

Use of Section 108 Intown Housing Program Income from Sale of Majestic Loft's Promissory Note

A Briefing To The
Economic Development and Housing
Committee

Housing Department
February 5, 2007





Purpose



Consider a recommendation to appropriate Section 108 Intown Housing Program Income for Intown condominium purchase buydowns, and for gap and acquisition financing for the Southern Sector

Background

- ◆ City borrowed \$25 million with a Section 108 Loan from the U.S. Dept. of Housing and Urban Development to implement the Intown Housing Program
- ◆ The Intown Housing Program encouraged residential and economic development in and around the Central Business District and made available combinations of Section 108 loan funds, tax abatements, infrastructure cost participation and development fee rebate incentives
- ◆ Seven projects were completed:
 - Kirby Building, Santa Fe Lofts, Majestic Lofts, and Davis Building – Downtown
 - Deep Ellum Lofts and Treymore at Cityplace – Deep Ellum/East Dallas Area
 - Eban Village – South Dallas/Fair Park Area
- ◆ The developments have produced 1,088 units and leveraged over \$114 million in private investment, accelerating the redevelopment of the downtown area

Background (cont.)

- ◆ The Section 108 Intown Housing Program Loan was paid off in January 2006
- ◆ Loan payments totaling \$16,718,006 were made from CDBG funds and payments totaling \$14,451,397 were made from developer project loan repayments
- ◆ The developer repayments increased the pool of CDBG funds available for non-housing and housing uses
- ◆ In June 2001 the City Council resolved that any program income generated by housing programs be recaptured to expand the pool of resources for additional housing activities

Background (cont.)

- ◆ In August 2002, the Affordable Housing Task Force recommended that the City sell its portfolio of Intown Housing Program Section 108 loans
- ◆ Santa Fe Lofts loan was modified by City Council in June 2005 to allow for conversion of rental units to condominiums with loan repayments to be made from proceeds of condo sales
- ◆ In December 2006 the City Council approved use of Section 108 Intown Housing Program Income from sale of Santa Fe Lofts Condominiums:
 - \$1,950,000 for downtown condo purchase and multi-family development financing
 - \$1,350,000 for Southern Sector housing and economic development financing

Background (cont.)

- ◆ In October 2006, the City Council approved sale of the Majestic Loft Residences Section 108 loan and the loan was sold for \$3,343,732 in December 2006
- ◆ We now need to allocate these new program income dollars

Recommendation

Add another \$1,000,000 of Section 108 Loan Program Income for:

- Condominium purchase buydowns Intown:
 - Up to 80% AMFI families to receive up to \$40,000 towards purchase
 - These funds can be combined with \$10,000 in Mortgage Assistance Program for qualified borrowers
 - When the unit is sold, the original loan amount shall be paid back to the City to be circulated to another qualified buyer
 - Could accommodate an additional 25 to 30 units depending on needs of buyer, to the already approved \$1,950,000 that will make the total accommodation about 75 to 90 units downtown
- This will provide a total of \$2,950,000 of available funding for downtown homeownership

Recommendation (cont.)

Add another \$2,343,732 of Section 108 Loan Program Income for:

- Acquisition and gap financing in the Southern Sector:
 - Acquisition of improved and unimproved property
 - Demolition of existing residential and commercial property
 - Relocation costs for residential and commercial occupants
 - Construction financing of mixed-use commercial projects for economic development
 - Infrastructure and streetscape improvements
- This will provide a total of \$3,693,732 of available funding for Southern Sector housing and economic development projects

Next Steps

- February 28, 2007, City Council Action item to call public hearing to amend Consolidated Plan budget for recommended uses of Section 108 Loan Program Income
- April 11, 2007, City Council Action Item to hold public hearing to amend Consolidated Plan budget and final approval of recommended uses of Section 108 loan Program Income
- Work with Economic Development Department to market the new uses