

Memorandum



DATE April 16, 2018

TO 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 **Housing Development Contract Amendments**

Summary

The Housing and Neighborhood Revitalization (HNR) Department oversees development contracts to produce quality workforce housing throughout the City of Dallas (City). There are **17** development contracts, in varying stages of the development process, that are about to expire, have already expired, or require revisions. Contract amendments are needed to extend completion deadlines, revise the scope of work, and set milestones. Staff are implementing project management practices that are intended to assist developers with timely completion and delivery developments within budget. The Economic Development and Housing Committee (EDHC) will be briefed on **10** of the **17** contracts to be amended at its April 16, 2018 meeting.

Background

Each development contract has different terms such as repayment versus grant and/or deferred forgivable, in addition to, different affordability requirements based on the funding source. Funding sources can include HOME Investment Partnership Program (HOME) funds, Community Development Block Grant (CDBG) funds, Neighborhood Stabilization Program (NSP) funds, and General Obligation Bonds (GO Bonds). A list of the **10** development contracts and a brief description of each are provided in addition to a map (**Attachment 1 and 2**).

A summary of each development and the proposed contract amendments are outlined below:

1. Bosco Investments, Ltd. (Bosco) – Council District 8: On May 25, 2016, City Council approved a conditional grant agreement with Bosco for infrastructure costs in the amount of **\$402,819** in 2012 GO Bond funds for the development of **35** single family houses for the Sandyland Estates located at 9301 Sandyland Road. In March 2018, Bosco requested an extension to the conditional grant agreement. SL35, LLC purchased the lots in November 2017 and construction has been underway since January 2018 for the first **10** houses. One house of the **10** has been sold in March 2018, **1** is under contract to be sold in a few weeks, and **8** houses under construction. The remaining **25** homes are scheduled for build out by May 2019 and final closings to occur in October 2019. The main cause of delay for this development is it took **8** months to close on financing and the existing agreement did not factor in the time it takes to build out the homes.

The contract amendment for consideration will contemplate the following: **(1)** extend the agreement completion date from May 25, 2018 to November 30, 2019 and **(2)** amend the agreement to include milestones.

Funding Source	Amount
2012 GO Bonds	\$ 402,819.00
Private Financing	\$ 805,638.00
Total Development Costs	\$1,208,457.00

2. Builders of Hope Community Development Corporation (BOH) – Council District 8: On May 27, 2015, City Council approved a loan agreement with BOH for a housing development loan in the amount of **\$225,000** in HOME funds to pay a portion of hard costs associated with the development of **10** single family houses located on scattered sites in the Creekside neighborhood. On November 10, 2015, City Council authorized an amendment to the loan agreement with BOH to forgive the debt as each house is sold; and to enter into an agreement with Texas Department of Affordable Housing Corporation in lieu of a deed of trust for the City for the lots. On August 10, 2016, City Council authorized an amendment to the loan agreement with BOH to extend the completion date from May 27, 2016 to May 31, 2017 for the Creekside development. On August 23, 2017, City Council approved an amendment to decrease the loan amount from **\$225,000** to **\$202,500** in HOME funds; decrease the number of houses from **10** to **9**; and extend the loan from May 31, 2017 to May 31, 2018. Factors that have contributed to delays include lack of financial capacity, and staff turnover at the executive level.

BOH has requested another amendment to reduce the amount of funding and eliminate a house to construct. The contract amendment will contemplate the following **(1)** decrease the number of units from **9** to **8** houses; **(2)** decrease the amount by **\$22,500**, from **\$202,500** to **\$180,000**; and **(3)** extend the loan agreement from May 31, 2018 to November 30, 2018 to allow for development closeout. BOH has completed construction and sales to eligible homebuyers for the **8** houses. The City still must process release of liens and financial closeout.

Funding Source	Amount
HOME Funds	\$ 202,500.00*
Private Financing	\$1,447,500.00
Total Development Costs	\$1,650,000.00
*Amount based on last approved amendment; propose to reduce to \$180,000.00	

3. Dallas Area Habitat for Humanity (Habitat) – Council District 7: On May 25, 2016, City Council approved a loan agreement in the amount of **\$440,000** in HOME funds and a conditional grant agreement, 2012 GO Bonds, in the amount of **\$280,000** to pay for hard costs for the development of **18** single family houses located on scattered sites in the Joppa neighborhood with Habitat. In July 2017, Habitat requested to swap one of the lots located at 4615 Luzon Street to 4611 Corregidor Street. The lot was zoned commercial and could not be used under the agreement for residential development.

In March 2018, Habitat requested an extension to the GO Bond conditional grant agreement to complete construction of the final house on Corregidor Street. The other 17 houses have been built and sold to eligible homebuyers. Habitat anticipates construction to commence on the final house immediately following execution of the land swap agreement. Habitat experienced delays in development of the final house as a result of the time delay for the lot swap and to undergo a zoning change.

Habitat met the obligations under the HOME loan agreement; therefore, the HOME loan agreement does not need to be amended. The proposed contract amendment contemplates the following actions: **(1)** extend the GO Bond conditional grant agreement completion date from May 25, 2018 to November 30, 2018 and **(2)** amend the contract to include milestones.

