Memorandum

CITY OF DALLAS

DATE March 19, 2018

TO The Honorable Members of the Economic Development & Housing Committee:
Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman,
Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,
Omar Narvaez

SUBJECT **Comprehensive Housing Policy**

Summary

This item presents the City Dallas' first comprehensive housing policy that provides for the creation and preservation of housing throughout Dallas serving families at 30% - 120% of Dallas Area Median Income and sets annual housing production goals for the next three years. This item provides for recommended changes to existing programs as well as the creation of new programs, tools and more importantly strategies for deployment of these programs to achieve the production goals.

Background

On March 12, 2017 the Dallas City Council Housing Committee set out three goals for the development of a comprehensive strategy for housing: 1) Create and maintain available and affordable housing throughout Dallas 2) Promote greater fair housing choices 3) Overcome patterns of segregation and concentrations of poverty through incentives and requirements.

In August 2017, the City of Dallas engaged the Reinvestment Fund to conduct a Market Value Analysis (MVA) which is an analytical tool used to assess the residential real estate market throughout the entire city to determine with granular detail where market strength, transition and stress exists. After briefing the City Council on the results of the MVA on January 17, 2018, eight (8) town hall meetings were held to receive public input to inform the recommendations presented here. The town hall topics were:

1. How Residential Real Estate Gets Financed,
2. How to Reduce Development Costs,
3. How to Increase Access to Capital and Reduce Cost of Capital and
4. Programs, Tools and Strategies for Increasing Housing Production.

Each town hall provided stakeholders an opportunity to understand the housing challenges from the perspective of the major stakeholders including: lenders including foundations and government sources of finance; consumers and neighbors; developers, builders, and contractors; regulatory officials, such as zoning, building inspections, and code enforcement. The town halls were held both in person and through virtual telephone communications that aired on Spectrum Channel 95 and streamed online. The in-person town halls had a combined participation of ninety-four (94) individuals; many of whom also participated in the virtual town hall meetings. The virtual telephone town halls had a total of 38,690 participants for all four meetings, of which 10,467 participated in more than one town hall. A breakdown of participants by town hall, by district is attached. Calls and texts to participate in the virtual town halls went out to between 68,000 and 70,000 registered voters or persons who proactively registered for the town halls via the City website. Staff received overwhelmingly positive responses regarding the virtual town hall concept. It afforded participants the ability to both learn, ask questions, and provide input on a very personal topic without fear of judgment and personal attacks. Many participants expressed that they otherwise are not able to participate in City meetings because of work or family obligations or transportation limitations. Over 300 persons submitted their email addresses and asked to be kept informed as to the progress of the policy presentations to City Council committees and full City Council. The virtual town hall vendor captured and compiled all of the questions submitted by participants, which were processed through the appropriate City staff. All policy recommendations received through the calls and via the dedicated email housingpolicy@dallascityhall.com have been posted to the Housing and Neighborhood Revitalization Department and Dallascitynews.net web pages along with the town hall presentations.

Issue

The city has a housing shortage of approximately 20,000 units. This shortage is driven by the cost of land and land development, labor and materials shortages, federal, state and local constraints as well as the single-family rental market which prevent equilibrium in a market. It is difficult to convert rental homes to homeownership because of the perception of the neighborhood and the condition of the housing stock once its been in the rental market for a period of time. This shortage is consistent with the overall national trend following the 2009 housing bust. While the housing market has seen a steady but slow recovery, the job growth in the Dallas metro area attracted a population growth of about 2.9% that outpaced the growth in the supply of housing. Much of the single-family housing inventory converted to rental following the 2009 bust, while 60% or more of the home sales in the 3 years following were in the price range below $249,999. In 2014 the housing market was in transition- the number homes sales priced under $249,999 decreased to less than 40% of the market and by 2017 nearly 58% of home sales were priced between $300,000 and $1 million. According to the Real Estate Center at Texas A&M University, while the volume of homes in Dallas only grew by 3.6%, the median sales price in Dallas grew by 9.1% in 2017.

These market conditions have led to an increase in both rental rates and sales prices in the overall market and 6 out of 10 families in Dallas are cost burdened, meaning they spend more than 30% of their income on housing. Undoubtedly, families at lower income bands are more financially strained by these market conditions. Much of the feedback received during the town halls came from families in cost-burdened situations who had already downsized housing and lifestyle in search of increased affordability and are still concerned that they are not able to meet their basic needs. Therefore, increasing production over a 3-year period, minimizing the regulatory barriers to overall market production is equally important. Furthermore, because this has made even deteriorated housing stock unaffordable it makes the need for home repair programs more important than ever.

The table below shows annual production goals of 3,733 for homeownership units and 2,933 for rental units. These goals could be achieved if the City provided

Production Goals	Homeownership Units (56% of production)		Rental Units (44% of production)	
Units for 120% AMI households	933	25%	587	20%
Units for 100% AMI households	1,120	30%	587	20%
Units for 80% AMI households	1,307	35%	733	25%
Units for 60% AMI households	373	10%	440	15%
Units for 50% AMI households	0	0%	293	10%
Units for 30% AMI households	0	0%	293	10%
Total annual goals (6,666 per year for 3 years to create 20,000 total new units)	**3,733**	**100%**	**2,933**	**100%**

development and homebuyer subsidies over the next 3 years while still maintaining the 3-year historic average ratio of homeownership versus rental percentages.
Beyond unit production, the community also felt strongly that the City should support the availability of housing to people at incomes ranging from 30% - 120% of the HUD Area Median Income, with homeownership developments incentivized for families at 60% or higher AMI while rental developments should be incentivized to provide rent restricted units to families at the full range of 30% - 120% of AMI. These targets are outlined in the table above.

