



CITY OF MCKINNEY, TEXAS

Legislation Text

File #: 17-1030, **Version:** 1

Consider/Discuss/Act on a Resolution Authorizing the McKinney Housing Finance Corporation (MHFC) to Enter into Non-binding Negotiations for a Development Agreement with Sphinx Development Corporation to Serve in Co-Developer Role on the "Villas at Throckmorton" to be Located at 820 E. University Drive

COUNCIL GOAL: Direction for Strategic and Economic Growth

MEETING DATE: October 17, 2017

DEPARTMENT: Housing & Community Development Department

CONTACT: Janay Tieken, Housing and Community Development
Cristel Todd, Affordable Housing Administrator

RECOMMENDED CITY COUNCIL ACTION:

- Act on a Resolution authorizing the McKinney Housing Finance Corporation (MHFC) to negotiate a development agreement with Sphinx Development Corporation (SDC) for the Villas at Throckmorton.

ITEM SUMMARY:

- Sphinx Development Corporation has requested that the McKinney Housing Finance Corporation (MHFC) serve in a co-developer role on the Throckmorton Villas project.
- The proposed resolution will only authorize the MHFC to negotiate a co-development agreement with Sphinx Development Corporation.
- James Plummer, Partner with Norton Rose Fulbright US LLP, who represents the MHFC, will negotiate the terms of the agreement.
- The negotiated development agreement will be brought back to the MHFC and ultimately to the City Council for approval.

BACKGROUND INFORMATION:

- On September 18, 2017 the City Council discussed the concept of MHFC entering into co-developer agreements with Low Income Housing Tax Credit (LIHTC) developers.
- The Council expressed support of the co-developer process, but also generally expressed support of a competitive selection process, through RFQs or RFPs, to select partners.
- The MHFC discussed the competitive selection process at their September 29th meeting and will be moving forward with such a process for the next housing tax credit funding cycle.
- At the September 29th meeting, the MHFC also voted to recommend to City Council that the MHFC proceed with negotiating a co-developer agreement with Sphinx Development

Corporation for the Villas at Throckmorton.

PROJECT SUMMARY:

- Sphinx Development Corporation is a Dallas based real estate development company committed to affordable housing, with specialization in LIHTC products under Section 42 of the Internal Revenue Code. Development experience goes back to the mid-1980s, with major and recent accomplishments of more than 1,409 housing units within ten (10) projects. SDC has collaborated/joint-ventured on more than 2,000 units in the State of Texas.
- The proposed mixed-use development is located at 820 E. University Drive and consists of 219 units.
- Of this total, there will be four (4) market rate live/work units that total approximately 4,900 square feet as well as approximately 13,600 square feet of commercial/retail space on the site.

PROCESS SUMMARY:

- The following steps are necessary for approval of the co-development agreement with Sphinx Development Corporation. Some of these steps will occur concurrently.
- Resolution authorizing the negotiation of a co-development agreement.
 - Council support of the MHFC as a co-developer on the Villas at Throckmorton does not imply approval of the final negotiated development agreement or zoning. Both will come back to City Council for approval.
- Term Sheet.
 - Staff and legal counsel (Norton, Rose and Fulbright) will negotiate a Term Sheet with Sphinx Development Corporation. The Term Sheet will be brought back to MHFC for their approval.
- Partnership Agreement.
 - Based on the MHFC approved Term Sheet, staff and legal counsel will negotiate a Partnership Agreement.
 - The Partnership Agreement will be brought before MHFC for approval.
 - If MHFC approves the partnership agreement, it will be forwarded to the City Council for their approval.
- Zoning Request.
 - The applicant will work with the Planning Department to process a request to rezone the subject property.
- Request for Resolution of Support/No Objection.
 - If zoning is approved, a request for a Resolution of Support/No Objection will be brought to the City Council for their approval.
 - The request for Resolution of Support/No Objection will be brought concurrent with the co-developer Partnership Agreement.

FINANCIAL SUMMARY:

- The developer received a 4% bond allocation from the Texas Department of Housing and Community Affairs for the construction of Throckmorton Villas.
- Under the proposed agreement, the partnership will loan the MHFC funds for the purchase of the subject property. The MHFC will own the land and lease it back to the partnership.
- Under the initial proposal MHFC will receive 25% of the developer fee (approx. \$1.19 million) and 30% - 50% of the cash flow (approx. \$700,000 - \$1.1 million). These terms have yet to be

negotiated and agreed upon.

- At the end of the 15 year compliance period, the McKinney Housing Finance Corporation would have the option to purchase the development for the amount of equity in the project.
- The estimated total cost of the project is \$41 million. Tax credits make up approximately \$15.6 million, a HOME grant through TDHCA will make up \$3 million of this amount, with private equity making up the remainder.
- The developer is not asking for any additional contribution or fee waivers from the City at this time.

BOARD OR COMMISSION RECOMMENDATION:

- The McKinney Housing Finance Corporation (MHFC) met on Friday, September 29, 2017, and voted (3-1) in favor of recommending to the City Council, that the MHFC enter into non-binding negotiations for co-development agreement on the Villas at Throckmorton.