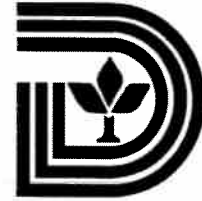


Memorandum



CITY OF DALLAS

DATE July 30, 2010

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

SUBJECT Update on Section 108 Guaranteed Loan Applications Project

On Monday, August 2, 2010, you will be briefed on Update on Section 108 Guaranteed Loan Applications Project. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in black ink, appearing to be 'A.C. Gonzalez', written over a circular stamp or mark.

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

Update on Section 108 Guaranteed Loan Application Projects

A Briefing to the Housing Committee

August 2, 2010

Housing/Community Services Department



Purpose

Provide information and update status of Community Development Block Grant Section 108 Guaranteed Loan Applications

Background

- ❑ November 17, 2008, City Council Economic Development and Housing Committees were briefed on Council authorization of Section 108 applications
- ❑ January 5, 2009, City Council Economic Development and Housing Committees were briefed on application requirements and proposed guidelines for up to a total of \$75,000,000 in Section 108 loan applications
- ❑ January 28, 2009, the City Council adopted CDBG Section 108 Guarantee Loan Program Statement
- ❑ From May 2009 to May 2010, each project was individually briefed to City Council Housing Committee

Background (cont.)

- ❑ A neighborhood public hearing was held for each project
- ❑ A thirty day public comment period preceded each City Council hearing and final approval
- ❑ As found in the following schedule, City Council gave individual approval for each of nine projects

Background (cont.)

CITY COUNCIL APPROVAL OF SECTION 108 LOAN APPLICATIONS

PROJECT	Address	Location	Type Construction	Loan Amount	Total Units	Total Affordable Units	Council Approval
Atmos Lofts	1900 Jackson St.	Downtown	Rehab	9,000,000	230	117	6/24/2009
Shamburger Development	5630 SMU Blvd.	North	New	15,254,000	417	104	6/24/2009 and 10/28/2009*
Continental Building	1810 Commerce St.	Downtown	Rehab	7,600,000	203	41	1/13/2010
Champion Homes at Copperridge	5602 Maple Ave.	North	New	1,000,000	107	107	6/23/2010
TOTAL NORTHERN SECTOR				32,854,000			
Courtyards at La Reunion	2201 Fort Worth Ave.	Oak Cliff	New	5,300,000	95	59	12/9/2009
Orleans at La Reunion	2300 Fort Worth Ave.	Oak Cliff	New	10,350,000	240	49	12/9/2009
Zang Triangle	1340 Plowman Ave.	Oak Cliff	New	5,500,000	260	52	1/13/2010
Lancaster Urban Village	4300 S. Lancaster Rd.	Oak Cliff	New	7,400,000	193	39	6/23/2010
Kleberg Commons	12700 Kleberg Rd.	Woodland Springs	New	1,500,000	200	200	6/23/2010
Wynnewood Seniors Housing	1500 S. Zang	Oak Cliff	New	1,500,000	140	140	6/23/2010
TOTAL SOUTHERN SECTOR				31,550,000			
*refined the description of the uses of Section 108 funds							

Background (cont.)

- ❑ Following City Council approval, Section 108 applications were finalized and submitted to the local regional office of HUD in Fort Worth
- ❑ Section 108 applications for projects awaiting approval of Low Income Housing Tax Credits (LIHTC) as a major source of project funding will not be filed with HUD unless the state approves a tax credit award
- ❑ As found in the following schedule, the applications submitted to HUD are still pending approval at the local office level, pending review of loan structure at HUD headquarters or have been withdrawn by the developer

Background (cont.)

