KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: June 19, 2009
COUNCIL DISTRICT(S): 8
DEPARTMENT: Housing
CMO: A. C. Gonzalez, 671-8925
MAPSCO: 64Z

SUBJECT

Authorize a secured, no interest, forgivable loan pursuant to the Residential Development Acquisition Loan Program in the amount of $300,000 to East Dallas Community Organization for acquisition costs and related costs of 29 unimproved properties located at Interstate 35 between Camp Wisdom and Wheatland Roads for the development of low-to-moderate income single-family homes contingent upon Department of Housing and Urban Development Environmental Review approval – Not to exceed $300,000 - Financing: 2008-09 Community Development Block Grant Funds

BACKGROUND

On March 4, 2009, East Dallas Community Organization (EDCO) submitted a proposal to the City of Dallas requesting funding for the Thornton Heights project. The proposal requests $300,000 to acquire 29 unimproved properties for the construction of single-family homes available to low-to-moderate income families at Interstate 35 between Camp Wisdom and Wheatland Road. EDCO will provide independent appraisals, environmental assessments, and title commitments for the City to review and approve. The proposed 29 single-family homes will be a part of a larger mixed-income subdivision development of approximately 200 single-family homes.

East Dallas Community Organization will construct the 29 homes with 1,250 square feet or more, and 75% of homes will be three bedroom with 25% four bedrooms. The homes will include one car garages 80% brick and 2 - 21/2 bathrooms in each home.

Properties will be deed restricted for families at 80% or less of Area Median Family Income for sale or resale to eligible homebuyers for a period of five years. EDCO will execute a note payable to the City of Dallas for $300,000. The 0% note will be forgiven 1/29th as each home is constructed and sold to a low-to-moderate income family.
PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

In September 24, 2003, City Council authorized (1) the use of $1,000,000 in Community Development Block Grant (CDBG) funds, for the acquisition of real property for single-family and multi-family developments, (2) a Program Statement for the Residential Development Acquisition Loan Program (RDALP), and (3) implementation of the RDALP by Resolution No. 03-2552.

On June 9, 2004, the City Council adopted the final FY 2004-05 Consolidated Plan Budget, which included $300,000 in CDBG funds for single-family development by Resolution No. 04-1865.

On August 10, 2005, the City Council adopted the final FY 2005-06 Consolidated Plan Budget, which included $1,000,000 of CDBG funds for the RDALP by Resolution No. 05-2233.

On June 28, 2006, the City Council adopted the final FY 2006-07 Consolidated Plan Budget, which included $1,000,000 of CDBG funds for the RDALP by Resolution No. 06-1739.

On June 27, 2007, the City Council adopted the final, FY 2007-08 Consolidated Plan Budget, which included $825,000 of CDBG funds for the RDALP by Resolution No. 07-1978.

On June 1, 2009, the Housing Committee was briefed on this project.

FISCAL INFORMATION

FY 2008-09 Community Development Grant Funds - $300,000

OWNERS

East Dallas Community Organization

Gerald Carlton, Executive Director

MAP(S)

Attached
June 19, 2009

WHEREAS, the City of Dallas seeks to increase the supply of new affordable workforce housing in order to attract and retain economic growth; and

WHEREAS, on June 9, 2004, the City Council adopted the FY 2004-05 Consolidated Plan Budget which included $300,000 in CDBG funds for single-family development by Resolution No. 04-1865; and

WHEREAS, on August 10, 2005, the City Council adopted the FY 2005-06 Consolidated Plan Budget which included $1,000,000 of CDBG funds for the Residential Development Acquisition Loan Program (RDALP) by Resolution No. 05-2233; and

WHEREAS, on June 28, 2006, the City Council adopted the FY 2006-07 Consolidated Plan Budget which included $1,000,000 of CDBG funds for the RDALP by Resolution No. 06-1739; and

WHEREAS, on June 27, 2007, the City Council adopted the FY 2007-08 Consolidated Plan Budget which included $825,000 of CDBG funds for the RDALP by Resolution No. 07-1978; and

WHEREAS, in March 2009, East Dallas Community Organization submitted a proposal to the City of Dallas requesting financing for acquisition and related acquisition costs of unimproved properties for the Thornton Heights Project in South Dallas for $300,000 to develop 29 single-family homes; and

WHEREAS, on June 1, 2009, the City Council Housing Committee was briefed on the EDCO proposed project; and

WHEREAS, the City of Dallas desires to provide $300,000 in Community Development Block Grant (CDBG) funds, 0% interest loan under the RDALP to EDCO for the acquisition of unimproved properties at Interstate 35 between Camp Wisdom and Wheatland Road; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:
June 19, 2009

SECTION 1. That the City Manager or designee, upon approval as to form by the City Attorney, is hereby authorized to execute a secured, no interest, forgivable loan pursuant to the RDALP in the amount of $300,000 to East Dallas Community Organization (EDCO) ("Borrower") for the acquisition of 29 unimproved properties at Interstate 35 between Camp Wisdom and Wheatland Roads for the development of low-to-moderate income single-family homes. Contingent upon Department of Housing and Urban Development Environmental Review approval.

The terms of the agreement include:

(a) The Borrower must execute a note payable to the City of Dallas for $300,000 that is interest free with a four-year maturity;

(b) Borrower must complete and sell 29 homes to low-to-moderate income families whose incomes are 80% or less of area median family income by the maturity date.

(c) Prior to the maturity date, Borrower will be released from $10,345 (1/29th of $300,000) liability on the Note at the same time the low-to-moderate income family closes the purchase of the home.

(d) Borrower will execute a Deed of Trust and Deed Restrictions on the lots. Properties will be deed restricted for affordability at 80% or less of Area Median Family Income for sale and resale to eligible homebuyers for a period of five years.

SECTION 2. That the City Manager, upon approval as to form by the City Attorney, is authorized to execute a subordination of lien to a lender who is providing construction financing on the property.

SECTION 3. That the City Manager, upon approval as to form by the City Attorney, is authorized to execute releases of liens and terminate deed restrictions on the 29 properties upon compliance with the loan terms and deed restrictions.

SECTION 4. That the Controller is hereby authorized to encumber and disburse funds in accordance with the terms and conditions of the contracts as follows:

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East Dallas Community Organization (EDCO)       Vendor# 354413

<table>
<thead>
<tr>
<th>Fund</th>
<th>Dept</th>
<th>Unit</th>
<th>Obj</th>
<th>Act.</th>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
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<td>HOU</td>
<td>297A</td>
<td>3015</td>
<td>H098</td>
<td>Thornheight</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

CT
HOU297A253
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 CD08 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, that it is subject to available CDBG funds and there will be no liability or obligation on the City until final contract documents are approved, executed, and final closing completed.

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.

