

# Operation Relief Community Development Corporation Pleasant Oaks Estates Project Plan

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## **A Briefing To The Economic Development and Housing Committee**

Housing Department  
August 7, 2006

# Purpose

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To brief the Economic Development and Housing Committee on a recommended workout plan to complete housing construction of Operation Relief Community Development Corporation's Pleasant Oaks Estates

# Project Background

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Beginning in September 2002, the City entered into a loan agreement with Operation Relief Center CDC (ORC) to develop 49 single-family lots in Pleasant Oaks Estates

Total Development Cost: \$1,580,000

- ◆ \$630,000 Chase Bank – 1<sup>st</sup> lien
- ◆ \*\$700,000 City of Dallas CHDO HOME Loan
- ◆ \$250,000 Fannie Mae Grant

\*City's Loan is forgiven when 20 affordable homes are sold to homebuyers  
@ 80% AMFI

# Project Background (Cont'd)

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- September 2004, ORC completes site development and delivers 49 lots
  - ◆ ORC sells 7 lots to Berry Homes. Berry built one home, and has two homes under construction. ORC is unable to sell the remaining 42 lots.
    - ◆ IRS placed lien on property and Builder could not begin construction for six months
    - ◆ Neither ORC or Builder could or would comply with Davis/Bacon
    - ◆ Berry Homes over extended capacity to build in this subdivision
    - ◆ A substitute builder could not be found due to above problems
  
- March – June 2006 Housing Department initiates a series of meetings with ORC Board, HUD staff, JP Morgan Chase Bank and interested builders to develop project workout plan:
  - ◆ Pleasant Oaks Estate is in jeopardy of being foreclosed on by JP Morgan Chase Bank due to default on ORC Bank infrastructure loan

# Pleasant Oaks Estates Plan

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- ❑ HUD recommended that City non-CHDO HOME funding be reallocated to the CHDO HOME set-aside fund account, releasing the City of the requirement to have a CHDO in control of the development
- ❑ Once the CHDO fund account is replenished, the project is no longer considered a CHDO project and the City can contract with a private builder
- ❑ \$700,000 of HOME funding from the SHARE program will be reallocated to CHDO HOME set-aside leaving an unobligated balance of \$270,000 to cover SHARE program obligations

# Pleasant Oaks Estates Plan (Cont'd)

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- ❑ There will be no additional cost consideration to the City under the workout plan
  
- ❑ JP Morgan Chase and City staff have mutually agreed upon a private builder, Coronado Assets, LP to complete the housing construction
  - ◆ Coronado has lender commitment to extinguish ORC's JP Morgan Chase loan and to provide interim construction loan to complete housing construction

# Pleasant Oaks Estates Plan (Cont'd)

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- Under this workout plan the City would subordinate it's lien of \$700,000 to North Dallas Bank to secure Coronado Assets', LP interim construction loan and Chase loan payoff
- ◆ City liens will be partially released as the builder closes on the sale of each home to a qualified homebuyer

# Pleasant Oaks Estates Plan (Cont'd)

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- ❑ Coronado Assets, LP to complete construction of 42 single-family homes
  
- ❑ Coronado Assets, LP:
  - ◆ 17722 Hillcrest Rd, Dallas TX 75252
  - ◆ General Partner: Lelah Construction, Inc.
  - ◆ Yigal Lelah, President



# Pleasant Oaks Estates Plan (Cont'd)

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- ❑ Coronado Assets, LP has completed 209 homes in the metroplex. The following developments were completed in Dallas:

<u>Subdivision Name</u>	<u>Homes Built</u>	<u>Homes Sold</u>	<u>Project Cost</u>
Piedmont Hills Estates	34	34	\$3,774,000
Las Palmas Estates	46	46	\$4,876,000
La Estrella Plaza	15	15	\$1,560,000
Scyene Court	22	22	\$2,310,000
Madison Plaza	27	27	\$4,009,500
Montecito Plaza	65	38	\$6,995,000

# Recommendation

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- That the City Council authorize:
  - ◆ **Adoption of the FY 2005-06 Consolidated Plan Reprogramming Budget #2 for the U.S. Department of Housing and Urban Development (HUD) Grant funds to reallocate \$700,000 of HOME Investment Partnership Program funds to HOME CHDO Set-aside Development fund account**
  - ◆ A public hearing to be held September 13, 2006 to receive citizens' comments on the proposed changes to the FY 2005-06 Consolidated Plan Budget for the HUD Development HOME Funds
  - ◆ **Operation Relief Center's sale of 42 developable lots to builder, Coronado Assets, LP;**
  - ◆ A contract between City of Dallas and Coronado Assets, LP to complete the construction of 42 single family homes with no additional cost; and
  - ◆ **Subordination of City's \$700,000 lien to the interim construction lender for the completion of project**

# Appendix

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## Operation Relief Center Status and Development History

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- ❑ March 23, 2006, Sherman Roberts removed as Executive Director of ORC by ORC Board
- ❑ March/April 2006 Department holds meetings with ORC Board Chair and President to develop workout plan

# Operation Relief Center Status and Development History (Cont'd)

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- Department assessed and reviewed all ORC contract terms and obligations
  - ◆ Two pending projects cancelled
  - ◆ All multi-family projects previously funded were monitored and are in compliance
  - ◆ Rochester Park                      \$75,000                      14 units-SF
    - ◆ June 28, 2006 City Council approved the conveyance of 14 lots to Dallas Neighborhood Alliance for Habitat for the development of affordable housing

# Operation Relief Center Status and Development History (Cont'd)

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- April/May 2006 Department holds meetings with JP Morgan Chase, 1st lien holder, to approve new builder and acquisition of remaining 42 developed lots to finish home construction phase and prevent foreclosure of Pleasant Oaks Estates
- June 30<sup>th</sup> Department staff met with HUD Ft. Worth Regional Office staff to discuss options

# Operation Relief Center Status and Development History (Cont'd)

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- HUD recommended:
  - ◆ Terminating ORC contract due to default on 1<sup>st</sup> lien loan, Conflict of Interest, and its diminishing capacity to meet CHDO HOME and City obligations
  - ◆ Reimbursing \$700,000 to the CHDO HOME set-aside fund account with non-CHDO HOME funding to credit account, new lender pays-off JP Morgan Chase and City salvages project with completion of 42 single family units

# Operation Relief Center Status and Development History (Cont'd)

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- ❑ ORC was certified as a City Community Housing Development Organization (CHDO) in July 1993
- ❑ ORC has completed the following developments:

Green Team	\$ 50,000	2 units- SF
Edgewood Place	\$270,851	12 units-MF
Normandy Apts	\$441,058	18 units-MF
Woodland City Apts	\$400,000	294 units-MF
The Pointe Apts	\$360,000	10 units-MF
Edgewood Manor	\$600,000	30 units-MF
Pegasus Villas	\$500,000	156 units-MF