

Memorandum



DATE April 12, 2017

TO Members of the Housing Committee:
Scott Griggs (Chair), Carolyn King Arnold (Vice Chair), Monica R. Alonzo,
Mark Clayton, Casey Thomas II, Tiffinni A. Young

SUBJECT **Dallas Housing Finance Corporation (DHFC): Status Update**

On Monday, April 17, 2017, the Housing Committee will be briefed on Dallas Housing Finance Corporation projects as a follow-up to the overview briefing that was presented to the Housing Committee on April 3, 2017. The briefing material is attached.

Should you have any questions, please contact me at (214) 670-3390.



Theresa O'Donnell
Interim Chief of Economic Development and Neighborhood Services

C: The Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
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Mark McDaniel, Assistant City Manager
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Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Alan E. Sims, Interim Chief of Community Services
Directors and Assistant Directors

Dallas Housing Finance Corporation (DHFC): Status Update

Housing Committee
April 17, 2017

Karl Zavitkovsky
Director
Office of Economic Development
City of Dallas



Overview

- Respond to committee member questions regarding status of DHFC Bond Issuances, Multifamily Ownership Program and Tenant Service Compliance Monitoring
- Discuss lessons learned
- Recommend policy changes that could enhance DHFC effectiveness



Multifamily Tax Exempt Bond Financing

- DHFC serves as issuer of Tax Exempt Bonds
- Used in conjunction with 4% Tax Credits from Texas Department of Housing and Community Affairs (TDHCA)
- DHFC receives application fee (\$2K), processing fee (\$10K), 50 Basis Points closing fee and annual issuer fee (10 basis points on outstanding principal)
- Since 2002, DHFC issued bonds on 14 projects for families totaling \$183.3M (see Appendix A)



Multifamily Ownership

- Council approved DHFC to own residential developments (directly or through a subsidiary)
 - Limited partnership structure where DHFC subsidiary is general partner with .01% ownership interest
 - Equity provider and developer partner are limited partners with 99.99% ownership interest
 - Creates Ad Valorem Tax Exempt status to improve project feasibility
 - Since 2012, DHFC took ownership of 5 projects with 919 units



Multifamily Ownership Criteria

- Must facilitate development/redevelopment that materially improves a neighborhood condition and/or supports underserved groups
- Allows DHFC to receive income (closing fee, cash flow split, Bond application, processing, closing and annual issuance fees) significantly in excess of current City Tax assessment
- Fee income supports GAP financing for mixed income Housing
- All transactions must be approved by Council

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5 Properties In Which DHFC Has An Ownership Interest

Providence Mockingbird
Apartment Homes
251 Units



Jubilee at
Gurley Place
24 Units



Park At Cliff Creek
280 Units



Sterlingshire Village
264 Units



Martha's Vineyard
100 Units

Providence at Mockingbird



"Economic Vibrancy"

Providence at Mockingbird Cont'd

- Financial restructure salvages 251 unit family and seniors project located at 1853 W. Mockingbird (District 2)
- Completed in 2007, at cost of \$21M, but burdened by size/rate of tax exempt bond debt and Ad Valorem tax costs, despite 90% occupancy
- Refinance in 2012 involves HFC (.01% GP ownership) and new limited partner, Alden Torch (99.99% ownership)

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Providence at Mockingbird Cont'd

- Converts property from net loss/probable default by previous owner to net income producing project for new ownership
- 100% affordable at 60% of AMFI (Family: 30 2BR, 66 3BR; Seniors: 148 1BR, 7 2 BR)
- 94% occupied
- HFC Cash Flow Participation capped at \$200K/yr. after Bond Debt Service (pay \$10K/yr. asset management fee to Central Dallas CDC)

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Providence at Mockingbird Cont'd

Issues:

- Initial capital needs assessment indicated no critical repairs, but HFC Board sets aside \$40K/yr. in additional capital reserve
- Subsequent deferred maintenance/capital costs surfaced (roof, elevators, front gate, parking lot fencing and HVAC in atrium/common areas) and are being addressed
- Will implement PACE energy and conservation program in 2017 to mitigate energy cost issues

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Jubilee at Gurley Place



THE HOME

"I can sit on my porch all day and talk to my neighbors as they walk by."
-Jubilee Resident



THE COMMUNITY

"Since Gurley Place was built, there has been an increase in senior participation within the community."
-Jubilee Park & Community Center Staff

Jubilee at Gurley Place

- 24 unit affordable (100% at 50% AMFI) seniors apartments located at Gurley Place/Jubilee (District 7)
- \$2M new construction project fully financed by City's Housing Department. Construction completed and property conveyed to HFC subsidiary in July, 2012
- Development partner is Jubilee Park Community Development Corp