In contrast, the City's TIF policy requires that developers reserve 20% of residential units (10% if the project was located in the central business district) as "affordable" units for households earning at or below 80% AMI. This policy results in no income stratification - developers meet this requirement by making all of the income restricted units, the "affordable" units, available to tenants at the highest allowable income, 80% of AMI, because the policy includes no specified income band targets. As a result, the policy does nothing to address low or extremely low-income households.

With this strategy and policy, a developer will submit an application or a proposal for incentives through a competitive cycle and score points for meeting these targets and would be ineligible if it didn't meet minimum thresholds. It is to be noted that these annual targets provide for 35% of the units to serve families at 60% or below and 25% of the units at 80% of AMI leaving 40% of the units of market rate units to create mixed income rental communities. The percentage targets will differ depending upon the type of market in which the developer is proposing to develop units and those will be outlined in the specific competitive solicitations. Again, the emphasis is stabilizing markets where displacement is occurring or likely to occur and create a mix of income for long-term sustainability.

It is important to note that "affordability" refers to how the City subsidizes end-users, be they homebuyers or renters, to help them access market-rate product. This policy will not provide development subsidy for sub-market product built based upon what the intended market could afford. This practice is counterproductive to any public policy goals of the City because building down to the affordability level of a market suppresses values, bolsters NIMBY (Not In My Backyard) attitudes, and most importantly fails to build asset wealth. Asset wealth breaks multi-generational poverty cycles by providing access to equity, which in turn makes financing available for higher education and subsequent career mobility.

In the estimates of homebuyer subsidy provided below, staff made underwriting assumptions based on permanent mortgage lenders' criteria and determined that a family of four (4) at 60% of the Area Median Income will qualify for a first mortgage of $111,720. In the past, the City's development programs would essentially support the construction of homes with that sales price (Fair Market Value) with about $14,000 or $20,000 of that coming from the City's homebuyer assistance program. Limiting development to the mortgage capacity of the intended buyer caused new housing development to only occur in areas where those values or sales prices could be supported. Today's policy recommendation is that we work in middle markets as identified in the MVA and build to the market values of the neighborhoods, not the mortgage capacity of the potential buyers, and provide assistance to the homebuyers via soft second mortgages to help them access the middle markets. There is immediate equity built into this approach, and the City is protected through a secured lien position and a recapture policy that allows the City to split the upside of any appreciation when the assisted family sells or transfers the property. This presents a win-win for the community; the developments built are to market standards thereby improving values in the area, the families assisted are really buying an asset with market value that gives them equity, and the City's investment has appreciation potential and a split of the appreciation will be reinvested if and when the property is sold or transferred and the loan is repaid except in certain circumstances.

This approach makes housing product available throughout the entire City and eliminates the patterns of concentration of poverty caused by policies that ignored market realities of root causes of disinvestment and affordability. In consideration of the limited resources available to the City, this policy and strategy tries to work from market strength and builds out towards the more stressed areas. Developing in the most stressed markets (G, H, I), is not financially viable because it requires a much deeper level of subsidies on the development side as well as the consumer side because the stressed markets lack all of the amenities that make an area attractive and desirable in an open and competitive market. Those areas require that the City invest in different interventions first in order to make those emerging markets ready for residential and commercial development. An exception to this rule occurs in G, H, and I markets when, because of their adjacency to strong markets, they present a high risk of displacement. In those markets this policy recommendation is to focus on stabilization activities.

Cost of subsidizing homeownership

A review of the most recently City subsidized for-sale housing projects revealed an average cost to build of about $250,000 per unit. If the City looked to incentivize development in "E" markets which is the middle of the middle markets ("teal" markets) identified in the MVA where the median sales price is $140,000 then there would be a per unit development subsidy of approximately $131,000 including a minimum Return on Investment (ROI) of 15%. To meet the annual goal of 3,733 units presented here the City would have to provide $489,023,000.

Single Family cost to build	$250,000
FMV in a teal "E" market	$140,000
Development Subsidy (Cost minus FMV)	$110,000
15% ROI	$21,000
Total per unit subsidy (Development Subsidy plus ROI)	$131,000
Scale to annual goal production (Total Subsidy x 3,733 units)	**$489,023,000**

Homebuyer soft second mortgage assistance estimates

On the homebuyer assistance side, based on the goal of providing assistance to homebuyers with the income mix as outlined above, the estimated subsidy required would be $49,747,040. This is based on the underwriting criteria approved by HUD for the Dallas Homebuyer Assistance Program assuming construction in the "E" market type and a sales price of $140,000.

Family at 60% of AMI can qualify for FHA mortgage of:	$111,720	Families at 80% to 120% AMI can qualify for first mortgage of:	$133,000
Need soft second mortgage from City in the amount of:	$28,280	Need soft second mortgage from City in the amount of:	$7,000
Plus Closing Costs 3%	+$4,200	Plus Closing Costs 3%	+$4,200
Total Homebuyer Subsidy per Unit	$32,480	Total Homebuyer Subsidy per Unit	$11,200

If all 373 buyers at 60% of AMI need this level of assistance	$12,115,040	If all 3,360 buyers at 80% and above need assistance or incentives to buy:	$37,632,000
Total Estimate for all Second Mortgages		$49,747,040	

This brings the combined price tag of this homebuyer production goal to approximately $538,770,040. While this may seem like an exorbitant amount of subsidy, it is important to note that adding 3,733 units of median fair market value of $140,000 has a cumulative property tax base value of $522,620,000 in year one. This doesn't take into account appreciation, the interest earnings of the loan portfolio of the soft second mortgages, property tax revenue added, the additional disposable income added to the market area and the temporary and permanent jobs added by the additional units.