STATUS OF SECTION 108 LOAN APPLICATIONS					
PROJECT	Address	Location	Council Approval	Application Submitted to HUD	Application Status
Atmos Lofts	1900 Jackson St.	Downtown	6/24/2009	5/11/2010	Under review HUD regional office Fort Worth
Shamburger Development	5630 SMU Blvd.	North	6/24/2009 and 10/28/2009*	11/3/2009	Loan structure under review HUD headquarters
Continental Building	1810 Commerce St.	Downtown	1/13/2010	1/15/2010	Under review HUD regional office Fort Worth
Champion Homes at Copperridge	5602 Maple Ave.	North	6/23/2010	Pending State approval of tax credits	
Courtyards at La Reunion	2201 Fort Worth Ave.	Oak Cliff	12/9/2009	12/22/2009	Pending outcome of HUD headquarters review
Orleans at La Reunion	2300 Fort Worth Ave.	Oak Cliff	12/9/2009	12/22/2009	Pending outcome of HUD headquarters review
Zang Triangle	1340 Plowman Ave.	Oak Cliff	1/13/2010	1/15/2010	Developer withdrew application
Lancaster Urban Village	4300 S. Lancaster Rd.	Oak Cliff	6/23/2010	Pending application finalization	
Kleberg Commons	12700 Kleberg Rd.	Woodland Springs	6/23/2010	Pending State approval of tax credits	
Wynnewood Seniors Housing	1500 S. Zang	Oak Cliff	6/23/2010	Pending State approval of tax credits	

Application Status of Conversion Projects

Atmos Lofts

- Section 108 application submitted after financing structure including State Low Income Housing Tax Credit (LIHTC) financing was approved by City Council and project scored high enough in LIHTC round to assure award of credits
- Application currently under review at HUD Fort Worth regional office
 - Location of most of affordable units in one of three buildings
 - Citizen participation
 - Larger size of advertisement run in section other than legal
 - Substantial amendment to Consolidated Plan to add total \$75M in possible additional funds

Application Status of Conversion Projects

Atmos Lofts (cont.)

- After local office approval, application will be sent to HUD Washington D.C. headquarters office for review and approval of application

Continental Building

- Section 108 amended application submitted changing use of funds from acquisition loan to loan for construction costs for conversion from commercial to residential
 - Application currently under review at HUD Fort Worth regional office
-

Application Status of Conversion Projects

□ Continental Building (Cont.)

- After local office approval, application will be sent to HUD Washington D.C. headquarters office for review and approval of application and request for waiver of 51% affordability requirement

Application Status of New Construction Projects

Shamburger Development

- Section 108 application submitted for acquisition loan to developer
 - HUD Fort Worth regional office submitted loan structure question to HUD Washington D.C. headquarters office for approval
 - Assistant City Manager, Assistant Director, City Washington lobbyist, developer and developer's counsel met with headquarters staff and Office of General Counsel (OGC)
 - Councilmember Hill sent letter to HUD Assistant Secretary Sims
- Application still under review at HUD OGC in Washington office
- After HUD headquarters approval of loan structure, HUD regional office will approve the remaining elements of the application

Application Status of New Construction Projects

□ Shamburger Development (cont.)

- After local office approval, application will be sent to HUD Washington D.C. headquarters office for review and approval of application

□ Courtyards at La Reunion and Orleans at La Reunion

- Application review on hold with HUD regional office until HUD headquarters review of loan structure for Shamburger
- Developer has deeded property back to acquisition lender and submission of amended application is pending decision by current owner
- Application process will be the same as for Shamburger after OGC loan structure approval

Application Status of Tax Credit Projects

- Council has approved submission of Section 108 applications for Champion Homes at Copperridge, Kleberg Commons and Wynnewood Seniors Housing contingent upon receipt of 2010 allocation of tax credits
- These projects are currently on the LIHTC wait list and the Section 108 applications will be pending for 90 to 120 days until it is certain that they will not receive an allocation

Next Steps

- Downtown commercial building applications
 - HUD Fort Worth regional office approval of application
 - HUD Washington D.C. headquarters approval of application and finalization of terms of loan to City
 - Council authority by resolution to enter into loan agreement with developer
 - Closing of loan with developer and start of construction
 - Section 108 funds will reimburse developer for work in place

Next Steps (cont.)

- Projects with element of new residential construction
 - HUD Washington D.C. headquarters approval of structure to allow use of Section 108 funding for acquisition of project site for new residential construction
 - HUD regional office approval of application
 - HUD headquarters approval of application and finalization of terms of loan to City

Next Steps (cont.)

- New residential construction projects (cont.)
 - Council authority by resolution to enter into loan agreement with developer
 - Closing of loan with developer and start of construction
 - City will purchase property and lease back to developer
 - City will own property until City's Section 108 loan with HUD is paid in full
 - City loan and leasehold interest will be subordinate to developer's senior loan with bank

Next Steps (cont.)

