment Partnership Program (HOME) funds allocation for 2400 Bryan. The development will still receive up to \$7,026,943.00 in federal funds; however, instead of the original distribution of \$3,421,373.00 in CDBG funds and \$3,605,570.00 in HOME funds, the development will receive up to \$7,026,943 in CDBG funds. The funds will be used for acquisition, construction, and all other eligible associated hard and soft costs for development of the project. In order for the CDBG funds to be used as an eligible expense for acquisition, the DHFC must enter into a development loan agreement with the City, subject to DHFC Board approval. CDBG funds may be used for acquisition only if a nonprofit entity purchases the land. The DHFC will lease the land to 2400 Bryan through a long-term ground lease.

Per HUD regulations, the City cannot have more than 1.5 times its CDBG allocation in its U.S. Department of the Treasury line of credit 60 days prior to the end of the program year which is September 30. HUD will conduct a test “timeliness test” to determine if the City has more than 1.5 times its allocation on August 2, 2019. The City must draw \$7,517,016.00 including program income receipted to meet the timeliness test requirement. If the City continuously has more than 1.5 times its CDBG allocation, HUD can reduce funding allocations and withhold future grants.

In order to assist the City with meeting its CDBG timeliness deadline, staff recommends that the land for the 2400 Bryan Street development be purchased by the DHFC in advance of closing on equity and financing using the CDBG funds to cover a portion of the costs.

The proposed total investment is \$77,746,799.00 and a breakdown of sources and uses are provided below:

Financing Sources	Amount
Permanent Debt	\$42,000,000
Housing Tax Credits Equity	\$14,850,000
NOI Credit during Lease Up	\$1,486,624
Deferred Developer Fee	\$5,410,175
City CDBG Funds	\$7,026,943
2012 GO Bond Funds	\$973,057
Public Private Partnership Funds	\$6,000,000
Total	\$77,746,799

Proposed Uses	Costs
Acquisition	\$9,675,000

Construction Costs	\$48,314,433
Soft Costs & Financing Fees	\$9,286,090
Developer Fees	\$8,500,000
Reserves	\$1,971,277
Total	\$77,746,800

The City proposes to provide an amount not to exceed \$14,000,000.00 in gap financing for the construction of the development. The funds will be funded from several sources:

1. \$973,057.00 in 2012 General Obligation Bond (GO Bond Funds from Proposition 3 (Economic Development and Housing) to be awarded as conditional grant to 2400 Bryan; and
2. \$7,026,943 in CDBG funds to be awarded as a repayable loan to DHFC; and
3. \$6,000,000.00 in Public/Private Partnership Funds (P/PP) to be awarded as a repayable loan to 2400 Bryan.

2400 Bryan and the DHFC may be reimbursed for costs associated with acquisition at closing of the City's loan and grant, but must meet all other requirements under the development loan and conditional grant agreement to be reimbursed the remaining loan and grant amounts. All of the other terms and conditions from the original Resolution No. 19-0360 approved on February 27, 2019 shall remain unchanged and in full force and effect.

City Council approval of this item will authorize the City Manager to execute development loans and a conditional grant agreement related to the development as amended.

ESTIMATED SCHEDULE OF DEVELOPMENT

Begin Construction August 2019
Complete Construction December 2021

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On January 24, 2018, City Council supported the 2018 Texas Department of Housing and Community Affairs' (TDHCA) 9% low-income housing tax credit application for the development at 2400 Bryan Street and authorized a line of credit agreement in the amount of \$500.00 for a commitment of development funding by Resolution No.18-0219.

On January 25, 2019, the DHFC Board of Directors approved owning the land, entering into a long-term ground lease, and taking an ownership interest in 2400 Bryan Street, LLC.

On February 19, 2019, the Economic Development and Housing Committee was briefed on the development loan agreement with 2400 Bryan Street, LLC and approved moving forward to Council for consideration.