Rental Housing Production

The public input process indicated a concern that the City not place families that are not financially stable enough into homeownership situations. Many callers were concerned that families who were at the lower income bands would be falsely led to believe that they could afford to own a home and a life event like an illness, a loss of a job, a major home repair, or a car repair would cause them to default on a mortgage or program requirement and then further impede their ability to qualify for important loan products like student loans. Therefore, the production goal focuses on providing opportunities and incentives for developments in strong market areas and areas at risk of displacement that require stabilization by encouraging a mix of affordability. Once again, all product should be built to the market standard and rents should provide a competitive mix of affordability so that the units of all sizes and types are accessible to incomes ranging from 30% - 120% of AMI.

Cost of Rental Housing Subsidy

For purposes of estimating the cost of subsidizing this type of development and unit mix, staff reviewed the 5 most recently submitted multi-family development projects to develop assumptions on operating expenses, lender ratios, development costs, tax credit investor demands, and unit types. A side by side comparison of a 140-unit development is provided to show why a mix of market rate and rent-restricted units provide the best leverage for the City.

In the far-right column, the scenario shows an all market-rate development in a middle market. Because the project only provides a 10% cash-on-cash return, a typical developer would not do that project when compared with higher cash-on-cash return options in stronger market types including those outside the city limits. The column that shows all low-income units assuming a 9% housing tax credit cycle shows that the developer is able to raise more equity through the use of the tax credits; however, the debt capacity of the project is reduced from traditional lenders because of the reduced income resulting from the restricted rents. The result is a gap of nearly $10.7 million without achieving the public policy goal of a mixed income community. In the first column, the scenario shows a mix of 45% rent restricted and 55% market-rate. Using tax exempt bond financing through the 4% housing tax credit program, the project attracts a significant amount of debt, some tax credit equity, and only requires about a $5.4 million subsidy from the City for the development. To scale this to meet the production goal of 2,933 rental units annually, an estimated $251.4 million would be necessary to subsidize the development side of the projects.

No. Units	Total	Low-income	Mkt				
1BR	36	17	19				
2BR	88	41	47				
3BR	16	5	11				
	140	63	77				
Rents		Low-income	Mkt				
1BR		$688	$1,320	$300,960			
2BR		$826	$1,620	$913,680			
3BR		$954	$2,170	$286,440			
				$1,501,080			
Income		Mixed		All LI–9%		All Market	
Low-Income Rent		603,984		1,352,640		0	
Mkt Rent		1,501,080		0		2,697,600	
		2,105,064		1,352,640		2,697,600	
Vacancy		-105,253		-67,632		-134,880	
EGI		1,999,811		1,285,008		2,562,720	
Expenses		-532,000		-532,000		-532,000	
NOI		**1,467,811**		**753,008**		**2,030,720**	
÷ DCR		1.2		1.2		1.2	
Max d/s		1,223,176		627,507		1,692,267	
CF		**244,635**		**125,501**		**338,453**	
Max Loan		20,420,295		8,926,126		24,072,072	
LIHTC Basis		4,860,000		10,800,000		0	
Investor EQ		1,592,865		7,852,572		3,367,928	
Total funds		22,013,160		16,778,698		27,440,000	
TDC		$ 27,440,000					
GAP		$ (5,426,840)		$ (10,661,302)		$ 0	
						10%	COC

Cost of subsidizing renters

The cost to subsidize renters is more difficult to estimate because the rents vary greatly by zip code. However, the most difficult renters to place are the voucher holder tenants which are in the 50% and 30% income band targets. For these targets, the City proposes that a sublease agreement arrangement is structured with an incentive to a landlord/developer to facilitate the rental of units to voucher holders. This would be done through the Dallas Housing Finance Corporation (DHFC). As outlined above, as an issuer of 4% tax exempt bond debt, the DHFC is in a unique position to provide sufficient incentive to attract developers to reposition their rental portfolio in the reinvestment areas.

A Strategic Approach:
As described in the financial cost estimates, the key to achieving these production goals and to breaking long-term poverty cycles, staff proposes a placed-based strategy with a tier of reinvestment areas that will provide a geographic prioritization based on the MVA, with regular updates to the algorithm based on completed incentivized projects and market changes. See Attached Map

Redevelopment Areas:
A redevelopment area is characterized by a known catalytic project that has submitted a request for funding that shows preliminary viability and will begin within the next 12 months. The project as proposed must contain a housing component and must address the existing market conditions as identified in the MVA and must demonstrate a level of housing production supported through a third-party independent market analysis and show affordability to a mix of income bands.

Stabilization Areas:
Stabilization areas are characterized as G, H, and I markets that are surrounded by A-E markets and as such are at risk of displacement based on known market conditions including upcoming redevelopment projects.

Staff will seek a designation of a Neighborhood Empowerment Zone to provide a property tax freeze for homeowners making improvements to their properties resulting in 25% added value for up to 10 years along with rebates for Permit Fees, Plan Review Fees, and Zoning Fees.

These areas are also where Incentive Zoning and Accessory Dwelling Units should be focused to allow for increased density. Furthermore, once these areas are designated, the Planning and Urban Design Department will assign a team to identify re-zoning options that facilitate the development of housing units appropriate for that area through authorized hearings.

