



Legislation Text

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AGENDA INFORMATION SHEET

DEPARTMENT: Department of Development Services

CM: Todd Hileman

DATE: May 9, 2017

SUBJECT

Consider approval of a resolution of the City of Denton, Texas evidencing no objection to the proposed new construction of The Hudson at MedPark Station, L.P.; and authorizing such other actions necessary or convenient to carry out this resolution; and providing for an effective date.

BACKGROUND

At the City Council meeting on May 2, 2017, staff presented a request from the Denton Housing Authority (DHA), in partnership with a private developer, Ojala Holdings, for the Council to consider resolutions of no objection for two 4% tax credit housing developments. One of the developments (The Standard at MedPark Station) is proposed to be a 263 unit multi-family development consisting of one, two, and three bedrooms. The other (The Hudson at Medpark Station) is a 160 unit Senior Development consisting of one and two bedrooms. Both of these development projects have gone through the development review and planning and zoning process and have all approvals needed. Ojala plans to partner with the DHA on these developments, which means the developments would be exempt from property taxes.

In December of 2016, Ojala obtained an Encouragement Letter from the Department of Housing and Urban Development (HUD) to proceed with the developments. HUD is going to provide debt financing for the construction. If Ojala does not submit full application materials to them by May 17, 2017, Ojala will have to start the process over at an additional cost (upwards of \$100,000). They are seeking the resolutions of non-opposition so that they can complete and submit their application to HUD.

DISCUSSION

Request for Information

At the May 2 meeting, the City Council asked a number of questions to Ojala and the DHA. As a follow-up from the questions asked on Tuesday night, staff sent an e-mail to Sherri McDade, the Executive Director of the DHA, on Thursday requesting more information by the morning of Friday, May 5, to include in this agenda information sheet with the resolutions of non-opposition. The following was requested:

- Specific plan for how funding from this project would be allocated by the DHA;
- Plan of how the DHA would regularly report to the City Council on how the funding was being utilized in Denton;
- Provide an answer if the development has internet access;
- Provide a description of previous contact with the school district and a letter from the school district

with their position on this project; and

- Financial projections for the development in total and on a per unit basis, including the projected taxes foregone.

DHA responded that they would be unable to provide the detailed additional information in the time required, but provided a letter in response (**Exhibit 1**).

Other Taxing Entities

Staff reached out to Denton ISD Superintendent Jamie Wilson to inquire about the school district's position on tax credit request for this development. Although the next regularly scheduled board meeting is not until May 9, Superintendent Wilson offered the following thoughts on demographics. The Standard at MedPark Station would be located in the Pecan Creek attendance zone. The existing apartments within this zone have been yielding between 0.3 and 0.59 students per unit. Given that this planned development would offer tax credit units the yield will be on the higher side. The Standard with 263 units would likely yield between 125-150 total students once fully occupied. About 50% of these student would be elementary and assigned to Pecan Creek Elementary. Pecan Creek is currently expected to be at capacity within 4 years as is; this development would certainly accelerate it. The Hudson at MedPark Station, located in the same area, would not have an impact on student enrollment due to it being age restricted.

Staff also reached out to Denton County Judge's Office on their position on the tax credit request for these developments, but have not heard back yet.

Tax Assessment Comparable

To develop financial projections for the loss of property taxes over a period of time, the developer assumed the Standard / Hudson at MedPark Station property would be assessed at a similar value to Providence Place, a nearby tax credit property (see **Exhibit 2** for their assumptions and model). The 2016 total improvement value for Providence Place was utilized in their model with a total value of \$8,104,193, or \$27,945 per unit (based upon 290 units).

The preliminary 2017 assessed value of Providence Place has been released per the Denton Central Appraisal District's website (<https://www.dentoncad.com/home/details?search=306721>). Please see below history of the assessed value and note that 2017 is still preliminary. It is likely that the 2017 preliminary assessed value could be appealed by the property owner and modified.

