

Memorandum



CITY OF DALLAS

DATE October 18, 2013

TO Housing Committee Members: Carolyn R. Davis (Chair), Scott Griggs (Vice-Chair), Monica Alonzo, Rick Callahan, Dwaine Caraway, and Phillip Kingston

SUBJECT **The Park at Cliff Creek Apartments**

On Monday, October 21, 2013, you will be briefed on The Park at Cliff Creek Apartments. A copy of the briefing material attached.

Should you have any questions, please contact me at (214) 670-3296.

A handwritten signature in black ink, appearing to read 'Ry - S E'.

Ryan S. Evans
Interim First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, Interim City Manager
Rosa Rios, City Secretary
Warren M. S. Ernst, City Attorney
Craig Kinton, City Auditor
Judge Daniel Solis, Administrative Judge Municipal Court
Frank Libro, Public Information Officer
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant the City Manager – Council Office

THE PARK AT CLIFF CREEK APARTMENTS

A BRIEFING TO THE
HOUSING COMMITTEE
DALLAS HOUSING FINANCE CORPORATION
ECONOMIC DEVELOPMENT DEPARTMENT

October 21, 2013



Purpose

- ▶ To seek Committee approval for Council consideration of the pre-application waiver for Cesar Chavez Foundation (CCF) to apply to Dallas Housing Finance Corporation (DHFC) for :
 - ▶ (1) The issuance of tax-exempt bonds, not to exceed \$13.5 Million, to finance rehabilitation of an existing 280 unit The Park at Cliff Creek Apartment Complex located at 7300 Marvin D. Love Freeway
 - ▶ (2) A resolution in support of the Texas Department of Housing and Community Affairs award of 4% Low Income Housing Tax Credits
- ▶ To approve authorization for a DHFC entity to become the General Partner, own the land and allow The Park at Cliff Creek Apartment Property to be exempt from ad valorem taxes in exchange for fee income and cash flow participation significantly above City's portion of current annual ad-valorem tax assessment.

Background

- CCF approached DHFC to consider ownership options in partnership with CCF
- DHFC has previous history of Council-approved partnerships involving land ownership and a general partnership interest to facilitate the ad valorem tax exempt status for two properties (Jubilee Seniors Project and Providence at Mockingbird – see Exhibit “A” and “B”)
 - Allows the DHFC to receive fee income significantly in excess of current City tax assessment fees of \$39,850
 - Allows Fees to be used to support GAP financing for mixed income housing
- DHFC approved the Bond Inducement for The Park at Cliff Creek Apartments on October 8, 2013 and granted approval for applicant to submit a Bond Application to Texas Bond Review Board, contingent on Council approval of a pre-application waiver on November 12, 2013

Developer CCF

- CCF operating since 1966
- Received the 2011 Service Award in the education category from the Corporation for National and Community Service
- Property Management Division operates over 3,900 rental units nationally and 1,213 in Texas
- Experience in operating very strong tenant services programs, including, but not limited to After School Program with emphasis on music, art, science, health and nutrition with enrichment programming for 2 ½ hours Monday through Friday

Project

- The Park at Cliff Creek - located at 7300 Marvin D. Love Freeway - existing buildings built in 1996 - Council District 8
 - 280 Units
 - (100%) 280 units for tenants whose incomes are no more than 60% of Area Median Family Income (AMFI)
 - 72 one-bedroom units, 120 two-bedroom units and 88 three-bedroom units
 - Net Monthly Rents:
 - \$521 - \$567- for one bedrooms
 - \$672- \$685 for two bedrooms
 - \$806 - \$824 for three bedrooms

