

**CITY OF DALLAS HOUSING FINANCE CORPORATION  
BOARD OF DIRECTORS MEETING**

**(SPECIAL CALLED)**

**Friday, January 25, 2019 at 12:00 Noon  
City Hall – Briefing Room, 5ES  
1500 Marilla, Dallas, Texas 75201**

**1. Call to Order – Sherman Roberts, President**

With a quorum of the Board of Directors present, President Roberts called the meeting to order for the City of Dallas Housing Finance Corporation (DHFC) at 12:00 p.m. on Friday, January 25, 2019, in 5ES, Briefing Room, 1500 Marilla Street, Dallas, Texas 75201.

**2. Call Roll – Avis F. Chaisson, Assistant General Manager**

**Present:**

Sherman Roberts, President	Ryan Garcia, Director	Brad Nitschke, Director
Clint V. Nolen, Vice President	Joe Carreon, Director	Trent Hughes, Director
Marcy Helfand, Secretary	Eric Anderson, Director	Juan J. Garcia, Director
James Armstrong III, Treasurer		

**Absent:**

Jim Harp, Director

**3. Approval of the Minutes for the November 13, 2018 Meeting – Sherman Roberts, President**

Motion was made by Director Hughes to approve the minutes for November 13, 2018, subject to corrections. The motion was seconded by Director Nolen. Item was approved 9-0-1 (Helfand abstaining; not present at November 13, 2018 Meeting).

**4. Resolutions for Estates at Shiloh a Multifamily Residential Development to be Located at 2649 Centerville Road – Avis F. Chaisson, Assistant General Manager**

The Board requested an explanation of why the Board packet was sent out late. Avis Chaisson, Assistant General Manager, proceeded to explain why the materials were provided to the DHFC late and apologized to the Board. She continued to provide an overview of the NOFA projects and how 3 out of 19 proposals passed the requirements to receive funding. She then proceeded to the presentation for consideration and possible adoption of resolution declaring intent to issue bonds for the Estates at Shiloh.

Ms. Chaisson explained the development of Estates at Shiloh which included:

1. Background information on the developer, Generation Housing Partners, LLC (GHP)
2. Examples of the Developer's Recent Developments;
3. An Overview of the Project including project location, 264 units, senior households served, amenities, Total Development Costs: \$38,435,465
4. Proposed Partnership: DHFC serve as sole member of the general partner, cash flow split 50/50 after operating expenses, deferred developer fee, required reserves, debt service, and any share of cash flow to equity investors.
5. DHFC serving as issuer of estimated amount of \$20,000,000 and a non- refundable process fee of \$25,000.
6. Staff recommendation was to approve resolutions to issue bonds, approve a master agreement with developer, approve actions of the Corporation as sole member of TX Casa View 2018 GP, LLC, authorize the acquisition of the land and enter into a long-term ground lease to the partnership, and authorize the General Manager or designee to finalize negotiations to close the transaction.

President Roberts asked to hold questions and comments to 2-3 minutes.

Vice President Nolen asked who on behalf the DHFC handled underwriting and review process. Ms. Chaisson stated, herself, National Development Council (NDC), and DHFC Financial Advisors. Ms. Chaisson said review included guarantees, tax returns, financial audits, etc. for all the partners.

Vice President Nolen asked if the \$20,000,000 in bonds was a part of their capital stack for the development. Ms. Chaisson explained the capital stack was included in the term sheet provided in the Board packet and that the stack included a HUD 221(d)(4) loan that would take out the bonds, 4% tax credits, and deferred developer fee.

Vice President Nolen asked if the developer fee was considered market. Ms. Chaisson said yes, but the DHFC is not serving as the developer in this deal and stated these are all consistent with TDHCA tax credit deals.

Vice President Nolen asked about terms for year 15 buyout. Ms. Chaisson stated we don't have terms now. It would be agreed upon if the Special limited Partner were to leave the deal, but pointed out that all of the developers were long-term owners.