Emerging Market Areas:
These markets are characterized as areas in need of intensive environmental enhancements, master planning, and formalized neighborhood organization. In order to facilitate the creation of mixed income developments, the City recommends seeking designation as Neighborhood Revitalization Strategy Areas (NRSA's) through HUD in order to prepare the area for real estate investments in a 3 to 5-year time frame and provide flexibility of use of funds without income qualifications. The team formerly known as the Neighborhood Plus Team would work with the community in these areas to develop a plan for assessing the needs in this area, and conduct a neighborhood sweep to address those issues over a two-week period of time. The sweep services would include: Code, Public Works, Sanitation, Traffic and Water Utility. This will help address longstanding aesthetic issues and begin to establish

trust in local government and aid staff in assessing the need for strategic partnerships.

Alternatives

The Economic Development and Housing Committee could move to brief this item to the full council in April instead of the voting agenda on March 28, 2018.

In addition to the recommendations made here, staff received and evaluated submittals from various individuals and organizations and determined some of those recommendations either needed to be added to the 2019 Legislative Agenda for the City of Dallas and additional research should be conducted to develop a recommendation and position. Those policy issues dealt with Homestead Preservation Districts and an Anti-Discrimination Statute based on Source of Income.

Several recommendations centered around making concentrated investments in the deeper stressed markets and while our tiered approach supports this on some levels it does not support real estate investments in those markets. Furthermore, creating a market where there is not one requires that the first buyers or renters buy into a high-risk development where future investment may not come and appreciation may not occur. The City of Dallas has many case studies in which this has been the case. Developments where vacancy rates are high on both the residential and commercial side because there is not enough demand in that area to support the development have received City investments and have declined in value instead of appreciated.

The Community Housing Development Organizations (CHDOs) recommended the creation of an equity fund of $50 million to be set aside for them. Staff cannot support this because: 1) the funding would have to be raised from investors 2) the development patterns of the CHDOs must change in order to comply with the City's affirmatively furthering fair housing plan so that they are not concentrating low income families in low income areas 3) based on the CHDOs track record, they are not able to demonstrate to investors an ability to deliver projects of scale on schedule and on budget and therefore they would not be able to provide an equity fund the returns required to the investors.

Several individuals and organizations recommended that the City adopt a city ordinance prohibiting source of income discrimination or make changes to the City's ordinance. It appears that there is confusion about the City's Chapter 20A. On October 19, 2016 the Dallas City Council amended 20A to prohibit source of income protection to the greatest extent permitted by state law. The ordinance protects all lawful, regular, and verifiable income sources, including housing vouchers, except as prohibited by Texas Local Government Code Section 250.007. In 2017, Inclusive Communities Project sued to overturn the state statute. Chapter 20A is drafted in such a way that if and when the state law is overturned, 20A will broadly prohibit all source of income discrimination.

The use of Community Land Trusts was recommended as a way of making homeownership opportunities available to families below 50% of AMI. Land Trusts allows for a common ownership of land and common area amenities, with homebuyers owning the improvements only. This policy prioritizes building a market-quality product and then layering affordability for the end users so that there is real asset wealth building and no detrimental effect to the property tax base. The true test of value in real estate is resale value. To the extent that the market already provides for condo, townhomes, and garden home concepts that provide the same benefit as a community land trust and the developer can choose to structure the bylaws of that management entity so that it is controlled by a local non-profit or social service agency with experience in property management. This achieves the same outcome and minimizes issues with obtaining first mortgages.

Fiscal Impact

None. Projects will be sourced through competitive Notices of Funding Availability (NOFA) and Requests for Applications (RFA) and subsidy amounts will be determined based on the underwriting criteria outlined in the Comprehensive Housing Policy Manual and presented to City Council for approval.

Departments/Committee Coordination

This policy recommendation was coordinated through the public input process described and with the Department of Sustainable Development, Office of Economic Development, Office of Fair Housing and Human Rights, Parks and Recreation Department, Code Compliance Department, and City Attorney's Office.

Staff Recommendation

Staff recommends approval of the policy recommendations and amendments to programs as detailed in the attached City of Dallas Comprehensive Housing Policy and outlined here:

- Approval of Reinvestment Areas
- Approval of Production Goals for homeownership vs. rental
- Approval of the Percentages of Families at various Income bands to be served in both homeownership vs. rental
- Approval of the addition of Rental Rehabilitation Program for both single-family and multi-family projects
- Approval of the Targeted Homebuyer Assistance Program to attract law enforcement, teachers, and fire fighters into Reinvestment Strategy Areas
- Approval of the expansion of the owner-occupied rehab program activities to include refinance of home equity lines of credit or first mortgages as part of an eligible rehab project

- Approve the designation of Neighborhood Empowerment Zones in Stabilization Areas and authorize a property tax freeze for up to 10 years for homeowners if they are making improvements to their property resulting in more than 25% increase in value and allowing fee rebates.
- Approve the establishment of a Housing Trust Fund to make loans to support the production goals and authorize staff to transfer a minimum of $7 million in unencumbered fund balances from high performing TIFs, as well as $7 million from Dallas Water Utility funding set aside to support developments.
- Approve the use of Tax Increment Financing to projects that propose to meet the unit production goals with affordability requirements as defined in the NOFAs and RFAs to advance the goals outlined here and not a blanket 20% or 10% affordability
- Approve creation of a Housing Task Force to work on Legislative issues and review Low Income Housing Tax Credit annual Qualified Allocation Plan

Should you have any questions, please contact me at (214) 671-5257.

