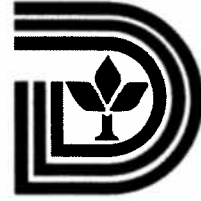


Memorandum



CITY OF DALLAS

DATE October 30, 2009

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

SUBJECT Community Development Block Grant Section 108 Guaranteed Loan Applications for the Orleans at La Reunion and the Courtyards at La Reunion

On Monday, November 2, 2009, you will be briefed on Community Development Block Grant Section 108 Guaranteed Loan Applications for the Orleans at La Reunion and the Courtyards at La Reunion. 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'.

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, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jerry Killingsworth, Housing/Community Services Director
Jeanne Chipperfield, Director, Financial Services
Helena Stevens-Thompson, Assistant to the City Manager

Community Development Block Grant Section 108 Guaranteed Loan Applications for the Orleans at La Reunion and the Courtyards at La Reunion

A Briefing to the Housing Committee

November 2, 2009

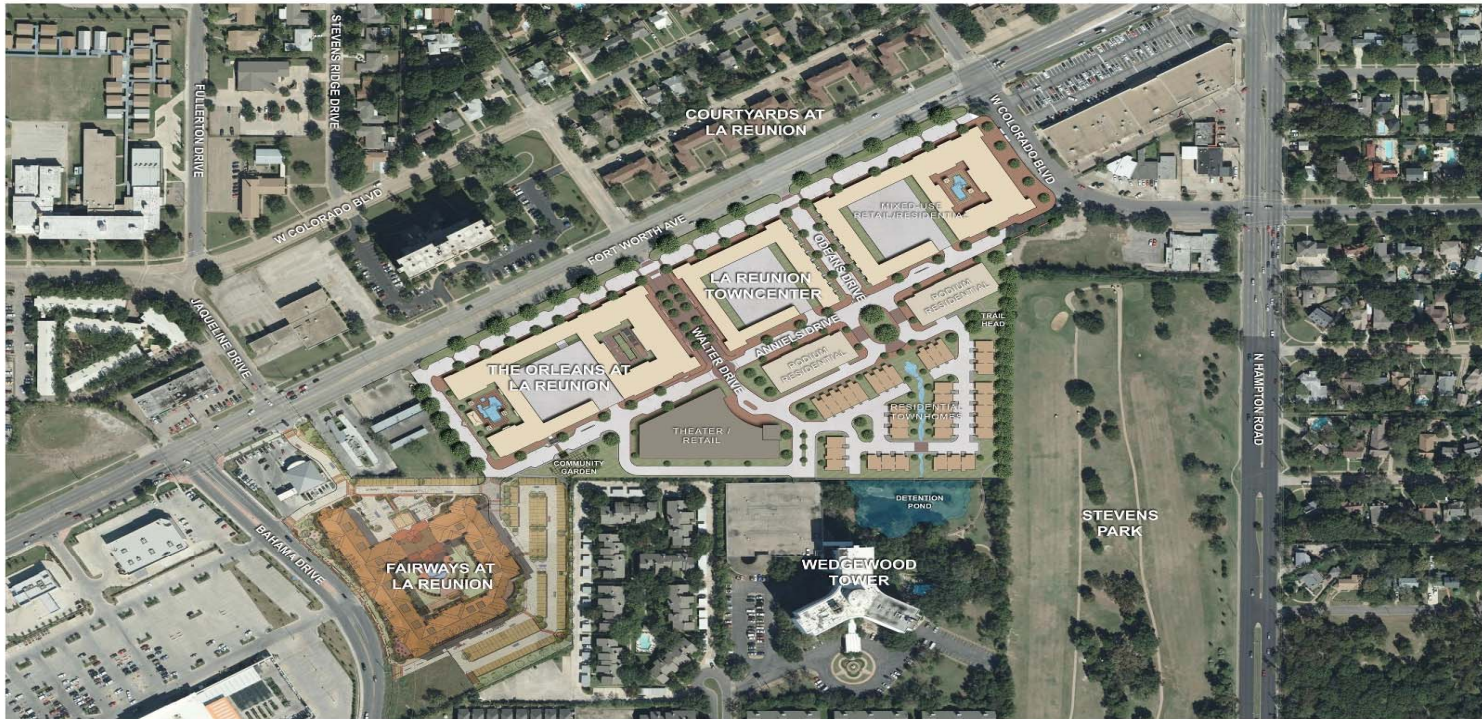
Housing/Community Services Department



Purpose