Vice President asked if there was somewhere could see the waterfall of the project itself. Ms. Chaisson responded that provided a summary but could make available to the Board.

Director Nitschke asked process questions: Who reviews to make sure we are consistent with our conflicts of interest rules, no history of federal debarment, etc.? Ms. Chaisson said she would, and Vice President Nolen responded that they would be also underwritten by HUD.

Tim Nelson, Financial Advisor with Hilltop Securities, also stated he wanted to remind the Board that in addition to HUD, TDHCA has several layers of review as well through the Board and tax credit investor. TDHCA will definitely look for debarments on the state and federal level.

Director Nitschke followed by asking for top 3 reasons should do deal. Ms. Chaisson stated that the deal aligned with the City's Comprehensive Housing Policy as it is located in a Stabilization Reinvestment Strategy Area where there is risk of displacement of affordable housing, the development will assist the City with meeting its expenditure and commitment deadlines for federal funds, there are a plethora of reasons why.

Director Nitschke asked if part renovation or rehabilitation and Ms. Chaisson said yes.

Director Anderson asked for building hard costs per foot for all 3 deals. Ms. Chaisson said can make available. He stated it appears that all 3 deals are structured deal. He asked what the general contractor fee would be as there is typically a lot of soft costs in these deals. Director Anderson asked why past Board discussion was not factored with respect to what the Corporation brings to the table and would get in return.

Ms. Chaisson stated that the general contractor fee would be negotiated. Developer responded that its typically a percentage of the sales tax savings. 6-6-2 is standard for the main contractor handling construction for general requirements, contractor overhead, contractor profit. Ms. Chaisson explained the DHFC is not serving as the general contractor on this deal and that the fee would go to the nonprofit and the 6-6-2 split to the master subcontractor.

Director Anderson asked why we have not contemplated some of the value the DHFC bringing to the deal. Ms. Chaisson explained the DHFC is not bring a dollar value to the deal, but the tax exemption is the DHFC's contribution. Director Anderson asked about the return. Ms. Chaisson said the return would come from the cash flow.

Secretary Helfand stated without the proforma we won't know when that interest will happen. Ms. Chaisson for this deal it's in year 10. Director Anderson asked if subordinate to the developer fee; Ms. Chaisson responded yes, debt service and other expenses. The attorney for the developer responded that TDHCA requires that the developer fee is paid prior to year 14.

Director Anderson asked the value of the ad valorem tax exemption. Ms. Chaisson stated she didn't have that information available at the time. The developer responded it's a percentage of the appraised value.

Treasurer Armstrong asked about the NOFA and the deal have the top score but not receiving points for project feasibility. Ms. Chaisson went over what was included under the project feasibility review. Ms. Chaisson stated she didn't have the NOFA scoring matrix available but could provide additional details.

Treasurer Armstrong asked about when payments of cash flow would occur. Ms. Chaisson payments would begin year 10 and paid out through year 15 is approximately \$1.9 million. The developer explained that they tried to minimize their ask from the City and build the most units.

Treasurer Armstrong asked if these items were time sensitive. Ms. Chaisson said yes due to federal timelines.

Director Anderson asked if the Board was at liberty to make changes to the deal structure. Ms. Chaisson stated a lot of hard work went into structuring the deals. He asked if perhaps the developer could defer more fee with the amount of subsidy from the tax exemption. Ms. Chaisson stated they have already deferred as much as can withstand. Director Anderson recommends a co-participation. Ms. Chaisson stated must consider other benefits to the City such as building the capacity of a CHDO, getting affordable housing, etc.

Secretary Helfand stated we have a liability as the general partner and should be getting something annually as the general partner. Ms. Chaisson stated in past deals with the DHFC took on more responsibility as the general partner. In these deals, we are allowing the SLP to have control with respect to major decisions, handle tax matters, the SLP will be doing a majority of the leg work on the DHFC's behalf. Director Anderson stated that does not exonerate liability.

