

Memorandum



CITY OF DALLAS

DATE April 28, 2023

TO Honorable Mayor and Members of the City Council

SUBJECT **Status Update on Cypress Creek at Forest Lane, a Potential Mixed-Income Housing Development to be Located at 11520 North Central Expressway**

Background

The purpose of this memorandum is to provide a status update on Cypress Creek at Forest Lane (Development). On February 27, 2023, the Housing and Homelessness Solutions Committee (HHSC) was briefed on the Development proposed as a 189-unit mixed-income multifamily community that will reserve 7% of the units for residents earning less than 80% Area Median Income (AMI), 22% of the units for residents earning less than 70% AMI, 25% of the units for residents earning less than 30% AMI, and 46% of the units will be non-income restricted. The HHSC was also informed that the project site is deed restricted with private restrictive covenants that do not allow for multifamily development. Staff supports the proposed multifamily project to carry out the City's affordable housing public purpose. However, for the City to carry out its affordable housing public purpose in an identified high opportunity area of the City, the City needs to acquire the site and maintain ownership for the duration of the project so that the restrictive covenants would not be enforceable. The plan as presented to the HHSC in February 2023 to move forward with this Development contemplated that the City would acquire the site (such acquisition being funded by the developer, Sycamore Strategies) and then the City would convey the land to the Dallas Public Facility Corporation (DPFC). The City's conveyance to the DPFC would be pursuant to a state law exception (Texas Local Government Code 272.001(g)) enabling the City to convey public property to an entity for development of low to moderate income housing. The DPFC would then enter into a long-term lease with the Developer to construct and manage the Development.

Issue

This plan was presented for consideration and approval to the DPFC Board of Directors (Board) on March 28, 2023. The Board conditionally approved a memorandum of understanding (MOU) that outlined the City's conveyance of the project site to the DPFC and the subsequent lease to the Developer. However, the conditional approval of the Board is tantamount to a denial because the conditions were unacceptable to the City and thus the project cannot move forward under the proposed structure.

Staff Alternative Recommendation

An alternative approach recommended for City Council consideration is for the City to enter into a ground lease agreement directly with the Developer to finance, construct, and manage the Development. This alternative has no DPFC participation, but will include a

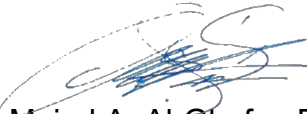
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Developer obligation to indemnify the City for any potential litigation expenses and damages for the duration of the project ground lease term. The City will require the standard performance and payment bond requirements for a transaction of this kind.

Without the City's participation in this acquisition and ground lease development structure, this mixed-income affordable housing development will not move forward to serve the City's affordable housing public purpose. City Council already provided its support for the placement of a 9% competitive tax credit development at this site via City Council Resolution 21-0378. The Developer's application for a resolution of support met all threshold requirements of the City's Low Income Housing Tax Credit Policy and qualified for a recommendation by the Department of Housing & Neighborhood Revitalization as it is a priority housing needs development (located in a census tract with less than 20% poverty). This resolution of support was approved by City Council on February 24, 2021. The project was subsequently awarded 9% housing tax credits by the Texas Department of Housing & Community Affairs (TDHCA).

Staff will work in collaboration with the City Attorney's Office to finalize ground lease terms for City Council consideration and approval on the May 10, 2023 Council Agenda.

Should you have any questions or require any additional information, please contact me or David Noguera, Director, Department of Housing & Neighborhood Revitalization at David.Noguera@Dallas.gov or 214-670-3619



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