DISTRIBUTION:

Housing Department
City Attorney's Office
Office of Financial Services/Community Development, 4FS
KEY FOCUS AREA: Economic Vibrancy

AGENDA DATE: June 19, 2009

COUNCIL DISTRICT(S): 7

DEPARTMENT: Housing

CMO: A. C. Gonzalez, 671-8925

MAPSCO: 56C D

SUBJECT

Authorize (1) approval of the development plan submitted to the Dallas Housing Acquisition and Development Corporation by 4E Community Development Corporation for the construction of affordable houses, (2) the sale of 3 vacant lots from Dallas Housing Acquisition and Development Corporation to 4E Community Development Corporation; and, (3) execution of a release of non-tax liens included in the foreclosure judgment, pre-judgment non-tax liens not included in the judgment, and post-judgment non-tax liens, if any (list attached) – Financing: No cost consideration to the City

BACKGROUND

On February 4, 2008, the Housing Committee received a briefing regarding the Urban Land Bank Demonstration Program which outlined the process and status of the program. The areas targeted for acquisition to achieve the desired goals under the program were identified.

4E Community Development Corporation (4E CDC), a City Certified Housing Development Organization, has submitted a proposal and development plan to Dallas Housing Acquisition and Development Corporation (DHADC or Land Bank) for 3 lots shown on the attached list. The DHADC Board has approved the development plan and sale, subject to City Council approval. This item will authorize City Council approval of the development plan submitted by 4E CDC to the City’s Land Bank, the sale of those lots from DHADC to 4E CDC and the release of non-tax liens included in the foreclosure judgment, pre-judgment non-tax liens not included in the judgment and post-judgment non-tax liens, if any. The vacant lots were purchased by DHADC from a Sheriff’s sale pursuant to foreclosure of tax liens and any non-tax liens. DHADC’s Deed without Warranty to 4E CDC will contain a reverter that returns the property to DHADC if a construction permit is not applied for by 4E CDC and construction financing is not closed within two years of conveyance. 4E CDC will build affordable houses on the lots.
BACKGROUND (continued)

The approximate square footage and sales prices of the houses will be from 1,100 to 1,400 square feet and from $99,900 to $119,900. The lots will be deed restricted for sale to a low income family and will require at least 25 percent of the developed homes (1 home in this proposal) to be sold to households with gross household incomes not greater than 60 percent of the Area Median Family Income (AMFI) as determined annually by HUD. A maximum of 30 percent of the developed homes (none in this proposal) may be sold to households with gross incomes from 81 percent to 115 percent of the AMFI as determined annually by HUD. If 30% of the homes are sold to buyers at 81 percent to 115 per cent of the AMFI, the remaining homes (2 homes in this proposal) will be sold to buyers below 81 per cent of the AMFI and in compliance with the minimum 25 per cent requirement to sell to buyers below 60 per cent of the AMFI. DHADC will receive $11,870.83 for the sales price, as calculated from the 08-09 Land Bank Plan approved by City Council.

On June 18, 2003, Governor Perry signed the Urban Land Bank Demonstration Program Act. The Act allows the governing body of a municipality to adopt an Urban Land Bank Demonstration Program in which the officer charged with selling real property ordered sold pursuant to foreclosure of a tax lien may sell certain eligible real property by private sale to a land bank for the purpose of affordable housing developments.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On January 28, 2004, the City Council established the Dallas Housing Acquisition and Development Corporation (DHADC) as its land bank, authorized amendments to the Articles of Incorporation and By-Laws of the DHADC, and authorized an interlocal contract with the affected taxing jurisdictions for participation in the Dallas Urban Land Bank Demonstration Program by Resolution No. 04-0458.

On May 26, 2004, the City Council authorized a contract with DHADC for the provision of land bank services as set forth in the amended Program Statement for the Dallas Urban Land Bank Demonstration Program by Resolution No. 04-1726.

On October 13, 2004, the City Council approved the City of Dallas FY 2004-05 Urban Land Bank Demonstration Program Plan and authorized an amendment to the DHADC Contract to provide additional operating and acquisition funds for FY 2004-05 by Resolution No. 04-2930.

On August 24, 2005, the City Council authorized an amendment to the contract with DHADC to extend the term to November 1, 2006 and to allow the City to refer up to 625 parcels intended for acquisition by the Land Bank for filing of a tax lawsuit by March 26, 2006, by Resolution No. 05-2474.
PRIOR ACTION/REVIEW (Council, Boards, Commissions) (continued)

On August 24, 2005, the City Council approved the City of Dallas FY 2005-06 Urban Land Bank Demonstration Program by Resolution No. 05-2501.

On January 11, 2006, the City Council authorized an amendment to the City of Dallas FY 2005-06 Urban Land Bank Demonstration Program Plan to increase the list of properties in the plan that may become eligible for sale to the Land Bank by Resolution No. 06-0162.

On October 11, 2006, the City Council approved the City of Dallas FY 2006-07 Urban Land Bank Demonstration Program Plan by Resolution No. 06-2785.

On December 13, 2006, the City Council authorized an amendment to the contract with DHADC to extend the term to September 30, 2007 and to allow the City to refer up to 300 parcels intended for acquisition by the Land Bank for filing of a tax lawsuit by March 31, 2007, by Resolution No. 06-3403.

On August 22, 2007, the City Council authorized an amendment to the contract with DHADC to extend the term to September 30, 2008 and to allow the City to refer up to 300 parcels intended for acquisition by the Land Bank for filing of a tax lawsuit by March 31, 2008, by Resolution No. 07-2385.

On October 10, 2007, the City Council approved the City of Dallas FY 2007-08 Urban Land Bank Demonstration Program Plan by Resolution No. 07-2998.

On August 27, 2008, the City Council authorized an amendment to the contract with DHADC to extend the term to September 30, 2009 and to allow the City to refer up to 300 parcels intended for acquisition by the Land Bank for filing of a tax lawsuit by March 31, 2009, by Resolution No. 08-2257.

On October 8, 2008, the City Council approved the City of Dallas FY 2008-09 Urban Land Bank Demonstration Program Plan by Resolution No. 08-2785.

On April 8, 2009, the City Council approved an amendment to the City of Dallas FY 2008-09 Urban Land Bank Demonstration Program Plan to allow rental housing units on Land Bank lots and/or rental housing units above retail development on Land Bank lots by Resolution No. 09-0981.

FISCAL INFORMATION

No cost consideration to the City.
MAP

Attached
LAND BANK (DHADC) SALE OF LOTS
TO 4E COMMUNITY DEVELOPMENT CORPORATION

<table>
<thead>
<tr>
<th>Property Address</th>
<th>MAPSCO</th>
<th>Council District</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. 2663 Anderson</td>
<td>56D</td>
<td>7</td>
</tr>
<tr>
<td>2. 2514 Hooper</td>
<td>56C</td>
<td>7</td>
</tr>
<tr>
<td>3. 2542 Ghent</td>
<td>56D</td>
<td>7</td>
</tr>
</tbody>
</table>
WHEREAS, on January 28, 2004, the City Council established the Dallas Housing Acquisition and Development Corporation (DHADC) as its land bank for the purpose of acquiring, holding and transferring unimproved real property under Subtitle A, Title 12, Local Government Code, Chapter 379C and: 1) approved the City of Dallas Urban Land Bank Demonstration Program Plan; 2) approved the Program Statement for the Dallas Urban Land Bank Demonstration Program; 3) authorized amendments to the Articles of Incorporation and By-Laws of the DHADC; and 4) authorized an interlocal contract with the affected taxing jurisdictions for participation in the Dallas Urban Land Bank Demonstration Program by Resolution No. 04-0458; and