Secretary Helfand also stated we have to compensate staff from the Corporation's own funds, spend time monitoring the project as the general partner, and all we are getting is \$100 from ground lease.

Treasurer Armstrong asked when would the processing fee be paid? Ms. Chaisson they are broken out. Application fee, payment at closing, and annual administrative fee as Issuer. Director Anderson asked for the amount of fees. Mr. Nelson stated ½ point at initial close or \$100,000 and 10 basis points per year ongoing so \$20,000.

George Rodriguez, Bond Counsel, stated that it may be a short-term deal from the bond perspective maybe 2-3 years. Secretary Helfand stated so we may not get that.

Vice President Nolen stated he agreed with staff as the Board is not providing a financial benefit we do have some liability as the general partner but agrees with Director Anderson that they don't perform. Vice President Nolen stated he would prefer to take developer fee and forgo cash flow split. The developer stated that they would need to look at it as there are multiple partners in the deal.

The developer and their attorney went over risk to partners with guarantees. Said, if take away tax exemption difficult to do the deal. Director Anderson stated he is benchmarking what this Board ask for relative to splits other Boards are getting on deals.

President Roberts stated we are getting affordable housing.

One of the developer's consultant stated, Dallas County will not approve the tax exemption without the City or the HFC being a part of the deal. You just can't get it done.

Director Nitschke commented on the value of the tax exemption and how it is being treated as free money. He stated, it is money lost for services for other tax entities that will have to come from

elsewhere, we all support affordable housing and he doesn't think it is unreasonable to say we need to be sure some financial numeration that can go back to the government so can pay salaries, attorneys, etc.

Voting was put on hold.

**After 2400 Bryan Street vote**, Vice President Nolen asked the following questions of the developer's representative:

1. Are the predevelopment fees being funded by the developer? Yes. Can you quantify costs prior to closing? Approximately, \$185,000. Is all the A&E complete? No, once get all resolutions, will spend more dollars. Would you all fund? Yes.  
The developer stated that their deal is different as it does not have as many market rate units and there only a few dollars more than the affordable this why their cash flow is higher for 2400 Bryan.
2. Is there co-vest or cash paid by the developer? Contributed predevelopment fees.
3. Does the developer have a construction management fee or asset management fee or any other fees? No.
4. Can you quantify the personal guarantees? Same guarantees as 2400 Bryan Street would made by the developer for Estates at Shiloh.

Director Anderson asked if would consider splitting developer fee. Developer responded already split in half from.

President Roberts asked for the Board's pleasure.

Motion was made by Director Garcia to approve the resolutions related to the Estates at Shiloh a Multifamily Residential Development. The motion was seconded by Director Armstrong. Item was approved 6-2-0. Directors Harp, Hughes and Nitschke were absent from the vote. Directors Anderson and Nolen voted "No".

**5. Resolutions for Palladium Redbird a Mixed Income Multifamily Residential Development on Approximately 8 acres of Land Located East of South Westmoreland Road and Red Bird Mall Ring Road – Avis F. Chaisson, Assistant General Manager**  
Ms. Chaisson explained the development of Palladium Redbird which included:

1. Background Information on the Developer; Palladium USA International, Inc.
2. Examples of Recent Developments;
3. An Overview of the Project which include 300 units, amenities, serve households earning 30%-60% of AMI and 30% market rate; Total Development Costs: \$60,806,749
4. Proposed Partnership, DHFC serve as co-developer (70/30 split), cash flow split 50/50, after operating expenses, deferred developer fee, required reserves, debt service, and any share of cash flow to equity investors, between SLP and GP which DHFC would be sole member; DHFC to serve as general contractor and receive a negotiated fee
5. DHFC serving as issuer of estimated amount of \$20,000,000

6. Staff recommendation was to approve resolutions to issue bonds, approve a master agreement with developer, approve actions of the Corporation as sole member of Palladium Redbird GP, LLC, authorize the acquisition of the land and enter into a long-term ground lease to the partnership, and authorize the General Manager or designee to finalize negotiations to close the transaction.