Funding Source	Amount
HOME Funds	\$ 440,000.00
2012 GO Bonds	\$ 280,000.00
Private Financing	\$1,892,981.88
Total Development Costs	\$2,612,981.88

4. East Dallas Community Organization (EDCO) - Council District 7:

On April 22, 2015, City Council approved a loan agreement with EDCO, a Community Housing Development Organization (CHDO), for a housing development loan in the total amount of **\$608,331.00** (**\$408,331** in CDBG funds and **\$200,000** in HOME funds) to pay a portion of soft and hard costs associated with the Bexar Street Senior development located on Macon Street and Starks Avenue for construction of 7 rental units for seniors. On February 22, 2017 City Council approved an amendment for the housing development loan with EDCO, to **(1)** reduce the number of units to be developed from 7 to 5; and **(2)** extend the completion date from December 31, 2016 to February 22, 2018. In March 2018, EDCO requested an extension to the HOME loan agreement for the completion of the remaining 3 units of the total of 5 units. One of the 5 houses are built and rented by an eligible low-income senior. The units located at 2430 Macon Street (duplex), 2445 and 2451 Starks Avenue are approximately **95%** complete, pending punch items such as paint touch-up and landscape. Eligible renters are pending move-in on the remaining 4 units.

EDCO experienced significant delays negotiating with a land owner who ultimately refused to sell, and this caused delays with the replat process. During the delay construction costs raised considerably which led to the reduction in the number of units to be produced. There were additionally weather delays in February 2018 while construction was underway. EDCO attempted to have everything completed prior to the contract expiring; however, after further review of the file, funding previously allocated to the Bexar Street Seniors development was released by the previous Housing administration. Therefore, there were no funds available to reimburse any invoices at the time of submission of invoices. HNR staff has identified available funds from an EDCO completed project to refund the Bexar Street Seniors development but during this time EDCO could not be paid for invoices submitted.

The proposed contract amendment contemplates **(1)** extending the HOME loan agreement completion date from February 22, 2018 to November 30, 2018 and **(2)** amending the contract to include milestones.

Funding Source	Amount
CDBG Funds	\$408,331.00
HOME Funds	\$200,000.00
Private Financing	\$ 5,444.00
Total Development Costs	\$613,775.00

5. KKBK Properties, LLC (KKBK) – Council District 7: On May 25, 2016, City Council approved a conditional grant agreement with KKBK, or its wholly owned subsidiary for the Hatcher Gardens development for **\$300,000** in 2012 GO Bonds to pay for hard costs to construct a mixed use building to include **2** commercial units of approximately **800** square feet per unit and **10** apartment units at 4002 Hatcher Street. The site is located immediately south of the DART Green Line Hatcher Station.

In December 2016, KKBK requested an extension to the conditional grant agreement to continue construction on the sidewalk. Construction is complete on the commercial and residential building. KKBK experienced delays in development because of changes in general contractors and scope of work changes. Additionally, the developer was unaware of the requirement to replace the sidewalk in front of the building and was notified at the time of Certificate of Occupancy request. The sidewalk must be constructed to City standards and go through the City’s plan review process.

The contract amendment contemplates the following: **(1)** extend the conditional grant agreement completion date from December 31, 2016 to May 25, 2019 and **(2)** amend the contract to include milestones.

Funding Source	Amount
2012 GO Bonds	\$ 300,000.00
Private Financing	\$1,710,800.00
Total Development Costs	\$2,010,800.00

6. Notre Dame Place, Inc. (Notre Dame) – Council District 1: On May 25, 2016, City Council approved a loan agreement with Notre Dame for a housing development loan in the amount of **\$489,322** in HOME funds to pay for hard costs for the development of **14** townhomes located at East 9th Street and Starr Street. In March 2018, Notre Dame requested an extension to complete the sales associated with the townhomes. Notre Dame has completed construction of all **14** and has eligible homebuyers for **6** townhomes. The extension will allow for sale of the final townhomes and closeout of the development.

Several situations have contributed to a number of delays with contract completion, including the federal environmental review process and changes to the Dallas Homebuyer Assistance Program (DHAP).

This proposed action will authorize the amendment to the loan agreement with Notre Dame as follows: **(1)** extend the agreement from May 25, 2018 to November 30, 2018; and **(2)** amend the contract to include milestones.

Funding Source	Amount
HOME Funds	\$ 489,322.00
Private Financing	\$1,965,011.00
Total Development Costs	\$2,454,333.00

7. Shady Oaks, LLC (Camden) – Council District 8: On May 25, 2016, City Council approved a loan agreement with Camden for a conditional grant agreement for construction costs in the amount of **\$1,200,000** in 2012 GO Bond funds for the development of **40** single family homes for the Shady Oaks development located at Highway 175 and South Woody Road. On February 22, 2017, City Council approved an amendment to the agreement to lower the units from **40** to **19** and reduce the funding amount from **\$1,200,000** to **\$570,000**.

In March 2018, Camden requested an extension to the conditional grant agreement to continue construction on the remaining lots. Construction and sales are complete on **17** of the **19** homes. The final **2** homes are under construction and sales contract pending completion by November 2018. Camden experienced delays in development as a result of the time it took to plat the lots.

The contract amendment will contemplate the following: **(1)** extend the conditional grant agreement completion date from May 25, 2018 to November 28, 2018 and **(2)** amend the contract to include milestones.

Funding Source	Amount
2012 GO Bonds	\$ 570,000.00
Private Financing	\$1,311,207.00
Total Development Costs	\$1,881,207.00

8. South Dallas Fair Park/Innercity Community Development Corporation (ICDC) – Council District 7:

On June 10, 2015, City Council approved a loan agreement with ICDC, a CHDO, for a housing development loan in the amount of **\$320,000** in HOME funds to pay a portion of soft and hard costs for the development of **5** single family houses located on scattered sites in the Fair Park area. On September 14, 2016, City Council approved an amendment to increase the loan amount to **\$1,220,000** in HOME funds for the construction of **6** additional houses for a total of **11** to be built under the contract.