Existing Apartment Buildings



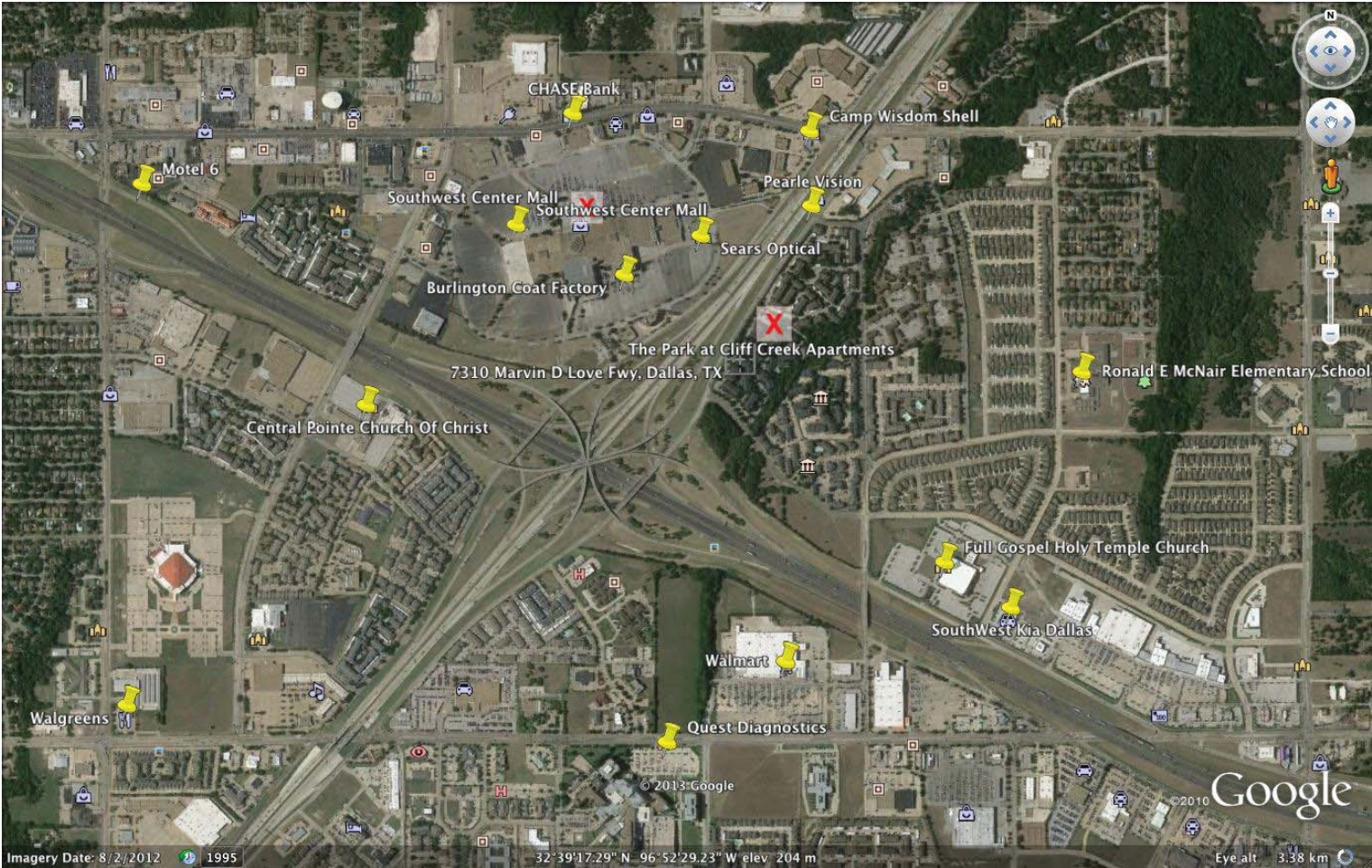
Existing Apartment Leasing/Activities Bldg.



Existing Apartment Buildings



Aerial Photo



Description of Proposed Property Improvements

- Approximately \$19,000 per unit in hard costs
- Interior Demolition, Removal and Replacement: Carpeting, cabinets, plumbing fixtures, blinds, bathroom, accessories, mirrors, door hardware, air-conditioning, compressor, light fixtures, electrical plug, switches, phone/TV jacks and appliances
 - Cabinets: Install new Series 100 Poplar slab beveled door standard overlay cabinets. New post form and drop edge countertops
 - Plumbing: Install all new plumbing fixtures, bath tub, lavatory sink, lavatory faucets, elongated water closet, kitchen sink and kitchen faucet
 - Electrical: All new light fixtures, plugs, switches, jacks, etc.
 - HVAC: All new 14 SEER - R410a refrigerant

Social Services

- After school care program enhances quality of life for the children residing at The Park at Cliff Creek that would not otherwise be provided
- Owners will be required to provide \$200 per unit per year (a minimum of \$40,000 per year), whichever is greater, estimated to be \$56,000 for 280 units; or
- Project could elect to implement the TDHCA's Tenant Services Program contained in the 2011 Qualified Allocation Plan which requires an agreement with a qualified service provider for the provision of supportive services
 - Owner can choose from a list of 20 types of services provided at no cost to tenants

Proposed Ownership, Developer and Management Company

- ▶ Owner, a to be formed Limited Partnership
 - ▶ Limited Partner equity provider with 99.97% ownership to be Cesar Chavez Foundation
 - ▶ General Partner with .01% ownership, a governmental entity created by the DHFC with the DHFC as the Sole member
- ▶ Equity Investor Affiliate .01% and Special Ltd. Partner/Co/Developer with .01% ownership (“SLP”/Guarantor, entity created by Cesar Chavez Foundation, proposes to receive a percentage of the developer fee)
 - ▶ Management Company, Cesar Chavez Foundation
 - ▶ Master Contractor: To Be Determined

SOURCES AND USES

Sources

Permanent Loan	\$13,345,000
Cash Flow during Construction	1,243,301
Deferred Developer Fee	942,499
Tax Credit Equity	7,009,620
Total	\$22,540,420

Uses

Land Acquisition	\$1,500,000
Buildings Acquisition	8,500,000
Construction Hard Costs	5,708,420
Professional	666,254
Financing Fees	1,692,249
Legal Fees and other Costs	1,016,452
Reserves	980,276
Developer Fee (amortized over 15 yr. compliance period)	2,426,769
Syndication Fees	50,000
Total	\$22,540,420

