

# Memorandum



DATE November 2, 2018

CITY OF DALLAS

**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** **Amendment to Housing Development Loan Agreement with St. Jude, Inc. (2920 Forest Lane), for the Acquisition of the Property for Permanent Supportive Housing, to Change the Terms and Include Additional Performance Thresholds**

On Monday, November 5, 2018, the Economic Development and Housing Committee will consider an amendment to the Housing Development Loan Agreement with St. Jude, Inc. to revise the repayment terms from due and payable upon completion of the ten (10) year affordability period to a deferred forgivable loan.

## Summary

City Council approved a housing development loan agreement in the amount of \$2,000,000.00 in Home Investment Partnerships Program (HOME) funds on February 22, 2017, by Resolution No 17-0443 for the development of permanent supportive housing for the homeless located at 2920 Forest Lane. The HOME funds provided were used to acquire the building. The terms of the loan agreement require full repayment of the loan by St. Jude after the expiration of the ten (10) year affordability period. Originally, the intent was to make the loan forgivable due to the target population.

## Background

St. Jude acquired the existing senior living property at 2920 Forest Lane. The development included the renovation of 104 units, of which 98 are studios and 6 are one bedrooms for permanent supportive housing for the homeless. To date, the renovation is approximately 99% completed with punch-list items remaining such as cleaning, remodeling the dining room, and a few additional touch-ups. Twenty percent (20%) of the units are set aside for households earning at or below 50% of Area Medium Income (AMI) and the remaining units set aside for households earning at or below 80% AMI.

This development is intended to assist the City in reducing homelessness by providing quality permanent housing. The project was designed to provide stability to 100 homeless households by partnering with the Dallas Housing Authority (DHA) to secure project-based housing vouchers for rental assistance.

Unfortunately, due to the shortfall in the availability of vouchers from DHA, St Jude was not able to receive the project-based vouchers for tenants as originally agreed upon. This

has caused a hardship for St. Jude by impacting cash flow for operations. Presently, St. Jude's Center has 44 tenants that received rental assistance through MetroCare, CitySquare, and Veterans Affairs Supportive Housing (VASH) vouchers.

Following is a summary of the development budget details for further information.

City Home Funds	\$2,000,000.00
Private Financing	\$3,930,000.00
Total Development Cost	\$5,930,000.00

### Issue

The City's housing development loan agreement is due and payable at the completion of the ten (10) year affordability period. However, due to the target population served and without a steady source of rental income through rental assistance such as project-based vouchers, St. Jude is at risk of defaulting on its loan obligation due to lack of available cash flow.

### Alternatives

The loan agreement could remain as is. However, St. Jude Center projects positive cash flow in the coming years, the cash flow would be at a minimum an average of approximately \$32,000 over a period of 5 years. In addition, the vacancy rate was anticipated to be 8%, but due to the shortfall of housing vouchers the vacancy will have the potential to increase. This places St. Jude at risk of default due to the limited cash flow available to repay the loan in full at the completion of the 10 year affordability period.

### Fiscal Impact

The Project was awarded HOME funds under Resolution No. 17-0443 during 2016-2017 Fiscal Year. To date, \$1,998,000.00 in HOME funds has been expended. There is no cost consideration to the City for the amendment.

### Departments/Committee Coordination

On June 22, 2016, the City Council approved HOME funds by Resolution No. 16-1066.

### Staff Recommendation

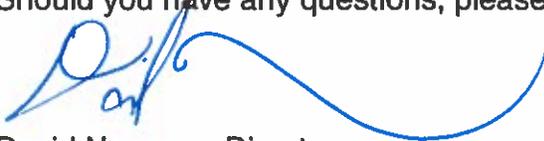
Staff recommends amending the housing development loan agreement to change the loan terms from a repayable loan to a deferred forgivable loan to be forgiven once performance of all obligations under the housing development loan agreement are satisfied. To ensure performance on the contract for the next year, the City's agreement will contain the following thresholds and requirements:

- a) Monthly reports submitted by developer to provide updates on the status of the renovations, expected completion, and status of lease-up.
- b) Initial rental files must be submitted for eligibility approval.
- c) Annual inspections will be conducted by City Staff to ensure compliance with minimum standards

City staff has informed St. Jude of the monitoring requirements.

Without objection by the Economic Development and Housing Committee, the amendment will be brought forward for full Council consideration on November 14, 2018.

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



David Noguera, Director  
Housing and Neighborhood Revitalization

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