

Memorandum



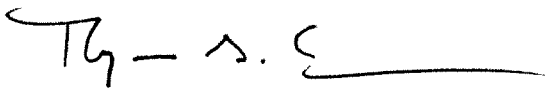
DATE October 18, 2013

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

SUBJECT **Bruton Apartments**

On Monday, October 21, 2013, you will be briefed on Bruton Apartments. A copy of the briefing material attached.

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



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

BRUTON APARTMENTS

A BRIEFING TO THE
HOUSING COMMITTEE
DALLAS HOUSING FINANCE CORPORATION
ECONOMIC DEVELOPMENT DEPARTMENT
October 21, 2013

Key Focus Area



Economic Vibrancy

Purpose

- ▶ To seek Committee approval for Council consideration of the pre-application waiver for NRP, LLC to apply to Dallas Housing Finance Corporation (DHFC) for:
 - ▶ (1) Burton Apartments located at 9514 Bruton Road, Council District 7, a proposal for the new construction of 282 multifamily units and the issuance of tax-exempt bonds not to exceed \$22 Million
 - ▶ (2) A resolution in support of the Texas Department of Housing and Community Affairs award of 4% Low Income Housing Tax Credits
 - ▶ (3) Call for a Public Hearing on December 11, 2013
 - ▶ (4) No census tract concentration issues
- ▶ To approve authorization for a DHFC entity to become the General Partner, own the land and allow Bruton Apartment Property to be exempt from ad valorem taxes in exchange for fee income and cash flow significantly above the current ad-valorem tax assessment of \$122,020 (Land only), with current annual taxes of \$3,335.

Background

- ▶ The NRP Group, LLC (NRP) approached DHFC to consider ownership options in partnership with NRP

- ▶ 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 \$3,335 for the land
 - Allows Fees to be used to support GAP financing for mixed income housing

- ▶ DHFC approved the Bond Inducement for Bruton 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, NRP Group, Inc.

- ▶ Nationally recognized leader in the Multifamily Development arena as Developer, Builder and Property Manager with projects located in the following Texas locations:
 - Crestshire Village, 2314 N. St. Augustine, Dallas, Texas
 - Reserve II at Las Brisas, Irving, Texas
 - (5) Multifamily Projects in San Antonio, including Cervallos Lofts which won a National Homebuilder's award for excellence and a Five Star Home Energy Rating Certificate for 301 East Cervallos from Build San Antonio Green
 - Other projects in Corpus Christi, Houston, Waco and Fort Worth

Project

- ▶ Bruton Apartments located at 9415 Bruton Road – Council District 7
 - 282 Units
 - 95% (268 units) for tenants whose incomes are no more than 60% of Area Median Family Income (AMFI) - 5% (14 units) for tenants whose incomes are no more than 50% of AMFI
 - 6 one-bedroom units, 139 two-bedroom units and 137 three-bedroom units.