Consideration of Community Development Block Grant Section 108 Guaranteed Loan applications for \$5.3M for Courtyards at La Reunion and \$10.35M for Orleans at La Reunion to fund acquisition of property and other eligible nonconstruction costs for housing and mixed use development for two separate phases within the La Reunion Master Plan Development on Fort Worth Avenue west of Hampton

La Reunion Master Site Plan

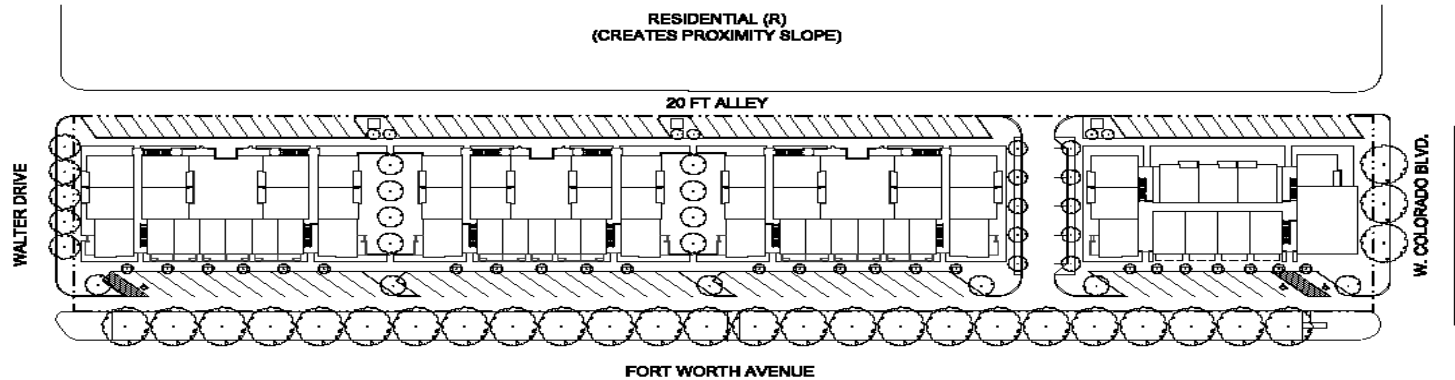


La Reunion Master Development Plan

- ❑ Multi-phase mixed-use town center with 900 residences, 143,000 square feet of upscale retail, entertainment venues, running trails, walking paths, community gardens, and a pond
- ❑ Phase I –Fairways at La Reunion - new construction of 198 market rate seniors apartment units
- ❑ Phase II–Courtyards at La Reunion - new construction of 95 apartments on north side of Fort Worth Avenue to provide 59 affordable apartment units
- ❑ Phase III –The Orleans at La Reunion - new construction of 30 acre mixed use development
 - 220 one and two bedroom apartment units (up to 44 affordable units)
 - 24,000 square feet of commercial space
- ❑ Phases IV, V, and VI will add an additional 400 plus residential units and 100,000 + square feet of retail space

Phase II Courtyards

Site Plan and Site Rendering



CONCEPTUAL SITE PLAN
SCALE: 1/6" = 1'-0"



