

# Memorandum



CITY OF DALLAS

DATE May 31, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Proposed Amendment to the City of Dallas Comprehensive Housing Policy to Adopt a New Housing Tax Credit Policy**

## Summary

Attached is a briefing on the Department of Housing and Neighborhood Revitalization's (H&NR) proposal to amend the comprehensive housing policy (CHP) to adopt a new housing tax credit policy. The purpose of the housing tax credit policy is to set the parameters under which H&NR staff will evaluate proposals submitted by developers requesting resolutions of support or no objection from the City for housing development projects (Projects) seeking housing tax credits through the Texas Department of Housing and Community Affairs (TDHCA).

## Background

On May 9, 2018, the City Council adopted the CHP by Resolution No. 18-0704, which included a policy for evaluating proposals submitted by developers requesting resolutions of support or no objection from the City for Projects seeking an award of housing tax credits through TDHCA.

On May 20, 2019 the H&NR presented the Economic Development and Housing Committee its proposed housing tax credit policy.

Should you have any questions, please do not hesitate to contact me.

A handwritten signature in black ink, appearing to read 'Michael Mendoza', written over a horizontal line.

Michael Mendoza

Chief of Economic Development and Neighborhood Services

c: Chris Caso, City Attorney (Interim)  
Mark Swann, City Auditor  
Biliera Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager  
Jon Fortune, Assistant City Manager

Joey Zapata, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer  
Michael Mendoza, Chief of Economic Development and Neighborhood Services  
M. Elizabeth Reich, Chief Financial Officer  
Laila Alequresh, Chief Innovation Officer  
Directors and Assistant Directors

# **Proposed Amendment to the City of Dallas Comprehensive Housing Policy to Adopt a New Housing Tax Credit Policy**

**City Council Briefing  
June 5, 2019**

**David Noguera, Director  
Maureen Milligan, Assistant Director  
Dionne Roberts, Consultant  
Housing and Neighborhood Revitalization  
City of Dallas**



# Presentation Overview

- Background/History
- Program Overview
- Recent Activities
- Areas of Concern
  - Timing
  - Criteria
  - Fair Housing
- Fiscal Impact
- Next Steps

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# Background/History

- The City of Dallas has authority to provide Resolutions of No Objection and Resolutions of Support to development proposals seeking HTC funding from the State.
- With the adoption of the Comprehensive Housing Policy on May 9, 2018, City Council adopted a policy to guide decisions on what proposals should receive City support.
- In October 2018, Council provided direction to City staff to review this policy and bring back recommendations that would better align the housing policy priorities with the competitive process.



# Program Overview

## Housing Tax Credit (HTC)

Created by Tax Reform Act of 1986

- Governed by Section 42 of the Internal Revenue Code

In return for investment in qualified affordable rental housing

- Investors receive credits against income tax owed
- And additional tax benefits from passive losses (depreciation)

Primary funding mechanism for affordable rental housing

- 90% of newly built affordable rental housing includes HTC
- Through 2017, has produced +/- 2.3M units nationally

Federal credit, but administered at state level

- Allocated by the Texas Department of Housing and Community Affairs
- Qualified Allocation Plan outlines rules of the road

9% credit	4% credit
Each state receives \$2.76 per capita in credit “ceiling”	Comes “automatically” with tax-exempt private activity bond financing
QAP defines competitive criteria and provides for various geographic pools	Must meet threshold requirements of QAP but not competitive per se



# Program Overview

## Financial Implications

	4%	9%
■ Depreciable Basis	■ \$10M times	■ \$10M times
■ Applicable Fraction (% affordable)	■ 100%	■ 100%
■ Eligible Basis (sometimes “boosted”)	■ = \$10M	■ = \$10M
■ Credit Rate (“9%” vs “4%”)	■ 4% =	■ 9% =
■ Annual Credits	■ <b>\$400K</b>	■ <b>\$900K</b>
■ For 10 years	■ times 10	■ times 10
■ Investor Ownership Percentage	■ times 99.99%	■ times 99.99%
■ Pricing (per \$1.00 of credit)	■ times \$0.90	■ times \$0.90
■ Yields Equity	■ <b>\$3,599,640</b>	■ <b>\$8,099,190</b>



