

# Memorandum



CITY OF DALLAS

DATE March 24, 2025

Honorable Members of the City Council Housing and Homelessness Solutions  
TO Committee: Jesse Moreno (Chair), Cara Mendelsohn (Vice Chair), Zarin Gracey, Chad West, Gay Donnell Willis

SUBJECT **Upcoming Agenda Item: Authorize acquisition by the Dallas Housing Finance Corporation (DHFC) of Oak & Ellum, an existing market-rate multifamily development located at 2627 Live Oak Street, Dallas, Texas 75204 for development of affordable housing**

This memorandum is to inform the Housing and Homelessness Solutions Committee of an upcoming agenda item on March 26, 2025 to authorize acquisition by the Dallas Housing Finance Corporation (DHFC) of Oak & Ellum, an existing market-rate multifamily development located at 2627 Live Oak Street, Dallas, Texas 75204 for development of affordable housing - Financing: Estimated Revenue Foregone: General Funds \$9,502,325.00 (estimated taxes over 15-year period)

## **BACKGROUND**

Waterford Property Company, LLC (Applicant) submitted an application to the Dallas Housing Finance Corporation (DHFC) to acquire and own Oak & Ellum, an existing 424-unit market-rate multifamily development which was completed in 2015 by Greystar (branded as Elan City Lights) and is located at 2627 Live Oak Street, Dallas, Texas 75204 (Project). This item originally appeared on the October 22 HHSC meeting agenda.

The DHFC will own the site and improvements while contracting with the Applicant who will act as the project administrator. Pursuant to the Texas Housing Finance Corporation Act, Chapter 394 of the Texas Local Government Code (Act), a Housing Finance Corporation may issue bonds to acquire affordable housing, and any residential property owned by a Housing Finance Corporation is exempt from all ad valorem taxes.

The Project is currently market rate (i.e., not income-restricted). However, upon acquisition by the DHFC, at least 20.00% of the units will be reserved for residents earning below 60.00% Area Median Income (AMI), 30.00% of the units will be reserved for residents earning 80.00% AMI, 40.00% of the units will be reserved for residents earning 140.00% AMI, and 10.00% of the units will be market rate.

Waterford Property Company is an experienced owner and developer of institutional "Class A" multifamily rental projects and affordable housing projects. Since its founding in 2014, Waterford has acquired and developed over 8,000 multifamily units. Waterford is an expert in the development of affordable housing having developed and been a principal in over 3,000 affordable residential units. Since 2021, Waterford has closed and

acquired over \$2 billion of bond debt and equity financed workforce housing projects, totaling 4,708 units through its middle-income housing program.

The Project consists of 424 multifamily residential units configured in a continuous five-story wraparound building with a 5-level parking structure on approximately 3.87 acres. The unit mix includes 34 studio units, 300 one-bedroom units, and 90 two-bedroom units. The Project site is in the Deep Ellum neighborhood and within walking distance of the downtown central business district. The Project is transit-oriented (approximately 680 feet to the Dallas Area Rapid Transit (DART) Deep Ellum station and approximately 1,500 feet to the DART (Pearl/Arts District station), across the street from a full-service grocery store, and in close proximity to retail and other recreational opportunities. The Project is also located in a High Opportunity Area.

The Project is located in the Deep Ellum TIF District. Upon DHFC acquisition, the Project becomes tax-exempt, thereby reducing the Deep Ellum TIF District’s annual incremental revenue, negatively impacting the TIF District’s budget, and hindering the TIF District’s ability to implement the Deep Ellum TIF District Project Plan during its remaining three years. To mitigate this impact, the DHFC has asked that the Applicant facilitate a payment to the Deep Ellum TIF District to replace the funds impacting the budget. City staff has estimated and negotiated a one-time payment to the in lieu of annual tax increment for the remaining three years of the TIF District’s term (tax years 2025, 2026, and 2027). The Applicant has agreed to such one-time payment of \$1,489,361.00, which shall be made as a condition of DHFC’s acquisition of the Project and shall be paid co-terminus with such closing.

Upon acquisition, the unit mix and rental rates will be the lesser of the Texas Department of Housing and Community Affairs (TDHCA) published income-restricted rents or market rents. The suggested Project rents are as follows:

<b>AMI &amp; Unit Mix</b>			
<b>Unit Type</b>	<b>AMI</b>	<b>Units</b>	<b>Proposed Rent</b>
0BR	60.00%	4	\$1,158.00
0BR	80.00%	6	\$1,190.00
0BR	140.00%	8	\$1,230.00
0BR	Market	1	\$1,278.00
1BR	60.00%	63	\$1,240.00
1BR	80.00%	95	\$1,375.00
1BR	140.00%	126	\$1,445.00
1BR	Market	31	\$1,482.00
2BR	60.00%	18	\$1,489.00
2BR	80.00%	27	\$1,986.00
2BR	140.00%	36	\$2,095.00
2BR	Market	9	\$2,162.00