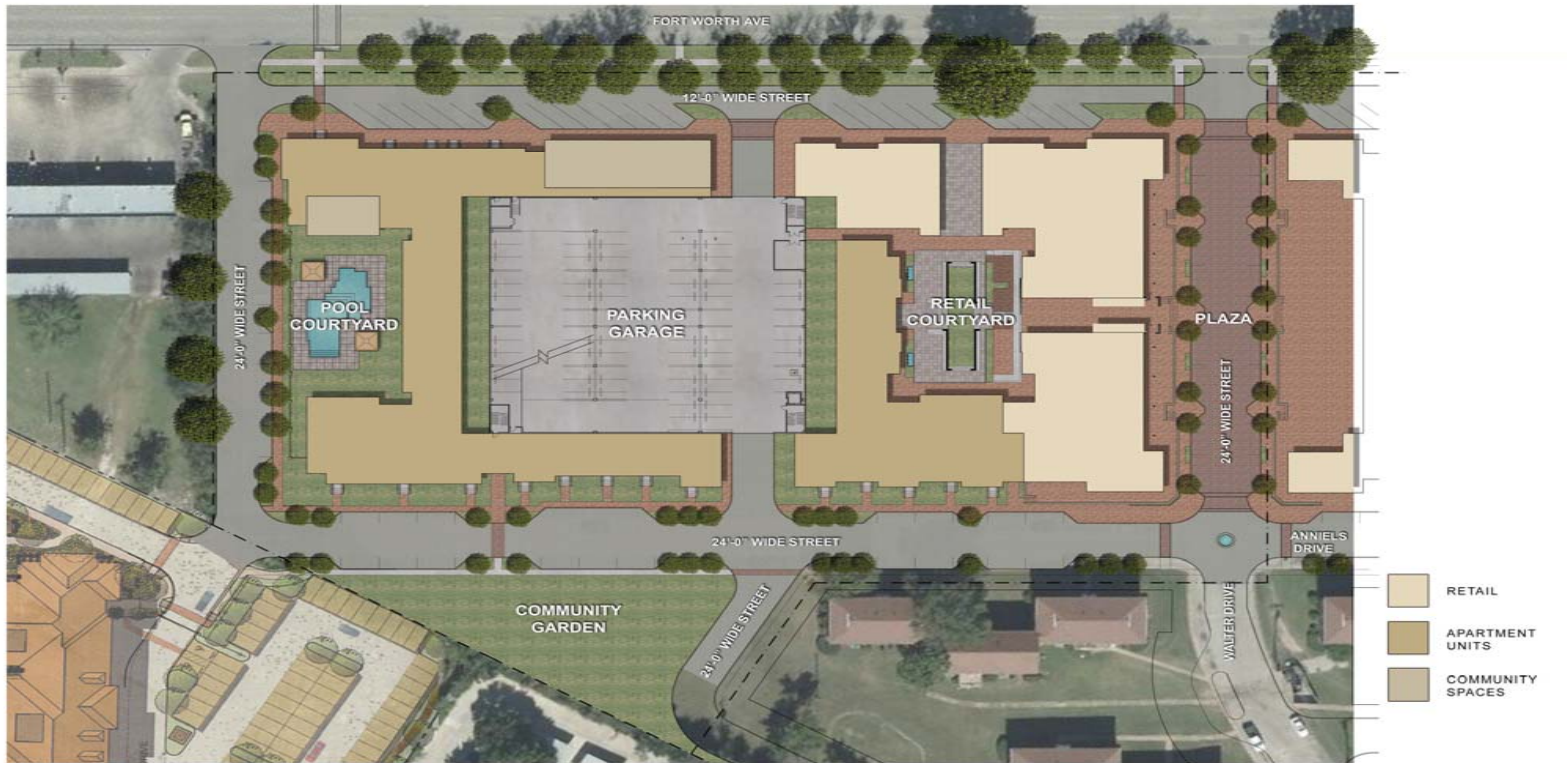
CONCEPTUAL ELEVATION
SCALE: 1/16" = 1'-0"

Phase II Courtyards at La Reunion

- 2201 Fort Worth Avenue, Council District 3
- Construction of 95 apartments
 - 91 units - 642 square feet average
 - 4 units – 1,320 square feet (660 living area, 660 home business area)
- 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