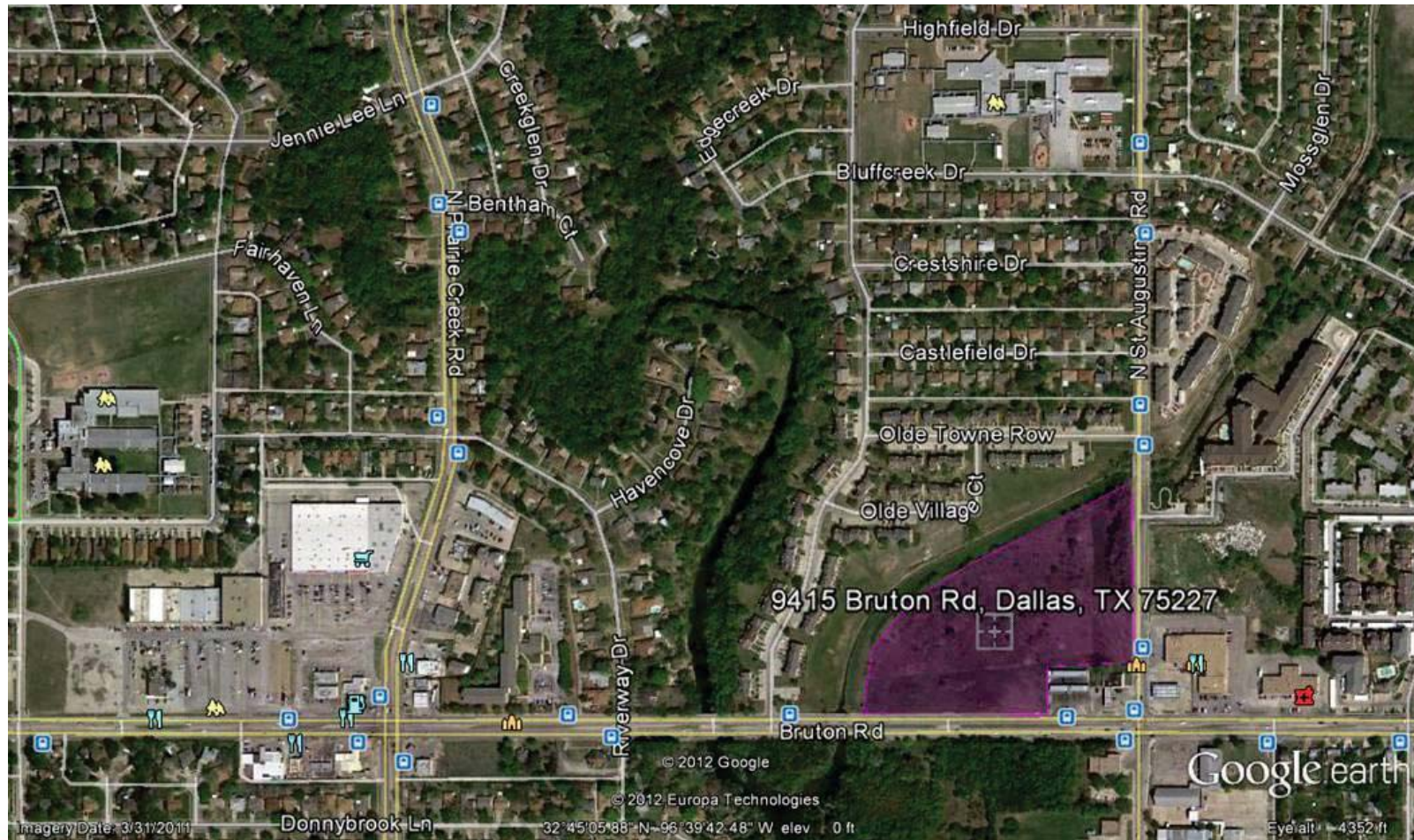
Plans for Retail Development on the Site

- ▶ 9,000 Square Feet of Commercial Space will be carved out for commercial/retail and/or educational facility separately financed

- ▶ Options for the retail space are:
 - Dental Office
 - Computer Based Company
 - Dry Cleaner
 - Educational Facility



Aerial Photo of Bruton Site



SITE PLAN



UNIT MIX:

- 6 - 1 BEDROOMS
- 139 - 2 BEDROOMS
- 137 - 3 BEDROOMS

282 UNITS TOTAL

9,000 COMMERCIAL SQ. FT.

**2,900 AMENITY/
LEASING SQ. FT.**

PARKING:

- 160 COMPACT
- 374 REG.

534 TOTAL PARKING

**1 STORY LEASING /
AMENITY CENTER**

**POOL /
COURTYARD**

**2 STORY LEASING
AMENITY CENTER**

**1 STORY
COMMERCIAL**

PLAYGROUNDS

BRUTON ROAD MULTI-FAMILY APARTMENTS | SITE PLAN

DALLAS, TX
SEPTEMBER 6, 2019

PAGE 1 OF 1

SCALE | 1" = 100'-0"
0 25 50 100 200

the
NRP
group llc
Alamo
ARCHITECTS

Social Services

- ▶ After school care program enhances quality of life for children residing at Bruton Apartments, that would not otherwise be provided
 - Owners required to provide \$200 per unit per year (minimum of \$40,000 per year), whichever is greater, estimated to be \$56,400 for 282 units, in accordance with the Social Service Policy approved by the Dallas City Council on October 13, 2004; or
 - The 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 that would otherwise not be available to the tenants.
 - Owner can chose from a list of 20 types of services provided at no cost to tenants.

Occupancy Rates at DISD Public Schools in the Area

- ▶ DISD Schools assigned to the address of 9415 Bruton Road and their occupancy percentages:
 - Edward Titcher Elementary School located at 9560 Highfield Drive is currently 90% occupied
 - Fred R. Florence Middle School located at 1625 N. Masters Drive is currently 85% occupied
 - W. W. Samuell High School located at 8928 Palisade Drive is currently 93% occupied



Proposed Ownership, Developer and Management Company

- ▶ Owner, a to be formed Limited Partnership
 - ▶ Limited Partner equity provider with 99.98% ownership to be NRP Holdings
 - ▶ General Partner with .01% ownership, a governmental entity created by the DHFC with the DHFC as the Sole member