- Projects with pending 2010 State Low Income Housing Tax Credit (LIHTC) allocations
 - Notification of State LIHTC award
 - Submission of Section 108 application to HUD regional Fort Worth office only with 2010 LIHTC award
 - HUD regional office approval of application
 - HUD headquarters approval of application and finalization of terms of loan to City

Next Steps (cont.)

2010 LIHTC projects (cont.)

- Council authority by resolution to enter into loan agreement with developer
- Closing of loan with developer and start of construction
- City will purchase property and lease back to developer
 - City will own property until City's Section 108 loan with HUD is paid in full
 - City loan and leasehold interest will be subordinate to developer's senior loan with bank

Attachment A

Project Information Summaries

Atmos Lofts

- **Description:**
 - Conversion of three office buildings to create 230 multi-family units for families and 10,000 square feet of retail space
 - 56 efficiencies, 138 one-bedroom units, 36 two-bedroom units
 - 117 affordable units
 - 6 units for households at or below 30% area median family income
 - 49 units for households at or below 50% area median family income
 - 52 units for households at or below 60% area median family income
 - 10 units for households at or below 80% area median family income
 - Located at 1900 Jackson Street

- **Applicant** –FC Atmos, Inc.
 - Partners Include:
 - Lawrence E. Hamilton and Lawrence E. Hamilton III

- **Developer** – Hamilton Development

- **Property Manager** – Pinnacle, an American Management Services Central Co.

Atmos Lofts

Sources

Section 108 Loan	\$ 9,000,000
Tax Credit Equity	10,959,203
Construction Loan	13,672,115
Federal Home Loan Bank Grant	500,000
Historic Tax Credit Equity	3,060,888
NTCOG	500,000
DowntownDallas Grant	100,000
Developer Equity	<u>2,967,000</u>
Total Sources	\$40,759,206

Uses

Land and Building Acquisition	725,000
Hard Costs	\$25,602,206
Indirect Costs	4,557,000
Developer Fee	5,934,000
Construction Bridge Loan	1,225,000
Section Interest Reserve Fund	756,000
Other Financing Costs	200,000
Reserves	760,000
Commercial Space Costs	<u>1,000,000</u>
Total Uses	\$40,759,206

Shamburger Development

- **Description:**
 - Construction of 417 multi-family apartment units and 1,430 square feet of retail space
 - 42 efficiencies, 168 one-bedroom units, 199 two-bedroom units, 8 three-bedroom units
 - 104 affordable units
 - 42 efficiencies
 - 62 one-bedroom
 - Located at 5630 SMU Boulevard

- **Applicant** – 5630 SMU Boulevard LP
 - Partners Include:
 - General Partner, MC Townhomes I LP, sole member of general partner LLC
 - Limited Partner, MC Townhomes I LP, majority limited partner

- **Developer** – Prescott Development Company LLC

- **Property Manager** – Greystar

Shamburger Development

SOURCES

First Lien Note	\$36,744,788
Section 108 Loan	15,254,000
Developer Equity	<u>9,242,525</u>
Total Sources	\$61,241,313

USES

Land Acquisition	\$11,450,000
Site Work	3,863,160
Construction Costs	34,768,447
Soft Costs	1,325,581
Developer Fee	2,355,528
Operating Reserve	928,462
Debt Service Reserve Fund	1,597,493
Section 108 Interest Reserve Fund	2,292,000
Real Estate and Mortgage Costs	<u>2,660,642</u>
Total Uses	\$61,241,313

Continental Building

Description

- Conversion of a vacant commercial building to create 203 multi-family apartment units and 5,000 square feet of retail space
- 145 one-bedroom units and 58 two-bedroom units
- 41 affordable units
 - 29 one-bedroom
 - 12 two-bedroom
- Located at 1810 Commerce Street

Applicant – FC Continental Complex, L.P.

- Partners
 - General Partner, FC Continental GP, Inc.
 - Limited Partner Forest City Residential, Inc.

Developer – Forest City Residential Group, Inc.

Property Manager – Forest City Residential Management, Inc.