WHEREAS, on May 26, 2004, the City Council authorized a contract with the DHADC for the provision of land bank services as set forth in the amended Program Statement for the Dallas Urban Land Bank Demonstration Program approved by the City Council on January 28, 2004, by Resolution No. 04-1726; and

WHEREAS, on October 13, 2004, the City Council approved the City of Dallas FY 2004-05 Urban Land Bank Demonstration Program Plan and authorized an amendment to the DHADC Contract to provide additional operating and acquisition funds for FY 2004-05, by Resolution No. 04-2930; and

WHEREAS, on August 24, 2005, the City Council authorized an amendment to the contract with DHADC to extend the term to November 1, 2006 and to allow the City to refer up to 625 parcels intended for acquisition by the Land Bank for filing of a tax lawsuit by March 26, 2006, by Resolution No. 05-2474; and

WHEREAS, on August 24, 2005, the City Council approved the City of Dallas FY 2005-06 Urban Land Bank Demonstration Program Plan by Resolution No. 05-2501; and

WHEREAS, on January 11, 2006, the City Council authorized an amendment to the City of Dallas FY 2005-06 Urban Land Bank Demonstration Program Plan to increase the list of properties in the plan that may become eligible for sale to the Land Bank by Resolution No. 06-0162; and

WHEREAS, on October 11, 2006, the City Council approved the City of Dallas FY 2006-07 Urban Land Bank Demonstration Program Plan by Resolution No. 06-2785; and

WHEREAS, on December 13, 2006, the City Council authorized an amendment to the contract with DHADC to extend the term to September 30, 2007 and to allow the City to refer up to 300 parcels intended for acquisition by the Land Bank for filing of a tax lawsuit by March 31, 2007, by Resolution No. 06-3403; and
WHEREAS, on August 22, 2007, the City Council authorized an amendment to the contract with DHADC to extend the term to September 30, 2008 and to allow the City to refer up to 300 parcels intended for acquisition by the Land Bank for filing of a tax lawsuit by March 31, 2008, by Resolution No. 07-2385; and

WHEREAS, on October 10, 2007, the City Council approved the City of Dallas FY 2007-08 Urban Land Bank Demonstration Program Plan by Resolution No. 07-2998; and

WHEREAS, on August 27, 2008, the City Council authorized an amendment to the contract with DHADC to extend the term to September 30, 2009 and to allow the City to refer up to 300 parcels intended for acquisition by the Land Bank for filing of a tax lawsuit by March 31, 2009, by Resolution No. 08-2257; and

WHEREAS, on October 8, 2008, the City Council approved the City of Dallas FY 2008-09 Urban Land Bank Demonstration Program Plan by Resolution No. 08-2785; and

WHEREAS, on April 8, 2009, the City Council approved an amendment to the City of Dallas FY 2008-09 Urban Land Bank Demonstration Program Plan to allow rental housing units on Land Bank lots and/or rental housing units above retail development on Land Bank lots by Resolution 09-0981; and

WHEREAS, 4E Community Development Corporation (4E CDC) submitted a proposal and development plan to DHADC for 3 lots shown on Exhibit “A” and the DHADC Board has approved the development plan and sale, subject to City Council approval; and

WHEREAS, the City Council desires to approve the development plan shown on Exhibit “B” submitted by 4E CDC and authorize the sale of the said 3 lots from DHADC to 4E CDC to build affordable houses; NOW, THEREFORE;

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

SECTION 1. That the development plan shown on Exhibit “B” submitted by 4E CDC and the sale of 3 lots shown on “Exhibit A” from DHADC to 4E CDC is approved.

SECTION 2. That the City Manager, upon approval as to form by the City Attorney, is authorized to execute a release of lien for any non-tax liens included in the foreclosure judgment, pre-judgment non-tax liens not included in the judgment and any non-tax liens that may have been filed by the City post-judgment on the lots shown on “Exhibit A”.

June 19, 2009
SECTION 3. 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.

DISTRIBUTION:
Housing Department
City Attorney’s Office
Office of Financial Services/Community Development, 4FN
KEY FOCUS AREA: A Cleaner, Healthier City Environment

AGENDA DATE: June 19, 2009

COUNCIL DISTRICT(S): 1, 2, 3, 4, 5, 6, 7, 8

DEPARTMENT: Housing

CMO: A. C. Gonzalez, 671-8925

MAPSCO: 43 44 45 46 47 55 56 65 66

SUBJECT

Authorize the Residential Weatherization and Energy Efficiency Program Statement, a component of the Dallas Sustainability Communities Initiative (DSCI) Weatherization and Energy Efficiency Program, to achieve energy efficiency improvements in Neighborhood Investment Program communities - Financing: No cost consideration to the City

BACKGROUND

On June 25, the City of Dallas will apply for $2.4 million out of the $12.8 million in Stimulus funds for the Dallas Sustainable Communities Initiative (DSCI), for residential weatherization and energy improvements in Neighborhood Investment Program (NIP) areas.

This agenda item will adopt the Residential Weatherization and Energy Efficiency Program Statement, to allow for single family homeowners or residents living in NIP areas to receive weatherization improvements to their homes to reduce energy consumption. Primary services will include weather-stripping of exterior doors, window caulking, addition of attic insulation, distribution of energy efficient compact florescent light bulbs (CFL’s), and repairs or upgrades to ductwork. Additional secondary services for low/moderate income homeowners shall include installation of energy star refrigerators, energy star air conditioning units, energy star ceiling fans and solar screens.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On January 7, 2009 the City Council was briefed on the Federal Economic Stimulus Package Outlook and Potential City of Dallas Projects.

On February 4, 2009, the City Council was briefed on the Federal Economic Stimulus Package Current Status and Proposed Action Plan.
PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS) (continued)

On April 1, 2009 the City Council was briefed on the Federal Economic Stimulus Package Update and Recommended Action Plan.

On April 6, 2009 the Housing Committee was briefed on the Dallas Sustainable Communities Initiative Weatherization and Energy Efficiency Program.

On June 1, 2009 the Housing Committee was briefed on the proposed Residential Weatherization and Energy Efficiency Program in Target Neighborhoods.

FISCAL INFORMATION

No cost consideration to the City.

Map

Attached
WHEREAS the City Council seeks to upgrade the quality of housing stock, reduce utility costs for residents in NIP areas of the City of Dallas and provide efficient energy usage information; and

WHEREAS, the primary focus of the residential weatherization program is to reduce energy usage and cost; and

WHEREAS, the City Council desires to ensure that the City of Dallas continues to be an environmentally conscious city that promotes positive environmental behaviors and practices by the City and its residents; NOW, THEREFORE,

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

SECTION 1. That the Program Statement for the City of Dallas Residential Weatherization and Energy Efficiency Program be approved, as set forth in Exhibit A.

SECTION 2. 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.