# Recent Activities – Consultation with Stakeholders



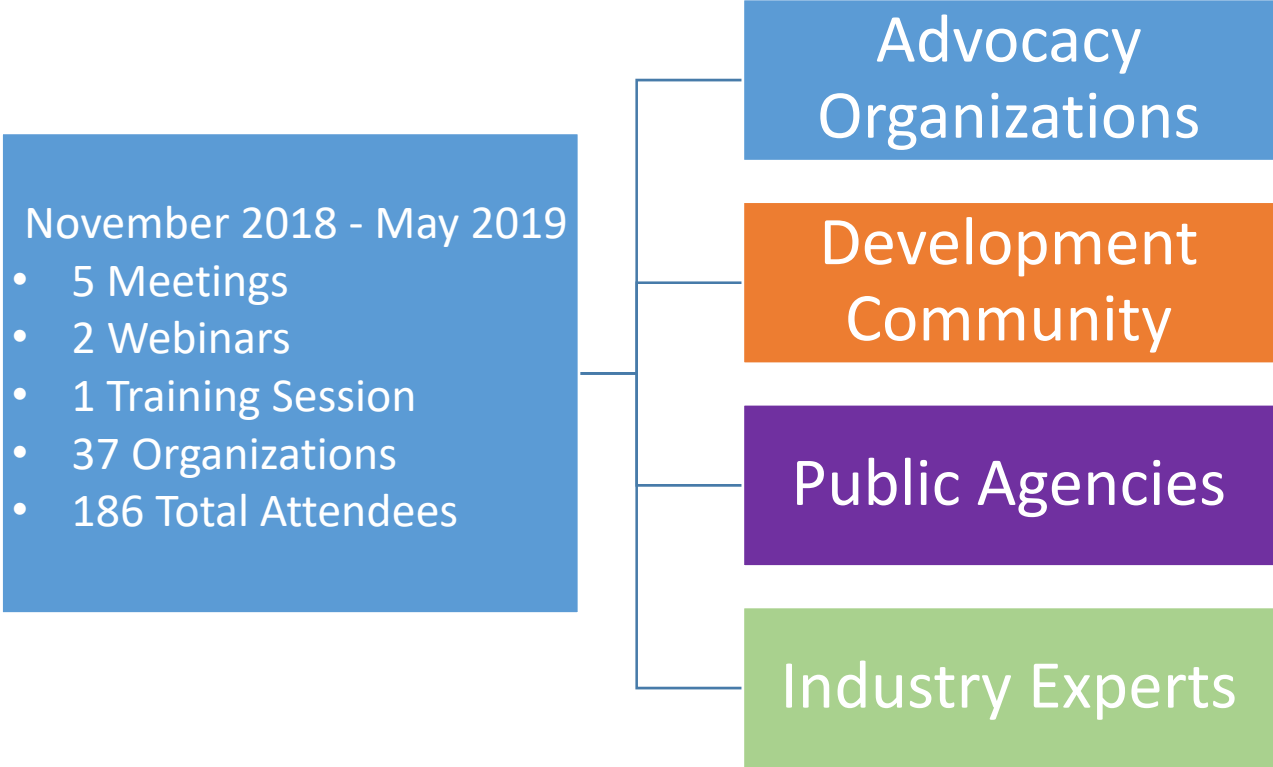
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# Recent Activities – Consultation with Stakeholders





# Recent Activities – Consultation with Stakeholders



- Inclusive Communities Project
- Texas Tenants Union
- Legal Aid of Northwest Texas