On February 27, 2019, City Council authorized (1) a development loan agreement with

2400 Bryan Street, LLC or an affiliate thereof in an amount not to exceed \$13,026,943.00 (comprised of \$3,605,570.00 in HOME Investment Partnerships Program Funds, \$6,000,000.00 in Public/Private Partnership Funds, and \$3,421,373.00 of Community Development Block Grant Funds); **(2)** a conditional grant agreement with 2400 Bryan Street, LLC or an affiliate thereof for the development of a mixed-use and mixed-income multifamily residential development to be located at 2400 Bryan Street in an amount not to exceed \$973,057.00 in 2012 General Obligation Bond Funds; and **(3)** the City of Dallas Housing Finance Corporation to purchase and own the land and to enter into a long-term ground lease with 2400 Bryan Street, LLC by Resolution No. 19-0360.

On June 3, 2019, the Economic Development and Housing Committee was provided the Agenda Information Sheet and Resolution as an Upcoming Council Agenda Item.

FISCAL INFORMATION

No cost consideration to the City.

OWNER/DEVELOPER

2400 Bryan Street, LLC

2400 Bryan Street GP, LLC is the general partner, a formed entity with The Community Project, BETCO Consulting, LLC, and RMGM Bryan Street, LLC (RMGM Bryan Street) as members. (City of Dallas Housing Finance Corporation will be admitted as the sole member of the GP)

RMGM Bryan Street or RMGM Developers, LLC, both affiliates of Matthews Southwest Inc. will serve as the Developer.

Jack Matthews, President

City of Dallas Housing Finance Corporation

MAP

Attached

June 12, 2019

WHEREAS, on May 9, 2018, City Council adopted a Comprehensive Housing Policy Manual (Policy) that set citywide production goals for homeownership and rental units for the next three years along with respective income bands that will be prioritized within the production goals and also set forth various programs, tools and strategies to be used to meet the production goals while also overcoming concentrations of poverty and racial segregation by Resolution No. 18-0704; and

WHEREAS, on November 28, 2018, City Council adopted certain amendments to the Policy in order to correct inconsistencies and to facilitate effective implementation by Resolution No. 18-1680; and

WHEREAS, on January 24, 2018, City Council supported the 2018 Texas Department of Housing and Community Affairs' (TDHCA) 9% low-income housing tax credit application for the development at 2400 Bryan Street and authorized a line of credit agreement in the amount of \$500.00 for a commitment of development funding by Resolution No. 18-0219; and

WHEREAS, on August 30, 2018, the City issued a Notice of Funding Availability in accordance with the Policy and 2400 Bryan Street, LLC submitted an application for gap financing and received a fundable score; and

WHEREAS, on January 25, 2019, the City of Dallas Housing Finance Corporation Board of Directors at its Board meeting approved entering into an agreement to purchase and own the land, enter into a long-term ground lease, and taking an ownership interest in 2400 Bryan Street, LLC; and

WHEREAS, on February 27, 2019, City Council authorized (1) a development loan agreement with 2400 Bryan Street, LLC or an affiliate thereof in an amount not to exceed \$13,026,943.00 (comprised of \$3,605,570.00 in HOME Investment Partnerships Program Funds, \$6,000,000.00 in Public/Private Partnership Funds, and \$3,421,373.00 of Community Development Block Grant Funds); (2) a conditional grant agreement with 2400 Bryan Street, LLC or an affiliate thereof for the development of a mixed-use and mixed-income multifamily residential development to be located at 2400 Bryan Street in an amount not to exceed \$973,057.00 in 2012 General Obligation Bond Funds; and (3) the City of Dallas Housing Finance Corporation to purchase and own the land and to enter into a long-term ground lease with 2400 Bryan Street, LLC by Resolution No. 19-0360; and

WHEREAS, the City desires to move forward with the 2400 Bryan Street development to complete the project; and

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

amounts, subject to Director of Housing and Neighborhood Revitalization's approval, in his or her sole discretion.

SECTION 7. That all other terms and conditions contained in Resolution No. 19-0360, approved on February 27, 2019, shall remain unchanged and in full force and effect and binding upon 2400 Bryan and DHFC.

SECTION 8. That this resolution does not constitute a binding agreement upon the City or subject to the City to any liability or obligation until such time as the agreements are duly approved by all parties and executed.