DISTRIBUTION

Housing Department
City Attorney’s Office
BudOffice of Financial Services
EXHIBIT A

RESIDENTIAL WEATHERIZATION AND ENERGY EFFICIENCY

PROGRAM STATEMENT

Program Purpose: The Residential Weatherization and Energy Efficiency Program (henceforth referred to as the Weatherization Program) is a minor home repair program that provides weatherization improvements to address energy related concerns. It assists in lowering energy consumption and energy costs while increasing comfort levels and home values.

Program Description:

- Primary weatherization services for residents will include weather-stripping of exterior doors, window caulking, addition of attic insulation, distribution of energy efficient compact fluorescent bulbs and repairs or upgrades to ductwork.
- Additional weatherization assistance including installation of energy star refrigerators, energy star air conditioning units, energy star ceiling fans and solar screens will be provided to all interested qualified homeowners with household income at or below 200% of U.S. Department of Health and Human Services property income, as adjusted for family size.
- Services will be provided in selected Neighborhood Investment Program Target areas.
- Weatherization improvements will be limited to repair assistance up to $6,500. Costs associated with these services will be funded as a grant with no deed restrictions. Weatherization assistance provided is not intended to abate all code violations of a property to comply with Housing Quality Standards or locally established rehabilitation codes.
- Weatherization Assistance will not be provided to the same property more than once in a five year period. The City Manager, or his designee, is authorized to grant waivers to time limits on future assistance on a case by case basis to address safety issues, provided however, the future assistance does not exceed the maximum amount established as set forth in this Program Statement.

- Referrals from Code Compliance Services Department, Housing Department, social service agencies, and community leaders will be accepted
KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: June 24, 2009
COUNCIL DISTRICT(S): 7
DEPARTMENT: Housing
CMO: A. C. Gonzalez, 671-8925
MAPSCO: 46N

SUBJECT

Authorize (1) a loan in the amount of $1,080,000 to LifeNet Community Behavioral Healthcare (LNCBH) for predevelopment, acquisition, related soft costs and development costs associated with the construction of the LifeNet Lofts, a 125 unit multi-family residential development located at 2600 block on the eastside of Merlin Street and 2510 Jefferies Street, for permanent supportive housing contingent upon Texas Department of Housing and Community Affair’s (TDHCA) low-income housing tax credit approval and the Department of Housing and Urban Development environmental review approval by December 31, 2009; and (2) payment of $920,000 General Obligation Homeless Bond Funds to LifeNet LNCBH for partial construction costs in connection with the LifeNet lofts in exchange for 125 units to be deed restricted for homeless and chronically homeless persons for a period of 30 years, contingent upon the applicant receiving a TDHCA tax credit approval by December 31, 2009 - Total not to exceed $2,000,000 - Financing: 2008-09 Community Development Block Grant Funds ($380,000), 2008-09 HOME Funds ($700,000), 2005 Bond Funds ($920,000)

BACKGROUND

On January 12, 2009, Liam Mulvaney, CEO of LifeNet Community Behavioral Healthcare, submitted an application for a pre-application waiver for 9% tax credits on behalf of LifeNet Lofts, L.P.

On February 25, 2009, the City Council voted to approve the pre-application waiver to allow the applicant to apply to the Texas Department of Housing and Community Affairs for consideration of the tax credits, by Resolution No. 09-0560
BACKGROUND) (continued)

On March 25, 2009, the City Council authorized a resolution in support of the Texas Department of Housing and Community Affairs' (TDHCA) 9% low-income housing tax credits pursuant to Sec. 49.5 (7) (A) (B) (C) of the Qualified Allocation Plan for TDHCA’s low income housing tax credit financing for the acquisition and new construction of 125 new SRO units, the LifeNet Lofts located at 2600 block on the eastside of Merlin Street and 2510 Jefferies Street.

The term of the repayment for the $1,080,000 predevelopment, acquisition, and development cost CDBG/HOME loan with LifeNet will be at 1% per year, with the interest accrual and full principal balance being due and payable upon the later of thirty years from the closing of the loan or upon the refunding, redemption or payment of all outstanding tax-exempt bonds, if any, or upon sale or refinancing of the Project. The loan will be contingent on securing the 9% low-income housing tax-credit financing by the December 31, 2009 date and the Department of Housing and Urban Development environmental review approval. The applicant will provide 100% of the 125 developed units to low-to-moderate income people.

The $920,000 of General Obligation Homeless Bond Funds will be paid in exchange for all 125 units to be deed restricted for a period of 30 years to serve homeless and chronically homeless.

As a requirement of low income housing tax credits projects, the Applicant(s) are required to conduct a survey of the needs of the tenants as each lease is signed and will provide some or all of the following social services at no cost to the tenants, such as: after-school and summer break care for children, health screenings; counseling/domestic crisis intervention; emergency assistance, computer education, adult education programs (such as: ESL, life skills and nutrition classes, etc.); and social and recreational activities. The tax credit projects are monitored annually for service and occupancy contract provisions.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

On February 17, 2009, the Housing Committee was briefed on the proposed tax credit project.

On February 25, 2009, the City Council voted to approve the pre-application waiver to allow the applicant to apply to the Texas Department of Housing and Community Affairs for consideration of the tax credits, by Resolution No. 09-0560.

On March 2, 2009, the Housing Committee was briefed on the LifeNet Lofts project.
PRIOR ACTION/REVIEW (Council, Boards, Commissions) (continued)

On March 25, 2009, the City Council authorized a resolution in support of the Texas Department of Housing and Community Affairs’ (TDHCA) 9% low-income housing tax credits pursuant to Sec. 49.5 (7) (A) (B) (C) of the Qualified Allocation Plan for TDHCA’s low income housing tax credit financing for the acquisition and new construction of 125 new SRO units, the LifeNet Lofts located at 2600 block on the eastside of Merlin Street and 2510 Jefferies Street.

FISCAL INFORMATION

$380,000 – 2008-09 CDBG Funds
$700,000 – 2008-09 HOME Funds
$920,000 – 2005 Bond Funds

OWNER(S)

LifeNet Lofts GP, LLC
Liam Mulvaney, President/CEO

DEVELOPER

LifeNet Community Behavioral Healthcare
Liam Mulvaney, President

Churchill Residential, Inc. as Consultant
J. Anthony Sisk, Principal
WHEREAS, the Applicant, LifeNet Lofts, L.P., ("the Applicant") submitted a pre-application waiver on January 12, 2009 seeking approval to apply for 9% tax credit with the Texas Department of Housing and Community Affairs (TDHCA); and

WHEREAS, the pre-application waiver was approved by the Dallas City Council on February 25, 2009, by Resolution No. 95-0560; and

WHEREAS, as a condition for being considered for the award of the 9% tax credits, the owner of the project will expend a minimum of $40,000 (a minimum of $40,000 or $200 per unit per year, whichever is greater) for social services at no cost to the tenants, based on the needs of the tenants, to include some or all of the following: after-school and summer break care for children, health screenings, family counseling/domestic crisis intervention, computer education, emergency assistance, vocational guidance, and other social services and recreational activities; and that up to 50% of the social service requirement can be in the form of in-kind contributions, however approval for these in-kind services must be approved by the Housing Department; and