In March 2018, ICDC requested an extension to the HOME loan agreement to begin construction of the additional **6** houses. ICDC completed the engineering, zoning, plans

review and loan closing for private financing for the construction. The first **5** houses were built and sold in 2016. Construction is due to begin on the first **4** of the **6** houses by September 2018. The last **2** will be completed and sold by July 2019.

ICDC experienced delays in development because of the time it has taken to obtain ownership of the **6** HB110 lots that were purchased in 2017. Additional delays occurred due to the need to rezone **2** of the **6** lots from commercial to residential.

The proposed contract amendment contemplates the following: **(1)** extend the HOME loan agreement completion date from December 31, 2017 to July 31, 2019 and **(2)** amend the contract to include milestones.

Funding Source	Amount
HOME Funds	\$1,220,000.00
Private Financing	\$ 306,596.00
Total Development Costs	\$1,526,596.00

9. South Dallas Fair Park/Innercity Community Development Corporation (ICDC) – Council District – Council District 7: On May 25, 2016, City Council approved a loan agreement with ICDC, a CHDO, for a housing development loan in the total amount of **\$771,355** (**\$210,000** in NSP funds and **\$561,355** in HOME funds) to pay a portion of soft and hard costs for the construction of **10** single family homes for the Frank Street development located in the Mill City area. In March 2018, ICDC requested an extension to the HOME loan agreement to continue construction on the remaining lots. Construction is complete on **4** of the **10** homes with sales pending to eligible homebuyers. Construction is due to begin on **4** of the remaining **6** lots in May 2018. The final **2** of the total **10** units will be built and sold by February 2019. ICDC experienced delays in development as a result of the time it has taken to obtain the environmental review clearance as required by federal regulation and comply with infrastructure upgrades.

The proposed contract amendment contemplates the following: **(1)** extend the HOME loan agreement completion date from May 25, 2018 to February 28, 2019 and **(2)** amend the contract to include milestones.

Funding Source	Amount
NSP Funds	\$ 210,000.00
HOME Funds	\$ 561,355.00
Private Financing	\$ 699,048.00
Total Development Costs	\$1,470,403.00

10. Southfair Community Development Corporation (Southfair) – Council District 7: On June 10, 2015, City Council approved a loan agreement with Southfair, a CHDO, for construction of **2** affordable single-family houses located in the 2800-2900 block of South Boulevard and Park Row in the amount of **\$112,000** in HOME funds to pay a portion of hard costs for the construction. On June 22, 2016, City Council approved an amendment to the loan agreement with Southfair to extend the completion date from June 30, 2016 to

June 30, 2017. On September 13, 2017, City Council approved an amendment to the loan agreement with Southfair to **(1)** increase the number of units from **2** to **6**; **(2)** increase the amount of funding from **\$112,000** to **\$712,000**; and **(3)** extend the completion date from June 30, 2016 to August 31, 2018.

In April 2018, Southfair requested an extension to the loan agreement to complete construction and sales for **4** homes. To date, Southfair has completed construction and sales for **2** of the **6** homes. Southfair anticipates the builder to start construction on the remaining **4** homes by the end of May 2018. The houses will be completed and sold to eligible homebuyers by November 2018. Southfair experienced delays due to the time to obtain the federal environmental review clearance and with plans review because of the need to upgrade underground utilities.

The proposed contract amendment contemplates the following: **(1)** extend the agreement completion date from August 31, 2018 to December 31, 2018; and **(2)** amend the agreement to include milestones.

Funding Source	Amount
HOME Funds	\$ 712,000.00
Private Financing	\$ 556,046.00
Total Development Costs	\$1,268,046.00

Issues

There have been several issues and challenges to complete these developments outside of normal construction delays. First, many of the contract deadlines did not anticipate the time it takes to go through the City's development processes such as platting, zoning, and/or infrastructure plans review. Second, some of the lots acquired for these developments were either tax foreclosures or land bank lots and clearing the title was a challenge due to lien releases or issues with heirship. Finally, many of the contracts were brought forward to Council for consideration and executed prematurely. For example, underwriting was not performed, the contract was not drafted in advance of Council action, and environmental clearance was not complete for federally funded developments.

Alternatives

If Council does not amend the contracts, then, development will halt. There will be incomplete houses. The City will be liable for repayment in instances where federal funds were utilized. Further, the City could be required to initiate foreclosure actions.

Fiscal Impact

There are no costs considerations to the City for the **10** contract amendments listed in **Attachment 1**.

Department/Committee Coordination

HNR staff will coordinate with Sustainable Development and Construction for shepherding developers through the development process such as permitting and zoning. The City Attorney's Office will be consulted in advance to assist with contract development and revisions.

Staff Recommendation and Next Steps

To minimize contract extensions, in the future, HNR staff recommends implementation of the following actions. **(1)** HNR staff will add milestones to the amended development contracts such as dates for construction commencement/completion, submission timeline for final homebuyer files, and submission of final invoice. Developers that fail to meet the milestones will be in default of the contract. Developers will have **30** days to cure the default, but if they do not then the City can terminate the contract and have no further obligations. If the contract is terminated, then all funds provided will need to be repaid to the City. Staff met with the developers requiring extensions to develop realistic timelines for completion based on development status. **(2)** HNR staff will be proactive and shepherd developers faced with challenges in the development process. **(3)** Prior to Council action and contract execution, HNR staff will ensure all development due diligence is complete including certifying/recertifying CHDOs in accordance with federal regulations and drafting contracts in advance to minimize delays to issuance of a notice to proceed or construction commencement.

