

Memorandum



CITY OF DALLAS

DATE March 4, 2011

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Angela Hunt, Ann Margolin, Pauline Medrano

SUBJECT Community Development Block Grant Section 108 Guaranteed Loan Amended Application for the Atmos Lofts

On Tuesday, February 22, 2011, you will be briefed on Community Development Block Grant Section 108 Guaranteed Loan Amended Application for the Atmos Lofts. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez'.

A.C. Gonzalez
Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
C. Victor Lander, Administrative Judge, Municipal Court
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Jerry Killingsworth, Housing/Community Services Director
Helena Stevens-Thompson, Assistant to the City Manager

Community Development Block Grant Section 108 Guaranteed Loan Amended Application for the Atmos Lofts

A Briefing to the Housing Committee
March 7, 2011

Housing/Community Services Department



Purpose

Consideration of amendments to the Community Development Block Grant Section 108 Guaranteed Loan (Section 108 loan) application to U.S. Department of Housing and Urban Development (HUD):

- Separation of the project into two phases
- Provide \$1,500,000 in City Center TIF affordable housing set-aside funds for Phase I
- Provide Section 108 funding for Phase II only
- Increase the Section 108 loan from \$9,000,000 to \$11,750,000
- Increase the total number of affordable units in Phase II from 10 units to 63 units meeting the CDBG National Objective of 51% affordability

Project Details

- Four vacant commercial buildings with total area of 390,435 square feet on one downtown block in Council District 14
 - Phase I – Conversion of building on west side of site, 1900 Jackson St., into low income residential rental
 - Phase II – Conversion of two historic buildings on east side of site, 301 S. Harwood St. and 1915 Wood St., into commercial/retail on the bottom floor and residential rental for affordable and market rate housing above
 - Phase II – Conversion of middle building, 1815 Wood St., into a parking structure
- Conversion will create 230 rental units
 - 89 efficiencies - average size 647 square feet
 - 105 one bedrooms - average size 804 square feet
 - 33 two bedrooms – average size 1,274 square feet
 - 3 three bedroom units average size 1,637 square feet
 - 107 units at 60% and below AMFI, 63 units at 80% and 60 market rate units

Project Details (cont.)

- The project will also include
 - 252 off street parking spaces
 - 9,500 square feet of ground floor retail space
 - A new ground level motor court with 24 short term parking spaces for visitors and retail patrons
 - 228 secure indoor residential parking stalls made possible by a new cast-in-place ramp structure connecting several levels of the buildings with elevators that also provide access to the apartments

Project Details (cont.)

- Additional amenities will include a zero-edge pool with surrounding cabanas, an outdoor kitchen, fire pit, and an outdoor covered projection screen all under a canopy of mature uplit live oak trees
- The new ground floor of the west building will have public uses as the project's fitness center and leasing office
- The arcade along the Wood Street side of the middle building will serve as a covered and secure outdoor dog run
- Applicant – Hamilton Atmos LP
 - Partners:
 - Hamilton Atmos GP LLC, Lawrence E. Hamilton, and Lawrence E. Hamilton III
 - Central Dallas Community Development Corp., John Greenan, Executive Director

Developer

- Hamilton LP is an affiliate of Hamilton Properties Corporation that has sponsored several developments in downtown Dallas including:
 - The Davis Building, 1309 Main Street, 183 loft apartments, 20,000 square feet of retail, and 12 story parking garage containing 608 parking stalls and 30,000 square feet of retail space
 - The Dallas Power & Light, 1508 Commerce, 158 loft apartments, 25,000 square feet of retail, and structured parking for 160 vehicles
 - Mosaic, 300 N. Akard Street, 440 loft apartment units, 20,000 square feet of retail, and an 8 story parking structure for 650 vehicles
 - Aloft Hotel, 1033 Young Street, 8 story, 193 room hotel completed in September 2009