WHEREAS, on March 25, 2009, City Council authorized a resolution in support of the Texas Department of Housing and Community Affair's (TDHCA) 9% low-income housing tax credits pursuant to Sec. 49.5 (7) (A) (B) (C) of the Qualified Allocation Plan for TDHCA's low income housing tax credit financing for the acquisition and new construction of 125 new SRO units, the LifeNet Lofts located at 2600 block on the eastside of Merlin Street and 2510 Jefferies Street; and,

WHEREAS, on March 25, 2009, the City Council expressed it's intent to approve additional loans in an amount not to exceed $2,000,000 from CDBG, HOME, and the 2005 General Obligation Homeless Bond funds for this project, contingent; NOW, THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:
SECTION 1. That the City Manager, upon approval as to form by the City Attorney, is authorized to execute loan documents for 1) a loan in the amount of $1,080,000 $380,000 Community Development Block Grant Funds and $700,000 HOME Funds with LifeNet Community Behavioral Healthcare (LNCBH) for predevelopment, acquisition, related soft costs and development costs associated with the construction of the LifeNet Lofts, a 125 unit multi-family residential development, for permanent supportive housing contingent upon Texas Department of Housing and Community Affair's (TDHCA) low-income housing tax credit approval and the Department of Housing and Urban Development environmental review approval by December 31, 2009; and 2) the payment of $920,000 General Obligation Homeless Bond Funds to LifeNet LNCBH for partial construction costs in connection with the LifeNet lofts in exchange for 125 units to be deed restricted for homeless and chronically homeless persons for a period of 30 years, contingent upon the applicant receiving a TDHCA tax credit approval by December 31, 2009.

SECTION 2. That the execution of each loan agreement by the City is 1) subject to all applicable CDBG, HOME, and 2006 Homeless Bond requirements, 2) the loan will be non-recourse with a secured promissory note 3) LNCBH must file deed restrictions requiring 100% of the units to be rented to low to moderate income people.

SECTION 3. The outstanding principal balance of the City's $1,080,000 loans shall bear an interest rate of one percent (1%) per year, which will accrue and be due and payable with the full principal balance upon the later of thirty years from the closing of the loans or upon the sale or refinancing of the Project. The closing of the City's loans must occur no later than June 30, 2010.

SECTION 4. That the City Controller be authorized to disburse funds in accordance with this Resolution as follows:

LIFENET COMMUNITY BEHAVIORAL HEALTH Vendor # VS0000030281

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<th>Unit</th>
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CT HOU297AG246
SECTION 5. That the City Controller is hereby authorized to set up Notes Receivable-LifeNet LNCBH balance sheet account 023I and Interest Receivable Accrual due from LifeNet LNCBH balance sheet account 028D.

SECTION 6. That this resolution does not constitute a binding agreement upon the City or subject the City to any liability or obligation with respect to the loans, until such time as the loan documents are duly approved by all parties 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.

DISTRIBUTION:

Housing Department
City Attorney's Office
Office of Financial Services/Community Development, 4FS
KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: June 24, 2009
COUNCIL DISTRICT(S): 14
DEPARTMENT: Housing
CMO: A. C. Gonzalez, 671-8925
MAPSCO: 45Q

SUBJECT

Community Development Block Grant Section 108 Guarantee Loan Program

* A public hearing to receive comments on the proposed City of Dallas submission of an application to the U.S. Department of Housing and Urban Development (HUD) for a Community Development Block Grant (CDBG) Section 108 Guarantee Loan Program loan in the amount of $9,000,000 to fund a loan to Hamilton Atmos LP for the conversion of 4 vacant commercial buildings, street addresses: 1900 Jackson Street, 301 South Harwood Street, 1915 Wood Street, and 1815 Wood Street into a mixed-use project including 10,000 square feet of bottom floor retail space and 232 apartment homes above, with 46 apartment units deed restricted for 15 years for affordability to families with incomes at 80% or less of Area Median Family Income as established by HUD – Financing: No cost consideration to the City of Dallas

* Authorize submission of an application to HUD for a CDBG Section 108 Guarantee Loan Program loan to Hamilton Atmos LP in an amount not to exceed $9,000,000 - Financing: No cost consideration to the City

BACKGROUND

This item calls for a public hearing to allow the public an opportunity to comment on the proposed City of Dallas submission of an application to the U.S. Department of Housing and Urban Development (HUD) for a Community Development Block Grant (CDBG) Section 108 Guarantee Loan Program loan (Section 108 Loan) in the amount of $9,000,000 to fund a loan to Hamilton Atmos LP (Section 108 Atmos Loan) for conversion of 4 vacant commercial buildings, street addresses: 1900 Jackson Street, 301 S. Harwood Street, 1915 Wood Street, and 1815 Wood Street into a mixed-use project including 10,000 square feet of bottom floor retail space and 232 apartment homes above, with 46 apartment units deed restricted for 15 years for affordability to families with incomes at 80% or less of Area Median Family Income as established by the U.S. Department of Housing and Urban Development.
BACKGROUND (continued)

In pursuit of programs to help fill the gap in financing for development projects during the economic downturn beginning since the fall of 2008, City staff has investigated, and in November, the City Council Economic Development and Housing Committees have given preliminary approval for application to U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grant (CDBG) Section 108 Guarantee loan funds for individual projects with the total of all applications not to exceed $75,000,000.

The City seeks to fund projects that sustain or increase the level of business activity in the project area by expanding economic activities. It is also important to the City that Section 108 loan repayments from borrowers match the City’s required repayments to HUD on the Section 108 Guarantee Loan. Annual repayments of Section 108 Guarantee loans should be credit enhanced to eliminate risk of City making payments from annual CDBG allocations.

The City held a neighborhood public hearing at the J. Erik Jonsson Central Library and received favorable comment on the application to HUD for the Atmos Lofts Project.

Total project costs to convert 4 commercial buildings into ground floor retail and residential is approximately $46M. Funding for the project will come from the proposed $9M Section 108 Loan funds and from a $21.2M construction loan, a TIF bridge loan of $5.8M, tax credit equity of $4.4M and developer equity of $5.6M.

The Section 108 loan application will request $9M for the project at an interest rate determined by the 3 month LIBO, with interest only payments due for the first seven years and principal and interest payments due for years 8 through 20. Hamilton Atmos LP will repay principle on the City’s Section 108 Atmos Loan with 50% of the TIF reimbursements beginning in 2014. Interest will be paid by the developer through a combination of interest reserve built into the construction loan, pledge of partnership contributions until TIF reimbursements start, and the Net Operating Income of the property. The interest rate on the loan to the developer will be .50% higher than the Section 108 Loan from HUD and both loans will have matching amortization. All loan payments by borrower will provide adequate funds for City to make its payments on the Section 108 Loan from HUD.
BACKGROUND (continued)

The use of Section 108 Loan funds to convert commercial property will meet the statement of community development objectives in the City’s Consolidated Plan dealing with creation of affordable housing that is decent, safe and sanitary. The project complies with a HUD National Objective as a housing activity benefitting low-and moderate-income persons through conversion of nonresidential structures for affordable housing. The City and the developer will seek a waiver from HUD from the requirement that 51% of the newly created residential units be occupied by low and moderate-income households at affordable rents. This project will provide 20% of its units at affordable rents and occupation by low and moderate-income households.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On November 17, 2008, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Loan Application authorization for the use of Section 108 Guarantee Loan funds to provide project gap financing or mezzanine debt necessary to move projects forward in today’s financial market, to minimize, if not eliminate, the risk to the CDBG program revenue and set guidelines by which the funds would be used.