SECTION 9. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: June 12, 2019
COUNCIL DISTRICT(S): 8
DEPARTMENT: Housing & Neighborhood Revitalization
EXECUTIVE: T.C. Broadnax

SUBJECT

Authorize a first amendment to Resolution No.19-0385, previously approved on February 27, 2019, for a mixed-income multifamily residential development to be located at the intersection of West Camp Wisdom Road and South Westmoreland Road site of the former Red Bird Mall/Southwest Center Mall to: **(1)** amend the development loan amount with Palladium Redbird, Ltd. or an affiliate (“Palladium Redbird”) to only include an amount not to exceed \$5,000,000.00 in HOME Investment Partnership Program (“HOME”) funds for construction, **(2)** authorize a development loan agreement with Palladium Redbird or the City of Dallas Housing Finance Corporation (“DHFC”) for acquisition of land and construction, subject to DHFC Board of Directors’ approval, in an amount not to exceed \$1,271,576.00 in Community Development Block Grant (“CDBG”) funds, **(3)** allow the closing of the Palladium Redbird and DHFC grant/loan to occur prior to closing on the equity and all other financing for the development, **(4)** allow Palladium Redbird and DHFC to be reimbursed for costs associated to acquisition at closing, but must meet all other requirements under the agreement to be reimbursed the remaining loan and grant amounts, and **(5)** allow the City to maintain no less than 3rd lien position – No cost consideration to the City

BACKGROUND

This item is being added to the addendum to expedite an amendment to Resolution No. 19-0385, approved on February 27, 2019. The approval will assist the City in meeting its housing production goals under the Comprehensive Housing Policy while simultaneously meeting expenditure and commitment requirements for the use of the federal funds from the U.S. Department of Housing and Urban Development.

On February 27, 2019, City Council authorized a development loan and conditional grant agreement with Palladium Redbird, Ltd. to construct a new, 300-unit development with structured parking for approximately 450 spaces at the site of the former Red Bird/Southwest Center Mall. The development will include two 4-story residential buildings with elevators and, in addition to structured parking, planned amenities include a clubhouse with a fitness center, a business center, a club room, resort-style swimming pool, playground, pedestrian access to the Redbird Mall Area, and a dog park. Palladium Red Bird, Ltd. is an affiliate of Palladium USA International, Inc. (Palladium Redbird) and will serve as the developer for the development.

At this time, staff recommends reducing the CDBG allocation for Palladium Redbird while simultaneously increasing the HOME allocation for the project. The CDBG funds that are removed from the Palladium Redbird project will subsequently be allocated to the 2400 Bryan project in order for the City to meet its CDBG timeliness expenditure deadline on August 2, 2019. The development will still receive up to \$6,271,576.00 in federal funds; however, instead of the original distribution of \$2,696,300.00 in CDBG funds and \$3,575,276.00 in HOME funds, the development will receive \$1,271,576.00 in CDBG funds and \$5,000,000.00 in HOME funds. The funds will be used for acquisition, construction, and all other eligible hard and soft costs for the development of the project.

The proposed total investment is \$60,595,572.00. The sources and uses are provided in the following chart:

Financing Sources	Amount
*Tax Exempt Bonds (retired and replace with 221(d)4 loan)	\$34,957,118
*DHFC as Issuer and induced on 1/25/2019	
Housing Tax Credits Equity	\$15,094,860
National Housing Trust Funds	\$2,000,000
Deferred Developer Fee	\$243,598
City CDBG Funds	\$1,271,576
City HOME Funds	\$5,000,000
2012 GO Bond Funds	\$2,028,424
Total	\$60,595,572

Use	Costs
Acquisition	\$1,300,000
Construction Costs	\$42,236,497
Soft Costs & Financing Fees	\$7,365,412
Developer Fees	\$7,082,936
Reserves	\$2,610,727
Total	\$60,595,572

The City proposes to provide an amount not to exceed \$8,300,000.00 in gap financing for the construction of the development from three sources:

1. \$2,028,424.00 in 2012 General Obligation Bond Funds (GO Bond) from Proposition 3 (Economic Development and Housing) to be awarded as conditional grant to Palladium Redbird;
2. \$1,271,576.00 in Community Development Block Grant (CDBG) funds to be awarded as a repayable loan to Palladium Redbird or DHFC; and
3. \$5,000,000.00 in HOME Investment Partnerships Program funds (HOME) to be awarded as a repayable loan to Palladium Redbird.