HNR staff will brief the EDHC on the remaining **7** development contracts requiring an amendment on May 7, 2018. Staff recommends approval by the EDHC, and once approved HNR staff plans to move forward these **10** amendments for City Council consideration on May 9, 2018. If approved by City Council, then HNR staff will work with the developers to ensure timely completion of development and limit the need for an extension.

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



Raquel Favela
Chief of Economic Development & Neighborhood Services

Attachments

c:	T.C. Broadnax, City Manager	Jon Fortune, Assistant City Manager
	Larry Casto, City Attorney	Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)
	Craig D. Kinton, City Auditor	Joey Zapata, Assistant City Manager
	Biliera Johnson, City Secretary	M. Elizabeth Reich, Chief Financial Officer
	Daniel F. Solis, Administrative Judge	Nadia Chandler Hardy, Chief of Community Services
	Kimberly Bizer Tolbert, Chief of Staff to the City Manager	Theresa O'Donnell, Chief of Resilience
	Majed A. Al-Ghafry, Assistant City Manager	Directors and Assistant Directors

**Attachment 1
Development Contracts**

CDs	PROJECT	PROP- OSED UNITS	COMP- LETED UNITS	SOLD UNITS	CITY CONTRACT AMOUNT	DRAWN AMOUNT	BALANCE	% DRAWN	Fund Type	TOTAL PROJECT BUDGET	TERM OF CONTRACT		STATUS
8	Bosco Investments – Sandyland City funds for infrastructure costs	35	2	1	\$402,819.00 City subsidy/unit is \$11,509.11 33% subsidy per unit	\$362,537.10	\$40,281.90	90%	2012 GO BOND	\$1,208,457.00 \$34,527.34 cost per unit	5/25/2016	5/25/2018	SL35, LLC purchased the lots in November 2017 and construction has been underway since January 2018 for the first 10 homes. One home sold in March 2018, one home will sell in the next few weeks and 8 homes are under contract. The remaining 25 homes are scheduled for build out by May 2019 and sales to happen concurrently with final closings in October 2019. The extension will allow the build out of the homes and sells to eligible homebuyers.
8	Builders of Hope – Creekside City funds for hard costs	9	8	8	\$202,500.00 City subsidy/unit is \$22,500.00 12% subsidy per unit	\$180,000.00	\$22,500.00	89%	2014 HOME	\$1,650,000.00 \$183,333.00 cost per unit	5/27/2015	5/31/2018	BOH has completed construction and sales to eligible homebuyers for the 8 units. The extension will allow closeout of the project; reduce number of units and funding.
7	Dallas Area Habitat for Humanity City funds for hard costs	18	17	17	\$440,000.00 \$280,000.00 City subsidy/unit is \$40,000.00 28% subsidy per unit	\$420,000.00 \$235,000.00	\$20,000.00 \$45,000.00	95% 84%	2014 HOME 2012 GO BOND	\$2,612,981.88 \$145,165.66 cost per unit	5/25/2016	5/25/2018	17 of the 18 homes are built and sold. The extension will allow completion of the last home and sale to an eligible homebuyer.