Phase III Orleans

Site Plan



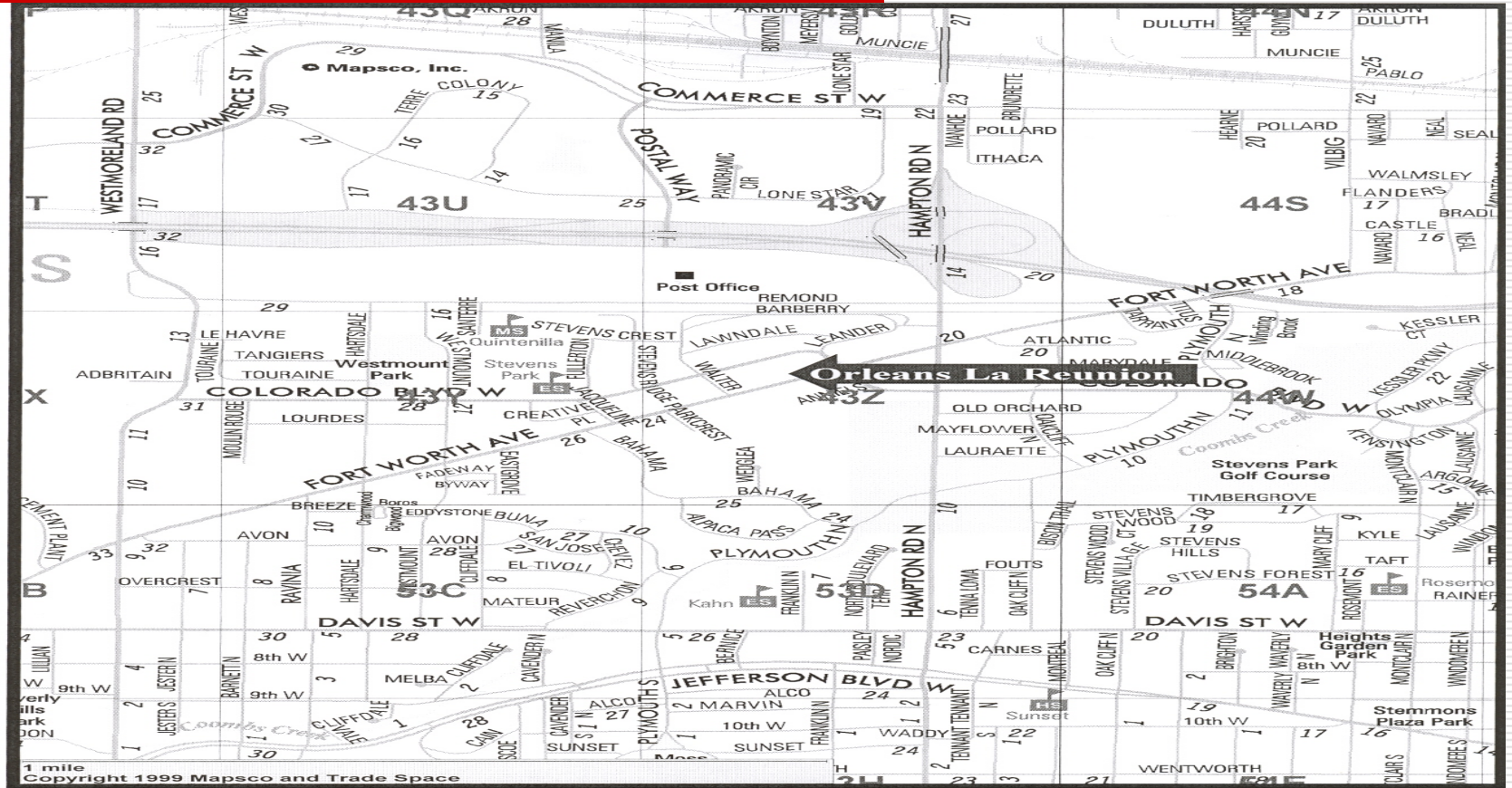
Orleans Site Rendering



Orleans at La Reunion

- 5.44 acre parcel to be developed as mixed-use residential and retail on Fort Worth Avenue west of Hampton in Council District 3
- New construction of 20,000 square feet of retail, 5,000 square feet of leasing office and fitness facility, and 220 apartment homes
 - 132 one bedrooms - average size 722 square feet
 - 88 two bedrooms – average size 1,046 square feet
- 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