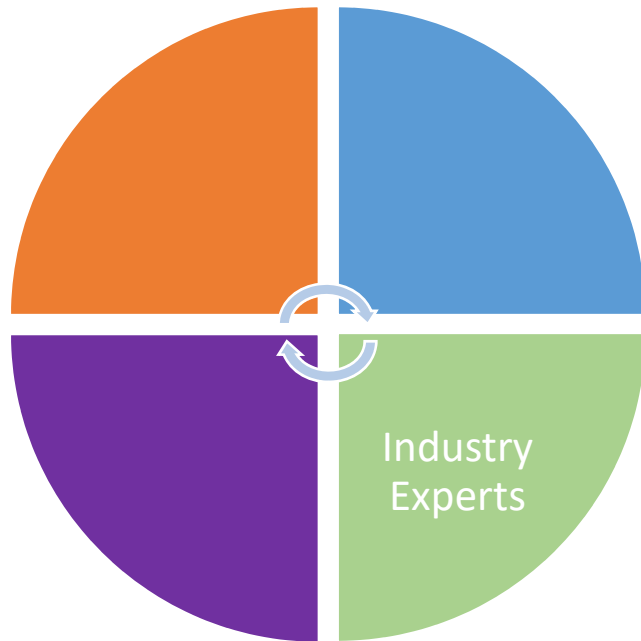
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# Recent Activities – Consultation with Stakeholders



- Woodforest National Bank
- Texas Real Estate Council
- Coats-Rose PLC
- Dallas Afterschool
- Hensley Lamkin Rachel (HLR Inc.) Architecture and Planning
- Portfolio Resident Services
- Marque Real Estate Consultants (MREC)
- Simon Engineering
- Liberty Multifamily
- Merrill Lynch
- Alpha Barnes Real Estate Services
- Slagel Management
- Mt. Tabor MBC

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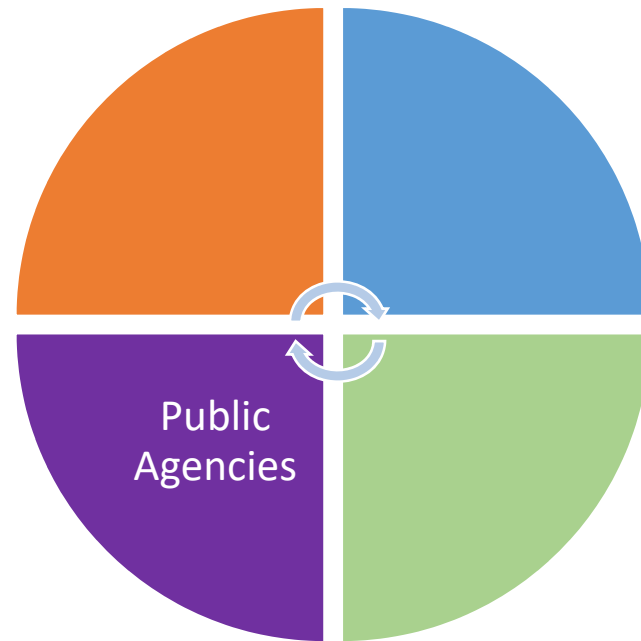
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# Recent Activities – Consultation with Stakeholders

- City of Dallas Housing Department
- City of Dallas Office of Welcoming Communities & Immigrant Affairs
- City of Dallas Equity and Human Rights Office
- City of Dallas Transportation Department
- Dallas Housing Authority
- Dallas Housing Finance Corporation
- TDHCA



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# Recent Activities – Consultation with Stakeholders

- City Wide CDC
- Rebuilding Together
- Dominion Acquisition
- South Fair CDC
- Builders of Hope CDC
- Dallas Habitat
- Inner-City CDC(ICDC)
- East Dallas Community Organization
- Southern Dallas Progress CDC
- Brompton CHDC
- Atlantic Housing
- City Build / Bonton
- Camden Homes
- Matthew Southwest (MSW)



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# Areas of Concern

- Timing
  - Feedback from stakeholders and applicants was that the timing of the application process did not align to the TDHCA calendar and as a result developers could not meet the TDHCA deadlines.
- Criteria
  - Feedback from stakeholders and applicants was that the criteria disadvantaged certain types of projects and was not clear enough to allow developers to self-score.
- Fair Housing
  - There was no specific fair housing requirement. While the review to assess if projects affirmatively further fair housing is a city-wide requirement that needs to be broadly applicable, there were specific opportunities that were seen to promote opportunity within the policy itself.