Housing Development Contract Amendments
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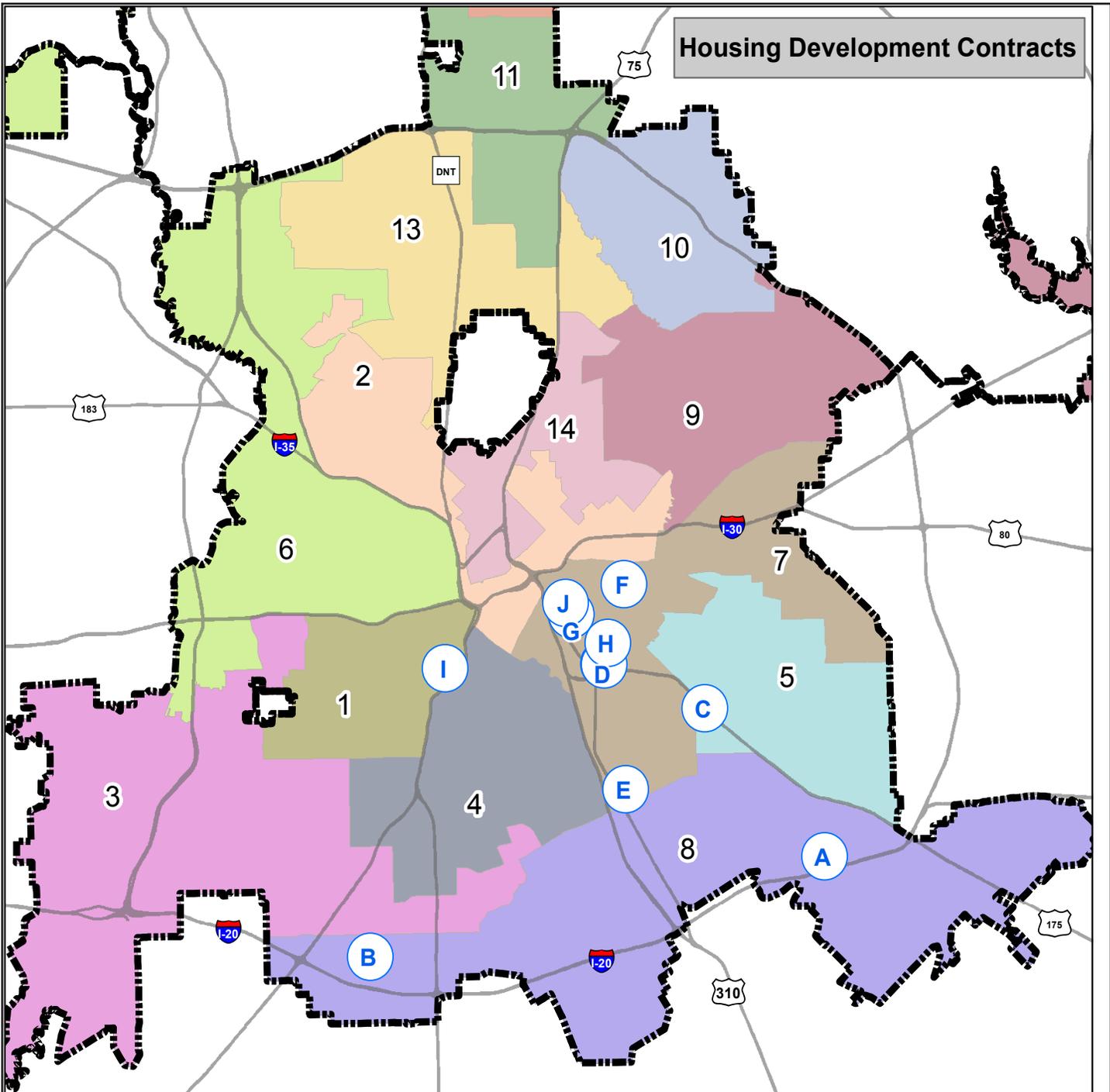
CDs	PROJECT	PROP- OSED UNITS	COMP- LETED UNITS	SOLD UNITS	CITY CONTRACT AMOUNT	DRAWN AMOUNT	BALANCE	% DRAWN	Fund Type	TOTAL PROJECT BUDGET	TERM OF CONTRACT		STATUS
7	East Dallas Community Organization (EDCO) Bexar Seniors - City funds for soft and hard construction costs.	5	1	1	\$408,331.00 \$200,000.00 City subsidy/unit is \$121,666.20 99% subsidy per unit	\$175,809.33 \$189,768.95	\$232,521.67 \$10,231.05	43% 95%	2010 & 2011 CDBG 2012 HOME Private construction loans and lines of credit	\$613,775.00 \$122,755.00 cost per unit	3/1/2015	2/28/2018	One of the 5 units is built and rented to a senior. The units located at 2430 Macon Street (duplex), 2445 and 2451 Starks are 95% complete, pending punch items such as paint touch-up and landscape. Eligible renters are pending move-in on the remaining 4 units. The extension will allow completion of construction and occupancy of the units to seniors.
7	KKBK Properties, LLC City funds for hard construction costs	10	10	10	\$300,000.00 City subsidy/unit is \$30,000.00 15% subsidy per unit	\$289,175.00	\$10,825.00	96%	2012 GO BOND	\$2,010,800.00* \$201,080.00 cost per unit* *Includes 1600 sq. ft of Commercial	6/10/2014	8/31/2017	10 residential units are built, and the commercial space is built. The extension will allow the developer to replace the sidewalk to obtain CO and lease up to close out the project.
1	Notre Dame La Estrella Project City funds for hard construction costs	14	14	1	\$489,322.00 City subsidy/unit is \$34,951.57 20% subsidy per unit	\$481,296.00	\$8,026.00	98%	2015 HOME	\$2,454,333.00 \$175,309.50 Cost per unit	5/25/2016	5/25/2018	Completed construction of all 14 townhomes and has eligible homebuyers for 6 units; extension will allow completion of the sales to eligible homebuyers.

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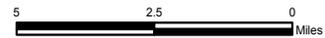
CDs	PROJECT	PROP- OSED UNITS	COMP- LETED UNITS	SOLD UNITS	CITY CONTRACT AMOUNT	DRAWN AMOUNT	BALANCE	% DRAWN	Fund Type	TOTAL PROJECT BUDGET	TERM OF CONTRACT	STATUS
8	Shady Oaks, LLC Camden Homes City funds for hard construction costs	19	17	17	\$570,000.00 City subsidy/unit is \$30,000.00 30% subsidy per unit	\$483,910.00	\$86,090.00	85%	2012 GO BOND	\$1,881,207.00 \$99,010.89 Cost per unit	5/25/2016 5/25/2018	Construction and sales are complete on 17 of the 19 homes. The final 2 homes are under construction and sales contract pending for completion by November 2018. The extension will allow completion of the last homes and sales to eligible homebuyers.
7	South Dallas Fair Park Innecity Community Development Corporation (ICDC) Scattered Sites – Fair Park City funds for hard and soft construction costs.	11	5	5	\$1,220,000.00 City subsidy/unit is \$110,909.09 80% subsidy per unit	\$266,775.47	\$953,224.53	22%	2012 HOME Private construction loans and lines of credit	\$1,526,596.00 \$138,781.45 cost per unit	6/10/2015 12/31/2017	Completed the engineering, zoning, plans review and loan closing for private financing for construction. Construction of the first 5 of 11 homes were built and sold in 2016. Construction is due to begin on the first 4 of the 6 homes by September 2018. The last 2 of the total 11 homes will be completed and sold by July 2019. The extension will allow the build out of the homes and sells to eligible homebuyers.

