

Carroll @ Central Multifamily Project

A Briefing To The
Economic Development and Housing
Committee

Housing Department

September 19, 2006

Purpose

- To provide an opportunity for 50 children transitioning out of foster care between the ages of 18 and 24 years old to receive housing at an affordable price
 - Fee income and operating income earned from the property will be used to provide funding for other high risk homeless populations and the amounts and percentages are currently being negotiated
- Consideration of an approval of a pre-application waiver of the City's multifamily policy for the Carroll @ Central apartment project wherein a subsidiary of the Dallas Housing Finance Corporation would be the General Partner
 - Carroll @ Central – New Construction (Council District 2)
 - On August 18, 2006, we received a pre-application waiver proposal from Bank of America Community Development Corporation and Central Dallas Community Development Corporation for the financing of the construction of a 319 unit apartment complex

Purpose (Cont'd)

- Application requested that a subsidiary of the City of Dallas Housing Finance Corporation (DHFC) be the General Partner which is currently prohibited under Section 1.2 of the Bylaws which states, the Corporation shall possess all powers enumerated in the Act; provided, however, that the Corporation shall not purchase, lease, own, hold title to, or otherwise acquire an interest in a residential development, as such term is defined in the Act. Notwithstanding the foregoing, nothing in these Bylaws shall be construed to restrict or prohibit the Corporation, either acting above or through a duly authorized agent, from exercising any right it may have to satisfy, in whole or in part, any obligation which is due the Corporation.
- 80% of the units are market units and 20% of the units are Low Income Housing Tax Credit Units
- The land is currently owned by the General Land Bank of the State of Texas
 - The state is agreeable to a long term lease and general parameters have been discussed
- The structure would be exempt from ad valorem real estate taxes

Purpose (Cont'd)

- ❑ The project will contain a 20% set aside or 64 units for tenants whose incomes are 50% and below the area wide median income
 - 50% of this set aside or 32 units will be set aside for young adults transitioning out of foster care
- ❑ The Project fits under priority No. 3 of the current policy adopted on January 11, 2006 which is new construction of housing for special needs such as senior households, AIDS or other disabilities, including housing for the homeless on an individual basis
- ❑ This project must still compete for funding following City Council approval
- ❑ The Carroll @ Central Project is the only applicant to apply for the City of Dallas multifamily pre-application waiver for the Private Activity Bond Lottery to be held on November 2, 2006.

Background

- ❑ This project by providing housing for approximately 50 young adults (ages 18 – 24) at any one time would help address the problem of foster children that are at risk for homelessness
 - The estimated average stay for any young adult is for 24 months and they can enter the program anytime between the ages of 18 to 24

- ❑ Maintaining the requisite amount of foster children for this project, which is approximately 50, should not be difficult due to the fact that 230 are added to our Region each year and that 1600 children have accessed the Transition Resource Action Center (TRAC) for foster children in the past three years

Background (Cont'd)

- Why should we do this?
- We can address the problem of young adults coming out of foster care (approximately 50 at any one time on a rotating basis) and being at risk for homelessness
- This will be an excellent long term housing provider for the foster children transitioning out of foster care in a prime location
- The proposed project will generate fees and operating income to expand the program

Carroll @ Central



View along Central

06-19-2006



Bank of America

Carroll and Central
Dallas, Texas





Carroll @ Central

Description

- ❑ 4030 N. Central, Council District 2
- ❑ 319 unit new construction multifamily project
 - 170 one-bedrooms, 119 two-bedrooms and 30 three-bedrooms
 - 64 units for households at or below 50% area median family income (AMFI)
 - ❑ 32 of these 64 units will be set aside for young adults transitioning out of foster care
 - 255 Market rate units
 - Rents set at tax credit rents based on income levels
- ❑ **Applicant** –
 - A Limited Partnership with the Limited Liability Company (LLC) wholly owned by the DHFC, as General Partner
 - ❑ LLC ownership – 100% owned by DHFC
 - Tax credit investor will be limited partner
- ❑ **Developer** – Structure to be determined
- ❑ **Property Manager** – To be determined

Carroll @ Central

SOURCES

GP Capital Contributions	\$	100
L P Capital Contributions		2,529,150
Tax Exempt Bonds		35,868,412
Deferred Developer Fee		<u>1,372,738</u>
TOTAL SOURCES		\$39,770,400

USES

Acquisition	\$	-0-
Construction I interest		2,667,635
Hard Construction Costs		26,183,120
Hard Cost Contingency		2,310,326
Construction Soft Costs		3,304,692
Soft Cost Contingency		401,898
Developer Fee		3,535,861
Other Soft Costs		232,500
Reserves		<u>1,134,368</u>
TOTAL USES		\$39,770,400