Continental Building

SOURCES

Section 108 Loan	\$ 7,600,000
Downtown Connection TIF Loan	2,000,000
City TIF Reimbursement	2,500,000
Net Historic Tax Credit	7,413,194
NTCOG Grant	608,000
Developer Equity	9,178,926
Construction Loan	<u>28,402,500</u>
Total Sources	\$57,702,620

USES

Building Acquisition Less Parking Income	\$ 6,194,891
Construction	31,756,838
Interior Demolition and Abatement	1,040,960
Site Work	720,000
Soft Costs	6,769,784
Developer Fee	1,826,018
Section 108 Interest Reserve Fund	912,000
Mortgage Interest and Costs	2,591,380
Contingency	3,381,088
Operating and Debt Service Reserve Fund	<u>2,509,661</u>
Total Uses	\$57,702,620

Champion Homes at Copperridge

- **Description:**
 - New construction of 107 multi-family units for families and retail space
 - 53 one-bedroom units and 54 two-bedroom units
 - 6 units for households at or below 30% area median family income
 - 38 units for households at or below 50% area median family income
 - 63 units for households at or below 60% area median family income
 - Located at 5602 Maple Avenue

- **Applicant** – Chickory Court IX, LP, Odyssey Residential Holdings, LP
 - Partners include:
 - Saleem Jafar, Bill Fisher

- **Developer** – Saleem Jafar & Bill Fisher

- **Property Manager** – Odyssey Residential Management, LLC

Champion Homes at Copperridge

SOURCES

Permanent Debt	\$ 3,150,000
Section 108 Loan	1,000,000
Tax Credit Equity	9,739,545
Deferred Developer Fee	<u>150,474</u>
Total Sources	\$14,040,019

USES

Land Acquisition	\$ 2,120,000
Sitework	963,000
Hard Construction Costs	5,904,520
Contractor's Fees	961,453
Contingency	343,376
Professional Fees	680,000
Interim Financing Costs	1,089,250
Permanent Financing Fees	316,420
Development Fee	1,262,000
Reserves & Other Costs	<u>400,000</u>
Total Uses	\$14,040,019

Courtyards at La Reunion

Description

- Construction of 95 multi-family apartment units and 3,175 square feet of retail space
- 91 one-bedroom units and 4 two-bedroom units
- 59 affordable one-bedroom units
- Located at 2201 Fort Worth Avenue

Applicant – Courtyards at La Reunion, LLC

- Avalon Residential Care Homes, Inc., a Seib family enterprise
- Todd Aaron Seib, Manager and members Jonathan Seib, Jeffrey Seib and Timothy Seib

Developer – Avalon Residential Care Homes, Inc.

Property Manager – Capstone Real Estate Services, Inc.

Courtyards at La Reunion

SOURCES

Section 108 Loan	\$ 5,300,000
1st Lien Mortgage	4,786,880
Developer Equity (cash)	<u>1,000,000</u>
Total Sources	\$11,086,800

USES

Land and Building Acquisition	\$ 3,500,000
Site Work	536,000
Abatement & Demolition	300,000
Construction Costs	4,035,800
Additional Fees & Soft Costs	850,000
Operating & Construction Reserve	901,000
Relocation	173,000
Section 108 Interest Reserve	<u>791,000</u>
Total Uses	\$11,086,800

Orleans at La Reunion

Description

- Construction of 240 multi-family apartment units and 20,000 square feet of retail
- 17 efficiencies, 151 one-bedroom units and 72 two-bedroom units
- 49 affordable units
 - 17 efficiencies
 - 17 one-bedroom
 - 15 two-bedroom
- Located at 2300 Fort Worth Avenue

Applicant – Orleans at La Reunion, LLC

- Avalon Residential Care Homes, Inc., a Seib family enterprise
- Todd Aaron Seib, Manager and members Jonathan Seib, Jeffrey Seib and Timothy Seib

Developer – Avalon Residential Care Homes, Inc.

Property Manager – Capstone Real Estate Services, Inc.