Raquel Favela
Chief of Economic Development & Neighborhood Services

Attachment 1: Virtual Town Hall Attendance by Council District
Attachment 2: In person sign in sheets for Housing Policy Public Input Meetings

c: The Honorable Mayor and the Members of City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Bilierae Johnson, City Secretary (I)
Daniel F. Solis, Administrative Judge
Kimberly Bizor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Jo M. (Jody) Puckett, P.E., Assistant City Manager (I)
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Comprehensive Housing Policy

City of Dallas
Department of Housing and Neighborhood Revitalization

March 19, 2018

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BACKGROUND

On March 12, 2017, the Dallas City Council Housing Committee set out three goals for the development of a comprehensive strategy for housing: 1) Create and maintain available and affordable housing throughout Dallas 2) Promote greater fair housing choices 3) Overcome patterns of segregation and concentrations of poverty through incentives and requirements.

In August 2017, the City of Dallas engaged Reinvestment Fund to conduct a Market Value Analysis (MVA) which is an analytical tool used to assess the residential real estate market throughout the entire City to determine where, with some granular detail, there is market strength, transitioning markets, and market distress. After briefing the City Council on the results of the MVA on January 17, 2018, eight (8) town hall meetings were held to help inform through public input, the recommendations presented under this comprehensive housing policy. The town hall topics: How Residential Real Estate Gets Financed, How to Reduce Development Costs, How to Increase Access to Capital and Reduce Cost of Capital and Programs, Tools and Strategies for Increasing Housing Production provided stakeholders an opportunity to understand the City's housing crisis from the perspective of each of the major stakeholders: consumers, developers / builders / contractors, regulatory officials – zoning, building inspections, code enforcement, lenders including foundations and government sources of finance, and neighbors. The town halls were held both in person and through a virtual telephone town hall which were also aired on Spectrum channel 95 and streamed online. The in-person town halls had a combined participation of ninety-four (94) participants; many of which also participated in the virtual town hall meetings. The virtual telephone town halls had a total of 38,690 participants for all four (4) and of those 10,000 participated in more than one town hall.

This plan attempts to meet the goals outlined above while addressing a housing shortage of 20,000 housing units in Dallas over a 3-year timeframe. This shortage is driven by land and land development costs, construction costs including labor and materials, rent growth, the regulatory effects of federal, state and local constrains as well as the single-family rental market. These market conditions have led to an increase in both rents and sales prices in the overall market and has cost burdened sixty-five (65%) of families in Dallas.

TOOLS

The City of Dallas (City) receives support from the U.S. Department of Housing and Urban Development to assist low and moderate-income families in obtaining affordable housing. The City receives several Entitlement (HUD) grants, which it can use to support its housing initiatives. HUD outlines certain regulations that apply when using grant funds. This policy document uses the HUD regulations as a basis and incorporates the City's own policies as adopted by City Council.

Community Development Block Grant (CDBG)

The Community Development Block Grant has been in existence since 1974. The primary objective of the CDBG program is to improve communities by providing decent housing, providing a suitable living environment, and expanding economic opportunities. The primary beneficiary of CDBG funds must benefit low to moderate-income persons; aid in the prevention or elimination of slums or blight; or meet an urgent need.

HOME Investment Partnership Program (HOME)

The HOME Investment Partnership Program has been in existence since 1990. The goals of the HOME program are to provide decent affordable housing to lower-income households, expand the capacity of nonprofit housing providers, strengthen the ability of state and local governments to provide housing, and leverage private sector participation. HOME funds may be utilized for rental activities, homebuyer activities, and homeowner rehabilitation activities. All HOME funds must benefit persons of low and moderate income.

<u>HOME Match Requirement</u>

All housing development projects must meet a twenty-five (25%) HOME matching requirement of contributions made from non-federal resources and may be in the form of one or more of the following:

- Cash contributions from nonfederal sources.
- Forbearance of fees
- Donated real property
- Cost, not paid with federal resources, of on-site and off-site infrastructure that the participating jurisdiction documents are directly required for HOME-assisted projects
- Proceeds from multifamily affordable housing project bond financing
- Reasonable value of donated site-preparation and construction materials, not acquired with federal resources
- Reasonable rental value of the donated use of site preparation or construction equipment
- Value of donated or voluntary labor or professional services in connection with the provision of affordable housing

Neighborhood Stabilization Program (NSP)

The Neighborhood Stabilization Program was authorized under Division B, Title III of the Housing and Economic Recovery Act of 2008 (HERA) to help communities recover from the effects of foreclosures, abandoned properties, and declining property values. The City collects program income from this source and appropriates it on an annual basis.

General Obligation Bond

General Obligation Bonds were authorized under the 2017 bond package to help with infrastructure, economic development and housing, and related expenses as authorized by law. Economic Development and Housing have been allocated approximately $55 million for the next five (5) years.

Tax Exempt Bond Financing (City of Dallas Housing Finance Corporation)

The City of Dallas Housing Finance Corporation (DHFC) was organized in 1984 in accordance with Chapter 394 of the Texas Local Government Code (Code). Under the Code, the purpose of the DHFC is to assist persons of low and moderate income to acquire and own decent, safe, sanitary, and affordable housing. To fulfill this purpose, the DHFC can be an issuer of tax exempt bonds. The DHFC may issue bonds to finance, in whole or in part, the development costs of a residential development or redevelopment; the costs of purchasing or funding the making of home mortgages; and any other costs associated with the provision of decent, safe, and sanitary housing and non-housing facilities that are an integral part of or are functionally related to an affordable housing development.

Affordable Housing Partnerships

The DHFC can also partner with affordable housing developers for the production of multifamily housing. The DHFC can acquire an ownership stake in the development by becoming the General Partner (GP) of an ownership entity, right of refusal to purchase the improvements, and owning and controlling the land. DHFC is the sole member of the GP. Fifty-one percent of the units must be set aside for affordable housing. If all of the aforementioned criteria are met; then the development can benefit from a tax exemption. Additionally, the DHFC can be the General Contractor to allow for sales tax exemption on construction materials.

