

# Memorandum



CITY OF DALLAS

DATE April 18, 2014

TO Members of the Housing Committee: Carolyn R. Davis (Chair), Scott Griggs (Vice Chair) Monica Alonzo, Rick Callahan, Dwaine Caraway, Phillip Kingston

SUBJECT **Dallas Housing Finance Corporation: Status Update**

On Monday, April 21, 2014 the Housing Committee will be briefed on the Dallas Housing Finance Corporation: Status Update.

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.

A handwritten signature in black ink, appearing to read 'Ryan S. Evans'.

Ryan S. Evans  
Interim First Assistant City Manager

C: The Honorable Mayor and Members of the City Council  
A.C. Gonzalez, City Manager  
Warren M. S. Ernst, City Attorney  
Judge Daniel F. Solis, Administrative Judge  
Rosa A. Rios, City Secretary  
Craig D. Kinton, City Auditor  
Jill A. Jordan, P. E., Assistant City Manager  
Forest E. Turner, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Charles M. Cato, Interim Assistant City Manager  
Theresa O'Donnell, Interim Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Karl Zavitkovsky, Director, Office of Economic Development  
J. Hammond Perot, Assistant Director, Office of Economic Development  
Shawn Williams, Interim Public Information Officer  
Elsa Cantu, Assistant to the City Manager – Mayor and Council

# DALLAS HOUSING FINANCE CORPORATION: STATUS UPDATE

A BRIEFING TO THE HOUSING COMMITTEE

April 21, 2014

Key Focus Area



Economic Vibrancy

# Purpose

- To review Dallas Housing Finance Corporations' (DHFC) authorization, history and mission
- To provide an update on current programs and financial status
- To discuss DHFC's role in the context of City Housing Policy

# Mission

- To support Citywide efforts to provide affordable housing for low to moderate income persons (LMIs) by:
  - Facilitating financing of development or redevelopment of multifamily rental housing
  - Providing programs to assist first time single family home buyers
  - Making annual donations to fulfill its public purpose

# Authorization

- City Council Resolution on 4/25/84 creates DHFC as Texas non-profit corporation
  - Texas Housing Finance Corporation Act
  - Board appointed by City Council (See Appendix A)
- Authorized to issue revenue bonds on behalf of the City for purpose of providing Housing for LMI persons in City of Dallas
- City Council resolution of 1/11/06 requires pre-application waiver by Council prior to approving new tax credit transactions
- Bylaws amended to allow DHFC (direct or through subsidiary) to purchase, lease, own or acquire interest in residential development – all transactions require DHFC Board and City Council approval

# DHFC Products and Services

- Tax Exempt Bond Financing
- Multifamily Ownership
- Tenant Service Compliance Monitoring
- Single Family Programs
  - Mortgage Revenue Bonds
  - Mortgage Credit Certificates (MCC)
- Loan Program for 9% tax credits
- Donations supporting affordable housing

# Multifamily Tax Exempt Bond Financing

- DHFC serves as issuer of Tax Exempt Bonds
- Used in conjunction with 4% Tax Credits from Texas Department of Housing and Community Affairs (TDHCA)
- DHFC receives application fee (\$2K), processing fee (\$10K) a 50 basis point fee at closing and annual issuer fee (10 basis points on outstanding principal)
- Since 2002, 8 projects for families totaling 1,980 units and 2 projects for seniors totaling 512 units (see Appendix B for list of properties)

# Multifamily Ownership

- Council approved DHFC to own residential developments (directly or through a subsidiary)
  - Limited partnership structure
  - DHFC subsidiary is general partner with .01% ownership interest
  - Equity provider and developer partner are limited partners with 99.99% ownership interest
  - Creates Ad Valorem Tax Exempt status to improve project feasibility



# Multifamily Ownership (Cont'd)

- Must facilitate development/redevelopment that materially improves a neighborhood condition and/or supports underserved groups
- Allows DHFC to receive income (closing fee, cash flow split, Bond application, processing, closing and annual issuance fees) significantly in excess of current City Tax assessment
- Fee income supports GAP financing for mixed income Housing
- All transactions must be approved by Council

# Multifamily Ownership (Cont'd)

- Currently own two (2) properties
  - Gurley Place (24 unit Jubilee Seniors Project)
  - Providence at Mockingbird (251 units; 155 for seniors, 96 for families)



Providence Mockingbird Apartment Homes



Gurley Place

# Multifamily Ownership (Cont'd)

- Two properties approved by Council for ownership interest (closing expected, Summer 2014)
  - Bruton Apartments (260 new construction units for families)
  - Parks at Cliff Creek (268 units to be substantially renovated)