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# Recommendations Overview

1. Timing
2. Criteria
  - Threshold
  - Priorities
  - Scoring
3. Fair Housing



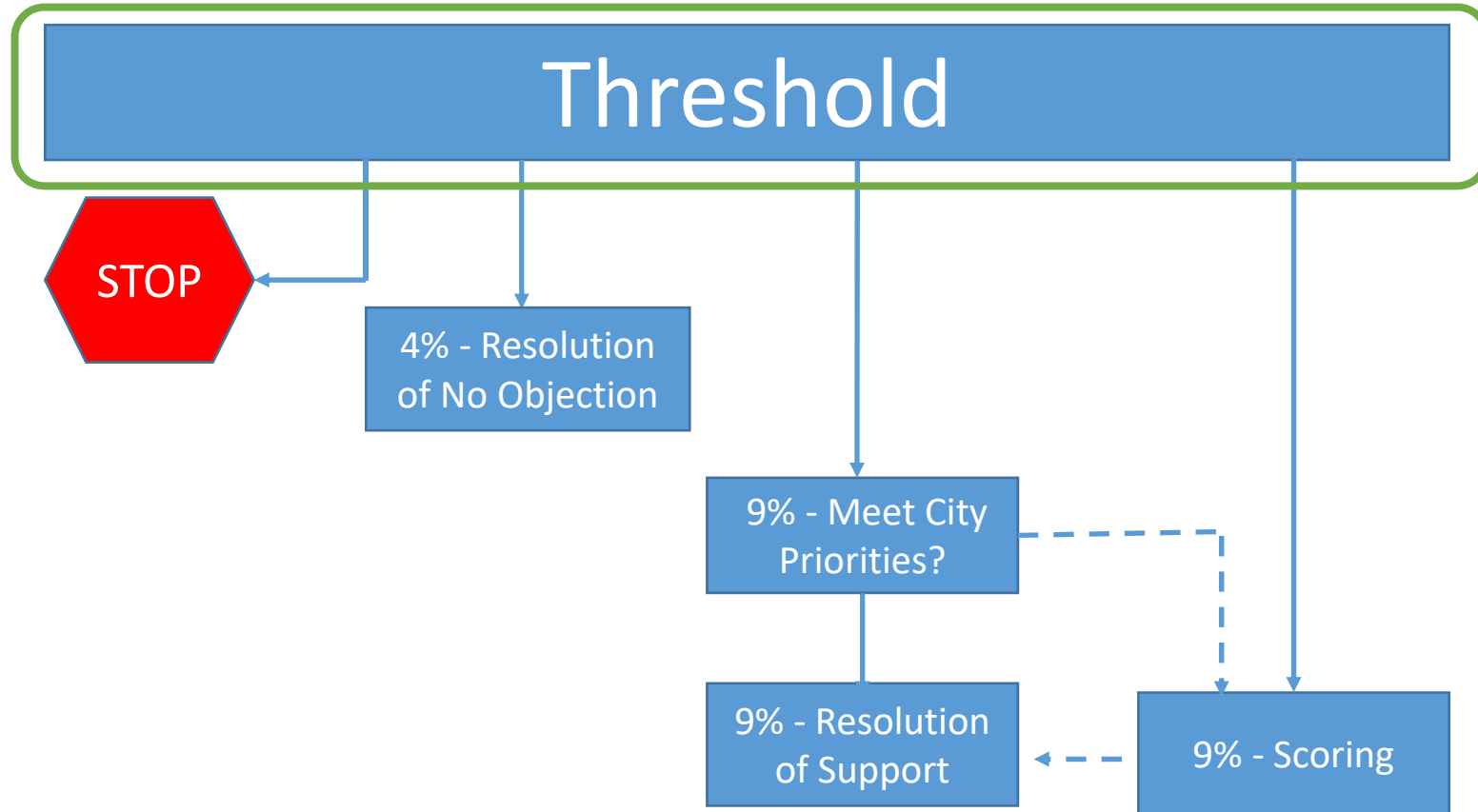
# Recommendation #1 –Timing

- Build a calendar that offers flexibility for proposal reviews.
- Dates should be published at the beginning of the year.
- Dates should coincide with TDHCA calendar.
- Developers will be encouraged to meet with staff early in the project planning process to identify potential disqualifying factors.

