

Memorandum



CITY OF DALLAS

DATE April 22, 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: NOFA Development Project – The Caroline**

The purpose of this memorandum is to inform the Housing and Homelessness Solutions Committee of an upcoming agenda item on May 28, 2025 to authorize the execution of a conditional grant agreement and security documents with Caroline Dallas Tenant, LP, an affiliate of Ojala Partners, LP (together, the Applicant) in an amount not to exceed \$2,000,000.00 in 2017 General Obligation Bond Funds (Proposition I: Economic Development/Housing Bond) in consideration of The Caroline, a 344-unit mixed-income workforce development (Project) on property located at 1400 West Commerce Street, Dallas, Texas 75208 and to assist with the extraordinary cost of required on-site, off-site wastewater infrastructure, and streetscape improvements for the Project.

BACKGROUND

On April 27, 2022, the City Council authorized the Dallas Public Facility Corporation (PFC) to acquire, develop, and own and provide a 75-year tax exemption for the Project. The Project will provide a total of 344 units, of which at least 176 (51%) of the 344 units shall be affordable units set aside for households earning at or below 80% of Area Median Income (AMI). Of the 176 affordable units, 19 (10%) of the 176 affordable units will be provided to households earning at or below 60% AMI, and 157 of the 176 affordable units will be provided to households earning at or below 80% AMI. A total of 168 units will remain non-income restricted market rate units.

Since the City Council's approval of the PFC tax exemption for the Project, the current waterline and wastewater lines located on West Commerce are undersized and cannot support the development of the Project nor potential redevelopments that would likely occur. The Project Improvements necessary to support the Project include: 1) on-site improvements (e.g., grading, utilities, paving, drainage, etc.) necessary to support the Project; 2) off-site improvements including required removal and replacement of an existing undersized off-site wastewater line located along West Commerce Street from Sylvan Avenue with approximately 1,864 linear feet of new wastewater line that is 12" in size; and 3) streetscape improvements along the Property's West Commerce, Neal, and Seale street frontage. All water and wastewater components of the Project Improvements shall be reviewed and constructed to Dallas Water Utilities approved standards. The unanticipated on-site and off-site infrastructure improvements rendered the Project financially infeasible even with the PFC tax exemption.

As a result, the Applicant submitted a proposal under the City's Notice of Funding Availability (NOFA), as amended, to receive gap financing in the form of a conditional grant to close the Project's financing gap created by the on-site, off-site and infrastructure improvement requirements and streetscape improvements. The NOFA was issued by the Department of Housing and Community Development (Housing) in accordance with the City's Dallas Housing Policy 2033 (DHP33) and Dallas Housing Resource Catalog (DHRC).

Housing administers programs to appropriately incentivize private investment for the development of quality, sustainable housing that is affordable to the residents of the City. Specifically, Housing administers the New Construction and Substantial Rehabilitation Program, which where necessary, seeks to provide financial assistance to new developments or substantial rehabilitation of existing developments. All projects seeking financial assistance are required to submit a Notice of Intent to apply for financial assistance through NOFA to develop affordable homeownership and rental housing. As outlined in the NOFA, multiple sources of funding are available. However, proposed projects must meet specific thresholds to qualify for the use of a specific funding source.

The NOFA scorecard criteria for multi-family rental developments include readiness, location, target population and project attributes, and Applicant experience and capacity. The Applicant received a fundable score of 99 of 152 points. The Applicant is a limited partnership authorized to do business in Texas and is a real estate development firm that specializes in mixed-income and workforce multifamily projects throughout Texas. The Applicant has developed over 4,000 units of multifamily, mixed-income workforce housing across the state of Texas over the past decade.

Housing proposes to authorize the conditional grant agreement in a total amount not to exceed the NOFA funding request of \$2,000,000.00 in 2017 General Obligation Bond Funds (Proposition I: Economic Development/Housing Bond) for the Project as confirmed by third party underwriting. The Grant amount to reimburse cost incurred by Applicant under its privately bid contracts shall become payable in one lump sum upon completion of public improvements and acceptance of the Project, pursuant to and in accordance with Chapter 49 of Dallas City Code.

In addition to being necessary for the Applicant to complete the new ground-up development of a four-story, 344-unit mixed-income workforce multi-family housing development, Applicant's delivery of the off-site wastewater infrastructure improvements (approximately 1,864 linear feet of new wastewater line that is 12" in size) that will also result in a substantial increase wastewater capacity to support potential redevelopments on the other 42.5 acres (75 parcels) of the sewershed. The public benefit to the other 33 acres of the sewershed shall be the City's consideration for the proposed grant.

The total estimated cost of the Project increased from \$81,161,494.00 to \$85,000,000.00 as a result of the unanticipated requirement to include on-site improvements (e.g.,

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grading, utilities, paving, drainage, etc.) off-site wastewater infrastructure improvements, and streetscape improvements in the Project's scope.

The development is currently under review by the Office of Equity and Inclusion Fair Housing Division. Staff recommends approval of this item as it furthers the mixed-income housing goals of the DHP33, meets the threshold requirements of the NOFA, and confirmation of the financial gap by third-party underwriting.

Should you have any questions or require any additional information, please contact Cynthia Rogers-Ellickson, Director, Department of Housing and Community Development at Cynthia.rogersellic@dallas.gov or 214-670-3601.

Service First, Now!



Robin Bentley
Assistant City Manager

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