On January 5, 2009, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Guarantee Loan fund application requirements and proposed Program Guidelines for City to apply for up to a total of $75,000,000 in guarantee loans.

On January 28, 2009, the City Council adopted CDBG Section 108 Guarantee Loan Program Statement, setting out the program purpose, description, operations and project criteria by Resolution No. 09-0291.

FISCAL INFORMATION

No cost consideration to the City.

OWNERS

Hamilton Atmos LP

Lawrence E. Hamilton, Principal
Lawrence E. Hamilton III, Principal

MAPS

Attached
WHEREAS, the City of Dallas seeks to keep momentum going in growth prone areas and stimulate investment in more challenged areas by providing a substitute for declining availability of capital funding while banks are not willing to loan as much against collateral, interest rates for available funding have increased and proceeds from sales of tax credits has declined; and

WHEREAS, on November 17, 2008, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Loan Application authorization for the use of Section 108 Guarantee Loan funds to provide project gap financing or mezzanine debt necessary to move projects forward in today’s financial market, to minimize, if not eliminate, the risk to the CDBG program revenue and set guidelines by which the funds would be used; and

WHEREAS, on January 5, 2009, the Economic Development Committee and the Housing Committees were briefed and gave favorable approval on CDBG Section 108 Guarantee Loan fund application requirements and proposed Program Guidelines for the City to apply for up to a total of $75,000,000 in guarantee loans; and

WHEREAS, on January 28, 2009, the City Council adopted CDBG Section 108 Guarantee Loan Program Statement, setting out the program purpose, description, operations and project criteria by Resolution No. 09-0291; and

WHEREAS, the City of Dallas desires to apply to HUD for Community Development Section 108 Guarantee Loan funds to fund a loan in an amount not to exceed $9,000,000 to Hamilton Atmos LP for the conversion of 4 vacant commercial buildings, street addresses: 1900 Jackson Street, 301 S. Harwood Street, 1915 Wood Street, and 1815 Wood Street into a mixed-use project including 10,000 square feet of bottom floor retail space and 232 apartment homes above, with 46 apartment units deed restricted for 15 years for affordability to families with incomes at 80% or less of Area Median Family Income as established by the U.S. Department of Housing and Urban Development; NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:
SECTION 1. That the City Council hereby authorizes the submission of an application
to the U.S. Department of Housing and Urban Development (HUD) for a CDBG Section
108 Guarantee Loan Program loan in an amount not to exceed $9,000,000 to fund a
loan to Hamilton Atmos LP for the conversion of 4 vacant commercial buildings, street
addresses: 1900 Jackson Street, 301 S. Harwood Street, 1915 Wood Street, and 1815
Wood Street into a mixed-use project including 10,000 square feet of bottom floor retail
space and 232 apartment homes above (Project), with 46 apartment units deed
restricted for 15 years for affordability to families with incomes at 80% or less of Area
Median Family Income as established by HUD.

SECTION 2. That the Section 108 loan application will request an amount not to
exceed $9,000,000 for the Project at an interest rate which will be .50% higher than the
Section 108 Loan from HUD, with interest only payments due for the first seven years
and principal and interest payments due for years 8 through 20. Hamilton Atmos LP will
repay principle on the City’s Section 108 Atmos Loan with 50% of the TIF
reimbursements beginning in 2014. Interest will be paid by the developer through a
combination of interest reserve built into the construction loan, pledge of partnership
contributions until TIF reimbursements start, and the Net Operating Income of the
property; both loans will have matching amortization; and all loan payments by borrower
will provide adequate funds for the City to make its payments on the Section 108 Loan
from HUD.

SECTION 3. That the City will seek a waiver from HUD from the requirement that 51%
of the newly created residential units be occupied by low and moderate-income
households at affordable rents because this project will provide 20% of its units at
affordable rents and occupation by low and moderate-income households.

SECTION 4. 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.

DISTRIBUTION:

Housing Department
Economic Development Department
City Attorney’s Office
Budget and Management Services/Community Development, 4FS
KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: June 24, 2009
COUNCIL DISTRICT(S): 14
DEPARTMENT: Housing
CMO: A. C. Gonzalez, 671-8925
MAPSCO: 36E 36F

SUBJECT

Community Development Block Grant Section 108 Guarantee Loan Program

* A public hearing to receive comments on the proposed City of Dallas submission of an application to the U.S. Department of Housing and Urban Development (HUD) for a Community Development Block Grant (CDBG) Section 108 Guarantee Loan Program loan in the amount of $15,254,000 to fund a loan to 5630 SMU Boulevard LP for the land acquisition, site work and Section 108 Interest Reserve Funds for the development of the Shamburger Development mixed-use project including 9,100 square feet of bottom floor retail space and 417 apartment homes above at the southwest corner of SMU (formerly Yale) Boulevard and Greenville Avenue with 104 apartment units deed restricted for 15 years for affordability to families with incomes at 80% or less of Area Median Family Income as established by HUD – Financing: No cost consideration to the City

* Authorize submission of an application to HUD for a CDBG Section 108 Guarantee Loan Program loan to 5630 SMU Boulevard LP in an amount not to exceed $15,254,000 - Financing: No cost consideration to the City

BACKGROUND

This item calls for a public hearing to allow the public an opportunity to comment on the proposed City of Dallas submission of an application to the U.S. Department of Housing and Urban Development (HUD) for a Community Development Block Grant (CDBG) Section 108 Guarantee Loan Program loan (Section 108 Loan) in the amount of $15,254,000 to fund a loan to 5630 SMU Boulevard LP (Section 108 Shamburger Development Loan) for the land acquisition, site work and Section 108 Interest Reserve Funds for the development of the Shamburger Development mixed-use project including new construction of 9,100 square feet of bottom floor retail space and 417 apartment homes above at the southwest corner of SMU (formerly Yale) Boulevard and Greenville Avenue with 104 apartment units deed restricted for 15 years for affordability to families with incomes at 80% or less of Area Median Family Income as established by HUD.
BACKGROUND (continued)

In pursuit of programs to help fill the gap in financing for development projects during the economic downturn beginning since the fall of 2008, City staff has investigated, and in November, the City Council Economic Development and Housing Committees gave preliminary approval for application to U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grant (CDBG) Section 108 Guarantee loan funds for individual projects with the total of all applications not to exceed $75,000,000.

The City seeks to fund projects that sustain or increase the level of business activity in the project area by expanding economic activities. It is also important to the City that Section 108 loan repayments from borrowers match the City’s required repayments to HUD on the Section 108 Guarantee Loan. Annual repayments of Section 108 Guarantee loans should be credit enhanced to eliminate risk of City making payments from annual CDBG allocations.