Staff recommends entering to a development loan agreement with the DHFC only if CDBG funds are needed to acquire the land for the development. Additionally, staff recommends allowing the City's loan and grant to close prior to equity and other financing for the development only to assist the City to meet a federal expenditure deadline, but must meet all other requirements under the development loan and conditional grant agreement to be reimbursed the remaining loan and grant amounts. All of the other terms and conditions from the original Resolution No. 19-0385 approved on February 27, 2019 shall remain unchanged and in full force and effect.

City Council approval of this item will authorize the City Manager to execute the amendment to the development loan and conditional grant agreement related to the development.

ESTIMATED SCHEDULE OF DEVELOPMENT

Construction Commence October 2019
Construction Complete December 2021

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On January 25, 2019, the DHFC Board of Directors approved owning the land, entering into a long-term ground lease, and taking an ownership interest in Palladium Redbird, Ltd. and an inducement of multifamily mortgage revenue bonds.

On February 19, 2019, the Economic Development and Housing Committee was briefed on the development loan agreement with 2400 Bryan Street, LLC and approved moving forward to Council for consideration.

On February 27, 2019, City Council authorized **(1)** a development loan agreement with Palladium Redbird, Ltd. or an affiliate thereof in an amount not to exceed \$6,271,576.00 (comprised of \$3,575,276.00 in HOME Investment Partnerships Program Funds and \$2,696,300.00 of Community Development Block Grant Funds); **(2)** a conditional grant agreement with Palladium Redbird, Ltd. or an affiliate thereof for the development of a multifamily residential development to be located at the intersection of W. Camp Wisdom Road and S. Westmoreland Road in an amount not to exceed \$2,028,424.00 in 2012 General Obligation Bond Funds; and **(3)** the City of Dallas Housing Finance Corporation to purchase and own the land and to enter into a long-term ground lease with Palladium Redbird, Ltd. by Resolution No. 19-0385.

On June 3, 2019, the Economic Development and Housing Committee was provided the Agenda Information Sheet and Resolution as an Upcoming Council Agenda Item.

FISCAL INFORMATION

No cost consideration to the City.

OWNER/DEVELOPER

Palladium Redbird, Ltd.

Palladium Redbird GP, LLC is the general partner, a formed entity with members affiliated with Palladium Redbird (City of Dallas Housing Finance Corporation will be admitted as the sole member of the GP)

Palladium Redbird and DHFC will serve as co-Developer.

Thomas Huth, President of Palladium Redbird

City of Dallas Housing Finance Corporation

MAP

Attached

June 12, 2019

WHEREAS, on May 9, 2018, City Council adopted a Comprehensive Housing Policy Manual (Policy) by Resolution No. 18-0704 that set citywide production goals for homeownership and rental units for the next three years along with respective income bands that will be prioritized within the production goals and also set forth various programs, tools and strategies to be used to meet the production goals while also overcoming concentrations of poverty and racial segregation; and

WHEREAS, on November 28, 2018, City Council adopted certain amendments to the Policy in order to correct inconsistencies and to facilitate effective implementation; and

WHEREAS, the Comprehensive Housing Policy provides a policy for developers requesting a Resolution of Support or No Objection (Resolutions) for multifamily rental housing developments seeking Housing Tax Credits (HTC) through the Texas Department of Housing and Community Affairs (TDHCA); and

WHEREAS, on August 30, 2018, the City issued a Notice of Funding Availability in accordance with the Policy and Palladium Redbird, Ltd. submitted an application for gap financing and received a fundable score for Palladium Redbird; and

WHEREAS, the proposed development is part of the overall renovation and redevelopment of a shopping mall located at 3662 W. Camp Wisdom Road known as Red Mall which received City incentives; and

WHEREAS, on January 25, 2019, the City of Dallas Housing Finance Corporation Board of Directors at its Board meeting approved entering into an agreement to purchase and own the land; enter into a long-term ground lease, and taking an ownership interest in Palladium Redbird, Ltd.; and