- ▶ Co-Developer and Special Ltd. Partner with .01% ownership (“SLP”/Guarantor) will be NRP Holdings (proposes to receive 80% of the developer fee)
 - ▶ Management Company, NRP Management, LLC
 - ▶ Master Contractor, NRP Contractors, LLC

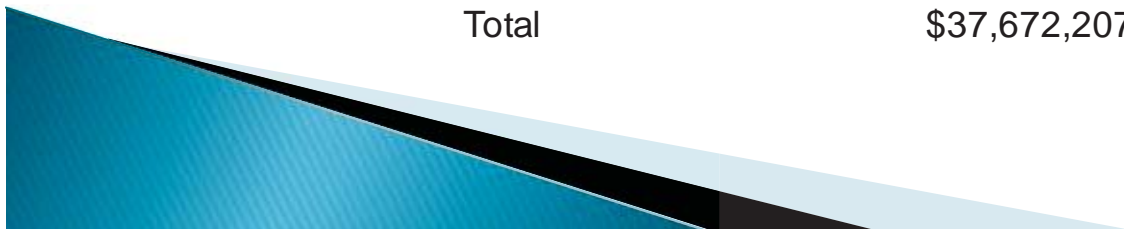
SOURCES AND USES

Sources

Permanent Loan	\$20,075,000
Tax Credit Equity	14,103,652
Soft Funding	1,000,000
Deferred Developer Fee	2,493,555
Total	\$37,672,207

Uses

Acquisition	875,000
Construction Costs	\$25,164,763
Architectural/Engineering	530,000
Permits/Title/Survey/Construction Expenses	999,500
Financing Fees	3,772,950
Professional Fees	425,000
Tax Credit Fees	107,748
Developer Fee (amortized over 10yr compliance)	4,241,000
Reserves & Other	1,556,246
Total	\$37,672,207



Stabilized Proforma

Revenue	\$2,770,320
Vacancy Loss	(210,312)
Other Income	33,840
Total Revenue	\$2,593,848
Operating Expenses	(998,772)
Replacement Reserves	(70,500)
Net Operating Income	\$1,524,576
Debt Service	(\$1,325,465)
Net Cash Flow	\$199,111

- ▶ Net Rents Debt Coverage Ratio 1.15
 - \$524 – \$651 – for one bedrooms 4 Months Oper. Exp. and Debt Serv. \$798,246
 - \$621 – \$773 for two bedrooms Ad Valorem Tax Exemption for City's portion valued at \$50,000 per year
 - \$714 – \$890 for three bedrooms Deferred Developer Fee paid over 15 year compliance period including DHFC 's portion



Proposed Developer Fee and Cash Flow Split to be Negotiated

NRP Proposal for Bruton Apartments

- ▶ DHFC Developer Fee Share (20 %) – approximately \$848,200 (payment at closing and remainder paid over 15 years)
- ▶ DHFC Cash Flow Split (50%) - \$1.5 Million @ \$100,000 per year over 15 years
- ▶ DHFC Application Fee: \$2,000
- ▶ Processing Fee: \$10,000
- ▶ Closing Fee: 50 Basis Points on outstanding principal balance (OPB) - \$100,000 on \$20 Million Bond Amount
- ▶ Annual Issuer Fee 10 Basis points on Outstanding Principal Balance - \$20,000 per year

Benefits to City

- ▶ 282 high quality new affordable units provided by nationally recognized developer, builder and property manager
- ▶ After School Care Program that would not otherwise be provided
- ▶ Annual Fee Income of approximately \$100,000 per year
 - To be dedicated to mixed income housing developments.



Next Steps

- November 12, 2013 – Council considers approval of pre-application waiver, resolution to support TDHCA's award of 4% Low Income Housing Tax Credits to NRP for the Bruton Apartments and calls for 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 NRP submits full multifamily application to DHFC for issuance of the bonds, submits the application to the Texas Bond Review Board and submits its 4% LIHTC application to TDHCA
- ▶ November 13, 2013 - (1) Ad for Tax, Equity and Fiscal Responsibility (TEFRA) Hearing in Dallas Morning News
- ▶ November 25, 2013 City of Dallas Public Hearing Ad is placed in Dallas Morning News for hearing to take place on December 11, 2013
- ▶ November 27, 2013 - TEFRA Hearing
- ▶ January/February, 2014 – TDHCA considers approval of the 4% tax credit application, DHFC meets to finalize all approvals necessary to carry out the transaction and closing

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 State of Texas H.B. 3361, effective September 1, 2013 that can certify the following facts to be considered by the Dallas City Council on December 11, 2013 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.