Stabilized Proforma

Revenue	\$2,386,988
Vacancy Loss	(365,759)
Other Income	51,408
Total Revenue	\$2,072,637
Operating Expenses	(1,032,180)
Replacement Reserves	(84,000)
Net Operating Income	956,457
Debt Service	(\$792,952)
Net Cash Flow	\$163,505

- Net Rents
 - \$521 - \$567- for one bedrooms
 - \$672- \$685 for two bedrooms
 - \$806 - \$824 for three bedrooms

Debt Coverage Ratio 1.20

4 Months Oper. Exp.and Debt Serv. \$636,353

Ad Valorem Tax Exemption for City's portion valued at \$50,000 per year

Deferred Developer Fee paid over 15 year compliance period including DHFC 's portion

Proposed Developer Fee and Cash Flow Split To be Negotiated

- DHFC Closing Fee – approximately \$250,000 at Closing
- DHFC Cash Flow Split (30%) - estimated to be \$810,000 @ \$54,000 per year over 15 years
- DHFC Application Fee: \$2,000
- Processing Fee: \$10,000
- Closing Fee: 50 Basis Points on Outstanding Principal Balance (OPB) = \$66,725
- Annual Issuer Fee 10 Basis points on Outstanding Principal Balance = \$3,345

Benefits to the City

- 280 Existing Units substantially upgraded and managed by a nationally recognized property management group (Cesar Chavez Foundation)
- After School care program that would not otherwise be provided
- DHFC Fee Income of equivalent to \$88,000 per year versus current annual city portion of ad valorem taxes of \$39,850.
 - To be dedicated to mixed income housing developments

Next Steps

- ▶ November 12, 2013 - City Council considers approval of pre-application waiver and resolution to support THDCA's award of the 4% Low Income Housing Tax Credits to CCF for The Park at Cliff Creek Apartment rehabilitation project and calls the Public Hearing to be held on December 11, 2013
- ▶ December 11, 2013 – Public Hearing and Council Consideration to grant approval for DHFC to take all actions necessary to complete final proposed transaction, including DHFC's ownership interest with ad valorem tax exemption and compliance with H.B. 3361

SUBSEQUENT STEPS

Subject to City Council approval on November 12, 2013

- November 12, 2013 - CCF submits full multifamily application to DHFC and calls the Public Hearing to be held on December 11, 2013
- November 20, 2013 – Ad for Public Hearing and Ad for Tefra Hearing is placed in the Dallas Morning News (DMN)
- December 2, 2013 - CCF submits its Bond Application to the Texas Bond Review Board and receives a Bond Reservation and an Ad is place in the DMN to hold the Tax, Equity and Fiscal Responsibility Hearing is held
- December 6, 2013 – TEFRA hearing is held

Exhibits

- Exhibit “A” - Jubilee Seniors at Gurley Place
- Exhibit “B” - Providence at Mockingbird
- Exhibit “C” - H.B. 3361 – 4% Tax Credits/Tax-Exempt Bonds

Exhibit “A”

Jubilee Seniors at Gurley Place

- DHFC is Owner of the Jubilee Seniors, with DHFC as Landlord owning the dirt/ground and DHFC Jubilee Seniors, LLC as Tenant under the Ground Lease
 - Jubilee is a rental property consisting of 24 affordable housing units for seniors with initial rents beginning at \$425 per month
 - Tenant’s pay their own utilities
 - The Jubilee was completed in April, 2012 and the DHFC took ownership of the property on July 2, 2012
 - Jubilee Seniors Project will generate approximately \$10,000 per year
 - The Jubilee is currently 96% leased

Exhibit “B”

Providence at Mockingbird

- The .01% owner of Providence at Mockingbird Apartments (155 Senior Units and 96 Family Units), by assuming the General Partner position in the Hines 68, Limited Partnership, previously held by Provident Realty Advisors, Inc. and ownership of the ground under a ground lease
- The DHFC took an ownership interest in the Providence at Mockingbird property on October 18, 2012
- The project has maintained an occupancy level of between 92% to 96%
- Providence will generate approximately \$160,000 for the first five years and thereafter to be capped at \$200,000 (minus up to \$50,000 per year to be paid to Central Dallas Community Development Corporation for providing 28 Housing Vouchers)

Exhibit “C”

H.B. 3361 – 4% Tax Credits/Tax-Exempt Bonds

- To allow the applicant to apply for a resolution as required by the State of Texas H.B. 3361, effective September 1, 2013 that can certify the following facts to be considered by the Dallas City Council in January/February 2014 in a Resolution:
- (i) Notice has been provided to the Governing Body in accordance with Texas Government Code, §2306.67071(a) and 10 TAC §10.204(4)(A);
- (ii) The Governing Body has had sufficient opportunity to obtain a response from the Applicant regarding any questions or concerns about the proposed Development;
- (iii) The Governing Body has held a hearing at which public comment may be made on the proposed Development in accordance with Texas Government Code, §2306.67071(b) and 10 TAC§10.204(4)(B); and
- (iv) After due consideration of the information provided by the Applicant and public comment, the Governing Body does not object to the proposed Application.