

Mayor and Council Communication

DATE: 10/17/23

M&C FILE NUMBER: M&C 23-0866

LOG NAME: 19NS PALLADIUMOG IMPACT FEE WAIVER

SUBJECT

(CD 9) Approve Waiver of Transportation Impact Fees Estimated at \$494,100 for the Palladium Oak Grove Development Located at 840 and 1000 Oak Grove Road, Fort Worth, Texas 76115 and Find that Waiver of Said Fees Serves a Public Purpose and that Adequate Controls are in Place to Ensure the Public Purpose is Carried Out

RECOMMENDATION:

It is recommended that the City Council:

1. Approve the waiver of Transportation Impact Fees that are estimated at \$494,100.00 for the Palladium Oak Grove development located at 840 and 1000 Oak Grove Road; and
2. Find that the waiver of the Transportation Impact Fees serves to carry out the public purpose of providing quality, accessible, affordable housing for low income households, under the criteria of affordability found in 42 U.S.C. § 12745, as amended, and that adequate controls are in place to carry out such public purpose.

DISCUSSION:

On September 27, 2022, City Council approved Resolution No. 5631-09-2022 providing a resolution of no objection for Palladium Oak Grove to the Texas Department of Housing and Community Affairs (TDHCA) for non-competitive (4%) Housing Tax Credits for the development of the Palladium Oak Grove affordable housing development, a new 240-unit affordable multifamily apartment development located at 840 and 1000 Oak Grove Road nearest the Oakridge Terrance Neighborhood Association (M&C 22-0795).

The development will have 48 units set aside for households earning 80 percent or less of Area Median Income (AMI), 168 units reserved for households earning 60 percent or less of AMI, with the remaining 24 units set aside for households earning 0-30 percent of AMI. The development will consist of one-, two-, and three-bedroom units with a resort style pool with gazebo, playground, dog park, cabana with grills, horseshoe pit, walking trails, and a clubhouse with a community room, business lab, High Speed Wi-Fi, state-of-the-art fitness center, children's playroom, and conference room. The Palladium Oak Grove development is located within close proximity to public transportation, retail, schools, and access to both Interstate Highway 35 W and Interstate Highway 20, which connect to the greater Dallas-Fort Worth metroplex.

Palladium Oak Grove, Ltd. is an affiliate of Palladium USA, Inc., which has developed over 25 affordable and mixed income multiple family properties in Texas.

On March 29, 2022, the Fort Worth Housing Finance Corporation (FWHFC) Board approved a partnership in which the FWHFC will serve as general partner and general contractor which will provide the development with certain tax exemptions (Resolutions Nos. FWHFC 2022-2 through FWHFC-2022-5). In addition to the partnership agreement, the Housing Finance Corporation provided a \$1,200,000.00 subordinate loan for the development which will help alleviate in part the financing gap for the completion of onsite and offsite infrastructure improvements (Resolution No. FWHFC 2022-14).

The public infrastructure improvements to be addressed with this development include: storm water, sanitary sewer, water lines, sidewalks and streets-for a total estimated cost of \$921,382.00, excluding construction-related fees (Contract 59244 Public Facilities Agreement). These improvements will help to mitigate any run off or flooding issues as well as improve aging infrastructure. Additionally, the improvements will be a benefit to the surrounding area as it will provide greater and updated capacity for adjoining parcels that are difficult to develop and that may otherwise be cost prohibitive.

The development's location presents a unique challenge in several ways:

1. That the development parcel is directly adjacent but separated from NEZ Area Six by Oak Grove Road (see attached map). Certain development-related fees charged by the City, such as building permit and stormwater fees in the estimated aggregate amount of \$300,043.00, were waived by Council through M&C 22-0795 on September 27, 2022.
2. The development is located in Census Tract 1059.01, which currently has more than 20% Housing Tax Credit units per total households as established by the five-year American Community Survey.
3. The development is located within 1/8 mile of two major Interstate Highways (I-20 and I-35W) providing an ideal location for those seeking economic mobility and housing adjacent to significant job centers.
4. The development is redeveloping the former "rodeo" site which long existed as a code enforcement challenge, as well as a land use challenge due its nature as an entertainment facility existing outside of standard City codes and without the appropriate public facilities.

