

# Mayor and Council Communication

DATE: 08/22/23

M&C FILE NUMBER: M&C 23-0690

LOG NAME: 19NEZ3220HEMPHILL

**SUBJECT**

(CD 9) Authorize Execution of a Five-Year Tax Abatement Agreement with Sisters of St. Mary of Namur-Western Province and Assignment After Closing to Hemphill Residences, LLC, to Construct a 357-Unit Residential Complex Located at 3220 Hemphill Street in the Shaw Clarke Neighborhood and Neighborhood Empowerment Zone Six and Permit Certain Payments to the Fort Worth Housing Finance Corporation to Satisfy Affordable Housing Requirements

**RECOMMENDATION:**

It is recommended that the City Council authorize the execution of a five-year Tax Abatement Agreement with Sisters of St. Mary of Namur-Western Province and assignment after closing to Hemphill Residences, LLC, to construct a 357-unit residential complex located at 3320 Hemphill Street in the Shaw Clarke Neighborhood and Neighborhood Empowerment Zone Six and permit certain payments to the Fort Worth Housing Finance Corporation to satisfy affordable housing requirements.

**DISCUSSION:**

Sisters of St. Mary of Namur-Western Province (Property Owner), is the owner of property located at Lots 1 and 2, Block 2, Our Lady of Victory Heights, an Addition to the City of Fort Worth, Tarrant County, Texas, as shown on the plat recorded in Volume 388-205, Page 16, Plat Records, 3320 Hemphill Street, Fort Worth, Texas. The property is located within Neighborhood Empowerment Zone (NEZ) Area Six.

The Property Owner plans to sell the property to Hemphill Residences, LLC who will invest an estimated amount of \$72,080,799.00 to construct a 357-unit residential complex (Project). The Neighborhood Services Department reviewed the application and certified that the Project met the eligibility criteria to receive a Municipal Property Tax Abatement. The NEZ Tax Abatement Policy and Basic Incentives includes a five-year municipal property tax abatement on the increased value of improvements to the qualified owner of any new construction or rehabilitation within the NEZ.

A multi-family project located in a NEZ must satisfy one of the following for a five-year tax abatement:

- At least 10 percent of the total units constructed or rehabilitated shall be affordable (as defined by the U.S. Department of Housing and Urban Development) and set aside to persons with incomes at or below 80 percent of area median income based on family size and at least another 10 percent of the total units constructed or rehabilitated shall be affordable (as defined by the U.S. Department of Housing and Urban Development) and set aside to persons with incomes at or below 60 percent of area median income based on family size; or
- If specifically permitted by the City Council, in its sole discretion and as specified in the Tax Abatement Agreement, pay the Fort Worth Housing Finance Corporation an annual sum equal to \$200.00 for each rental residential unit located on the property which is subject to the tax abatement. The Fort Worth Housing Finance Corporation is a housing finance corporation created pursuant to authorization by the City Council of the City of Fort Worth in accordance with Chapter 394, Texas Local Government Code, to assist in the financing of the costs of residential development and ownership for citizens of decent, safe and sanitary housing at affordable prices.

The developer is requesting the option to pay the Fort Worth Housing Finance Corporation the annual sum in lieu of setting aside the affordable units and Staff recommends approval of this request.

Upon execution of the Agreement, the total assessed value of the improvements used for calculating municipal property tax will be frozen for a period of five years starting January 2025 at the estimated pre-improvement value, as defined by the Tarrant Appraisal District (TAD) in June 2023 as follows:

|   |              |
|---|--------------|
| Pre-Improvement TAD Value of Improvements | \$0.00       |
| Pre-Improvement Estimated Value of Land   | \$488,917.00 |
| Total Pre-Improvement Estimated Value     | \$488,917.00 |

The Municipal Property Tax Abatement on the improved value of the Project after construction is estimated in the amount of \$513,575.69 per year for an estimated total amount of \$2,567,878.45 over the five-year period. However, this estimate may differ from the actual tax abatement value, which will be calculated based on the Tarrant Appraisal District appraised value of the property.

The Tax Abatement Agreement may be assigned to an affiliate of Hemphill Residences, LLC, without the consent of the City Council. If the property is sold to a new owner, other than an affiliate, the Agreement may be assigned only with City Council approval and provided that the new owner meets all of the eligibility criteria as stated in the NEZ Basic Incentives and Tax Abatement Policy.

This property is located in COUNCIL DISTRICT 9.

**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon final approval of the Tax Abatement Agreement, a loss of an estimated \$2,567,878.45 in property tax revenue may occur over the five year period. This reduction in revenue will be incorporated into the long term financial forecast upon the Tax Abatement being officially granted.

**Submitted for City Manager's Office by:** Fernando Costa 6122

**Originating Business Unit Head:** Victor Turner 8187

**Additional Information Contact:** Sarah Odle 7316