Type	Application deadline	City Council Consideration
4% and 9%	January 11, 2019	February
4%	April 12, 2019	May
4%	July 12, 2019	August
4%	October 11, 2019	November



# Recommendation #2 – Criteria (Threshold)





## Recommendation #2 –Criteria (Threshold)

- Establish a baseline for all proposals considered for a resolution.
- Offer clear factors to guide the development of proposals.
- Distinguish roles and responsibilities between staff and City Council.

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# Threshold Criteria

## Requirement

1. Submission of a complete application.
2. Be an eligible applicant pursuant to TDHCA standards and City standards.
3. Site control (e.g. purchase option).
4. If not currently zoned for the intended use, the applicant must have completed a formal consultation with City Planning staff outlining the process and requirements for rezoning the site.
5. The Development must appear to meet TDHCA minimum site and development requirements and TDHCA underwriting standards.
6. The Development must contribute to the City's obligations to affirmatively further fair housing.
7. The Proposer must notify existing tenants living at the Development Site at least 45 days prior to submitting the proposal.
8. For any development that is occupied by existing tenants that is not otherwise subject to the Uniform Relocation Act (URA), the development proposal must include a City-approved relocation plan that:
  - o Minimizes permanent displacement from the project.
  - o Among other items, provides reasonable notice to affected tenants prior to any temporary relocation and covers all reasonable out of pocket costs incurred by tenants as a result of moving from one unit to another within the project or temporarily vacating their units to allow rehabilitation work to proceed.

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# Threshold Criteria (continued)

## Requirement

9. For any development involving rehabilitation or adaptive reuse the Proposer must submit a Plan and Cost Review.

10. For any project located in a census tract with a poverty rate of 40% or higher, the development must achieve a minimum score under Resident Services element of the Scoring Factors below of:

- 17 points for elderly developments;
- 22 points for permanent supportive housing developments;
- 23 points for family developments; or

11. A Proposer is not eligible for any resolution if the Proposer i) has not met current obligations with the City as defined in Dallas City Code Section 2-36, as amended; ii) is currently in litigation with the City, either as a Defendant or Plaintiff; or iii) within the last 10 years has been found liable of violating Chapter 20A (Fair Housing) or Chapter 46 (Human Rights and Sexual Orientation).