The City held a neighborhood public hearing at the Skillman Branch of the City of Dallas Public Library and received favorable comment on the application to HUD for the Shamburger Development Project.

The Shamburger site lies within the newly created Transit Oriented development TIF passed by the City Council in December 2008 to send TIF dollars to the southern sector to spur economic development. The Shamburger Development is estimated to provide $2.8M over a 25-year period to the Southern Sector beginning May 2010. The site is also located in CDBG eligible Census Block 5 in Census Tract 79.5 where 53.9% of the residents are low/mod income with income less than 80% of the Area Median Family Income (AMFI) for the Dallas area. 25% or 104 apartment units will be deed restricted for 15 years for affordability to families with incomes less than 80% AMFI.

Total project costs to construct the mixed-use Shamburger Development project is approximately $61M. Funding for the project will come from the proposed $15.2M Section 108 Loan funds and from a first lien note of $36.6M and developer equity of $9.2M.

The Section 108 loan application will request $15,254,000 for the project at an interest rate determined by the 3 month LIBO, with interest only payments due for the first four years and principal and interest due starting in the fifth year with payment in full of the remaining principal balance during the fifth year. 5630 SMU Boulevard LP (Borrower) will pay interest with three years of interest reserve of $2,292,000 and beginning in 2011 with Net Operating Income. Principal on the Section 108 Shamburger Development Loan will be repaid within five to six years with the funding of a permanent loan.
BACKGROUND (continued)

The use of the Section 108 Loan funds will be used to acquire the property at 5630 SMU Boulevard, do site work and for Section 108 Interest Reserve Funds and will meet the statement of community development objectives in the City's Consolidated Plan dealing with creation of affordable housing that is decent, safe and sanitary. The project complies with a HUD National Objective as a housing activity benefitting low-and moderate-income persons through acquisition of property for the construction of affordable residential units. The City will seek a waiver from the requirement that 51% of the newly created residential units be occupied by low and moderate-income households at affordable rents. This project will provide 25% of its units at affordable rents and occupation by low and moderate-income households.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On November 17, 2008, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Loan Application authorization for the use of Section 108 Guarantee Loan funds to provide project gap financing or mezzanine debt necessary to move projects forward in today's financial market, to minimize, if not eliminate, the risk to the CDBG program revenue and set guidelines by which the funds would be used.

On January 5, 2009, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Guarantee Loan fund application requirements and proposed Program Guidelines for City to apply for up to a total of $75,000,000 in guarantee loans.

On January 28, 2009, the City Council adopted CDBG Section 108 Guarantee Loan Program Statement, setting out the program purpose, description, operations and project criteria by Resolution No. 09-0291.

On April 20, 2009 the Housing Committee was briefed on the Community Development Block Grant Section 108 Guaranteed Loan Application to HUD for the Shamburger Development and voted to favorably recommend that the City apply for Section 108 Guarantee Loan funds for the project.

FISCAL INFORMATION

No cost consideration to the City.

OWNERS

5630 SMU Boulevard LP
Prescott Realty Group, Inc.

Vance E. Detwiler, President
MAP

Attached
WHEREAS, the City of Dallas seeks to keep momentum going in growth prone areas and stimulate investment in more challenged areas by providing a substitute for declining availability of capital funding while banks are not willing to loan as much against collateral, interest rates for available funding have increased and proceeds from sales of tax credits has declined; and

WHEREAS, on November 17, 2008, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Loan Application authorization for the use of Section 108 Guarantee Loan funds to provide project gap financing or mezzanine debt necessary to move projects forward in today’s financial market, to minimize, if not eliminate, the risk to the CDBG program revenue and set guidelines by which the funds would be used; and

WHEREAS, on January 5, 2009, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Guarantee Loan fund application requirements and proposed Program Guidelines for the City to apply for up to a total of $75,000,000 in guarantee loans; and

WHEREAS, on January 28, 2009, the City Council adopted CDBG Section 108 Guarantee Loan Program Statement, setting out the program purpose, description, operations and project criteria by Resolution No. 09-0291; and

WHEREAS, on April 20, 2009 the Housing Committee was briefed on the Community Development Block Grant Section 108 Guaranteed Loan Application to HUD for the Shamburger Development and voted to favorably recommend that the City apply for Section 108 Guarantee Loan funds for the project; and

WHEREAS, the City of Dallas desires to apply to HUD for Community Development Section 108 Guarantee Loan funds in an amount not to exceed $15,254,000 for the development of the Shamburger Development, a mixed-use project at the southwest corner of SMU (formerly Yale) Boulevard and Greenville Avenue consisting of new construction of 9,100 square feet of retail shops on the bottom floor and 417 apartment units on the top floors with 104 apartment units will be deed restricted for 15 years for affordability to families with incomes less than 80% Area Median Family Income; NOW THEREFORE,
BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City Council hereby authorizes the submission of an application to the U.S. Department of Housing and Urban Development (HUD) for a CDBG Section 108 Guarantee Loan Program loan in an amount not to exceed $15,254,000 to fund a loan to 5630 SMU Boulevard LP for the land acquisition, site work and Section 108 Interest Reserve Funds for the development of the Shamburger Development mixed-use project including 9,100 square feet of retail space and 417 apartment homes (Project) at the southwest corner of SMU (formerly Yale) Boulevard and Greenville Avenue with 104 apartment units deed restricted for 15 years for affordability to families with incomes at 80% or less of Area Median Family Income as established by HUD.

SECTION 2. That the Section 108 loan application will request an amount not to exceed $15,254,000 for the Project at an interest rate that is .50% higher than the Section 108 Loan from HUD, with interest only payments due for the first four years and principal and interest due starting in the fifth year with payment in full of the remaining principal balance during the fifth year. 5630 SMU Boulevard LP (Borrower) will pay interest with three years of interest reserve of $2,292,000 and beginning in 2011 with Net Operating Income; principal on the Section 108 Shamburger Development Loan will be repaid within five to six years with the funding of a permanent loan; both loans will have matching amortization; and all loan payments by the borrower will provide adequate funds for the City to make its payments on the Section 108 loan from HUD.

SECTION 3. That the City will seek a waiver from HUD from the requirement that 51% of the newly created residential units be occupied by low and moderate-income households at affordable rents because this project will provide 25% of its units at affordable rents and occupation by low and moderate-income households.

SECTION 4. 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.