Redeveloping the site through housing development is providing the City a significant public benefit and improving public safety.

- The site is located within a City identified economic development designated investment zone as well as HUD Community Development Block Grant eligible Census Tract (1059.01).

Transportation Impact Fee Waiver:

Staff recommends that the City waive Transportation Impact Fees estimated at \$494,100.00. Texas Local Government Code Chapter 395 at § 395.016(g) allows the City of Fort Worth to reduce or waive an impact fee for any development of rental housing that would qualify as affordable housing under 42 U.S.C. § 12745, as amended, once the development is constructed. The developer has represented, and Staff agrees, that the development qualifies as affordable under the federal code. Moreover, the Developer has represented that the project will remain affordable for 45 years as required by the land use restriction agreements that TDHCA requires as a condition of granting tax credits.

This waiver of Transportation Impact Fees will assist the development by closing the remaining gap in funding for necessary site and infrastructure improvements.

Calculation of Transportation Impact Fee:

Transportation impact fees are based upon the City's Transportation Improvement Plan and cost estimates for projects in Service Area X, in which Palladium Oak Grove is located. A map of Service Area X is attached.

According to Table 8 on page 105 of the 2022 Transportation Impact Study, Service Area X has the following needs:

Table 1: Cost Estimates for Projects in Service Area X

Total roadway and intersection infrastructure need	\$ 154,186,888.00
Total recoverable cost – i.e., the amount attributable to growth	\$ 119,883,973.00

Based on these cost projections, the Transportation Impact Fee for Palladium Oak Grove project (\$494,100.00), represents **0.4%** (= \$494,100/\$119,883,973) of the total cost attributable to new growth in Service Area X.

Fiscal Impact of Waiving Transportation Impact Fee:

According to Development Services, Service Area X has the following funding available for project needs:

Table 2: Funds in Service Area X

The fund balance for Service Area X as of 8/21/2023	\$816,569.64
Balance Reserve for TrIF Credit Agreement Refunds	- \$250,000.00
PPP or TPW funding requests pending: Oak Grove (Enon - Everman)	- \$500,000.00
Funds remaining for projects in Service Area X	\$66,569.64

Waiving the Palladium Transportation Impact Fee could decrease the funds available in Service Area X.

Waiving Transportation Impact fees could also decrease the likelihood of the Oak Grove (Enon – Everman) project coming to fruition. The following is a breakdown of the City funding currently available for the Oak Grove (Enon - Everman) segment and the funding gap:

Table 3: Funding Gap for Oak Grove (Enon-Everman)

Cost	\$3,429,800.00	OPCC Oak Grove between Everman and Enon
Funding	- \$1,336,393.73	Future Improvement Agreement (FIA) Contract 54885
Funding	-\$500,000.00	From Transportation Impact Fees in Service Area X
Remaining	\$1,593,406.27	Funding Gap

The financial impact of waiving these fees is that it could reduce the overall fees collected in the service area, possibly further delaying the Oak Grove (Enon – Everman) project. It could also reduce the residents' service level related to adequate transportation facilities.

Summary:

To ensure that the public purpose for this fee waiver is carried out, adequate controls will be in place to ensure the benefit to the public of providing quality, accessible affordable housing to low and moderate income residents through the FWHFC's Partnership Agreements and the forgivable loan agreement with Palladium, as well as the Deed of Trust filed of record on the development's property for its loan and the Land Use Restriction Agreement to be filed against the property by TDHCA which secures the requirements of the tax credit award.

This development will be tax exempt and will not pay ad valorem property taxes. The estimated portion of property taxes forgone by the City of Fort Worth over fifteen years is approximately \$1,275,335.00.

This development is located in COUNCIL DISTRICT 9.

A Form 1295 is not required because: This M&C does not request approval of a contract with a business entity.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that upon approval of the waiver, a loss of an estimated \$494,100.00 in Transportation Impact Fees will occur. This reduction in revenue will be incorporated into the long-term financial forecast upon the waiver being officially granted.

<u>Submitted for City Manager's Office by:</u>	Fernando Costa	6122
	Dana Burghdoff	8018
<u>Originating Business Unit Head:</u>	Victor Turner	8187
	D.J. Harrell	8032
<u>Additional Information Contact:</u>	Amy Connolly	7556
	Jennifer Roberts	6101