Sublease Agreements

Establish program provide an incentive to a landlord/developer to facilitate the rental of units to voucher holders through the Dallas Housing Finance Corporation.

Housing Trust Fund

Establish a $7 million unencumbered fund balance from high performing TIF's, as well as $7 million from Dallas Water Utility funding set aside to support developments.

Tax Increment Financing

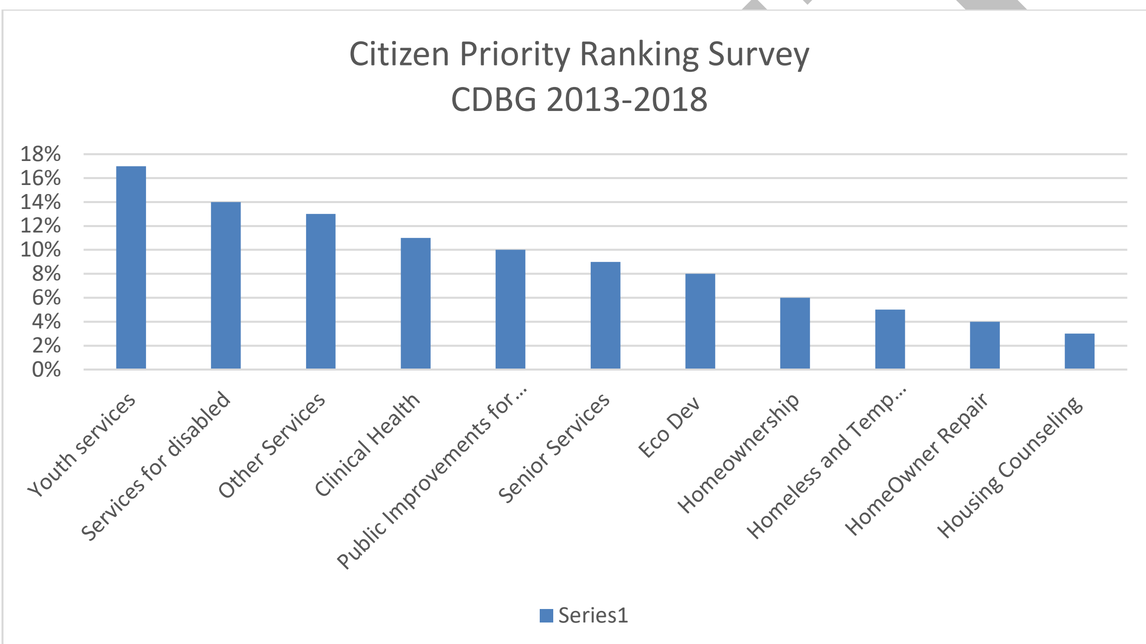
Leverage TIF on projects that propose to meet the unit production goals with affordability requirements.

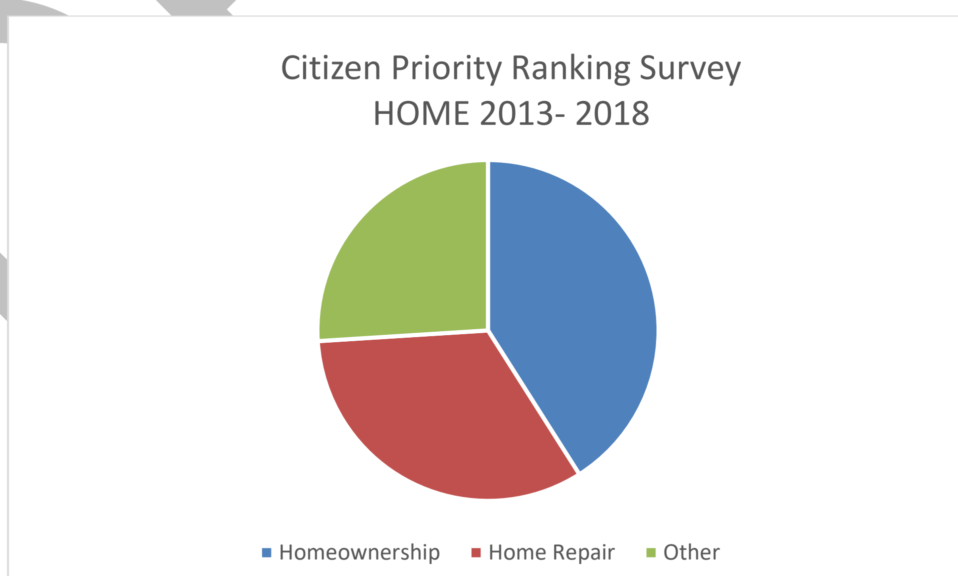
CITY OF DALLAS PLANS

Insert Forward Dallas

Neighorhood Plus

Consolidated Plan Strategies
In the development of the 5-Year Consolidated Plan, the following priorities were identified.