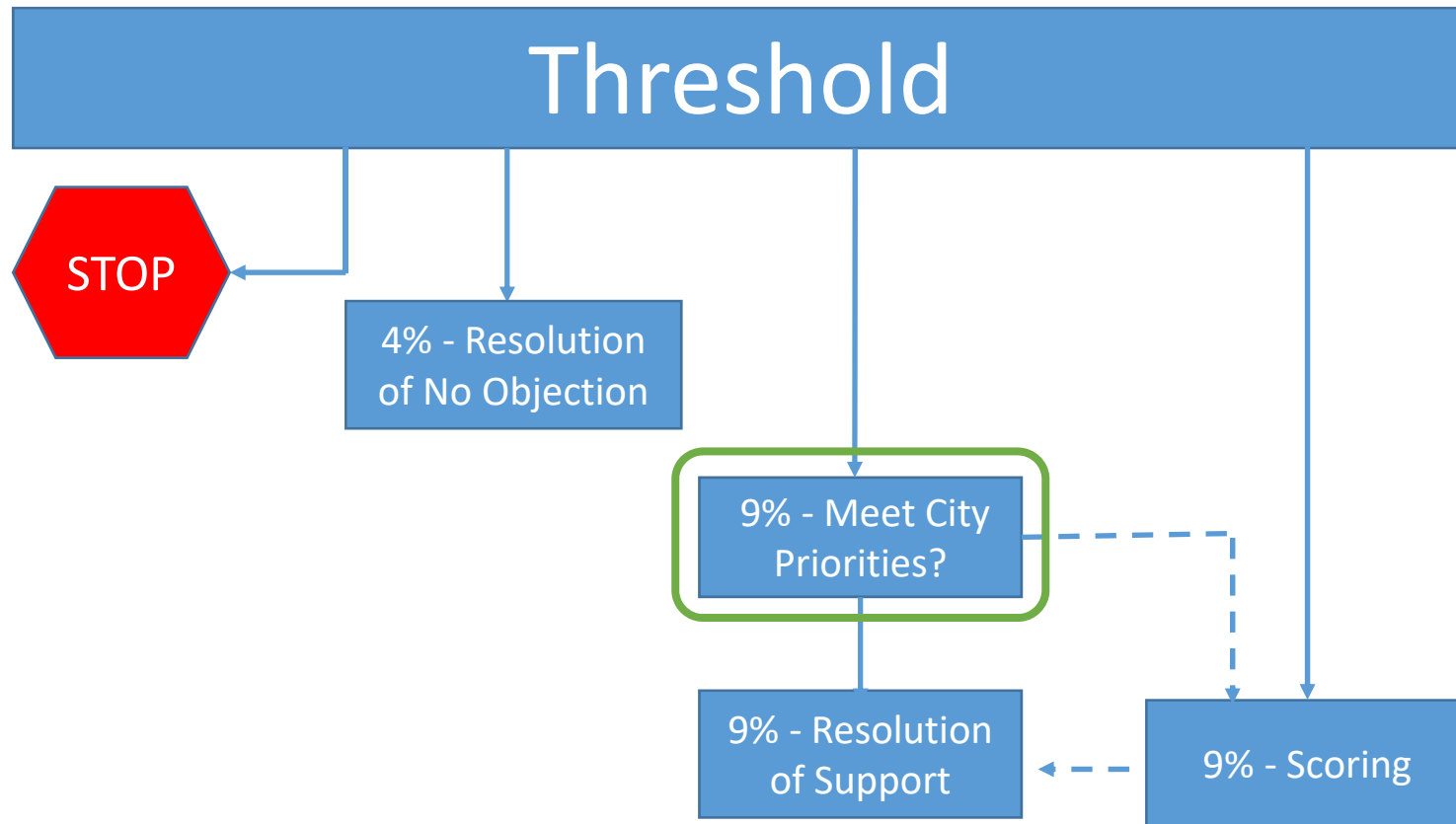
12. The proposed scope of work must be informed by a capital needs assessment (CNA), prepared by a qualified third-party professional that is independent from the project's architect or engineer, builder/general contractor, or other member of the development team.

- o All major systems including roof, foundation, electrical, HVAC, and plumbing;
- o Interior and exterior windows and doors;
- o The interiors of all units including the kitchen and bathroom and all major appliances;
- o The exterior of the Development, including balconies, walkways, railings, and stairs;
- o Communal facilities such as community rooms, fitness centers, business centers, etc.; and
- o Security features including gates and security cameras.
- o Accessibility

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# Recommendation #2 – Criteria (Priorities)



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# Priority Criteria

## Requirement

1. Proposal has been selected within the past three years to receive City funding.
2. Proposal includes participation by the Dallas Housing Finance Corporation of City of Dallas Public Facilities Corporation (if created).
3. Proposal involves the redevelopment of public housing owned by the Dallas Housing Authority under the Choice Neighborhoods, Rental Assistance Demonstration, HOPE VI, or other similar HUD programs that may be created.
4. Development proposal is located in a census tract with a poverty rate below 20%.
5. The development proposal is within any area designated as a Redevelopment Reinvestment Strategy Area (RSA) or a Stabilization RSA.
6. Projects with at least 50 units for which the owner will enter into an MOU with the lead entity of the Continuum of Care by which the project will prioritize at least 20% of units for tenants referred from the Continuum of Care Housing Priority List.