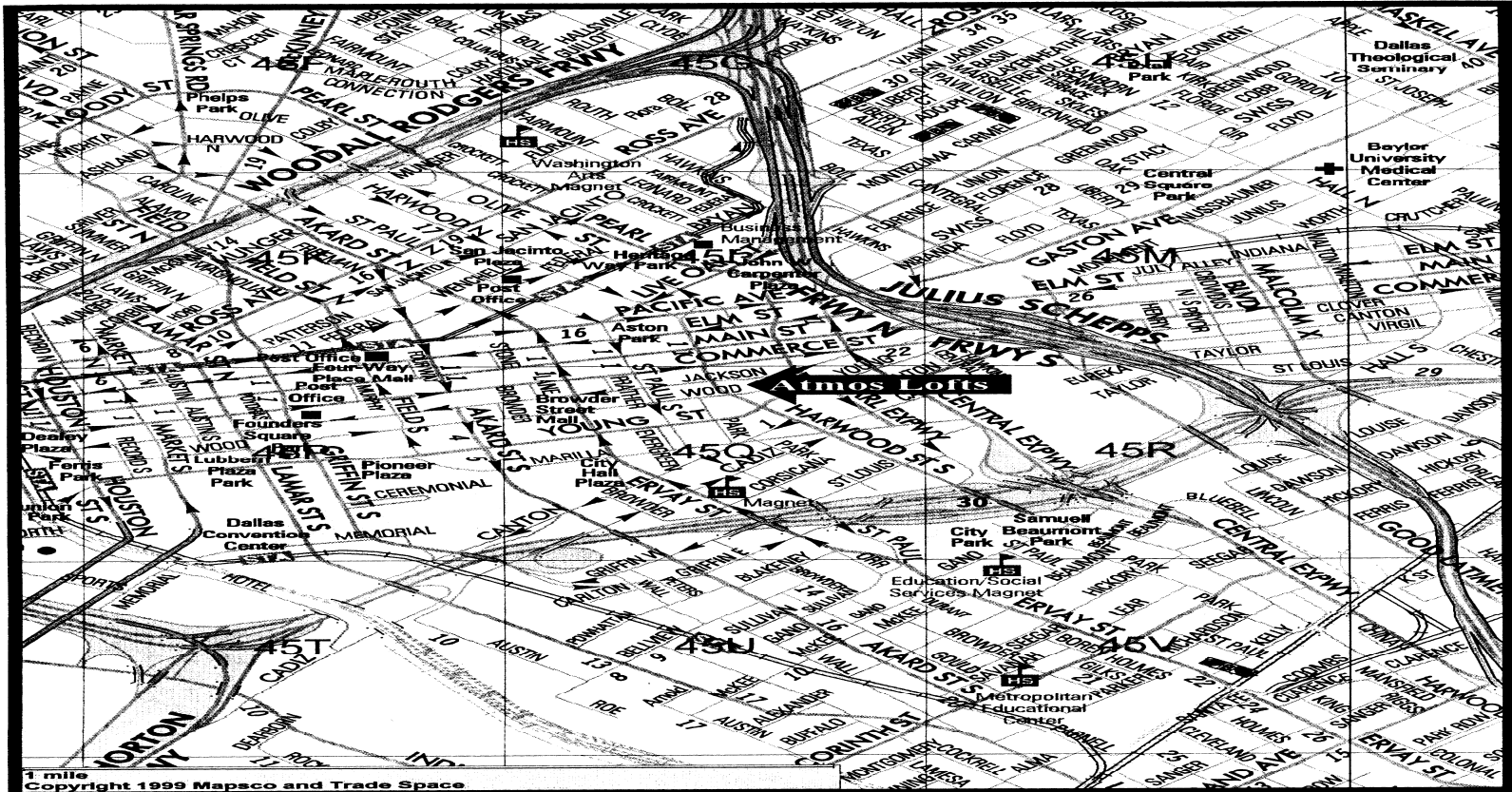
Property Manager

- Pinnacle, 14001 Dallas Pkwy #750, Dallas
 - Largest Multi-family property manager in the U.S.
 - \$17 Billion portfolio
 - Approximately 175,000 units under management
 - 40 Cities in Texas including Austin, Dallas, Fort Worth, Houston and San Antonio
 - Other cities in the metro area include Addison, Arlington, DeSoto, Garland, Irving, Lewisville, Plano, and The Colony
 - 28 properties managed in Dallas including
 - City Walk, 511 N. Akard Road
 - Montecito Creek, 11330 Amanda Lane
 - Primrose Oaks, 2515 Perryton Drive
 - Rosemont at Bluff Ridge, 8125 Clark Road
 - The Champions of North Dallas, 4912 Haverwood Lane
 - Villas of Remond, 3050 Remond Drive

Current Atmos Complex



Project Location



MAPSCO 45Q

Current Application

- ❑ Entire project in one phase
 - Conversion of all four vacant buildings at one time
 - Section 108 funding used for all four buildings
- ❑ 1900 Jackson St. funded with Low Income Housing Tax Credit equity (unchanged in amended application) to contain 107 affordable units
- ❑ Historic buildings at 301 S Harwood St. and 1915 Wood St. to contain 10 affordable units, 113 market rate units and 9,500 square feet of ground floor retail/commercial space
- ❑ Conversion of 1815 Wood St. into parking structure (unchanged in amended application)
- ❑ Housing/Community Services Department funding from \$9,000,000 Section 108 loan

Reasons for Project and Application Changes

- Need to begin construction on Phase I, 1900 Jackson St.
 - TDHCA deadline to begin construction on LIHTC project by June 30th
 - Lengthy Section 108 reviews by HUD
 - Benefit to eastern area of downtown to begin construction of LIHTC as soon as possible
- Concerns about concentration of affordable housing in one of three buildings
- Increased number of affordable units in Phase II will meet Section 108 affordability requirements