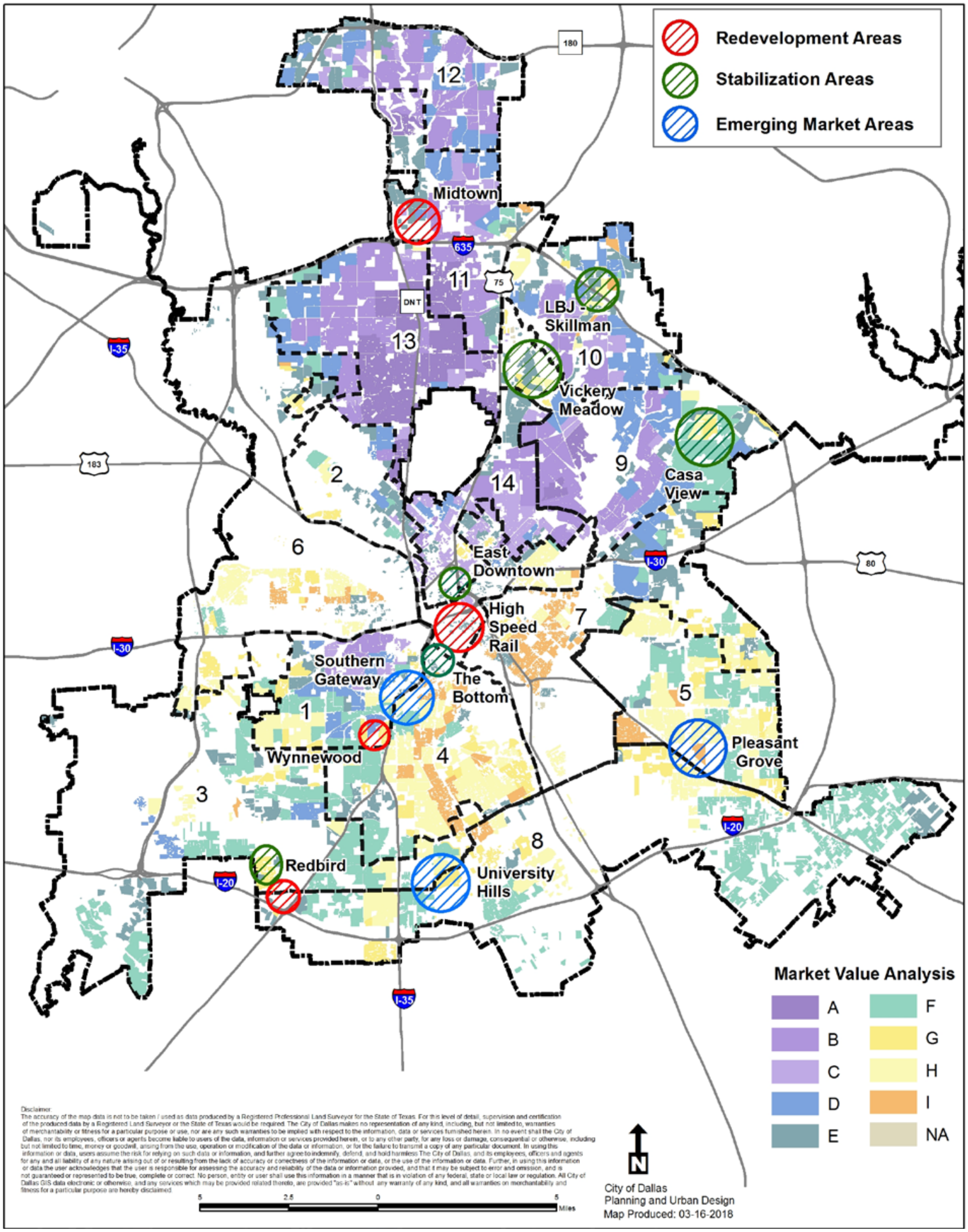
Reinvestment Strategic Areas
This presents a tiered Reinvestment Area Strategy to address three (3) market types in need of City investment:

1. **Redevelopment Areas:**
A redevelopment area is characterized by a known catalytic project that has submitted a request for funding that shows preliminary viability and will begin within the next 12 months. The project as proposed must contain a housing component and must address the existing market conditions as identified in the MVA and must demonstrate a level of housing production supported through a third-party independent market analysis and show affordability to a mix of income bands.

2. **Stabilization Areas:**
Stabilization areas are characterized as G, H, and I markets that are surrounded by A-E markets and as such are at risk of displacement based on known market conditions including upcoming redevelopment projects. These areas are also where Incentive Zoning and Accessory Dwelling Units should be focused to allow for increased density.

3. **Emerging Market Areas:**
These markets are characterized as areas in need of intensive environmental enhancements, master planning and formalized neighborhood organization. In order to facilitate the creation of mixed income developments, the City recommends seeking designation as Neighborhood Revitalization Strategy Areas (NRSA's) through HUD in order to prepare the area for real estate investments in a 3 to 5-year time frame and provide flexibility of use of funds without income qualifications. trust in local government and aid staff in assessing the need for strategic partnerships.

Reinvestment Areas



PRODUCTION GOALS

The table below shows annual production goals of 3,733 for homeownership units and 2,933 of rental units if the City would like to provide development and homebuyer subsidies to mitigate the 20,000-unit shortage over the next 3 years and still keep the 3-year historic average of homeownership versus rental percentages.

Production Goals	Homeownership Units (56% of production)		Rental Units (44% of production)	
Units for 120% AMI households	933	25%	587	20%
Units for 100% AMI households	1,120	30%	587	20%
Units for 80% AMI households	1,307	35%	733	25%
Units for 60% AMI households	373	10%	440	15%
Units for 50% AMI households	0	0%	293	10%
Units for 30% AMI households	0	0%	293	10%
Total annual goals (6,666 per year for 3 years to create 20,000 total new units)	**3,733**	**100%**	**2,933**	**100%**

HOMEOWNER PROGRAMS

Owner-Occupied Rehabilitation & Reconstruction

Provides an all-inclusive repair and rehabilitation program for single-family owner-occupied housing units. Home Improvement and Preservation Program (HIPP) will be offered as a repayment loan program to low and moderate-income homeowners, with the purpose of making needed improvements and preserving affordable housing. HIPP is designed to finance home improvements and address health, safety, accessibility modification, reconstruction and structural/deferred maintenance deficiencies. HIPP will enable homeowners to improve their housing while creating a positive effect in the community.