Jubilee at Gurley Place Cont'd

- East Dallas Community Development Corporation (EDCO) is Property Manager
- Compliments other initiatives in Jubilee Community including a Community Center, Head Start Learning Center, Police Sub Station, and single family home constructions
- 100% of 24 1BR are occupied
- No HFC Fees/Cash Flow Participation; All cash flow used for maintenance, capital reserves and property management

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Jubilee at Gurley Place Cont'd

- Issues: Early problems with tenant screening resulted in a need to repair and replace floors and appliances
 - Strong collaboration from development partner and property manager have stabilized property

Sterlingshire Village



Sterlingshire Village

- A \$37.7M new multifamily rental project located at 9415 Bruton Road (District 7)
- 264 units (251 at 60% of AMFI and 13 at 50% AMFI) completed in 2016 6 1BR, 130 2BR, 128 3BR units are 100% occupied
- HFC is general partner and land owner; developer is NRP; Bank of America is tax credit investor

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Sterlingshire Village Cont'd

- HFC's primary motivation was to establish an ongoing relationship with NRP Group, a nationally recognized developer and property manager with projects in multiple Texas locations
- HFC Fees/cash flow participation: 20% of annual developer fee over 15 years (estimated at \$848K); 50% of cash flow split; bond application, processing closing and annual issuer fees

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Sterlingshire Village Cont'd

- Issues: Crime hot spot at Adams Mart adjacent to property; 9,000 sq. ft. commercial space remains vacant
Developer needs to take additional security measures and be more pro-active in leasing commercial space. Have worked with DPD re: Adams Mart criminal activity

The Park at Cliff Creek



The Park at Cliff Creek

- A \$22.5M major rehab (\$19K/unit) of 280 multifamily rental units located at 7300 Marvin D. Love Freeway (District 8)
- Unit mix is 72 1BR, 120 2BR, and 88 3BR that are 100% affordable at 60% of AMFI
- Rehab completed 2016, and occupancy is 96%



The Park at Cliff Creek Cont'd

- HFC is general partner and land owner; developer is Cesar Chavez Foundation and National Equity Fund (NEF) is tax credit investor
- Property management company operates over 1,200 units in Texas with strong after-school tenant service programs



The Park at Cliff Creek Cont'd

- HFC Fees/participation in cash flow: \$250K at closing, plus 30% of cash flow split for 15 years; bond application processing, closing and annual issuer fees
- Issues: Fire caused construction delays. Property still has open ADA Fair Housing items. Developers addressing at a cost of \$750K

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Martha's Vineyard Place



"Economic Vibrancy"

Martha's Vineyard Place Cont'd

- A \$13.7M new mixed income multifamily rental project that replaces a 40 unit deteriorating property, preserves the Deaf Action Service Center (DAC) and provides housing for hearing impaired community located at 8110 Cedar Plaza (District 2)
- 100 units (21 at 50% AMFI, 64 at 60% AMFI, 5 at 140% of AMFI and 10 at market rate)
- 18% set-aside for disabled persons

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Martha's Vineyard Place Cont'd

- Unit mix is 16 efficiencies, 47 1BR, 22 2BR, and 4 3BR
- Temporary certificate of occupancy obtained and property is 90% occupied
- HFC is general partner and landowner; developer is Carlton Residential, Richman Group is tax credit partner and Deaf Action Center is a limited partner.
- Hillcrest Foundation is also a major financial donor

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Martha's Vineyard Place Cont'd

- HFC received \$100K fee at closing and get's a 20% cash flow split plus bond application, processing, origination and annual issuer fees
- Issues: Significant communication problems between property management company and Deaf Action Center/hearing impaired residents, resulting in resignation of property manager



Martha's Vineyard Place Cont'd

- Pro-active intervention by partners helps address misunderstanding and new management company will more closely coordinate with DAC



Lessons Learned

- Select development partners carefully
- Develop a transparent and timely property reporting process for DHFC Board Members
- Insist on a rigorous and reliable third-party inspection process before accepting properties where DHFC is G.P.



