

Memorandum



CITY OF DALLAS

DATE April 3, 2015

TO Housing Committee Members: Carolyn R. Davis, Chair, Scott Griggs, Vice-Chair, Monica Alonzo, Rick Callahan, Dwaine Caraway, and Philip Kingston

SUBJECT Oak Glen Apartments

On Monday, April 6, 2015, you will be briefed on Oak Glen Apartments. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in black ink that reads "Theresa O'Donnell". The signature is fluid and cursive.

Theresa O'Donnell
Chief Planning Officer

c: The Honorable Mayor and Members of the City Council
A. C. Gonzalez, City Manager
Rosa A. Rios, City Secretary
Warren M.S. Ernst, City Attorney
Craig Kinton, City Auditor
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P. E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor and Council

Oak Glen Apartments

A Briefing to the Housing Committee

Housing/Community Services Department

April 6, 2015



Purpose

- ▶ Provide background information regarding the Oak Glen Apartments
 - ▶ Located at 2120 52nd Street, along the Lancaster corridor
 - ▶ Council District 3
 - ▶ 64 apartment units
 - ▶ Built in 1971
- ▶ Provide options for the development or disposition of the property

History

- ▶ February 7, 2011 - The Housing Committee was briefed on the Oak Glen Apartments located at 2120 52nd Street and the development partner, Ecological Community Builders (ECB)
 - ▶ The property was vacant and owned by a lender who had foreclosed on it
 - ▶ The City would provide for the acquisition, related soft costs
 - ▶ ECB would provide private financing to rehabilitate the property and operate it
- ▶ February 23, 2011 - City Council approved the project
 - ▶ The developer would have 3 years from the approval to complete rehabilitation on the apartment complex
 - ▶ The City would have first liens and deed restrictions on the property, which would prevent sale or transfer
 - ▶ Liens and deed restrictions would be released upon occupancy of 51% occupancy with low-income families at 80% AMFI
- ▶ June 29, 2011 - ECB purchased the property from foreclosure and prepared for rehabilitation of the property with private financing

History (continued)

- ▶ July 2011- June 2012 - ECB continued to negotiate financing for the rehabilitation with several lenders
 - ▶ They secured and maintained the property
 - ▶ They started clean up on a few units
 - ▶ They provided the City several Term Sheets for financing the rehabilitation
- ▶ July 2012 - ECB notified the City of their financial situation
 - ▶ They had another project in Louisiana that was in litigation
 - ▶ The financing for the Oak Glen property was not approved as a result of the litigation
 - ▶ They requested a rework of the project with the possibility of returning the property to the City
- ▶ August 2012 -The City received the property back in Lieu of Foreclosure

History (continued)

- ▶ Since the time of City ownership
 - ▶ City secured the property
 - ▶ City Code Compliance maintained the property
 - ▶ City sought any interested parties for the purchase of the property
 - ▶ VA did due diligence but could not pay the amount needed to extinguish the debt on the property
 - ▶ A fire occurred at the property damaging four units
- ▶ In 2014, City submitted request to HUD to allow demolition and redevelopment of property for new construction
- ▶ Following the response from HUD, the City set out a Request for Applications (RFA) in early 2015 which sought applicants to complete the project as originally proposed
 - ▶ The RFA would provide options for the City in lieu of repayments to HUD

2120 52nd Street



2120 52nd Street



Options for consideration

- ▶ Repayment to HUD of approximately \$781,691 with additional stipulations
- ▶ Repayment to HUD of \$859,231 which are total costs to date
- ▶ Transfer to nonprofit developer to rehabilitate and operate as originally intended

Option #1

- ▶ Repayment to HUD of approximately \$781,691 with additional stipulations
 - ▶ HUD would allow City to demolish the property and change the intent of the project if the City:
 - ▶ repaid the CDBG investment in excess of the fair market value of the cleared site
 - ▶ Total expenditure \$859,231 minus DCAD land value of \$77,540
 - ▶ Replace the 64 housing units elsewhere in the community
 - ▶ Agree to an end use of the property which meets federal rules and approved by HUD
 - ▶ Would demolish the property with non-federal funds
 - ▶ Estimate of \$100,000

Option #2

- ▶ Repayment to HUD of \$859,231 with nonfederal funds
 - ▶ HUD would release all conditions with full repayment
 - ▶ City would demolish the property with non-federal funds
 - ▶ Estimate of \$100,000
 - ▶ End use would be at the City's option

Option #3

- ▶ Approve the transfer to nonprofit developer to rehabilitate and operate as originally intended
 - ▶ The Project would meet the original intent and the City would not repay any HUD funds
 - ▶ The project would have mixed income tenants with 51% affordable and 49% market rate
 - ▶ The project would be a Transit Oriented Development