Vice President Nolen stated good job. Ms. Chaisson stated you must look at each deal differently.

Vice President Nolen wanted to make a comment; the Board is struggling because had limited time to review and expected to vote but last deal may be perfectly balanced and make perfect sense but just didn't have time. We want developers to come to the City of Dallas and we want to do deals but not to see the entire capital stack, where the money coming from, who is making guarantees, and what's going where; it's just really hard to come in blind and take their word for it and we got vote on this.

Director Anderson commented on the general contractor fee being negotiated and not being awarded the same 6% percentage as the master subcontractor.

Director Nitschke asked if the DHFC has served as the general contractor on another deal and Ms. Chaisson stated, yes for Bruton Apartments with NRP Group. He stated, should we even be the general contractor who has to make the guarantees, get line of credit, etc. Ms. Chaisson all responsibility would be passed on to the master subcontractor.

Director Nitschke also stated the Board should have a conversation about how it works especially the contract documents with the master subcontractor and ensuring everything is passed through to the master subcontractor since DHFC will not be onsite. Again, with the tax savings taking money away from government coffers it could be an appropriate trade off.

Director Anderson stated, his concerns with the approving these deals with the tax savings and knowing other deals are going to need subsidy too. He stated he likes the presentation just concerned with the process.

President Roberts wanted to proceed to the next item, but the developer requested we go over the deal splits.

Motion was made by Director Nitschke to approve the resolutions related to the Palladium Redbird a Mixed Income Multifamily Residential Development. The motion was seconded by Director Hughes. Item was approved 9-0-0. Directors Harp and Armstrong were absent from the vote.

Director Nitscheke left the meeting after the vote.

**6. Resolutions for 2400 Bryan Street a Multifamily Residential Development to be Located at 2400 Bryan Street – Avis F. Chaisson, Assistant General Manager**

Ms. Chaisson explained the development of 2400 Bryan Street which included:

1. Background information on the developer, Matthews Southwest/RMGM Developers, LLC (RMGM)
2. Examples of the Developer's Recent Developments;
3. An Overview of the Project including project location, 217 units, serve families earning 30%-60% AMI, 49% of the units at market rate, amenities, Total Development Costs: \$76,822,736
4. Proposed Partnership: DHFC serve as general partner, cash flow split 50/50 after operating expenses, deferred developer fee, required reserves, debt service, and any share of cash flow to equity investors. DHFC to serve as general contractor and receive a negotiated fee
5. Staff recommendation was to approve resolutions to issue bonds, approve a master agreement with developer, approve actions of the Corporation as sole member of TX Casa View 2018, authorize the acquisition of the land and enter into a long-term ground lease to the partnership, and authorize the General Manager or designee to finalize negotiations to close the transaction.

During the presentation, Secretary Helfand asked for landmarks. The developer's consultant stated next door to Old Dallas High School.

After Ms. Chaisson completed the presentation, the developer's consultant also stated received and allocation of 2018 9% housing tax credits and that must have units placed in service by December 2021. The affordable development is the first of its kind in downtown Dallas. The development has already been underwritten by TDHCA. Developer fee is \$8 million but deferring \$5 million. She also stated that the proprietries taxes have been calculated at about \$500,000 per year and although the DHFC's cash flow year starts in year 8 it is \$500,000 per year so although pushed back DHFC will get significant cash flow.

Vice President Nolen had four questions for the developer's representative:

1. Are the predevelopment fees funded by the developer? Yes.
2. Is there co-vest or cash paid by the developer? Deferred developer fee. Aside from the contributed developer fee? They have put out a lot of cash. Any predevelopment cash come back from capital stack? Yes, if cash flow available and capital stack can support it.
3. Does the developer have a construction management fee or asset management fee or any other fees? No.
4. Can you quantify the personal guarantees? Jack Matthews is personally guaranteeing \$75 million. Everything, tax credits, environmental, construction completion, etc.