WHEREAS, the proposed development is located in the Red Bird Redevelopment target area, one of the 15 approved Reinvestment Strategy Areas in the Policy, and the proposed development is a mixed-income multifamily residential development providing 90 market rate and 210 units to households earning 60% or below of Area Median Income and provides future residents with access to opportunities such as transit, park, community center, and retail; and

WHEREAS, on February 27, 2019, City Council authorized (1) a development loan agreement with Palladium Redbird, Ltd. or an affiliate thereof in an amount not to exceed \$6,271,576.00 (comprised of \$3,575,276.00 in HOME Investment Partnerships Program Funds and \$2,696,300.00 of Community Development Block Grant Funds); (2) a conditional grant agreement with Palladium Redbird, Ltd. or an affiliate thereof for the development of a multifamily residential development to be located at the intersection of W. Camp Wisdom Road and S. Westmoreland Road in an amount not to exceed \$2,028,424.00 in 2012 General Obligation Bond Funds; and (3) the City of Dallas Housing Finance Corporation to purchase and own the land and to enter into a long-term ground

lease with Palladium Redbird, Ltd. by Resolution No. 19-0385; and

WHEREAS, the City desires to move forward with the Palladium Redbird development to complete the project; and

NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City Manager is hereby authorized to execute a development loan agreement with Palladium Redbird, Ltd. or an affiliate (“Palladium Redbird”), for the construction of a multifamily residential development to be located at the intersection of W. Camp Wisdom Road and S. Westmoreland Road in an amount not to exceed \$5,000,000.00 in HOME Investment Partnership Program funds, as approved as to form by the City Attorney. City shall maintain no less than 2nd or 3rd lien position, subordinate only to a senior construction lender for a loan in a greater amount.

SECTION 2. That the City Manager is hereby authorized to execute a development loan agreement with the City of Dallas Housing Finance Corporation (“DHFC”), subject to DHFC Board of Directors’ approval or Palladium Redbird for acquisition and construction of a multifamily residential development to be located at the intersection of W. Camp Wisdom Road and S. Westmoreland Road, in an amount not to exceed \$1,271,576.00 in Community Development Block Grant, approved as to form by the City Attorney. City shall maintain no less than 2nd or 3rd lien position, subordinate only to a senior construction lender for a loan in a greater amount. Whether the development loan agreement is executed with the DHFC or Palladium Redbird is within the sole discretion of the City Manager.

SECTION 3. That the Chief Financial Officer is hereby authorized to encumber funds and disburse funds to Palladium Redbird, Ltd., Vendor VC 100163, and to the Dallas Housing Finance Corporation, Vendor VC 255006, as the City receives and reviews reimbursement requests and related supporting documentation submitted by Palladium Redbird, Ltd. for eligible expenditures and accepts supporting evidence as defined in the agreements for the total amount not to exceed \$8,300,000.00 from funding sources listed and described below:

<u>FUND</u>	<u>DEPT</u>	<u>UNIT</u>	<u>OBJECT</u>	<u>PROGRAM NUMBER</u>	<u>AMOUNT</u>
18R1	HOU	B17B	3015	NOFA18REDBIRD	\$1,271,576
HM17	HOU	275B	3015	NOFA18REDBIRD	\$1,424,724
HM18	HOU	823C	3015	NOFA18REDBIRD	\$2,091,239
HM13	HOU	310F	3015	NOFA18REDBIRD	\$149,064
HM14	HOU	489G	3015	NOFA18REDBIRD	\$689,027
HM15	HOU	644H	3015	NOFA18REDBIRD	\$160,990
HM16	HOU	545A	3015	NOFA18REDBIRD	\$484,956

2U53	HOU	W362	3016	NOFA18REDBIRD	\$139,051
3U53	HOU	W362	3016	NOFA18REDBIRD	\$419,373
4U53	HOU	W362	4599	NOFA18REDBIRD	\$1,470,000

SECTION 4. That the City Chief Financial Officer is hereby authorized to record notes receivable - developers loan in Balance Sheet Account 033F and deferred revenue-home loans in Balance Sheet Account 0859 in fund CDBG and HOME for the amount of the loan.