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 April 16, 2018
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CDs	PROJECT	PROP- POSED UNITS	COMP- LETED UNITS	SOLD UNITS	CITY CONTRACT AMOUNT	DRAWN AMOUNT	BALANCE	% DRAWN	Fund Type	TOTAL PROJECT BUDGET	TERM OF CONTRACT		STATUS
7	South Dallas Fair Park/ICDC Frank Street - City funds for hard and soft construction costs.	10	0	0	\$210,000.00 \$561,355.00 \$77,135.50 subsidy per unit 52% subsidy per unit	\$71,740.35 \$377,502.00	\$138,259.65 \$183,853.00	34% 67%	2010 NSP 2013 HOME Private construction loans and lines of credit	\$1,470,403.00 \$147,040.30 cost per unit	5/25/2016	5/25/2018	Construction is complete on 4 of the 10 homes with sales pending to eligible homebuyers. Construction is due to begin on 4 of the remaining 6 lots in May 2018. The final 2 of the total 10 units will be built and sold by February 2019. The extension will allow the build out of the homes and sells to eligible homebuyers.
7	Southfair Community Development Corporation (Park Row) City funds for soft and hard construction costs	6	2	2	\$712,000.00 \$118,666.67 subsidy per unit 56% subsidy per unit	\$97,180.00	\$614,820.00	14%	2014 HOME	\$1,268,046.00 \$211,341.00 cost per unit	8/31/2018	8/31/2018	Completed construction and sales for 2 of the 6 homes. Southfair anticipates the builder to start construction on the remaining 4 homes by the end of May 2018. The homes will be completed and sold to eligible homebuyers by November 2018. The extension will allow the build out of the homes and sells to eligible homebuyers.



ID	PROJECT	UNITS	TOTAL BUDGET
A	Bosco Investments, Ltd	35	\$1,208,457.00
B	Builders of Hope CDC Creekside	9	\$1,650,000.00
C	Shady Oaks, LLC (Camden)	19	\$1,881,207.00
D	EDCO Bexar Seniors	5	\$613,775.00
E	Habitat Joppa II	18	\$2,612,981.88
F	ICDC Frank Street	10	\$1,470,403.00
G	ICDC Scattered sites	11	\$1,526,596.00
H	KKBK Properties LLC*	10	\$2,010,800.00
I	Notre Dame, La Estrella	14	\$2,454,333.00
J	Southfair CDC	11	\$1,268,046.00
		142	\$16,696,598.88



Housing Development Contract Amendments

**Economic Development &
Housing Committee
April 16, 2018**

**Avis F. Chaisson, Assistant Director
Housing and Neighborhood Revitalization
City of Dallas**



Presentation Overview

- Summary
- Background
- Issues
- Alternatives
- Staff Recommendation and Next Steps



Summary

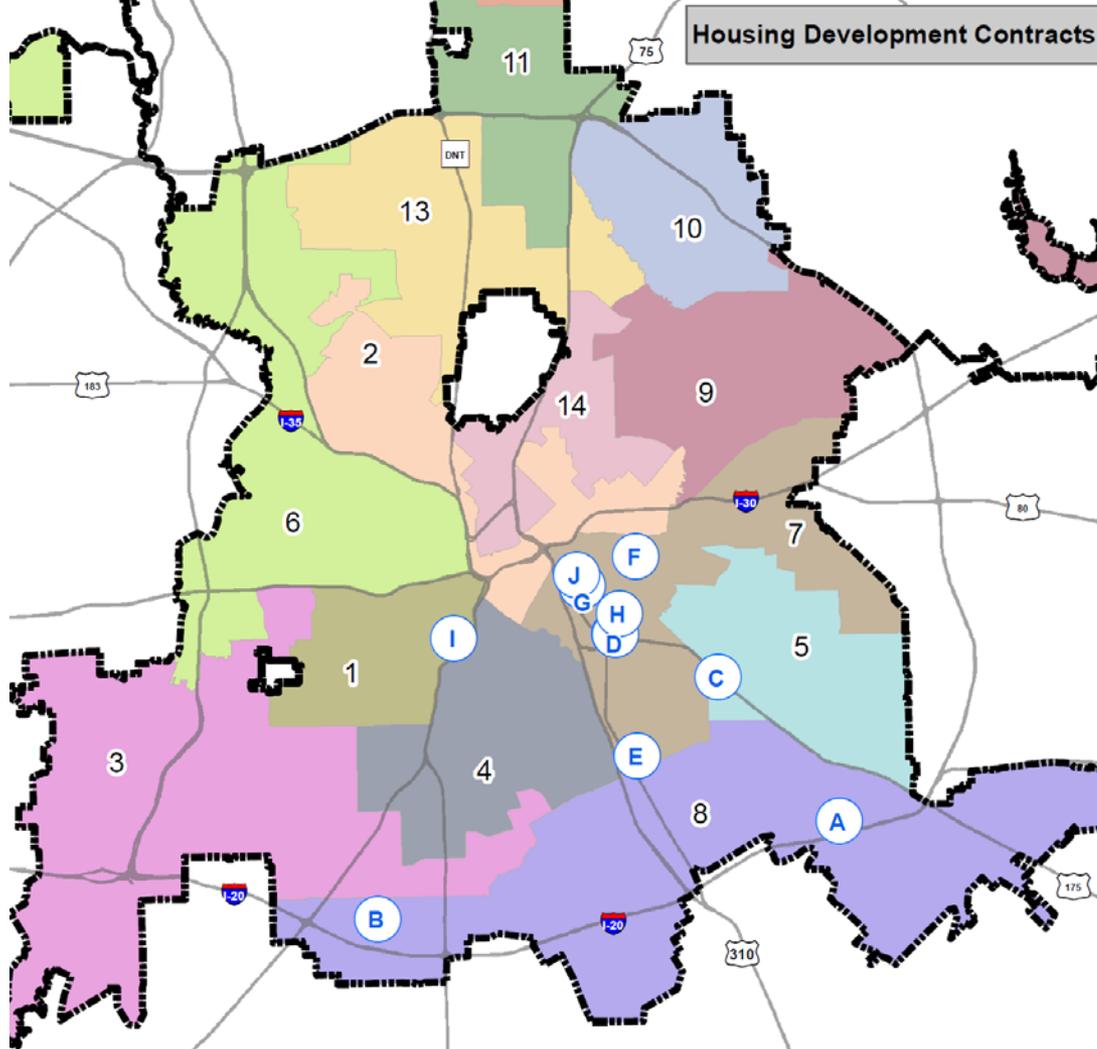
- Housing and Neighborhood Revitalization (HNR) Department oversees contracts to produce quality workforce housing throughout the City
- There are **17** development contracts, in varying stages of the development process, that are about to expire, have already expired, or require revisions
- Staff are implementing project management practices that are intended to assist developers with timely completion and within budget



