



Development Finance Programs March 22, 2012

Agenda Item:

Presentation, Discussion and Possible Approval of a Resolution Regarding the Submission of a calendar year 2012 Application for Allocation of Private Activity Bonds in the amount of \$75 million, Notice of Intention to Issue Bonds and State Bond Application to the Texas Bond Review Board and Declaration of Expectation to Reimburse Expenditures with Proceeds of Future Debt for the Dalcors Affordable Housing I Texas Affordable Housing Pool Project

Summary:

The Corporation received an application on March 5th for new Private Activity Bonds for the acquisition and rehabilitation of 6 affordable apartment communities. The applicant, Dalcors Affordable Housing I, LLC (“Dalcors”) is a for profit developer based in Dallas, Texas. Dalcors and its principals have been involved in real estate development for more than 20 years and is a subsidiary of Dalcors Holdings LLC.

Dalcors’s primary business plan is focused on the acquisition of multifamily properties in Texas and neighboring states utilizing tax exempt bond financing and low income housing tax credits. The application involves the acquisition of 6 properties currently owned by CED Capital and Concord Management Limited based in Florida.

Property Name	City	Units
Pine Club	Beaumont	232
Saddlewood Club	Bryan	232
Woodglen Park I & II	Dallas	232
Willow Green	Houston	336
Ridgewood West	Huntsville	232
Tealwood Club	Wichita Falls	180
Totals		1,444

All six of the properties are currently affordable properties previously financed under the low-income housing tax credit program. All are at the end of their 15 year affordability period and eligible for release from affordability restrictions. The proposed acquisition and rehabilitation will preserve affordability of the properties and qualifies this development under the Corporation’s target housing need for preservation of at-risk developments.

The acquisition and rehabilitation would be financed by new private activity bonds issued through a public offering that will either be rated by Standard & Poor's or enhanced by Fannie Mae or FHA. Additionally, approximately \$25 million in low-income housing tax credit equity will be used to fund acquisition and rehab activities. In total, the development plan includes \$114 million in total development costs with more than \$21 million or \$15,000 per unit in rehabilitation. The average cost per unit will be approximately \$78,000.



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Staff has conducted only a cursory analysis of the feasibility of this project at this time. A full underwriting would be completed if the inducement is approved by the Board and prior to the final approval to issue bonds. The summary budget and proforma submitted by the applicant did meet the Corporation's threshold criteria, but will need to include details for each of the six properties, along with assurances that the Corporation's fees and other necessary operating costs are budgeted for prior to the payment of primary or subordinate bonds.

Public Benefit

If the proposed development were to advance to closing, the Corporation would be able to preserve 1,444 units of affordable housing targeted to low and very-low income families. If the projects are allowed to continue without a new financial plan the units are likely to be refinanced as market rate apartments.

Staff's Recommendation:

It should be noted that the Board is only taking action on an inducement of bonds that gives staff the authority to request a reservation of bond funds from the Texas Bond Review Board for private activity bond volume cap. Since the total amount needed by the development is in excess of our available cap, the Corporation is discussing options to complete the project. At this time we have researched two possible alternatives. The first involves parceling out one or more properties from the pool to another issuer. The second would require Dalcor to wait until the Corporation can request additional volume cap on August 15th, at the time of the statewide collapse for multifamily housing bonds.

If the inducement is approved, the applicant will be required to submit a full underwriting package, hold public hearings, and draft complete bond documents before the Corporation's Board would consider a resolution to issue bonds and before the submission of a full bond application to the Texas Bond Review Board.

After reviewing the inducement application package, staff recommends that the Board approve the inducement resolution regarding the submission of a calendar year 2012 application for allocation of private activity bonds in the amount of \$75 million, notice of intention to issue bonds and state bond application to the Texas Bond Review Board and declaration of expectation to reimburse expenditures with proceeds of future debt for the Dalcor Affordable Housing I Texas Affordable Housing project.