SECTION 5. That the City Manager, in his or her sole discretion, is authorized to close on the Palladium Redbird and DHFC loans and grants prior to closing on the equity and all other financing for the development.

SECTION 6. That Palladium Redbird and DHFC may be reimbursed for costs associated to acquisition at closing, but must meet all other requirements under Resolution No. 19-0385, approved on February 27, 2019, to be reimbursed the remaining loan and grant amounts, subject to Director of Housing and Neighborhood Revitalization's approval, in his or her sole discretion.

SECTION 7. That all other terms and conditions contained in Resolution No. 19-0385, approved on February 27, 2019, shall remain unchanged and in full force and effect and binding upon Palladium Redbird and DHFC.

SECTION 8. That this resolution does not constitute a binding agreement upon the City or subject to the City to any liability or obligation until such time as the agreements are duly approved by all parties and executed.

SECTION 9. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: June 12, 2019
COUNCIL DISTRICT(S): 9
DEPARTMENT: Housing & Neighborhood Revitalization
EXECUTIVE: Michael Mendoza

SUBJECT

Authorize a first amendment to Resolution No.19-0387, previously approved on February 27, 2019, for a mixed-income multifamily complex for seniors to be located at 2649 Centerville Road to: **(1)** amend the funding source for the development loan amount with TX Casa View 2018, Ltd. (“TCV”) of \$3,801,000.00 from \$3,801,000.00 in Community Development Block Grant (“CDBG”) to \$1,620,154.00 in CDBG funds and \$2,180,846.00 HOME Investment Partnership Program (“HOME”) funds, and **(2)** allow the closing of the TCV grant/loan to occur prior to closing on the equity and all other financing for the development. – No cost consideration to the City.

BACKGROUND

This item is being added to the addendum to expedite an amendment to Resolution No.19-0387, previously approved on February 27, 2019. The approval will assist the City in meeting its housing production goals under the Comprehensive Housing Policy plus expenditure and commitment requirements for the use of the federal funds from the U.S. Department of Housing and Urban Development (“HUD”).

On February 27, 2019, City Council authorized a contract with TCV to rehabilitate all 40 existing units and construct 224 new units for seniors at the Estates at Shiloh Apartments. The 264 units will be dispersed equitably by bedroom size and amongst income bands throughout the development. The proposed development will have 4-three story buildings with ventilated corridors and accessible elevators. Planned amenities include renovation of the existing 9,000 square foot community center, swimming pool, community garden, landscaping and lighted sidewalks connecting buildings, and a dog park. TCV is an affiliate of Generation Housing Partners, LLC and Hill Tide Development, LLC.

At this time, staff recommends reducing the CDBG fund allocation for the Estates at Shiloh in order to increase the CDBG fund allocation for 2400 Bryan, a mixed-income housing development authorized by Resolution 19-0360 on February 27, 2019. Reducing the allocation of CDBG funds for the Estates at Shiloh will allow the City to meet its CDBG timeliness expenditure deadline on August 2, 2019. The development will still receive up to \$3,801,000.00 in federal funds; however, instead of the original distribution of \$3,801,000.00 in CDBG funds, the development will receive up to \$1,620,154.00 in CDBG funds and \$2,180,846.00 in HOME funds. The funds will be used for acquisition,

construction, and all other eligible associated hard and soft costs for development of the project.

Total development costs are anticipated to be approximately \$38,435,465.00 which include the acquisition price for the land and existing improvements. The hard cost rehabilitation/construction budget is anticipated to be \$25,103,247.00 (\$22,628,447.00 new construction and \$2,475,200.00 rehab) which is \$101,019.85 per unit and \$61,880.00 per unit respectively. The total rehabilitation/construction amount includes a 3% contingency and contractor overhead.