Lessons Learned Cont'd

- Meet regularly with property management company and encourage good tenant communication, particularly where a significant mix of disabled tenants
- Ensure that DHFC is properly compensated (cash flow participation is more of upside revenue opportunity)



Tenant Service Compliance Monitoring

- TDHCA and the Council approved Social Service Policy requires HTC project owners to provide supportive services at no cost to the tenants
 - Can choose from 20 types of services
 - Must provide a minimum of \$40K or \$200 per unit/year, whichever is greater (can be in-kind)
- DHFC monitors and enforces compliance at 36 projects financed with tax credits (4% and 9%) since 2002 (including 11 where DHFC was bond issuer)

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Tenant Service Compliance Monitoring (Cont'd)

Tenant services include:

- After-school tutoring and homework help
- Teen awareness programs related to drugs and alcohol as well as social and business etiquette
- Computer education
- Swimming classes
- Senior activities



Issues/Operational Concerns

- DHFC activity on hold since February, 2015 pending adoption/implementation of new Housing Policy – requires close coordination with Housing initiatives
- Multifamily ownership program requires increased oversight and monitoring
- More pro-active future role will require increased professional staffing

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Recommendations

- Limit use of DHFC property ownership and bond issuance tools to support holistic neighborhood focused community development initiatives
- Deploy DHFC tools in conjunction with other public and private resources (380 Grants, G.O. Bonds, PACE, Tax Credits, EB-5, Grow South Fund)
- Engage all stakeholders in workgroup to drive more effective implementation of recent Housing policy changes

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Appendix A

CITY OF DALLAS HOUSING FINANCE CORPORATION								
	Year	DHFC Bond Issuance	HTC 4%	DHFC Ownership	Social Services	Council District	Address	In Compliance With Bond Covenants
Potter's House	2003	\$11,562,544	Yes		YES	3	2515 Perryton	Yes
Providence on the Park	2003	\$14,288,405	Yes		YES	8	8501 Old hickory	Yes
Cedar Crest	2002	\$12,760,120	Yes		YES	4	3303 Southern Oaks	Yes
Primrose Park Villas	2005	\$11,241,401	Yes		YES	7	2519 John West	Yes
Scyene(Sierra Vista)	2005	\$15,873,525	Yes		YES	7	9901 Scyene Road	Yes
Meadow Lane	2003	\$10,917,388	Yes		YES	7	4722 Meadow Lane	Yes
Mission Trails	2005	\$16,346,745	Yes		YES	8	330 E. Camp Wisdon	Yes
Masters	2004	\$7,008,000	Yes		YES	5	1180 N. Masters	Yes
Martha's Vineyard	2015	\$10,000,000	Yes	YES	YES	2	3110 Cedar Plaza	Yes
Bruton Apartments	2014	\$18,145,000	Yes	YES	YES	7	9415 Bruton Road	Yes
Park at Cliff Creek	2015	\$13,000,000	Yes	YES	YES	8	7300 Marvin S. Love	Yes
Fountains of Rosemeade*	2014	\$15,250,000	Yes	YES	YES	12	3440 E. Rosemeade	Yes
Artisan Ridge*	2003	\$14,145,000	Yes		YES	3	5480 Preakness Ranch	Yes
Mountain Creek*	2005	\$12,800,000	Yes		YES	4	1350 Skyline	Yes

Appendix A Cont'd

CITY OF DALLAS HOUSING FINANCE CORPORATION						
	Year	TDHCA HTC 9%	DHFCOwnership	Social Services	Council District	Address
Churchill at Pinnacle		YES		YES	6	1411 N. Cockrell Hill
Shiloh Village		YES			7	8702 Shiloh Road
Champion Homes		YES			8	3131 Simpson Stuart
Sphinx at Delafield		YES			7	4101 Delafield
Providence Village Fair		YES			4	5151 Village Fair
Providence Highland Meadow		YES			9	2000 Highland
St. Augustine Seniors		YES			7	2222 N. St. Augustine
Providence at Mockingbird		TDHCA Bond Issuance	YES		2	1852 W. Mockingbird
Luxor Town Homes		YES			3	3110 S. Cockrell Hill
Reese Town Homes		YES			4	1201 S. Ewing
Creekside Villas (HUD)		YES			8	378 N. Jim Miller
Trinity Trails		YES			8	7203 Great Trinity Forest
Carpenters Point		YES			7	4645 Dolphin
Fiji Seniors		YES			4	201 Fran Way
Magnolia Trace		YES			8	6712 Patrol Way
Taylor's Farm		YES			3	1150 Pinnacle Park
Hillside West Seniors		YES			3	3757 Falls Bluff
Hacienda Del Sol		YES			8	1160 Galicia Lane
Crestshire Village		YES			7	2314 N. St. Augustine
LSG Lofts		YES			14	300 St. Paul
Highpoint Seniors		YES			1	1615 S. Zang
City Walk @ Akard		YES			14	511 N. Akard
* Bonds were paid off.						