Project Location



MAPSCO 43Z

Developer

- Development team consists of Avalon Residential Care Homes, Inc. and Sky Modern Development
 - Avalon Residential Care
 - Formed in 1995
 - Full-service development/management firm
 - One of the largest assisted-living providers in North Texas
 - Managing 13 assisted living facilities in the DFW Metroplex
 - Constructing two new elder care facilities in Garland
 - Sky Modern
 - Specializing in residential construction including single residential homes, two and three-story townhomes, patio homes and condos
 - Kessler Woods in Oak Cliff 30 single family residential, 45 3-story townhomes, 18 two-story townhomes, 14 patio homes and 31 condos
 - Austin Woods Carrollton/Lewisville area 49 contemporary single family residences
 - Montgomery Farm in Allen 8 contemporary single family residences

Property Manager

- Capstone Real Estate Services, Inc., Dallas Regional Office, 222 W. Las Colinas Blvd., Irving, TX
 - Formed in 1969 - Member of Apartment Owners Associations
 - 53,000 units managed nationally
 - 35,000 units managed in Texas Market
 - Properties managed in Dallas area:
 - Dallas - Virginia Manor, 156 units (Fort Worth Avenue at Plymouth)
 - Irving – Waterford at Valley Ranch, 300 units
 - Mesquite – Newport, 152 units
 - Desoto – Arbors of Wintergreen, 180 units
 - Arlington
 - Claremont, 261 units
 - Walnut Ridge, 264 units
 - Plano –Old Shepard Place, 244 units
 - Frisco – Stonebrook Village, 216 unit

Section 108 Guaranteed Loan Application Process

- ❑ Develop proposed HUD applications for \$5.3M loan for Courtyards and \$10.35M loan for Orleans and waiver request to HUD for affordability of 20% of units at Orleans
- ❑ Hold Neighborhood Public Hearing
 - Hearing held in the area in which funds will be used
 - Provide draft of proposed HUD application and waiver
 - Obtain views of citizens
 - ❑ Community development objectives
 - ❑ Housing and economic development needs
- ❑ Prepare Final HUD Application
 - Consideration of public comments and views
 - Finalized description of activities

Section 108 Guaranteed Loan Application Process (cont.)

- Hold City Council Public Hearing
 - Contents of HUD application
 - Summary of public comments
- Obtain City Council Approval
 - Final application for project
 - Schedule of repayment to HUD of the Section 108 guaranteed loan

Project Funding Requests

- Courtyards - \$5,300,000 to fund the acquisition of the Colorado Place Apartments located on northern side of Fort Worth Avenue, and to fund an interest reserve, tenant relocation costs and site improvements for construction of 91 apartments at average of 642 square feet and 4 units at 1,320 square feet including 660 square foot home business area
- Orleans - \$10,350,000 to fund acquisition of the Colorado Place Apartments located on the southern side of Fort Worth Avenue, and to fund an interest reserve, tenant relocation costs and site improvements for mixed-use development of 220 apartment homes in one and two bedroom floor plans, including 44 affordable units, and 20,000 square feet of retail

Sources and Uses

Courtyards

SOURCES

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

USES

Land and Building Acquisition	\$ 3,500,000
Site Work	500,000
Abatement & Demolition	300,000
Construction Costs	4,071,550
Additional Fees & Soft Costs	850,000
Developer Fee	-0-
Operating & Construction Reserve	901,000
Relocation	173,250
<u>HUD 108 Interest Reserve</u>	<u>791,000</u>
TOTAL USES	\$11,086,800

Orleans

SOURCES

Section 108 Guaranteed Loan	\$ 10,350,000
HUD 221(d)(4) 1st Lien Mortgage	17,288,163
<u>Developer Equity (cash)</u>	<u>5,073,896</u>
TOTAL SOURCES	\$ 32,712,059