The proposed total investment is \$77,746,799.00 and a breakdown of sources and uses are provided below:

Financing Sources	Amount
Tax Exempt Bonds (retired and replace with 221(d)4 loan)	\$19,650,000 (\$20,000,000)
*DHFC as Issuer and induced on 1/25/2019	
Housing Tax Credits Equity	\$12,546,810
Deferred Developer Fee	\$2,238,655
City CDBG Funds	\$1,620,154
City HOME Funds	\$2,180,846
2012 GO Bond Funds	\$199,000
Total	\$38,435,465

Proposed Use	Costs
Acquisition	\$3,400,000
Rehabilitation & Construction Costs	\$25,103,247
Soft Costs & Financing Fees	\$4,074,624
Developer Fees	\$4,521,806
Reserves	\$1,335,788
Total	\$38,435,465

The City proposes to provide an amount not to exceed \$4,000,000.00 in gap financing for the construction of the development. The funds will be funded from three sources:

1. \$199,000.00 in 2012 General Obligation Bond Funds (GO Bond) from Proposition 3 (Economic Development and Housing) to be awarded as conditional grant;
2. \$1,620,154.00 in Community Development Block Grant (CDBG) funds to be awarded as a repayable loan; and
3. \$2,180,846.00 HOME Investment Partnership Program (HOME) funds to be awarded as a repayable loan.

Staff recommends allowing the City's loan and grant to close prior to equity and other financing for the development only to assist the City to meet a federal expenditure

deadline. All of the terms and conditions from the original Resolution No. 19-0387 approved on February 27, 2019 still remain in effect.

City Council approval of this item will authorize the City Manager to execute development loans and a conditional grant agreement related to the development as amended.

ESTIMATED SCHEDULE OF DEVELOPMENT

Construction Commence November 2019
Construction Complete December 2021

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On January 25, 2019, the DHFC Board of Directors approved owning the land, entering into a long-term ground lease, and taking an ownership interest in TX Casa View 2018, Ltd. and an inducement of multifamily mortgage revenue bonds.

On February 19, 2019, the Economic Development and Housing Committee was briefed on the development loan agreement with TX Casa View 2018, Ltd. and approved moving forward to Council for consideration.

On February 27, 2019, City Council authorized **(1)** that it has no objection as to TCV's application to TDHCA's 2019 4% Non-Competitive HTC; **(2)** a development loan agreement with TCV or an affiliate thereof in an amount not to exceed \$3,801,000 (Community Development Block Grant Funds) conditioned upon TCV receiving a 2019 4% Housing Tax Credit award; **(3)** a conditional grant agreement with TCV or an affiliate thereof for the development of a mixed-income multifamily residential development to be located at 2649 Centerville Road in an amount not to exceed \$199,000.00 in 2012 General Obligation Bond Funds; and **(4)** the City of Dallas Housing Finance Corporation to purchase and own the land and to enter into a long-term ground lease with TCV by Resolution No. 19-0387.

On June 3, 2019, the Economic Development and Housing Committee was provided the Agenda Information Sheet and Resolution as an Upcoming Council Agenda Item.

FISCAL INFORMATION

No cost consideration to the City.

OWNER/DEVELOPER

TX Casa View 2018, Ltd.

TX Casa View 2018 GP, LLC is the general partner, a formed entity with GHP and HTD as members. (City of Dallas Housing Finance Corporation will be admitted as the sole member of the GP)

GHP and HTD will serve as the Developer.

Adrian Iglesias, President of GHP
Chris Applequist, Vice-President of GHP

MAP
Attached

June 12, 2019

WHEREAS, on May 9, 2018, City Council adopted a Comprehensive Housing Policy Manual (Policy) by Resolution No. 18-0704 that set citywide production goals for homeownership and rental units for the next three years along with respective income bands that will be prioritized within the production goals and also set forth various programs, tools and strategies to be used to meet the production goals while also overcoming concentrations of poverty and racial segregation; and

WHEREAS, on November 28, 2018, City Council adopted certain amendments to the Policy in order to correct inconsistencies and to facilitate effective implementation by Resolution No. 18-1680; and

WHEREAS, the Comprehensive Housing Policy provides a policy for developers requesting a Resolution of Support or No Objection (Resolutions) for multifamily rental housing developments seeking Housing Tax Credits (HTC) through the Texas Department of Housing and Community Affairs (TDHCA); and