Sources and Uses

Original Request Phases I and II

SOURCES

Construction Loan	\$21,251,724
TIF Bridge Loan of 50%	5,748,276
Section 108 Loan	9,000,000
Tax Credit Equity	4,347,254
Developer Equity	<u>5,638,952</u>
TOTAL SOURCES	\$45,986,206

USES

Land and Building Acquisition \$	-0-
Construction Costs	26,440,705
Demolition and Abatement	2,142,900
Furniture, Fixtures & Equipment	891,035
Tenant Improvement Costs	750,000
Hard Cost Contingency	1,965,722
Architect/Engineering	1,539,200
Insurance	58,250
Property taxes during Constr.	380,000
Construction Interest	1,215,000
Interest Reserve for Lease-up	1,209,955
Interest Reserve for 108 loan	1,102,698
Legal and Accounting	175,000
Title, Closing and Carry	332,500
Loan Origination Fees	507,500
Construction Management Fee	234,000
Developer Fee and Overhead	6,500,000
Soft Cost Contingency	<u>541,741</u>
TOTAL USES	\$45,986,206

Revised Request Phase II only

SOURCES

Construction Loan	\$ 9,262,014
Downtown Dallas Grant	50,000
Section 108 Loan	11,750,000
Historic Tax Credit Equity	2,459,449
Developer Equity	<u>1,500,000</u>
TOTAL SOURCES	\$25,021,463

USES

Land and Building Acquisition \$	15,777
Construction Costs	14,202,268
Demolition and Abatement	1,821,465
Furniture, Fixtures & Equipment	215,000
Tenant Improvement Costs	1,000,000
Hard Cost Contingency	1,190,000
Architect/Engineering	500,000
Insurance	32,806
Property taxes during Constr.	157,647
Construction Interest	500,000
Interest Reserve for 108 loan	1,100,000
Interest Reserve for Lease-up	490,000
Legal and Accounting	55,000
Title, Closing and Carry	120,000
Loan Origination Fees	180,000
Construction Management Fee	116,000
Developer Fee and Overhead	3,000,000
Soft Cost Contingency	<u>325,500</u>
TOTAL USES	\$25,021,463

HUD Section 108 Application Status

- Application approved by HUD Fort Worth regional office and forwarded to HUD headquarters in Washington D.C. for final approval
- City requested postponement of HUD review until application amendment
- City Council approval to submit amended application
- Submittal of amended application to HUD

170 Affordable Units Will Count Towards Dallas' Downtown Goals

- ❑ Downtown area had 197 total set aside affordable units
- ❑ The City Walk at Akard has added another 200 affordable units
- ❑ The Atmos project will provide an additional 170 affordable units and further assist the City in achieving its goal of creating 1,000 affordable units by 2015
 - With the addition of the Dallas Convention Center Hotel expected to be completed by 2012, the Atmos affordable units will provide a safe and decent housing community with state of the art recreational amenities for workforce families employed by the hotel, AT&T, the City of Dallas, Banks located downtown, and other local stores, restaurants and downtown businesses

RECOMMENDATION TO AMEND SECTION 108 APPLICATION

- Increase City Section 108 loan from \$9,000,000 to \$11,750,000
 - Principle to be repaid in full with TIF reimbursements by 2016
 - Interest paid through a combination of interest reserve built into the City loan and pledge of partnership distributions until TIF reimbursements start in 2014
 - Loan proceeds to be used for costs of Phase II conversion of two historical buildings at 301 S. Harwood and 1915 Wood St. into bottom-floor retail/commercial, upper-floor residential units, and conversion of 1815 Wood St. into parking structure
- Increase affordable units in Phase II from 10 to 63 and require units to remain affordable for 15 years
- Require completion of the Phase I Low Income Housing Tax Credit conversion of 1900 Jackson St. into 107 units of low income housing

RECOMMENDATION TO USE \$1.5M OF AFFORDABLE HOUSING FUNDS

- Use \$1.5M of City Center TIF dedicated affordable housing funds for Phase I conversion of 1900 Jackson St. into 107 LIHTC affordable housing units
 - 50% of funds distributed when 50% of construction is completed
 - 50% of funds distributed when Phase I building receives Certificate of Occupancy

Next Steps

- ❑ March 3, 2011 hold neighborhood meeting in Downtown Dallas
- ❑ March 9, 2011 City Council call for Public Hearing to be held April 13,
- ❑ April 13, 2011 City Council Public Hearing and final approval for filing of amended Section 108 loan application with HUD
- ❑ April 13, 2011 City Council authorization for appropriation of \$1.5M in City Center TIF affordable housing set-aside funds to Atmos project
- ❑ Complete draft of amended Section 108 loan application and waiver request and submit to HUD