Table 1. Assessed Value History for Providence Place

| Year | Total Improvement Value | % increase in Total Improvement Value | Land Non-Homesite Value | Appraised Value | Assessed Value | % increase in Assessed Value |
|-------|-------------------------|---------------------------------------|-------------------------|-----------------|----------------|------------------------------|
| 2017* | \$14,544,551 | 79% | \$1,090,824 | \$15,635,375 | \$15,635,375 | 70% |
| 2016 | \$8,104,193 | 9% | \$1,090,824 | \$9,195,017 | \$9,195,017 | 8% |
| 2015 | \$7,404,193 | 64% | \$1,090,824 | \$8,495,017 | \$8,495,017 | 52% |
| 2014 | \$4,515,427 | -4% | \$1,090,824 | \$5,606,251 | \$5,606,251 | 0% |
| 2013 | \$4,697,231 | 12% | \$909,020 | \$5,606,251 | \$5,606,251 | 10% |
| 2012 | \$4,200,940 | -6% | \$909,020 | \$5,109,960 | \$5,109,960 | 0% |
| 2011 | \$4,473,646 | -19% | \$636,314 | \$5,109,960 | \$5,109,960 | -17% |

| | | | | | | |
|------|-------------|--|-----------|-------------|-------------|--|
| 2010 | \$5,489,337 | | \$636,314 | \$6,125,651 | \$6,125,651 | |
|------|-------------|--|-----------|-------------|-------------|--|

*denotes preliminary assessed values for 2017

Although the final 2017 assessed value for Providence Place is unknown at this time, the 2017 assessed value will likely be higher than 2016, and therefore, the developer's cost per unit assumption utilized to calculate the loss of property taxes may be low. Simply using the preliminary 2017 Total Improvement Value of \$14,544,551, the per unit value for Providence Place would be \$50,153.62. Using the developer's same model, with 423 units in the proposed MedPark development, the total improvement value would be \$21,214,983 (423 units x \$50,153.62) with an estimated sum of \$8,062,098 in foregone taxes over a 15-year period. Again, because that 2017 value is preliminary, that is the high side; however it demonstrates the effect of the per unit price used in the model as the developer's original estimate of foregone taxes over a 15-year period was \$4,514,413.

Developments

The proposed developments are located northwest of the Mayhill Road and Colorado Boulevard intersection (**Exhibit 3**). It comprises the westernmost area, located at the terminus of Hudsonwood Drive, and is approximately 20.49 acres. The developments will be located on both the north and south side of Hudsonwood Drive and will feature two different complexes of apartments, as reflected on the Proposed Site Plan (**Exhibit 4**). Ojala initially intended to combine the two complexes into one development, but has decided to develop them instead into two separate complexes with their own entrances and amenities.

Ojala Holdings will asset manage the project once complete and oversee a national third party management company who will run the day to day management of the property.

The Standard at MedPark Station

The subject tract is located northwest of the Mayhill Road/Colorado Boulevard intersection. It comprises the westernmost area, located at the terminus of Hudsonwood Drive. The Standard will be located on the north side of Hudsonwood Drive and will feature four three-story multi-family buildings. The project is a 263 unit multi-family complex including:

- 43 one-bedroom units;
- 135 two-bedroom units;
- 85 three-bedroom units.

The development has 1, 2 and 3 bedroom units ranging in size from 647 - 1,070 Square Feet. Rents average \$776, \$923, and \$1,057 for a 1, 2, and 3 bedroom, respectively.

The Hudson at MedPark Station

The subject tract is located northwest of the Mayhill Road/Colorado Boulevard intersection. It comprises the westernmost area, located at the terminus of Hudsonwood Drive. The development will be constructed south of Hudsonwood Drive. The Hudson apartments will be age restricted for independent senior living. The Hudson will feature two, three-story buildings with a mixture of one and two bedroom units. The proposed buildings are both approximately 34 feet tall, and the density of units for this lot will be 24.06 dwelling units per acre. The total number of units will be 160, which is 106 units less than the maximum that would be permitted for the lot acreage. Rents average \$776 for one bedroom units and \$923 for 2 bedroom units.

OPTIONS

- Approval of the resolution as presented
- Deny approval of the resolution

ESTIMATED SCHEDULE OF PROJECT

If awarded tax credits by TDHCA, construction is scheduled to begin during the first quarter of 2018 and should be completed by the third quarter of 2019.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

Presentations of information and discussion regarding the tax credit application process and the Hudson at MedPark Station and the Standard at MedPark Station development has taken place at the City Council work session on May 2, 2017.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Safe, Liveable & Family-Friendly Community
Related Goal: 4.2 Seek clean and healthy neighborhoods in Denton

EXHIBITS

Exhibit 1 - Letter from DHA May 4, 2017

Exhibit 2 - Memo from May 1, 2017

Exhibit 3 - Site Location Map

Exhibit 4 - Site Plan

Exhibit 5 - Resolution of No Objection (for The Hudson at MedPark)

Respectfully submitted:

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