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Tax Credits, HUD Funding Finance Affordable Housing in Dallas

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The completion of Hillside West Seniors Apartments in March 2013 marked the second affordable housing development that GroundFloor Development built in Dallas' emerging Canyon in Oak Cliff community since 2011. The senior housing development, financed using low-income housing tax credits (LIHTCs) and a U.S. Department of Housing and Urban Development (HUD) Federal Housing Administration 221(d)(4) loan, serves residents who are 62 years old and older and earn 60 percent or less of the area median income (AMI) and below.

The five-building, 130-unit development is located 4 miles west of the downtown Dallas central business district. Hillside West Apartments, which features 58 one-bedroom and 72 two-bedroom apartments, reached full occupancy just one month after construction was completed. "Dallas is the ninth largest city in the country and there is a tremendous demand for new, high quality affordable housing," said Brandon Bolin, founder and CEO of GroundFloor Development. "Both Hillside West Apartments and Taylors Farm Apartments, which is GroundFloor Development's additional property in Canyon in Oak Cliff, are 98 percent leased." Bolin added that a consistent 98 percent occupancy rate at Taylors Farm Apartments, a multifamily affordable and mixed-income housing development that opened in 2011, indicated that Canyon in Oak Cliff would be a good location for Hillside West.

"Hillside West Apartments does more than just provide Dallas with additional affordable seniors housing stock," said Bolin. It also features a number of dynamic shared amenities and resident services. The 104,086-square-foot development features a clubhouse with a dining area, activities areas, a swimming pool with sundeck and seating, an outdoor barbeque area, a fitness center and a business center with computers. The development also features an herb garden, dog run and access to the Canyon in Oak Cliff's hike and bike paths. Finally, the development was LEED Silver certified. To be certified, a number of sustainable features were included in the development, such as low-flow showers, toilets and kitchen faucets; Energy Star-rated appliances were installed in each unit; the development also utilized low VOC paint. In addition, Bolin explains that construction waste was recycled whenever possible and native trees and plants appropriate for the site's soil and microclimate were used in the landscaping.

Bolin added that it was important to not only provide housing, but social services to go along with it. At Hillside West Apartments, residents have access to notary services; basic adult education classes; computer skills classes; counseling; health and nutritional courses; and health screenings.

Financing

The \$20.1 million development was financed using only a few financial mechanisms. JPMorgan Capital Corporation

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Photo: Courtesy of GroundFloor Development

Hillside West is just a small portion of a much larger development plan: Canyon in Oak Cliff.

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provided a \$13.7 million LIHTC equity investment, which was syndicated by Boston Capital. The Texas Department of Housing and Community Affairs provided a \$16.24 million tax credit allocation. Diego Benites, vice president of acquisition at Boston Capital, said that strong business relationships played a big role in the success of Hillside West Apartments. In fact, Boston Capital and GroundFloor Development have partnered on two other deals. “We think very highly of them,” Benites said of GroundFloor Development. “They have the ability to find excellent sites and their niche is developing in urban centers.”

The only other funding sources were a deferred developer fee of \$830,000 and a \$5.6 million HUD FHA 221(d) (4) loan provided by Dougherty Mortgage. “It is an upscale product at an extremely affordable rent,” said Jeff Rogers, senior vice president at Dougherty Mortgage. Rogers said that the HUD FHA 221(d)(4) loan was a good fit for this development because “it is a 40-year, fixed-rate construction and perm loan rolled into one.” Rogers attributed the success of this deal to a “quality development team, good market and great product.”

Implementing Modern Design

While keeping the units affordable was the team’s top priority, Bolin said that it was exceedingly important to

build an attractive and desirable development from a design standpoint. “We believe some of the problems with the tax credit program are people not wanting the traditional lesser quality low-income housing in their neighborhood,” said Bolin. “In many communities across Dallas-Fort Worth, there are many bad examples of this situation and the neighborhoods have suffered, however, if you design very attractive housing, with good urban form, substantial landscaping and do not skimp on the cost of sustainability components, then we know from prior experience in the market-rate segment, that people will want to live there and be proud of their home.”

“When I looked at the master plan, I got very excited ... We tried to adhere to the goals of the master plan, which were a little more urban and pedestrian,” said Rick Garza, principal at RPGA Design Group Inc., which is the architect of Hillside West Apartments. “It’s a fairly contemporary design, pretty progressive architecture for senior assisted living.” Garza added that accessibility was key when designing the development. He said that there are almost no steps throughout the entire development—from inside the units to the exterior walkways. Instead, gradual slopes were put in their place, making it easier for senior residents to maneuver through the development, said Garza.

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Larger Development Plan

Hillside West Apartments is just a small portion of a much larger development plan. Canyon in Oak Cliff is a 200-acre, mixed-use development that will feature a range of residential housing developments, retail, entertainment, restaurants, office space and medical facilities. Hillside West Apartments was the second development completed in the master plan, which is scheduled to be 100 percent completed by 2020. ❖



Photo: Courtesy of GroundFloor Development
 The five building, 130-unit development is located 4 miles west of downtown Dallas.

HILLSIDE WEST SENIORS LP FINANCING

- \$16.24 million LIHTC allocation from the Texas Department of Housing and Community Affairs
- \$13.7 million LIHTC equity investment from JPMorgan Capital Corporation, syndicated by Boston Capital
- \$5.6 million HUD FHA(d)(4) loan provided by Dougherty Mortgage
- \$830,000 deferred developer fee

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