# Tenant Service Compliance Monitoring

- TDHCA and the council approved Social Service Policy requires LIHTC project owners to provide supportive services at no cost to the tenants
  - Can choose from a list of 20 types of services
  - Must provide a minimum of \$40K or \$200 per unit/year, whichever is greater (can be in-kind)
- Tenant services include:
  - After school tutoring and homework help
  - Teen awareness programs related to drugs and alcohol as well as social and business etiquette
  - Computer education
  - Swimming classes
  - Senior activities: health/wellness checks, pot luck meals, bingo/card games, community gardens, Big Sisters Program with children
- DHFC monitors and enforces compliance at 31 projects financed with tax credits since 2004 (including 10 where DHFC was bond issuer)

# Single Family Program

- Since 1985, DHFC issued \$124 Million+ in tax-exempt Bonds resulting in mortgage loans to 1,621 first-time homebuyers
  - Program ended in 2008 due to market conditions
- In lieu of traditional single family mortgage program, Council approved DHFC to convert its “volume cap” to mortgage credit certificates (See Appendix B for Program Guidelines)
  - A Federal tax credit program that provides up to \$2,000 per year in assistance
  - Provided 145 MCC for first time homebuyers since 2009
  - Now marketing in conjunction with Housing Department’s Mortgage Assistance Program (MAP)

# Loan Program for 9% Tax Credits

- DHFC serves as “Conduit Lender” to a 9% tax credit applicant
  - TDHCA administered program is very competitive
  - Points awarded to applicants receiving political subdivision funding (DHFC a qualified entity)
- Loan funding contingent on TDHCA allocation approval and third party funding source
  - Tri-party agreement between DHFC, third party lender and applicant
  - Loan terms/collateral assigned by DHFC to lender without recourse or liability
- DHFC receives a fee for service
- Council has approved one transaction under this program
  - \$1.75M loan to Wynnewood Seniors Housing II, LP (Bank of America CDC)

# DHFC is Self Funding

- Total cash/investments as of 12/31/13 = \$583K
  - Required operating reserve of \$450K
- 2014 operating budget \$247,580
- Primary sources of annual revenue are:
  - Issuer fees from tax exempt bond financing (\$204K in 2013)
  - General partnership supervisory fees (\$148K in 2013)
  - Miscellaneous application, processing and TDHCA fees (\$51K in 2013)

# Donation Programs

- Cash Surplus position evaluated in 4<sup>th</sup> quarter of each calendar year and grant applications are considered by DHFC Board
  - Recent priorities have been:
    - ☐ Metro Dallas
    - ☐ North Texas Housing Coalition
    - ☐ Housing Department's Home Repair Program
- Since 2004 DHFC has provided \$2Million+ to support non-profit Housing providers, homeless programs and Housing Department initiatives (Bexar St., Copella Park, People Helping People, Home Repair and NIP Programs)



# GOING FORWARD

- Align DHFC Programs with City Housing Policies and strategic direction
- Continue to utilize financial tools authorized by State law to support the development of quality residential development for low to moderate income individuals

# Questions

# DHFC Board of Directors

## Non-Voting Officers

Michael Harling – President

Randall Parker – CFO

## Board Members

Monique Allen

Eric Anderson

James Armstrong

Ben Brown

Jim Harp

Trent Hughes

David Kitner

Marcos Rincon

Sherman Roberts

Don Robinson

## Open Position (1)

## Appendix B

# DHFC Tax Exempt Bond Issuances

<b>Housing For Families</b>	<b>Units</b>
Rosemont Project at Cedar Crest	256
Rosemont Project at Meadow Lane	264
Rosemont Project at Mission Trails	250
Rosemont Project at Sierra Vista	250
Providence on the Park	230
Artisan Ridge	264
Masters Apartments	144
Homes of Mountain Creek	200
<b>Housing For Seniors</b>	<b>Units</b>
Potter's House at Primrose	280
Primrose Park Villas	<u>232</u>
Total	2,420

## Appendix C

# MCC Program Guidelines

- Homebuyer cannot have owned a residence in the past (3) years
- Home must be occupied as a primary residence
- Homebuyer must apply for the MCC through a participating lender
- Applicant must purchase a home within the City of Dallas
- Income levels must not exceed IRS guidelines (Families of two or less, \$67,900 and families of three or more \$78,085)
- Maximum purchase price is \$250,200
- Funds are available on a first come first serve basis
- Homes that are sold prior to nine years of purchase may be subject to a recapture tax

## Appendix D

# DHFC Advisors

Joe Nathan Wright, Corporate Attorney, Nathan Joe Wright & Associates

Daren Harrell, Real Estate Attorney, Condon Thornton Sladek Harrell LLP

George Rodriguez, Bond Counsel, Bracewell & Giuliani

Robert Johnson, Co Financial Advisor, First Southwest Company

Robert Estrada, Co Financial Advisor, Estrada Hinajosa