Orleans at La Reunion

SOURCES

Section 108 Guaranteed Loan	\$10,350,000
1st Lien Mortgage	18,139,944
Developer Equity (cash)	<u>5,073,896</u>
Total Sources	\$33,563,840

USES

Land Purchase	\$ 6,676,016
Site Work	1,969,000
Abatement & Demolition	310,000
Construction Costs	17,891,640
Additional Fees & Soft Costs	1,594,234
Developer Fee	-0-
Operating & Construction Reserve	3,376,200
Relocation	194,250
Section 108 Interest Reserve	<u>1,552,500</u>
Total Uses	\$33,563,840

Lancaster Urban Village

□ **Description**

- Construction of commercial/retail space and multi-family apartment units
- 14,131 square feet of retail/office space
- Creation of employment opportunities
- Provision of community-serving businesses for the area
- 193 multi-family apartment units with studio and one, two, and three-bedroom unit floor plans and including 39 affordable apartment units
- Located at 4300 S. Lancaster Road

□ **Applicant** – Lancaster Urban Commercial LKLC

□ **Developer** – Catalyst Urban Development LLC

□ **Property Manager** – Capstone Real Estate Services, Inc.

Lancaster Urban Village

Commercial – Office/Retail

SOURCE

Section 108 Guaranteed Loan	\$7,400,000
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USES

Land Acquisition	\$1,819,820
Sitework – demolition/infrastructure	2,606,011
Commercial Development Costs	2,041,769
Section 108 Interest Reserve	<u>932,400</u>
Total uses	\$7,400,000

Commercial – Garage

SOURCES

New Market Tax Credits	\$2,814,534
Public/Private Partnership-NMTC	<u>358,500</u>
Total Sources	\$3,173,034

USES

Mixed Use Garage	\$2,506,295
Urban League Portion of Garage	<u>666,739</u>
Total uses	\$3,173,034

Residential

SOURCES

HUD 221(d)(4)	\$12,420,129
Public Private Partnership-Residential	<u>2,841,068</u>
Total Sources	\$15,261,197

USE

Residential Development Costs	\$ 15,261,197
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Kleberg Commons

Description:

- New construction of 200 multi-family units for seniors
- 100 one-bedroom units and 100 two-bedroom units
- 30 units for households at or below 30% area median family income
- 70 units for households at or below 50% area median family income
- 100 units for households at or below 60% area median family income
- Located at 12700 Kleberg Road

Applicant – Kleberg Leased Housing, L.P.

- Partners include:
 - Dale Lancaster and Jeffrey Spicer

Developer – Arrington Developers, LLC

Property Manager – Guardian Asset Management, Inc.

Kleberg Commons

SOURCES

Taxable Loan	\$ 3,700,000
Section 108 Loan	1,500,000
Tax Credit Equity	13,727,417
Deferred developer fee	<u>559,285</u>
Total Sources	\$19,486,702

USES

Land Acquisition	\$ 1,800,000
Hard Construction Costs	13,197,096
Architect/Engineering	303,500
Permits and Fees	95,600
Financing	356,720
Construction Period Interest	444,000
Tax Credit Costs	103,432
Soft Costs	58,681
Legal	40,000
FFE	152,300
Prestabilization Costs	210,000
Reserves	569,707
Developer Fee	<u>2,155,666</u>
Total Uses	\$19,486,702

Wynnewood Seniors Housing

Description:

- New construction of 140 multi-family apartment units for Seniors
- 73 one-bedroom units and 67 two-bedroom units
- 7 units for households at or below 30% area median family income
- 56 units for households at or below 50% area median family income
- 77 units for households at or below 60% area median family income
- Located at 1500 S. Zang Boulevard

Applicant – Wynnewood Senior Housing, L.P.

■ Partners Include:

- Central Dallas CDC, Banc of America Community Development Corporation

Developer – Bank of America, CDC

Property Manager – To be determined

Wynnewood Seniors Housing

SOURCES

Conventional Loan	\$ 1,755,838
Section 108 Loan	1,459,247
Tax Credit Equity	14,714,548
Deferred Developer Fee	<u>1,465,225</u>
Total Sources	\$19,394,858

USES

Land Acquisition/Demolition	\$ 2,337,500
Hard Construction Costs	10,630,145
Rehabilitation Soft Costs	2,909,085
Developer Fees	2,520,001
Other Soft Costs	284,325
Reserves & Others	<u>713,802</u>
Total Uses	\$19,394,858