WHEREAS, on August 30, 2018, the City issued a Notice of Funding Availability in accordance with the Policy and TX Casa View 2018, Ltd. submitted an application for gap financing and received a fundable score; and

WHEREAS, on January 25, 2019, the City of Dallas Housing Finance Corporation Board of Directors at its Board meeting approved entering into an agreement to purchase and own the land; enter into a long-term ground lease, and taking an ownership interest in TX Casa View 2018, Ltd.; and

WHEREAS, the proposed development is located in the Casa View Stabilization target area, one of the 15 approved Reinvestment Strategy Areas in the Policy, and the proposed development is a mixed-income multifamily residential development for seniors providing at least 239 units to households earning 60% or below of Area Median Income and the remaining units as market rate and provides future residents with access to opportunities such as transit, park, community center, and retail; and

WHEREAS, TX Casa View 2018, Ltd. submitted an application to TDHCA for 2019 4% Non-Competitive HTC for the proposed acquisition of the land and existing improvements, the rehabilitation of existing units, and the construction of new improvements for the development of Estates at Shiloh Apartments; and

WHEREAS, on February 27, 2019, City Council confirmed **(1)** that it has no objection as to TX Casa View 2018, Ltd.'s application to TDHCA's 2019 4% Non-Competitive HTC; **(2)** authorized, conditioned upon TX Casa View 2018, Ltd. receiving a 2019 4% Housing Tax Credit award, a development loan agreement with TCV or an affiliate thereof in an amount not to exceed \$3,801,000 (Community Development Block Grant Funds); **(3)** a conditional grant agreement with TX Casa View 2018, Ltd. or an affiliate thereof for the development of a mixed-income multifamily residential development to be located at 2649

June 12, 2019

Centerville Road in an amount not to exceed \$199,000.00 in 2012 General Obligation Bond Funds; and (4) the City of Dallas Housing Finance Corporation to purchase and own the land and to enter into a long-term ground lease with TX Casa View 2018, Ltd. by Resolution No. 19-0387.

WHEREAS, the City desires to move forward with the Estates at Shiloh development to complete the project; and

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City Manager is hereby authorized to execute a development loan agreement with TX Casa View 2018, Ltd or an affiliate (TCV) thereof in an amount not to exceed \$3,801,000.00 comprised of \$1,620,154.00 Community Development Block Grant (CDBG) funds and \$2,180,846.00 HOME Investment Partnership Program (HOME) funds, approved as to form by the City Attorney.

Section 2. That the Chief Financial Officer is hereby authorized to encumber funds and disburse funds to TX Casa View 2018, Ltd., Vendor No. VS99112, as the City receives and reviews reimbursement requests and related supporting documentation submitted by TX Casa View 2018, Ltd. for eligible expenditures and accepts supporting evidence as defined in the agreements for the total amount not to exceed \$4,000,000.00 from funding sources listed and described below:

<u>FUND</u>	<u>DEPT</u>	<u>UNIT</u>	<u>OBJECT</u>	<u>PROGRAM NUMBER</u>	<u>AMOUNT</u>
18R1	HOU	B17C	3015	NOFA18SHILO	\$1,620,154
HM17	HOU	275B	3015	NOFA18SHILO	\$2,180,846
2U53	HOU	W363	3016	NOFA18SHILO	\$98,519
3U53	HOU	W363	3016	NOFA18SHILO	\$96,458
4U53	HOU	W363	3016	NOFA18SHILO	\$4,023

SECTION 3. That the City Chief Financial Officer is hereby authorized to record notes receivable - developers loan in Balance Sheet Account 033F and deferred revenue-home loans in Balance Sheet Account 0859 in fund CDBG and P/PP for the amount of the loan.

SECTION 4. That the City Manager, in his or her sole discretion, is authorized to close on the TCV loan and grant prior to closing on the equity and all other financing for the development

SECTION 5. That all other terms and conditions contained in Resolution No. 19-0387, previously approved on February 27, 2019, shall remain unchanged and in full force and effect.

SECTION 6. That this resolution does not constitute a binding agreement upon the City or subject to the City to any liability or obligation until such time as the loan documents are duly approved by all parties and executed.

SECTION 7. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.