Vice President Nolen wanted to ask the same questions of the developer's for Estates at Shiloh. Prior to commencing questions, a motion was made for 2400 Bryan Street.

Motion was made by Director Hughes to approve the resolutions related to the 2400 Bryan Street a Multifamily Residential Development. The motion was seconded by Director Ryan Garcia. Director Hughes left the meeting after the vote.

Director Nitschke had left after the Palladium vote. 2400 Bryan Street was the second deal approved today. Palladium was first and Estates at Shiloh was the third to be approved.

Discussion: Secretary Helfand stated for this deal it's just cash flow but is states it won't be paid if refinance or sale. Is this right? Developer's representative stated that if refinance or sale the DHFC has right of first refusal and this deal will have an extended use agreement. If sale, then agreement is debt plus a dollar do not intend to make a profit.

Vote was taken on the existing motion. Item was approved 8-0-1 (Anderson abstaining). Directors Harp and Nitschke were absent.

**7. Written Reports – Sherman Roberts, President**

- a. Update on Flora Street Lofts Development (This item was delayed)

**8. Public Comment**

The floor was available for public comments. There were no comments received.

**9. Future Agenda Items – Sherman Roberts, President**


- a. Consideration and Adoption of the Corporation's 2019 Annual Budget – **February 2019**
- b. Meeting of DHFC ProvidenceatMockingbird, LLC to consider adoption of the 2019 Property Management Operational Budget for the Providence at Mockingbird Apartments Located at 1852 West Mockingbird Lane – **February 2019**
- c. Presentation by the City Attorney's Office on Robert's Rules of Order and Open Meetings Act – **February 2019**
- d. Quarterly Operational Budget Reports from Property Managers of Properties the Corporation has an Ownership Interest – **March 2019**
- e. Update on the Single-Family Mortgage Revenue Bonds (GNMA and Fannie Mae Mortgage-Backed Securities Program) Series 2018 – **March 2019**
- f. Opportunities for the Corporation to Acquire Housing Tax Credit Properties Ending Their Initial 15-Year Compliance Period – **March 2019**

**10. Adjourn – Sherman Roberts, President**

With no further discussion President Roberts adjourned the meeting of the City of Dallas Housing Finance Corporation at 1:10 p.m. on Friday, January 25, 2019.

These minutes were approved by the City of Dallas Housing Finance Corporation Board of Directors on the 11th day of June 2019

**MINUTES APPROVED AND CERTIFIED TO BE TRUE AND CORRECT** and to reflect accurately the official action of the duly constituted officers and members of the Corporation's Board of Directors, all on June 11, 2019.

  
\_\_\_\_\_  
Marcy C. Helfand, Secretary



A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

- 1) Contemplated or pending litigation or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meeting Act.
- 2) The purchase, exchange, lease or value of real property, if the deliberation in any open meeting would have a detrimental effect on the position of the city in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
- 3) A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.
- 4) Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
- 5) The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.
- 6) Deliberations regarding Economic Development negotiations. Section 551.087 of the Texas Open Meetings Act.
- 7) Deliberations of security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. Section 551.089 of the Texas Open Meetings Act.

**HANDGUN PROHIBITION NOTICE FOR MEETING OF GOVERNMENTAL ENTITIES**

**“Pursuant to Section 30.06, Penal Code (trespass by license holder with a concealed handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a concealed handgun.”**

*“De acuerdo con la sección 30.06 del código penal (ingreso sin autorización de un titular de una licencia con una pistola oculta), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola oculta.”*

**“Pursuant to Section 30.07, Penal Code (trespass by license holder with an openly carried handgun), a person licensed under Subchapter H, Chapter 411, Government Code (handgun licensing law), may not enter this property with a handgun that is carried openly.”**

*“De acuerdo con la sección 30.07 del código penal (ingreso sin autorización de un titular de una licencia con una pistola a la vista), una persona con licencia según el subcapítulo h, capítulo 411, código del gobierno (ley sobre licencias para portar pistolas), no puede ingresar a esta propiedad con una pistola a la vista.”*