Background

- Contract loan terms dependent on funding source
- Funding sources include:
 - ✓ HOME funds
 - ✓ CDBG funds
 - ✓ NSP funds
 - ✓ GO Bonds
- A summary of **10** of the developments and the proposed contract amendments are outlined in this briefing

Map



ID	PROJECT	UNITS	TOTAL BUDGET
A	Bosco Investments, Ltd	35	\$1,208,457.00
B	Builders of Hope CDC Creekside	9	\$1,650,000.00
C	Shady Oaks, LLC (Camden)	19	\$1,881,207.00
D	EDCO Bexar Seniors	5	\$613,775.00
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H	KKBK Properties LLC*	10	\$2,010,800.00
I	Notre Dame, La Estrella	14	\$2,454,333.00
J	Southfair CDC	11	\$1,268,046.00
		142	\$16,696,598.88



Background – cont'd

- **Development Name:** Sandyland Estates Project
- **Council District/Location:** 8/9301 Sandyland Road
- **Developer/Builder:** Bosco Investments, LTD.
- **Description:** Construction of **35** single family homes.
- **Total Development Costs:** \$1,208,457
- **City Funds:** \$402,819 (2012 GO Bond) to pay for a portion of infrastructure costs
- **Reason for Delays:** **8** months to close on the financing and the existing agreement did not consider the time it takes to build out the homes.
- **Status:** SL35, LLC purchased the lots in November 2017 and construction underway since January 2018 for the first **10** homes; **1** home sold in March 2018, **1** home will sell in the next few weeks and **8** homes are under contract; remaining **25** homes are scheduled for build out by May 2019 and sales by October 2019.
- **Amendment:** **(1)** extend the agreement completion date from May 25, 2018 to November 30, 2019 and **(2)** amend the agreement to include thresholds

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Background – cont'd

- **Development Name:** Creekside Project
- **Council District/Location:** 8/Creekside Neighborhood
- **Developer/Builder:** Builders of Hope CDC & Texas Department of Affordable Housing Corporation
- **Description:** New construction of **9** single family homes
- **Total Development Costs:** \$1,650,000
- **City Funds:** \$202,500 for hard construction costs
- **Reason for Delays:** Change in executive staff twice in the past **2** years and challenges with financial capacity.
- **Status:** **8** homes have been completed and sold to eligible homebuyers.
- **Amendment:** Number of units will decrease from **9** to **8** units and funding from \$202,500 to \$180,000; Extend the loan agreement from May 31, 2018 to November 30, 2018; project closeout

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Background – cont'd

- **Development Name:** Joppa II
- **Council District/Location:** 7 / Scattered Sites
- **Developer/Builder:** Dallas Area Habitat for Humanity
- **Description:** New construction of **18** single family homes located on scattered sites
- **Total Development Costs:** \$2,612,981.88
- **City Funds:** \$440,000 (HOME) and \$280,000 (2012 GO Bond) for hard costs
- **Reason for Delays:** Due to time it has taken to swap one lot on Luzon Street for another on Corregidor Street; the lot at 4615 Luzon Street is zoned commercial and requires a zoning change
- **Status:** **17** of the **18** homes have been built and sold; City is executing the Deed to release Luzon Street and add Corregidor Street; Habitat will start construction on the lot immediately.
- **Amendment:** (1) extend the Bond conditional grant agreement completion date from May 25, 2018 to November 30, 2018 and (2) amend the contract to include milestones

Background, cont'd

- **Development Name:** Bexar Seniors Project
- **Council District/Location:** 7 / Macon Street and Starks Avenue
- **Developer/Builder:** East Dallas Community Organization (EDCO)
- **Description:** New construction of **5** rental units for low-income seniors
- **Total Development Costs:** \$613,775
- **City Funds:** \$408,331 (CDBG) and \$200,000 (HOME) to pay for soft and hard constructions costs
- **Reason for Delays:** Weather in February 2018; platting; and difficulty obtaining contractors due to competitive opportunities among contractors
- **Status:** Construction of **1** unit is complete and rented; the remaining **4** units are under construction at **95%** complete, and have eligible renters pending move-in
- **Amendment:** (1) extend the HOME loan agreement completion date from February 22, 2018 to November 30, 2018 and **(2)** amend the contract to include milestones



Background – cont'd

- **Development Name:** Hatcher Gardens
- **Council District/Location:** 7 / 4002 Hatcher Street
- **Developer/Builder:** KKBK Properties, LLC
- **Description:** Construction of one mixed-use building containing **10** multifamily units and **2** commercial spaces.
- **Total Development Costs:** \$2,010,800
- **City Funds:** \$300,000 (2012 GO Bond) construction hard costs
- **Reason for Delays:** Changed general contractors; scope of work changes; and Developer unaware of the requirement to replace the sidewalk in front of the building
- **Status:** Construction complete with the exception of the sidewalk
- **Amendment:** Extend completion date from December 31, 2016 to May 25, 2019 and amend the contract to include milestones