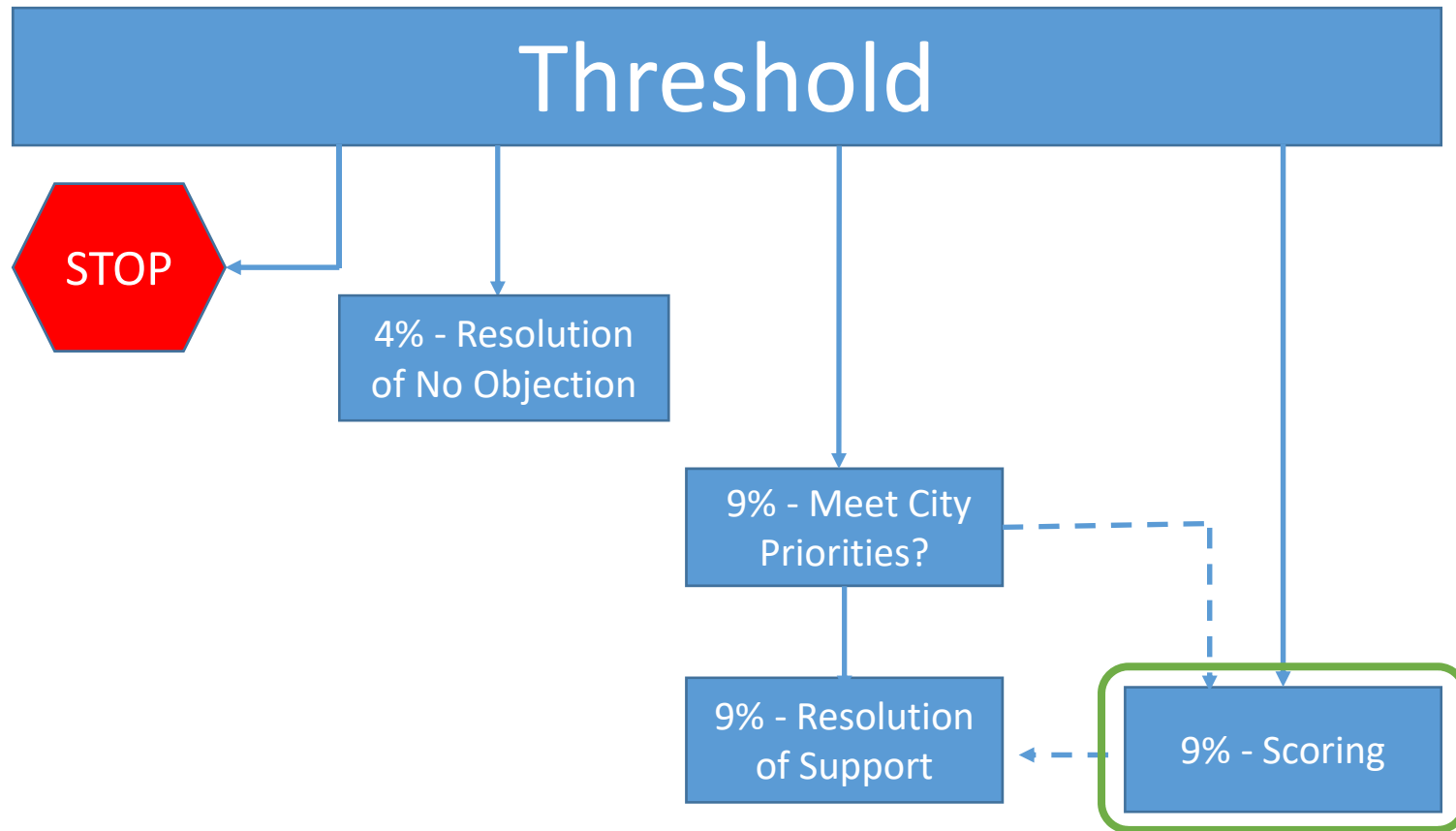
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# Recommendation #2 – Criteria (Scoring)



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# Scoring Criteria

To qualify for consideration for a Resolution of Support, projects that do not meet one of six City priorities would have to score 50 out of a possible 75 points.



# Scoring Criteria

Requirement	Points
1. Mixed Income Projects	20 Maximum
2. Qualified Nonprofit or Historically Underutilized Business on Development Team	5 Total
3. Proximity of Amenities to Development Site (High Frequency Transit, Public Park, Full Scale Grocery Store, etc.)	25 Maximum
4. Resident Services Offered on Development Site (Transportation, Children and Adult, Health, and Community)	25 Maximum
	<b>Maximum Total 75</b>





# Fair Housing

- Prioritize projects in low poverty areas.
- Require projects in high-poverty areas to demonstrate significant commitment to services/amenities.
- Create a priority for projects providing access to those experiencing homelessness.

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# Fiscal Impact

- A Resolution of Support for a 9% tax credit project requires a \$500 commitment from the City.



# Next Steps

- Council Voting Agenda June 12, 2019



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