**All income-qualifying residents that are currently paying more than the TDHCA income-restricted rents will see their rents lowered to that amount instead of being increased to market rents.** This represents annual average rent savings of \$274.00/month or \$3,288.00/annually for residents earning less than 80.00% AMI compared to current market rents across all unit types. The rents for individuals and families earning less than 80.00% AMI are meant to provide housing to the “missing middle” of the market: residents that earn above low-income housing tax credit income restrictions of 60.00% AMI but would be cost burdened by market rents. These incomes range from approximately \$52,920.00 to \$70,560.00 in the city based on family size and represent a wide variety of employment sectors including, but not limited to, teachers, first responders, government employees, health care providers, etc. The rents for 60.00% to 80.00% AMI restricted units function like market rate units, but are included to satisfy the income requirements of the Act. The market rents are anticipated to grow much faster than the income-restricted rents over the next 15 years, resulting in exponential rental savings to residents earning less than 80.00% AMI. Total rental savings are estimated to be roughly \$13,358,379.00 over 15 years. The DHFC also can sell, refinance, or deepen affordability any time after year 10, thus realizing what is likely to be a substantial appreciation in value of the Project even earlier.

The deal structure includes a traditional mortgage with the proposed sources and uses:

<b>Proposed Sources</b>	<b>Amount</b>
1 <sup>st</sup> Mortgage	\$ 48,839,000.00
Investor Equity	\$ 37,962,000.00
Sponsor Equity	\$ 1,998,000.00
<b>Total</b>	<b>\$ 88,799,000.00</b>

<b>Proposed Uses</b>	<b>Amount</b>
Project Acquisition	\$ 84,800,000.00
Closing Costs	\$ 950,000.00
Acquisition Fee DHFC	\$ 636,000.00
Acquisition Fee Waterford	\$ 636,000.00
Working Capital	\$ 111,000.00
Development Fee	\$ 67,000.00
Financing Costs	\$ 486,000.00
Unit Renovation Costs	\$ 1,113,000.00
<b>Total</b>	<b>\$ 88,799,000.00</b>

The DHFC shall be entitled to receive an acquisition fee equal to 0.75% of the acquisition price of the Project at Closing. The DHFC as Ground Lessor shall be entitled to receive an annual lease payment under the ground lease (the Annual Lease Payment), which

shall be payable as the first item in the cash flow waterfall under the partnership agreement, after payments on any loans or outstanding debt, and that is in addition to the upfront lease payment. The initial annual lease payment (\$200,128.00) shall increase by 3.00% annually. In the event that net cash flow is insufficient in any year to pay the full amount of the annual lease payment, the amount unpaid shall accrue without interest and be payable in subsequent years. The general partner, a to-be-formed limited partnership, and Special LP, a special limited partner of the partnership designated by the Applicant or its affiliate, shall each be entitled to receive a Partnership Management Fee in the initial amount of \$10,000.00 and increasing by 3.00% per year for its services in connection with management of the Partnership.

The 15-year estimate of foregone taxes to the general fund is \$9,502,325.00. The affordable housing rental savings provides the City with public benefits that outweigh the foregone revenue. This acquisition and financial structure also allows the DHFC to immediately own and provide affordable housing in a walkable High Opportunity Area near jobs, transit, parks, retail, and other amenities.

The DHFC's estimated revenues were calculated by the DHFC's partnership legal counsel and financial advisors. Market rent and sales comps were analyzed to ensure the project costs were reasonable for the market. DHFC financial advisors also confirmed that, but for the ad valorem tax exemption and the issuance of tax-exempt bonds, the Project would not be economically feasible with the affordable housing income restrictions.

Staff has confirmed that this Project would not be feasible but for the DHFC's participation and that the Project furthers the goals of the Dallas Housing Policy 2033 (DHP33) and Dallas Housing Resource Catalog (DHRC) by providing affordable housing in a High Opportunity Area of the City.

Should you have any questions or require any additional information, please contact me or Cynthia Rogers-Ellickson, Director, Department of Housing & Community Development at [Cynthia.RogersEllic@Dallas.gov](mailto:Cynthia.RogersEllic@Dallas.gov) or 214-670-3601.

Service First, Now!



Robin Bentley  
Assistant City Manager

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c: Kimberly Bizer Tolbert, City Manager  
Tammy Palomino, City Attorney  
Mark Swann, City Auditor  
Biliera Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Dominique Artis, Chief of Public Safety  
Dev Rastogi, Assistant City Manager  
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager

Alina Ciocan, Assistant City Manager  
Donzell Gipson, Assistant City Manager  
Robin Bentley, Assistant City Manager  
Jack Ireland, Chief Financial Officer  
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)  
Directors and Assistant Directors