DISTRIBUTION:

Housing Department
Economic Development Department
City Attorney’s Office
Budget and Management Services/Community Development, 4FS
KEY FOCUS AREA: Economic Vibrancy
AGENDA DATE: June 24, 2009
COUNCIL DISTRICT(S): 3
DEPARTMENT: Housing
CMO: A. C. Gonzalez, 671-8925
MAPSCO: 43Z

SUBJECT
Community Development Block Grant Section 108 Guarantee Loan Program

* A public hearing to receive comments on the proposed City of Dallas submission of an application to the U.S. Department of Housing and Urban Development (HUD) for a Community Development Block Grant (CDBG) Section 108 Guarantee Loan Program loan in the amount of $5,100,000 to fund a loan to Courtyards at La Reunion, LLC for the acquisition and rehabilitation of 64 apartment units at 2201 Fort Worth Avenue with 64 apartment units deed restricted for 15 years for affordability to families with incomes at 80% or less of Area Median Family Income as established by HUD – Financing: No cost consideration to the City of Dallas

* Authorize submission of an application to HUD for a CDBG Section 108 Guarantee Loan Program loan to Courtyards at La Reunion, LLC in an amount not to exceed $5,100,000 - Financing: No cost consideration to the City

BACKGROUND
This item calls for a public hearing to allow the public an opportunity to comment on the proposed City of Dallas submission of an application to the U.S. Department of Housing and Urban Development (HUD) for a Community Development Block Grant (CDBG) Section 108 Guarantee Loan Program loan (Section 108 Loan) in the amount of $5,100,000 to fund a loan to Courtyards at La Reunion, LLC (Section 108 Courtyards at La Reunion Loan) for the acquisition and rehabilitation of 64 apartment units at 2201 Fort Worth Avenue with 64 apartment units deed restricted for 15 years for affordability to families with incomes at 80% or less of Area Median Family Income as established by the U.S. Department of Housing and Urban Development (HUD).
BACKGROUND (continued)

In pursuit of programs to help fill the gap in financing for development projects during the economic downturn beginning since the fall of 2008, City staff has investigated, and in November, the City Council Economic Development and Housing Committees gave preliminary approval for application to U.S. Department of Housing and Urban Development (HUD) for Community Development Block Grant (CDBG) Section 108 Guarantee loan funds for individual projects with the total of all applications not to exceed $75,000,000.

The City seeks to fund projects that sustain or increase the level of business activity in the project area by expanding economic activities. It is also important to the City that Section 108 loan repayments from borrowers match the City’s required repayments to HUD on the Section 108 Guarantee Loan. Annual repayments of Section 108 Guarantee loans should be credit enhanced to eliminate risk of City making payments from annual CDBG allocations.

The City held a neighborhood public hearing at the Dallas West Library Branch of the City of Dallas Public Library on June 15, 2009 and received favorable comment on the application to HUD for the Section 108 Loan.

Total project costs to acquire and rehabilitate 64 apartment units at 2201 Fort Worth Avenue are approximately $6.3M. Funding for the project will come from the proposed $5.1M Section 108 Loan funds and from developer equity of $1.1M.

The Section 108 loan application will request $5.1M for the project at an interest rate determined by the 3 month Lobo, with three years of interest reserve escrowed at the construction loan closing. Additional reserves, operating deficits, and undistributed partnership income will be used to make the Section 108 Courtyards at La Reunion Loan payments for the five years until the Section 108 Courtyards at La Reunion Loan is paid. The Section 108 loan will be paid in five years with a permanent loan. Interest will be paid by the developer. The interest rate on the Section 108 Courtyards at La Reunion Loan will be .50% higher than the Section 108 from HUD and both loans will have matching amortization. All loan payments by borrower will provide adequate funds for the City to make its payments on the Section 108 Loan from HUD.

The use of Section 108 Loan funds to acquire and rehabilitate 64 apartment units will meet the statements of community development objectives in the City’s Consolidated Plan dealing with creation of affordable housing that is decent, safe and sanitary. The project complies with a HUD National Objective as a housing activity benefitting low and moderate-income persons through rehabilitation of existing apartment units for affordable housing. All units will be affordable for low and moderate-income persons.
PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On November 17, 2008, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Loan Application authorization for the use of Section 108 Guarantee Loan funds to provide project gap financing or mezzanine debt necessary to move projects forward in today's financial market, to minimize, if not eliminate, the risk to the CDBG program revenue and set guidelines by which the funds would be used.

On January 5, 2009, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Guarantee Loan fund application requirements and proposed Program Guidelines for City to apply for up to a total of $75,000,000 in guarantee loans.

On January 28, 2009, the City Council adopted CDBG Section 108 Guarantee Loan Program Statement, setting out the program purpose, description, operations and project criteria by Resolution No. 09-0291.

FISCAL INFORMATION

No cost consideration to the City.

OWNERS

Courtyards at La Reunion, LLC
Avalon Residential Care Homes, Inc.

Todd Aaron Seib, Managing Member

MAP

Attached
WHEREAS, the City of Dallas seeks to keep momentum going in growth prone areas and stimulate investment in more challenged areas by providing a substitute for declining availability of capital funding while banks are not willing to loan as much against collateral, interest rates for available funding have increased and proceeds from sales of tax credits has declined; and

WHEREAS, on November 17, 2008, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Loan Application authorization for the use of Section 108 Guarantee Loan funds to provide project gap financing or mezzanine debt necessary to move projects forward in today’s financial market, to minimize, if not eliminate, the risk to the CDBG program revenue and set guidelines by which the funds would be used; and

WHEREAS, on January 5, 2009, the Economic Development Committee and the Housing Committee were briefed and gave favorable approval on CDBG Section 108 Guarantee Loan fund application requirements and proposed Program Guidelines for the City to apply for up to a total of $75,000,000 in guarantee loans; and

WHEREAS, on January 28, 2009, the City Council adopted CDBG Section 108 Guarantee Loan Program Statement, setting out the program purpose, description, operations and project criteria by Resolution No. 09-0291; and

WHEREAS, the City of Dallas desires to apply to HUD for Community Development Section 108 Guarantee Loan funds for the development of the Courtyards at La Reunion, a multi-family residential project at 2201 Fort Worth Avenue consisting of acquisition and rehabilitation of 64 apartment units which will be deed restricted for 15 years for affordability to families with incomes less than 80% Area Median Family Income; and

WHEREAS, the City Council of the City of Dallas desires to call a public hearing to receive comments on the application to the U.S. Department of Housing and Urban Development for Community Development Block Grant Section 108 Guarantee Loan funds in the amount of $5,100,000 for the Courtyards at La Reunion project; NOW THEREFORE,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:
SECTION 1. That the City Council hereby authorizes the submission of an application to the U.S. Department of Housing and Urban Development (HUD) for a CDBG Section 108 Guarantee Loan Program loan in an amount not to exceed $5,100,000 to fund a loan to Courtyards at La Reunion, LLC for the land acquisition and rehabilitation of 64 apartment homes at 2201 Fort Worth Avenue (Project) with 64 apartment units deed restricted for 15 years for affordability to families with incomes at 80% or less of Area Median Family Income as established by HUD.

SECTION 2. That the Section 108 loan application will request an amount not to exceed $15,254,000 for the Project at an interest rate which is .50% higher than the Section 108 Loan from HUD with principal and interest payments for the first five years of the loan funded out of three years of interest reserve with the excess of additional reserves, operating deficits, and undistributed partnership income to be used to make the Section 108 Courtyard at La Reunion Loan payments until a permanent loan will repay the Section 108 Courtyard at La Reunion Loan in full. Both the Section 108 Loan from HUD and the Section Courtyards at La Reunion Loan will have matching amortization. All loan payments by borrower will provide adequate funds for City to make its payment on the Section 108 Loan from HUD.

SECTION 3. 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.

DISTRIBUTION:

Housing Department
Economic Development Department
City Attorney’s Office
Budget and Management Services/Community Development, 4FS