

# Mayor and Council Communication

DATE: 06/27/23

M&C FILE NUMBER: M&C 23-0591

LOG NAME: 19TOBIAS PLACE - ARPA FUNDS

## **SUBJECT**

(CD 9) Authorize Execution of a Forgivable Subordinate Loan in the Amount of \$8,000,000.00 using American Rescue Plan Act Funds and Related Agreements for Construction of Stormwater Drainage and Other Infrastructure Improvements Relating to the Tobias Place, an Affordable Housing Development at 505 West Biddison Street and 3500 South Jennings Avenue; and Find that the Loan Serves a Public Purpose and that Adequate Controls are in Place

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## **RECOMMENDATION:**

It is recommended that the City Council take the following actions associated with support of Tobias Place, an affordable housing development, located at 505 West Biddison Street and 3500 South Jennings Avenue (Project):

1. Authorize execution of a forgivable, subordinate loan in the amount of \$8,000,000.00 using American Rescue Plan Act funds for the benefit of Tobias Place, LP, and other entities involved in the Project, for construction costs associated with stormwater drainage and other infrastructure improvements in support of the development of the Project;
2. Authorize the City Manager, or his designee, to execute all related contracts, loan documents, and other documents necessary for lending activities with specified terms;
3. Authorize the City Manager or his designee to extend the contract if such an extension is necessary for completion of the Project, and to extend all other required documents for lending activities as necessary for the development of the Project;
4. Authorize the City Manager, or his designee, to amend the contract and other required documents if necessary to achieve Project goals, provided that the amendments are within the scope of the Project and in compliance with City policies and applicable laws and regulations governing the use of federal funds; and
5. Find that providing a forgivable loan for construction costs associated with infrastructure improvements in support of the development of Tobias Place achieves the public purpose of increasing quality, affordable, accessible housing to low- to moderate-income households in the City and that adequate controls through the contract and related loan documents are in place to ensure that the public purpose is carried out.

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## **DISCUSSION:**

The purpose of this Mayor and Council Communication (M&C) is to seek City Council authority to execute contracts and related loan documents in order to provide \$8,000,000.00 in previously set-aside American Rescue Plan Act (ARPA) funds to support development of an affordable multifamily housing development in the Worth Heights neighborhood.

On September 27, 2022, City Council committed \$8,000,000.00 from the Coronavirus State and Local Fiscal Recovery Funds (SLRF) Program – a part of ARPA – in support of the development of Tobias Place (through M&C 22-0789, as amended and adopted).

Tobias Place will be a new, affordable multifamily housing development consisting of approximately 288 units. There will be approximately 235 units set aside for households earning 60 percent or less of Area Median Income (AMI) with another 53 units set aside for households earning 0-30 percent of AMI. The development will consist of one-bedroom, two-bedroom, and three-bedroom units with community and activity space including a children's play area, dog run, pool, and co-working and meeting rooms.

This M&C seeks City Council authority to execute contracts and related loan documents for the approved ARPA funds in the amount of \$8,000,000.00. The funds will be provided to benefit the Project in the form of a forgivable, subordinate loan based on the terms listed below.

Staff recommends the following ARPA loan terms:

1. Loan term commences on the date of execution by all parties and ends as set forth in the loan documents;
2. First lien commercial construction loan terms must be acceptable to the City of Fort Worth (City);
3. Borrower's performance of contractual obligations will be secured by a deed of trust; and
4. Payment of ARPA fund loans will only be required if borrower fails to comply with a contractual obligation(s).

In order for the Project financing to work while still meeting all regulatory requirements, it is anticipated that an intermediate borrower will be involved. If that structure is utilized, the City would loan funds to the intermediate borrower (currently anticipated to be a partially owned affiliate of the Fort Worth Housing Finance Corporation (FWHFC)) which would then loan the funds to Tobias Place, LP or a related entity.

NOTE: A similar structure is anticipated to be used for the \$2,000,000.00 in County ARPA dollars, which may also be loaned to the intermediate borrower by the FWHFC.

Staff recommends approving the execution of contracts and related loan documents and expenditure of \$8,000,000.00 in ARPA funds for the

benefit of Tobias Place, LP and the development of the Project.

By approving this M&C, the City Council also finds that the public purpose served by this Project is to benefit and further the City's goals to provide quality, accessible, affordable housing for low- to moderate-income residents and supporting economic development and revitalization, and that the forgivable ARPA Loan is vital to the financial feasibility of the development of Tobias Place, an affordable multifamily housing development. The City Council further finds that adequate controls are in place through the various contracts and loan documents to ensure that the public purpose is carried out.

In addition to the City ARPA funds that will be used for infrastructure improvements required for the development of Tobias Place, it is also being supported by activities of the FWHFC. On November 30, 2021, the FWHFC board approved a partnership with Ojala Partner, LP, to develop Tobias Place wherein an affiliate of the FWHFC (Tobias Place GP, LLC) will become the general partner of the partnership known as Tobias Place, LP (Partnership) (Resolution No. FWHFC-2021-18). On the same date, the FWHFC also approved a forgivable subordinate loan of \$1,750,000.00 for the purchase of the land to be used for the development of Tobias Place and certain pre-development costs (Resolution No. FWHFC-2021-20). On February 28, 2023, the FWHFC agreed to be the fiduciary agent for the Partnership, which applied for and received an award of Tarrant County ARPA funds in the amount of up to \$2,000,000.00 for gap financing for the development of Tobias Place.

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**FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that funds are available in the current operating budget, as appropriated, in the Grants Operating Federal Fund to support the approval of the above recommendations and execution of the loan. Prior to an expenditure being incurred, the Neighborhood Services Department has the responsibility to validate the availability of funds.

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