

Memorandum



CITY OF DALLAS

DATE August 6, 2021

TO Honorable Mayor and Members of the City Council

SUBJECT **Upcoming Agenda Item – NOFA Funding Award, Kiva East**

This memorandum is to inform City Council of an upcoming agenda item on August 11, 2021 to authorize a development loan agreement in an amount not to exceed \$2,500,000.00 of HOME funds with Kiva East, LLC or an affiliate thereof (Applicant), conditioned upon Kiva East, LLC receiving a 2021 9% Housing Tax Credit award for the development of an affordable multifamily complex located at 4724 and 4806 East Side Ave. The Applicant received a fundable score through the Notice of Funding Availability (NOFA) application process and a third-party underwrite of Kiva East was completed to confirm the funding gap associated with the development.

Background:

Kiva East, LLC submitted a proposal through the City's standing NOFA application issued on August 7, 2020, as amended, to receive gap financing to support the development of an affordable housing development located within the City limits. The NOFA was issued by the Department of Housing and Neighborhood Revitalization (Housing) in accordance with the City's Comprehensive Housing Policy (CHP). Kiva East received a fundable score of 96 points.

In addition to NOFA funding, Kiva East plans to utilize 9% Competitive Low Income Housing Tax Credits (HTC) from the Texas Department of Housing and Community Affairs (TDHCA) to acquire and construct the property. The Resolution of Support for the development has already received City Council approval. The requested NOFA funds, if approved, will cover the gap created by recent market conditions, increased construction costs, and stabilize the viability and economics of the development. As substantiated by a 3rd party underwriting report, a funding gap of \$2,500,000.00 has been confirmed.

Saigebrook Development and O-SDA Industries, LLC, affiliates of the Applicant, create affordable housing developments that serve the local workforce while also providing options for market rate rental units within each community. Established in 1996, Saigebrook Development is a WBE- and HUB-certified real estate development consulting firm that has built more than 5,000 affordable housing units across the southeastern United States. O-SDA Industries, LLC is a MBE/WBE/Texas HUB certified real estate development firm with expertise in building affordable housing communities that meet the needs of each city and neighborhood they serve. Since 2011, O-SDA Industries, LLC has partnered with Saigebrook Development on 27 successful 9% Housing Tax Credit applications for projects across the state of Texas including the City of Dallas.

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The Applicant proposes to develop 87 units. The 87 units consist of 18 1-bedroom, 48 2-bedroom, and 21 3-bedroom units. The units will include energy efficient appliances and lighting and other TDHCA-required features. Plans will add a community room, a cyber lounge, outdoor seating area and BBQ stations, a community kitchen, bicycle parking, and a fitness room for residents. The design also features targeted resident services including classes, social events, children's activities, and tutoring. The site also features direct access to the Santa Fe Trail, a 12 ft wide and 4.3 mile-long concrete path that connects Deep Ellum to White Rock Lake. The developer plans to activate the southern portion of the trail and bring visual interest that matches the northern portion of the trail. Along with direct access from the property to the trail, there will be decorative screening to hide the parking, public art, and a butterfly garden.

Total development costs are anticipated to be approximately \$22,700,160.00 which includes the acquisition price for the land. The hard cost construction budget is anticipated to be \$11,970,173.00 which is \$137,588.00 per unit. The total construction amount includes a 6.0% contingency.

Proposed Uses	Costs
Acquisition	\$3,270,120
Hard Construction Costs	\$11,970,173
Soft Costs & Financing Fees	\$4,565,337
Developer Fees	\$2,352,120
Reserves	\$542,410
Total	\$22,700,160
Proposed Financing Sources	Amount
Permanent Loan	\$5,900,000
HOME Loan	\$2,500,000
Housing Tax Credits Equity	\$13,498,650
Deferred Developer Fee	\$801,510
Total	\$22,700,160

After the development is complete, 7 of the 87 units will be made available to households earning 0%-30% of Area Median Income (AMI), 28 of the 87 units will be made available to households earning between 31%-50% of AMI, and 35 of the 87 units will be made available to households earning between 51%-60% of AMI. 17 Units will remain as non-income-restricted market-rate units.

Recommendation:

City Council approval of this item will authorize the City Manager to execute the loan agreement and all financing documents related to the loan. Staff have confirmed the

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proposed development meets all threshold and underwriting requirements of the standing NOFA application and recommends City Council approval.

Timeline:

On February 22, 2021, the Housing and Homelessness Solutions Committee was briefed on the Resolution of Support related to the Development and Applicant's 9% Competitive Low-Income Housing Tax Credits application to TDHCA.

On February 24, 2021, City Council authorized a Resolution of Support related to the Development and Applicant's 9% Competitive Low-Income Housing Tax Credits application to TDHCA by Resolution No. 21-0376.

This item will be on the August 11, 2021 Council Agenda for approval. Construction is planned to commence by May 2022.

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@DallasCityHall.com or 214-670-3619.



Dr. Eric Anthony Johnson
Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors