

KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: February 8, 2012
COUNCIL DISTRICT(S): 1
DEPARTMENT: Housing/Community Services
CMO: Ryan S. Evans, 670-3314
MAPSCO: 54L

SUBJECT

Authorize a loan in the amount of \$318,000 to Notre Dame Place, Inc. for the development of unimproved property located at 800 South Madison into affordable housing for seniors – Not to exceed \$318,000 - Financing: 2010-11 HOME Investment Partnership Program Funds

BACKGROUND

In July 2011, Catholic Housing Initiative (CHI) submitted a proposal to the City of Dallas for the development of eight (8) affordable housing units for seniors at 800 S. Madison. The Catholic Diocese owns a 16 acre tract at the southwest corner of Pembroke Road and Madison Avenue. This tract contains three uses: 1) Notre Dame Court, 2) St. Joseph's Residence, and the 3) Catholic Conference and Retreat Center. Notre Dame Court is a sixty-eight (68) unit apartment complex for independent low income seniors. Notre Dame Court is fully occupied. St. Joseph's Residence is an eighty (80) unit assisted living facility and is occupied as well. The Catholic Conference and Retreat Center consists of several small residential buildings and a meeting/dining building.

In January 2011, CHI acquired a 9,112 square foot lot at 800 S. Madison in order to create additional affordable housing units for independent seniors. This property is across the street from the Notre Dame Court apartments. The eight (8) units will be developed with one bedroom, one bath, and a total of 630 square feet per unit. The total development costs are estimated to be \$636,000.

The predevelopment and construction work should be complete within a year, Lease-up expected to take an additional six (6) months.

BACKGROUND (continued)

The loan will be provided through 2010-11 HOME Investment Partnership Program Funds from the Department of Housing and Urban Development (HUD) which the City Council appropriated in 2010 for housing developments. The loan for \$318,000 will carry a 20 year affordability requirement. The property will be liened and deed restricted in accordance with federal regulations for new construction of rental property. CHI (dba Notre Dame Place, Inc) will not be required to repay the loan provided that they comply with the affordability requirements and other City requirements (e.g. insurance, codes). The loan will be forgiven 1/20th annually following the completion of construction and the lease up of at least four (4) of the units to seniors with incomes at or below 80% of the Area Median Family Income (AMFI).

City Council approval of this agenda item will authorize the City Manager to execute the loan agreement with CHI (dba Notre Dame Place, Inc) for these HOME Investment Partnership Funds, subject to environmental review by the City of Dallas and HUD. The loan agreement will provide two (2) years for the construction and lease up of the units.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

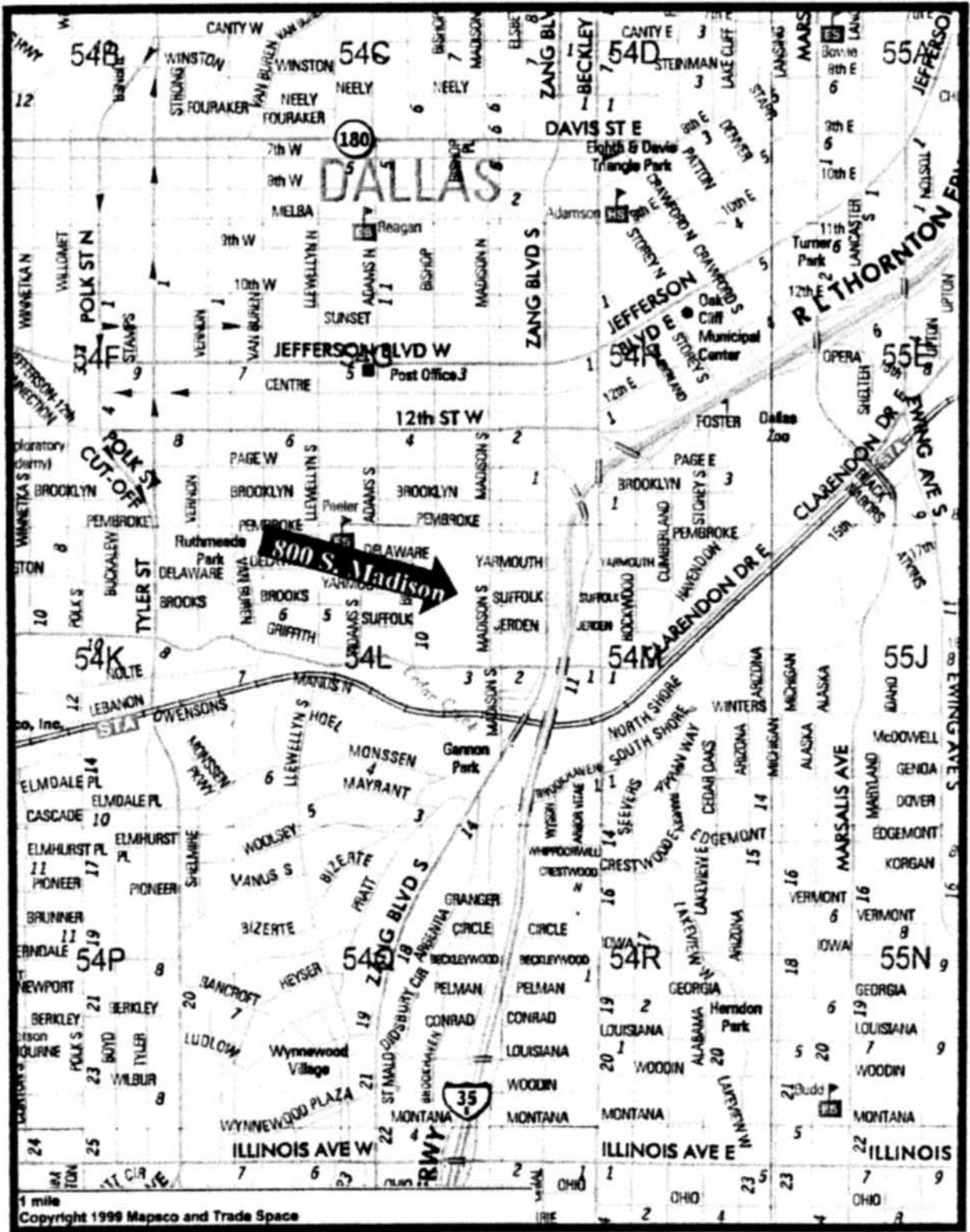
On June 23, 2010, the City Council approved the City of Dallas FY2010-11 Consolidated Plan Budget which included the HOME Investment Partnership Funds, by Resolution No. 10-1594.

FISCAL INFORMATION

2010-11 HOME Investment Partnership Program Funds - \$318,000

MAP

Attached



MAPSCO 54L

February 8, 2012

WHEREAS, affordable housing for seniors is a high priority of the City of Dallas; and

WHEREAS, on June 23, 2010, the City Council approved the FY10-11 Consolidated Plan Budget which included the HOME Investment Partnership Program Funds by Resolution No. 10-1594; and

WHEREAS, CHI (dba Notre Dame Place, Inc. proposed to work with the City of Dallas to undertake the development of the eight (8) affordable units for seniors at 800 S. Madison; and

WHEREAS, the City desires for CHI to develop affordable units for seniors, **NOW THEREFORE**,

BE RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

Section 1. That following approval as to form by the City Attorney, the City Manager is authorized to execute a loan in the amount of \$318,000 to Notre Dame Place, Inc. for the development of unimproved property located at 800 South Madison into affordable housing for seniors

Section 2. The terms of the loan agreement include:

- (a) Notre Dame Place, Inc. must execute a note payable to the City of Dallas for \$318,000 for the loan.
- (b) Notre Dame Place, Inc. must build and rent the affordable units to seniors with incomes at or below 80% of area median family income.
- (c) Notre Dame Place, Inc. will execute a Deed of Trust Lien and a Deed Restriction on the property which will carry a 20 year term for the affordable units.
- (d) Notre Dame Place, Inc. will have two (2) years to fully complete the project.

Section 3. That the City Controller is hereby authorized to disburse funds in accordance with this resolution and the terms and conditions of the loan agreement with Notre Dame Place, Inc. as follows:

<u>FUND</u>	<u>DEPT</u>	<u>UNIT</u>	<u>OBJ</u>	<u>CT</u>	<u>VENDOR</u>	<u>AMOUNT</u>
HM10	HOU	463C	3015	HOU463CD651	68164	\$318,000

Section 4. That the City Controller is hereby authorized to set up receivable balance sheet account (033F) and an allowance for uncollectible debt (022D) in fund HM10 for the amount of the loan.

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Section 5. That nothing in this resolution shall be construed as a binding contract or agreement upon the City and there will be no liability or obligation on the City until final contract documents are approved and executed.

Section 6. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: February 8, 2012
COUNCIL DISTRICT(S): 5
DEPARTMENT: Housing/Community Services
CMO: Ryan S. Evans, 670-3314
MAPSCO: 65G

SUBJECT

Authorize an amendment to Resolution No. 11-1759, previously approved on June 22, 2011, to increase the loan amount by \$100,000 on an existing Chapter 380 economic development forgivable loan with Sapphire Road Development, LLC for the acquisition of improved and unimproved properties, located along the Lancaster Corridor Neighborhood Investment Program Area, including associated closing costs, relocation, environmental remediation, demolition, and/or predevelopment costs for the purpose of constructing residential, retail, commercial, or mixed-use redevelopment as part of the Economic Development Plan for the area – Not to exceed \$100,000 from \$4,300,000 to \$4,400,000 - Financing: 2006 Bond Funds

BACKGROUND

The Lancaster Corridor in the Lancaster Road community of Dallas is a main artery for South Central Dallas. The Corridor combines transit, commercial, retail, and residential assets and is a City Council priority for economic development and redevelopment options that will improve neighborhoods all along the corridor. Sapphire Road Development, LLC is currently working on the redevelopment of a site to the east of the Veterans Administration Hospital. The development is anticipated to include a two level facility combining retail and residential components. Public assistance is required for the development of this site and other properties in the Lancaster Corridor Neighborhood Investment Program (NIP) Area.

The City Council is asked to consider adding \$100,000 to an existing Chapter 380 economic development forgivable loan with Sapphire Road Development, LLC to assist with acquisition costs, associated closing costs, relocation, environmental remediation, demolition, and/or predevelopment costs for the purpose of constructing residential, retail, commercial, or mixed-use redevelopment. Sapphire Road Development, LLC has shown progress in acquiring properties and preparing to develop those properties but additional funds are needed to complete demolition and clearance to begin the predevelopment stages.

BACKGROUND (continued)

The loan is forgiven provided that demolition occurs within one year from the date of the initial advance, development within five years from the date of the initial advance, and construction completion with Certificate of Occupancy not later than seven years from the date of the initial advance under the Loan Agreement. If the Developer/Borrower fails to comply with these requirements, the City has the option to require conveyance of lien free, fee simple title to the City of Dallas.

Sapphire Road Development, LLC has been in real estate development for over 15 years in Dallas and has built several hundred homes. Yigal Lelah, company president, has previously worked with the City of Dallas on the Pleasant Oaks affordable housing community. Sapphire has made good progress with its work on this contract and needs these additional funds to further its first phase efforts. Sapphire has also submitted a Low Income Housing Tax Credit application for this project.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On April 20, 2009, a briefing was presented to the Economic Development Committee regarding authorization of the proposed Chapter 380 economic development forgivable loan with Sapphire Road Development, LLC.

On April 20, 2009, a briefing was presented to the Housing Committee regarding authorization of the proposed Chapter 380 economic development forgivable loan with Sapphire Road Development, LLC.

On May 12, 2010, City Council approved an increase to the economic development loan for a total of \$2,700,000 by Resolution No. 10-1239.

On October 26, 2010, City Council approved an increase to the economic development loan for a total of \$4,000,000 by Resolution No. 10-2771.

On June 22, 2011, City Council approved an increase to the economic development loan for a total of \$4,300,000 by Resolution No. 11-1759.

FISCAL INFORMATION

2006 Bond Funds - \$100,000

OWNERS

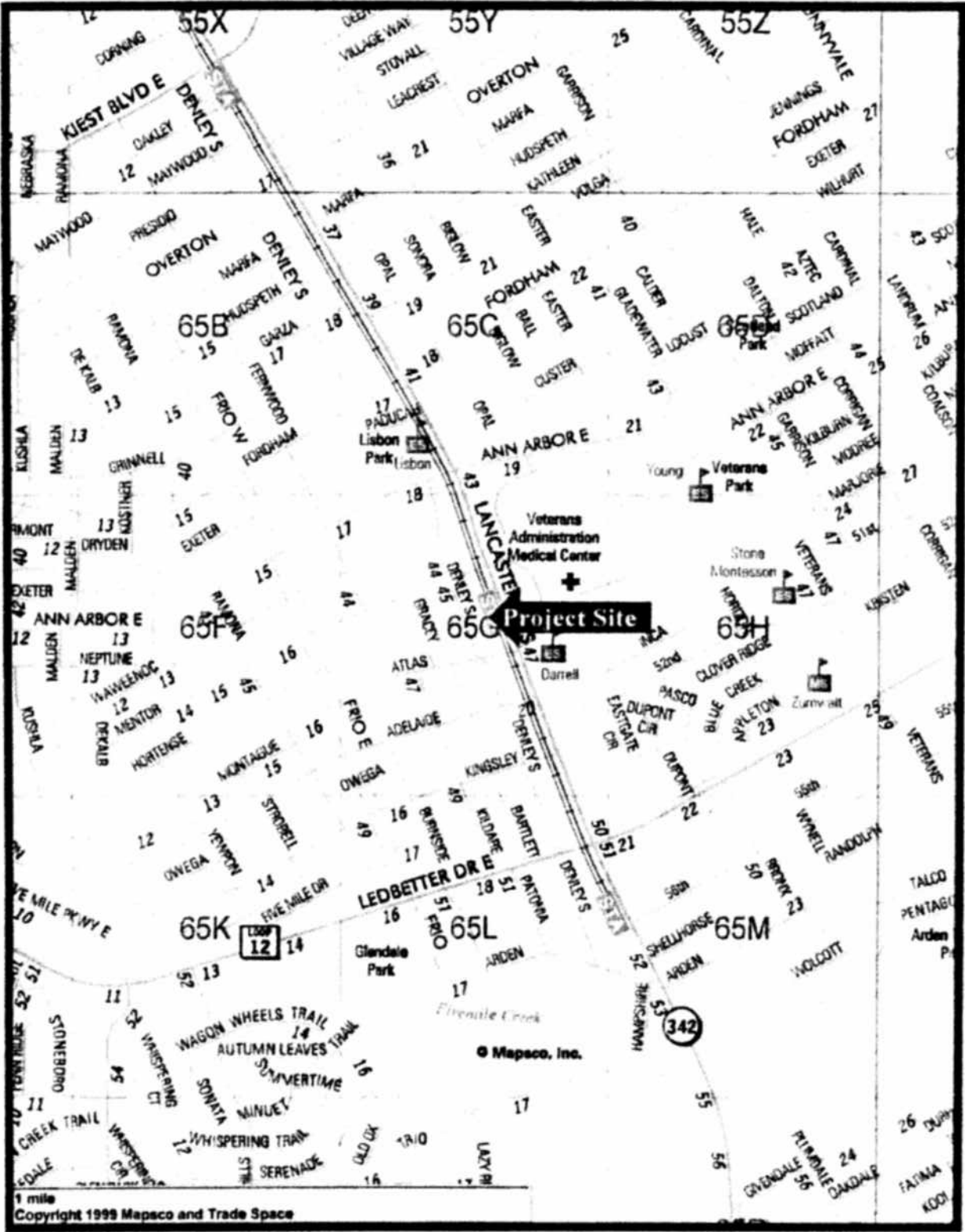
Sapphire Road Development, LLC
Yigal Lelah, President

DEVELOPER

Sapphire Road Development, LLC
Yigal Lelah, President

MAP(S)

Attached



MAPSCO 65G

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WHEREAS, the City recognizes the importance of its role in local economic development; and

WHEREAS, the City seeks to stimulate redevelopment of certain areas in the southern sector, including the Lancaster Corridor Neighborhood Investment Program Area, to foster the public purpose of economic development; and

WHEREAS, on August 9, 2006, the City Council authorized an ordinance ordering a bond election to be held in the City of Dallas on November 7, 2006 for the purpose of submitting propositions for the issuance of general obligation bonds for funding permanent public improvements; and

WHEREAS, on November 7, 2006, the voters of Dallas approved a \$1.35 billion General Obligation Bond Program of which \$45,495,000 was set aside for the purpose of providing funds for promoting economic development in the Southern area of the city, and promoting economic development in other areas of the city in connection with transit-oriented development; and

WHEREAS, on December 12, 2007, the City Council approved an amendment to the Public/Private Partnership Program to include a special category for an Economic Development General Obligation Bond Program for Southern Dallas; and

WHEREAS, On April 22, 2009, the City Council authorized a Chapter 380 economic development forgivable loan with Sapphire Road Development, LLC for development and related cost including the acquisition of improved and unimproved properties along the Lancaster Corridor Neighborhood Investment Program (NIP) area, including associated closing costs, relocation, environmental remediation, or demolition costs for the purpose of constructing residential, retail, commercial, or mixed-use redevelopment in accordance with the Economic Development Master Plan for the area; and

WHEREAS, on May 12, 2010, the City Council authorized an increase to the economic development loan for a total of \$2,700,000 by Resolution No. 10-1239; and

WHEREAS, on October 26, 2010, the City Council authorized an increase to the economic development loan for a total of \$4,000,000 by Resolution No. 10-2771; and

WHEREAS, on June 22, 2011, the City Council authorized an increase to the economic development loan for a total of \$4,300,000 by Resolution No. 11-1759; and

WHEREAS, Sapphire Road Development, LLC proposes to continue to work with the City of Dallas for the Lancaster Corridor Neighborhood Investment Program Area project; **NOW, THEREFORE,**

February 8, 2012**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

Section 1. That the City Manager or designee, upon approval as to form by the City Attorney, is hereby authorized to increase the loan amount by \$100,000 on an existing Chapter 380 economic development forgivable loan with Sapphire Road Development, LLC for the acquisition of improved and unimproved properties, located along the Lancaster Corridor Neighborhood Investment Program Area, including associated closing costs, relocation, environmental remediation, demolition and/or predevelopment costs for the purpose of constructing residential, retail, commercial, or mixed-use redevelopment as part of the Economic Development Plan for the area

Section 2. That the other terms of the loan documents shall include:

- a. Borrowers notes payable to the City of Dallas will have a maturity date of 7 years; provided however, if the Borrower fails to commence redevelopment of the acquired properties within 5 years from the date of initial advance under the Loan Agreements, commence demolition if necessary within 1 year or complete construction evidenced by a certificate of occupancy having been obtained from the City of Dallas within 7 years from the date of initial advance under the Loan Agreements, the entire amount of each loan becomes due and payable.
- b. If Borrower fails to timely comply with requirements in Section 2 (a) hereof, the City of Dallas has the option to require Borrower to convey to the City of Dallas fee simple title to the properties acquired with funds under the loan from the City of Dallas, free of any liens or encumbrances not acceptable to the City.
- c. Borrower shall execute a first lien deed of trust on each property acquired for which acquisition, closing costs, demolition, and predevelopment costs have been expended from loan proceeds.
- d. For Borrower to receive approval from the City to purchase a property or expend funds for other allowable costs, borrower must provide a property survey, title commitment, environmental assessment, and appraisal performed by an independent fee appraiser, acceptable to the City in the City's sole discretion. The City retains the right to conduct a review of the appraisal of the property for which approval is sought, and in no event will the City loan in excess of the appraised value of the property as determined by the City.
- e. No approval by the City of the expenditure of any loan funds shall bind or obligate the City to approve any zoning or re-plat change that Borrower may request for the properties.

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- f. Borrower shall obtain approval from the City for permitted uses of the properties. "Permitted uses" includes those uses that are permitted under the Dallas Development Code on the property, but in no event may they include any use that requires a sexually oriented business license under Chapter 41A of the Dallas City Code, or a liquor store, a pawn shop, a body piercing studio, or a tattoo studio as those terms are defined by the Dallas Development Code.
- g. As a certificate of occupancy has been obtained for a constructed structure or project on a property, Borrower will be released from the indebtedness on the note for the corresponding loan proceeds advanced.
- h. Deed Restrictions to prevent property sale or transfer of ownership without consent and approval of the City.
- i. Intermediate benchmarks for progress acceptable to the City of Dallas may be established in the loan documents.

Section 3. That the loan(s) (secured by liens on the real property) will provide for 0% annual interest and repayment in 7 years from the date of the initial advance under each Loan Agreement, each portion forgivable if development of sites purchased is commenced within 5 years of the date of the initial advance under each Loan Agreement and demolition is completed within 1 year of the initial advance under each Loan Agreement and all development is complete with certificates of occupancy issued within 7 years from the date of the initial advance under the Loan Agreement unless the time is extended by the Director of the City of Dallas Housing/Community Services Department.

Section 4. That the City Controller is hereby authorized to encumber and disburse funds from Fund 9T52, Department HOU, Unit T808 Object 3015, Activity HOIN, Encumbrance No. HOUT808D656, Vendor No. VS0000054745, in an amount not to exceed \$100,000.

Section 5. That the City Controller is hereby authorized to set up receivable balance sheet account (033F) and an allowance for uncollectible debt (022D) in fund 9T52 for the amount of the loan.

Section 6. That nothing in this resolution shall be construed as a binding contract or agreement upon the City and there will be no liability or obligation on the City until final contract documents are approved and executed.

Section 7. That this resolution shall take effect immediately from and after its passage in accordance with the Charter of the City of Dallas, and it is accordingly so resolved.