Request for Applications

- ▶ In order to explore this option, the Housing/Community Services Department posted a Request for Applications (RFA) for nonprofit developers to rehabilitate the 64 unit complex as originally intended
- ▶ The timeline was as follows:
 - ▶ January 16, 2015 - Application packets were available
 - ▶ January 22, 2015 - Property walk thru was conducted
 - ▶ January 30, 2015 - Application conference was held
 - ▶ February 16, 2015 - Applications due
- ▶ Proposals were evaluated based on who could best achieve the original intent of the project with minimal additional assistance

Proposals Received

- ▶ The City received 4 proposals:
 - ▶ Dallas Area Habitat for Humanity
 - ▶ Grand Central Texas Development Corporation
 - ▶ Notre Dame Place, Inc.
 - ▶ NP Community Development Corporation dba Heroes House

Proposals

▶ Dallas Area Habitat for Humanity

- ▶ Proposed replacement of 64 units with 20 homeownership units for low-income families
- ▶ Requested City to demolish, rezone, replat, and transfer ownership
- ▶ Requested additional funding of \$600,000

▶ Grand Central Texas Development Corporation

- ▶ Proposed rehabilitation of 64 units for mixed-income families
- ▶ Requested City to waive City fees, provide tax abatement, and transfer ownership
- ▶ Requested additional funding of \$1,700,000

Proposals (continued)

- ▶ Notre Dame Place, Inc.
 - ▶ Proposed rehabilitation of 64 units for low-income seniors
 - ▶ Requested City transfer ownership
 - ▶ Request additional funding of \$2,600,000

- ▶ NP Community Development Corporation dba Heroes House
 - ▶ Proposed rehabilitation of 64 units for mixed-income families
 - ▶ Requested City transfer ownership
 - ▶ Request additional funding of \$450,000

Recommendation

- ▶ Accept Option #3- Approve the transfer to nonprofit developer to rehabilitate and operate as originally intended
- ▶ Support the selection of NP CDC dba Heroes House to complete the project

Nonprofit developer

- ▶ Developer - NP Community Development Corporation dba Heroes House
 - ▶ Gary Hasty, Chairman & Founder, has over 25 years experience in housing development
 - ▶ Prior experience with City rehabilitating a 30 unit complex on Highland Road, now occupied by Veterans
- ▶ Owner - NP Community Development Corporation dba Heroes House
- ▶ General Contractor - Karrington & Co.
 - ▶ Larry Hasty, Project Manager
- ▶ Property Manager - Heroes House
 - ▶ Jim Blythe, Operations & Property Manager, has over 35 years experience in real estate, commercial development, and property management

Oak Glen Development Plan

Sources and Uses

SOURCES

Lender financing (Mid South Bank)	\$2,000,000
Private Grants	450,000
Investors	125,000
City Funding	450,000
TOTAL SOURCES	\$3,025,000

USES

Hard Construction Costs	\$2,209,899
Soft Costs	180,337
Overhead and Fees	634,764
TOTAL USES	\$3,025,000

Developer Request

- ▶ Developer is requesting gap financing up to \$450,000
 - ▶ Funds would be used in conjunction with private financing with Mid South Bank to offset the total rehabilitation costs of the units
 - ▶ The City will subordinate the first lien position to the interim construction lender after City approval of the lender
- ▶ City would transfer the property to the developer
- ▶ Units will be 1 and 2 bedroom, 1 bath, approximately 760 sq.ft.
- ▶ Developer will market to Veterans

Proposed renovation



EXTERIOR RENOVATION

Dallas, Texas



Interior view



Typical Existing Interior



Typical Renovated Interior



TYPICAL UNIT INTERIOR RENOVATION

Dallas, Texas



Loan Terms

- ▶ City of Dallas will conditionally grant Developer up to \$450,000 from general obligation bond funds:
 - ▶ Term - 1 year from construction start
 - ▶ Construction must begin prior to 06/30/2015
 - ▶ Conditional grant will pay for soft costs, construction costs, overhead and fees
 - ▶ NP Community Development Corp. dba Heroes House will sign a Conditional Grant Agreement, Deed of Trust, and Deed Restrictions with the City to ensure performance
 - ▶ Fifty-one percent or 33 units will be rented to low-moderate income families at or below 80% AMFI; the remaining 31 units will be market rate
 - ▶ City will subordinate to interim construction lender (i.e. MidSouth Bank)
 - ▶ Deed Restrictions for the affordable units for 5 years
 - ▶ Liens will be released upon certificate of occupancy

Next Steps

- ▶ April 22, 2015 - City Council consideration of:
 - ▶ conveyance of the property to the nonprofit developer
 - ▶ a conditional grant up to \$450,000 from general obligation bond funds to NP Community Development Corporation dba Heroes House for the rehabilitation of 64 rental units
- ▶ May 2015 - contract execution and construction start