Market Analysis

❑ Competing Projects

- ❑ Currently 12 tax credit projects consisting of 1,924 units are currently under construction in the City of Dallas
- ❑ There are no projects within one mile of this project that have received tax credits within the last three years
 - The property is located on the East side of Central Expressway near City Place with the nearest tax credit projects approved within the last three years being
 - Frazier Fellowship, Wahoo Frazier , Mill City Park (all replacement housing developed by the Housing Authority), City Walk at Akard and the Rosemont at Meadow Lane (also replacement housing of the Emmanuel Village Apts.)
 - These projects are located approximately two to four miles away from the Carroll @ Central Project
 - Frazier Fellowship, Wahoo Frazier and Mill City Park are not in lease-up yet
 - Rosemont at Meadow Lane is currently 84% occupied
- ❑ Intown Housing reported occupancy of 93.8% in 2nd Quarter 2006
- ❑ A full market analysis will be completed prior to the Committee or Council being asked to recommend the final approval of the project

Bank of America CDC being considered as Co-Developer

- Bank of America CDC has developed the following properties in the Dallas area:
 - Carlton Court
 - Eban Village I and Eban Village II
 - Parks at Wynnewood
 - Steppington
- Bank of America CDC has developed the following properties in other parts of Texas
 - Asbury Park - Houston, Texas
 - Northwood Villas – Houston, Texas
 - Nubia Square – Houston, Texas
 - Pine Oaks – Mesquite, Texas
 - Pine Oaks and Quail Brook both in Balch Springs, Texas
 - Wellington Park Apartments – Lewisville, Texas

CDCDC being considered as Co-Developer or Supplier of Certain Services

□ **Central Dallas Community Development Corporation (CDCDC)**

- CDCDC has developed the following projects for low to moderate income families:
 - Ashby Commons – 21 Unit town-home style project for families located at Deer Street/ Rusk Street
 - Eastside Commons – 143 Unit project for families located at North Hall Street at Central
 - Gaston Street – 10 Unit project for families located at 5444 Gaston Ave.

Contractual Services to be provided by Development Partner or Partners

- Turn Key Contractual Services to be provided by BOACDC from pre-development through completion of Construction and Lease-up and Stabilization:
 - Conduct Market Research
 - Convene Neighborhood Meetings
 - Deal Analysis (Unit Mix, Financial Modeling, Market Viability)
 - Finalize Legal and Deal Structure
 - Negotiate Ground Lease and 3rd Party Contracts
 - Environmental Reports
 - Geo Tech Assessments
 - Manage Planning and Rezoning Process
 - Select and Lead Construction Team
 - Manage and Lead the Design Process
 - Identification of Property Management Company
 - Develop Operational Budget Including Social Services

Contractual Services to be provided by Development Partner or Partners (Cont'd)

- **Construction** — The timely completion of construction and delivery of market ready units while converting the loan structure from construction to permanent:
 - Managing the Construction Timeline
 - Construction Monitoring
 - Maintain Cost to Complete Budget
 - Manage Construction Draw Process
 - Manage Lender Relationships
 - Construction Completion
 - Obtain Certificates of Occupancy
 - Complete Final Punch Lists
 - Manage Financial Projections
 - Confirm and Finalize Operational Budget
 - Development of Marketing Collateral Material
 - Roll out of Marketing Plan

Contractual Services to be provided by Development Partner or Partners (Cont'd)

- Lease-up and Stabilization
 - Oversight of Management Company
 - Oversight of Operational Start Up
 - Executing Marketing Plan
 - Review of Operational Budget
 - Monitoring Lease-up
 - Monitoring Effectiveness of Marketing Plan
 - Conversion to Permanent Debt
 - Final Construction Audit
 - Preparation of Cost Certification
 - Submission of final Tax Credit Package
 - Receipt of 8609s (Tax Credit Allocation)
 - The development partners will choose contractors for all services through a competitive bid process

Property Management

- In addition to the normal services provided by a third party management company, Central Dallas Ministries will provide case management to the young adult residents of Carroll @ Central
 - Screening of tenants to identify ineligible tenants due to criminal records and ongoing drug use
 - Health screening and services, legal services and job training will be provided to tenants based on needs or referrals will be made to mental health agencies, vocational rehabilitation and treatment facilities for drug and alcohol abuse.
 - There will be supervision of the young adults by Central Dallas Ministries and/or TRAC by having a resident advisor living on site in each one of the three bedroom units with TRAC providing services off site

Issues

- ❑ Legal issues having to do with the City's liability
- ❑ Is a Public Hearing necessary for the changes in the Bylaws?
- ❑ How the City of Dallas Housing Finance Corporation's Developer Structure will effect the City of Dallas
- ❑ Whether we need an Attorney General's position regarding 394.9025 of the Local Government Code because the HFC is the sole member of the LLC and whether the HFC could issue the tax-exempt bonds that finance the acquisition and construction of the project
- ❑ The City's Liability for the Officers and Directors of the Dallas Housing Finance Corporation

Recommendation

- That the Economic Development and Housing Committee recommend approval of the pre-application waiver to the Dallas City Council on September 27, 2006

Next Steps

- ❑ September 27, 2006, City Council Grants Pre-application Waiver and Authorizes Housing Department to Complete Underwriting
- ❑ November 2, 2006 , Texas Bond Review Board Lottery
- ❑ January 2007, Reservation Date Begins
- ❑ January, 2007, Briefing to Economic Development and Housing Committee for Final Approval of the Tax Credits, the application and the issuance of the bonds by the DHFC
- ❑ February/March 2007, Final Approval from the City of Dallas of the Tax Credits, the application and the issuance of the bonds by the DHFC