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Background – cont'd

- **Development Name:** La Estrella Project
- **Council District/Location:** 1 / East 9th Street and Starr Street
- **Developer/Builder:** Notre Dame Place, Inc.
- **Description:** New construction of **14** townhomes
- **Total Development Costs:** \$2,454,333
- **City Funds:** \$489,322 (HOME) for construction hard costs
- **Reason for Delays:** Environmental process and changes to DHAP
- **Status:** All **14** townhomes are complete and has eligible homebuyers for **6**; and Developer is working on sale of the remaining townhomes
- **Amendment:** Extend the agreement from May 25, 2018 to November 30, 2018; and amend the contract to include milestone

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Background – cont'd

- **Development Name:** Shady Oaks Project
- **Council District/Location:** 8 / Hwy 175 and South Woody Road
- **Developer/Builder:** Shady Oaks LLC / Camden Homes
- **Description:** New construction on **19** vacant lots for market rate homebuyers.
- **Total Development Costs:** \$1,881,207
- **City Funds:** \$570,000 (2012 GO Bond) to pay for hard construction
- **Reason for Delays:** Platting
- **Status:** Construction and sales are complete on **17** of the **19** homes; final **2** homes are under construction and sales contract pending for completion by November 2018
- **Amendment:** (1) extend the conditional grant agreement completion date from May 25, 2018 to November 28, 2018 and (2) amend the

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Background – cont'd

- **Development Name:** Scattered Sites Project
- **Council District/Location:** 7/Fair Park Area
- **Developer/Builder:** South Dallas Fair Park/Innercity Community Development Corporation (ICDC)
- **Description:** New construction of **11** single family homes
- **Total Development Costs:** \$1,526,596
- **City Funds:** \$1,220,000 (HOME) for soft costs and construction hard costs
- **Reason for Delays:** 8 month delay to obtain ownership of **6** HB110 lots; rezone **2** of the **6** lots from commercial to residential
- **Status:** Completed engineering, zoning, plans review and loan closing for private financing for construction; Completed construction of **5** homes; remaining houses to be completed and sold by July 2019
- **Amendment:** 1) extend the HOME loan agreement completion date from December 31, 2017 to July 31, 2019 and (2) amend the contract to include milestones

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Background – cont'd

- **Development Name:** Frank Street Project
- **Council District/Location:** 7/Mill City Area
- **Developer/Builder:** South Dallas Fair Park/Innercity Community Development Corporation (ICDC)
- **Description:** New construction of **10** single family homes
- **Total Development Costs:** \$1,470,403
- **City Funds:** \$210,000.00 (NSP) and \$561,355.00 (HOME) for soft and hard costs
- **Reason for Delays:** Environmental process and infrastructure upgrades
- **Status:** Construction complete on **4** of the **10** homes with sales pending; final **6** will be built and sold by February 2019.
- **Amendment:** (1) extend the HOME loan agreement completion date from May 25, 2018 to February 28, 2019; and (2) amend the contract to include milestones

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Development Overview Continued

- **Development Name:** Park Row
- **Council District/Location:** 7/2800 – 2900 Block of South Boulevard and Park Row
- **Developer/Builder:** Southfair Community Development Corporation
- **Description:** New construction of **6** homes.
- **Total Development Costs:** \$1,268,046
- **City Funds:** \$712,000 (HOME) for soft and hard costs
- **Reason for Delays:** Environmental review clearance and in the plans review for upgrade to underground utilities
- **Status:** Completed construction and sales for **2** of **6** homes; builder to start construction on the remaining **4** homes by the end of May 2018.
- **Amendment:** **(1)** extend the agreement completion date from August 31, 2018 to December 31, 2018; and **(2)** amend the agreement to include thresholds

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Issues

- There have been several issues and challenges to complete these developments outside of normal construction delays
- Delays include:
 - Contract deadlines did not anticipate timing for the City's development processes such as platting, zoning, and/or infrastructure plans review;
 - Some lots acquired were either tax foreclosures or land bank lots and clearing title was a challenge due to lien releases or issues with heirship; or
 - Contracts were brought forward to Council for consideration and executed prematurely

Alternatives

If Council does not amend the contracts, then the following could occur:

1. Development will halt;
2. There will be incomplete houses;
3. City will be liable for repayment in instances where federal funds were utilized; or
4. Further, the City could be required to initiate foreclosure actions

Staff Recommendations and Next Steps

1. HNR staff will add milestones to the amended development contracts and developers that fail to meet milestones shall be in default of contract and will have **30** days to cure;
2. HNR staff will be proactive and shepherd developers faced with challenges in the development process;
3. Prior to Council action and contract execution, HNR staff will ensure all development due diligence is complete including certifying/recertifying CHDOs in accordance with federal regulations and drafting contracts in advance to minimize delays to issuance of a notice to proceed or construction commencement

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Staff Recommendations and Next Steps – cont'd

Action	Date
EDHC Briefing on Remaining 7 Development Contract Amendments	May 7, 2018
10 Proposed Contract Amendments to Council	May 9, 2018
Staff recommends approval by the EDHC, and once approved HNR staff plans to move forward these 10 amendments for City Council consideration on May 9, 2018	



Housing Development Contract Amendments

**Economic Development &
Housing Committee
April 16, 2018**

**Avis F. Chaisson, Assistant Director
Housing and Neighborhood Revitalization
City of Dallas**