USES

Land Purchase	\$ 6,676,016
Site Work	1,969,000
Abatement & Demolition	310,000
Construction Costs	16,845,112
Additional Fees & Soft Costs	1,794,981
Developer Fee	-0-
Operating & Construction Reserve	3,370,200
Relocation	194,250
<u>HUD 108 Interest Reserve</u>	<u>1,552,500</u>
TOTAL USES	\$32,712,059

Courtyards Credit Enhancement

- Three years of interest reserve represents two years of additional interest reserve to cover interest shortfall that might occur during the lease up period
- All partnerships distributions will be escrowed as additional collateral to pay down loan, if necessary, when the permanent loan is made three years after stabilization or approximately @ year 5

Courtyards Pro Forma Analysis

- Construction commences in 2010 and completed in 2011
- Project reaches rent stabilization in 2012
- Loan to value ratio of 85% meets underwriting guidelines
- Debt coverage of 1.71 exceeds the underwriting guideline of 1.15
- 108 loan paid in five years with permanent loan
- Three years of 108 interest reserve totaling \$791,000 will be escrowed @ construction loan closing
- The excess of additional operating and construction reserves, and undistributed partnership interests after the 108 loan payments for the five year period are made is \$795,000 along with the untapped \$791,000 108 loan reserve equal \$1,586,000
- At the time of permanent loan conversion, the exposure on the 108 loan is \$5,300,000 less \$1,586,000 or approx. \$3.7M
- Based upon the Net Operating Income @ year 5 capitalized @ 7% discount rate calculates to a project value of \$9.5M
- A permanent loan exposure of \$8.1M is equal to a 83% loan to value with permanent loan take outs ranging from 80% to 85% ensures that the City's loan will be paid off

Orleans Credit Enhancement

- Three years of interest reserve represents two years of additional interest reserve to cover interest shortfall that might occur during the lease up period
- Partnerships distributions of $\frac{1}{2}$ of net cash flow after debt service will be escrowed as additional collateral to pay down loan, if necessary, when the permanent loan is made three years after stabilization or approximately @ year 5

Orleans Pro Forma Analysis

- Construction commences in 2010 and completed in 2012
- Project reaches rent stabilization in 2013
- Loan to value ratio of 85% meets underwriting guidelines
- Debt coverage of 1.27 exceeds the underwriting guideline of 1.15
- 108 loan paid in five years with permanent loan
- Three years of 108 interest reserve totaling \$1,552,500 will be escrowed @ construction loan closing
- The excess of additional operating and construction reserves, and undistributed partnership interests (1/2 of net cash flow after debt service) after the 108 loan payments for the five year period are made is \$952,247 along with the untapped \$1,552,500 of 108 loan interest reserve equal \$2,504,707
- At the time of permanent loan conversion, the exposure on the 108 loan is \$10,350,000 less \$2,504,707 or approx. \$7.8M
- Based upon the Net Operating Income @ year 5 capitalized @ 7% discount rate calculates to a project value of \$29.2M
- A permanent loan exposure of \$7.8M is equal to a 85% loan to value with permanent loan take outs ranging from 80% to 85% ensures that the City's loan will be paid off

RECOMMENDATION

City apply to HUD for Section 108 loans for:

- \$5.3M to acquire Colorado Place Apartments (north side) and to fund an interest reserve, tenant relocation costs and site improvements, as part of the demolition of 64 existing units and construction of 95 new units with 59 affordable units
- \$10.35M to acquire Colorado Place Apartments (south side) and to fund an interest reserve, tenant relocation costs and site improvements for a mixed use project which will provide 44 affordable units in a 220 unit apartment project along with 20,000 sq. ft. of retail space

Next Steps

- ❑ November, 2009, hold Neighborhood Community Meeting
- ❑ November 9, 2009 City Council call for public hearings
- ❑ December 9, 2009 City Council Public Hearings and final approvals for filing of Section 108 guaranteed loan applications and Orleans waiver request to HUD
- ❑ Complete drafts of Section 108 guaranteed loan applications and waiver request to HUD