Eligibility

1. The property must be a single-family home. Properties with over five (5) units are not eligible for rehabilitation assistance under this program.
2. The property must reside within the Dallas city limits and Applicant must have occupied the dwelling for at least six (6) months from date of application.
3. Applicant must be a U.S. Citizen or Permanent Resident, have a valid Social Security card and current Texas State issued identification card or Driver License.
4. Applicant must be current with the mortgage company meaning not more than thirty (30) days past due. (Except Accessibility Repair)
5. Property taxes must be current. Property taxes must not be delinquent for any tax year unless the homeowner has entered into a written agreement with the taxing authority outlining a payment plan for delinquent taxes and is abiding to the written agreement. (Except Accessibility Repair)
6. Applicant's annual gross income must be at or below the eighty (80%) of the Area Median Family Income (AMFI).
7. Standard property insurance, satisfactory to the City, must be maintained on the property (with coverage adequate to insure the City's lien position). If a property is located in a floodplain, flood insurance must also be maintained with coverage adequate to insure the City's lien position. (Except Accessibility Repair)
8. Applicant must certify that the home is not for sale and is their primary residence/homestead, as indicated per Dallas County Tax Records and utility records.
9. Title searches are obtained to evidence ownership of the property. (Except Accessibility Repair)

Maximum Assistance Limits

For rehabilitation activities, the maximum amount of assistance provided shall not exceed forty-seven and half percent (47.5%) of the HUD HOME Value Limits for existing properties.

For reconstruction activities, the maximum amount of assistance provided shall not exceed seventy-five (75%) of the HUD HOME Value Limits for new construction. The Chief of Economic Development and Neighborhood Services may on a case by case basis administratively approve (without Economic Development and Housing Committee approval) additional assistance not to exceed ten percent (10%) above the maximum limit for any Owner-Occupied Rehabilitation or Reconstruction project under the following circumstances:

- To address outstanding repairs or necessary work to close out an existing project;
- The need to provide reasonable accommodations in accordance with the Americans with Disabilities Act or other local, state or federal law;
- Unanticipated costs deemed necessary to meet applicable City Codes;
- Unforeseen environmental issues; and
- Addressing issues that threaten life, health, safety and welfare of the public.

It should be noted that the Owner-Occupied Rehabilitation and Reconstruction establishes maximum per unit thresholds below the HUD required maximum per-unit dollar limitations established under HUD Section 234 Condominium Housing Limit. Thus, no individual project under this program can exceed these HOME maximum subsidy limits.

Terms of Assistance

The terms of assistance for the HIPP will be in the form of a loan based on the following schedule: 1) homeowners with incomes at or below sixty percent (60%) AMFI will receive a deferred, zero percent interest (0%) loan, 2) homeowners with sixty-one to eighty percent (61% - 80%) AMFI, will have a combination of deferred, zero percent interest (0%) loan and monthly installment payment plan as permissible through the underwriting, and 3) for homeowners with (81%-120%) AMFI, monthly installment payment with three percent interest (3%) loan will be offered.

If the home is vacated or leased during the term of the loan, then the full loan shall be immediately due and payable in full. If the property is transferred through sale during the term of the loan, the balance shall also be immediately due and payable in full.

Credit Standards

Following are the credit standards for HIPP:

- No Chapter 7 or Chapter 13 bankruptcy if primary or any mortgage is included as a secured creditor on the subject property for which the City or subrecipient will place a lien securing the loan.

- Qualifying debt to income ratios are 30% on the front end and 43% on the back end.

Affordability Periods

Eligible rehabilitation and reconstruction activities will include all items necessary to bring the structure into compliance with the City's written rehabilitation standards and applicable local residential codes; including items recommended as necessary to preserve the property's structural integrity, historic integrity, weatherization, and quality of living conditions. The scope of work must address all major systems that have a remaining useful life for a minimum of 5 years at project completion, or the system must be rehabilitated or replaced as part of the scope of work. Major systems are identified as structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning.

Improvements to or demolition of an accessory structure such as detached garage, work shed, or small residential structure will be made on a case by case basis depending on the available budget, grant requirements, current building codes, health and safety concerns, and minimum occupancy requirements of residents of the property.

Amount of Assistance	Term
Less than $5,001	5 Years
$5,001 to $50,000	10 years
Over $50,001	15 years
Reconstruction Only	20 years

Assistance to remove of any items from the property that are considered to be dangerous, hazardous, or a violation of local code are eligible in conjunction with the rehabilitation of the property.

Assistance may not be used for the purchase or repairs of appliances (except for energy efficient window units) or renovations not necessary to bring the home up to local code or property standards. Unnecessary renovations include but are not limited to luxury items (granite counter tops, swimming pools, spas, high end fixtures); tree trimming; fences; and landscaping.

Accessibility Repairs

Rehabilitation less than $10,001 is considered a minor repair and Federal funds may be used to perform minor home repairs essential for ensuring accessibility modifications. Assistance in the form of a one-time grant not to exceed $10,000 shall exclude environmental and administrative soft costs necessary to engage the client and property.

Mortgage and Refinancing

Assistance may be provided to an Applicant who has an existing mortgage or equity loan if the total debt, including mortgage/equity loan balance and all rehabilitation costs do not exceed 100% of the after-rehabilitation value of the property. The City deferred loan may be subordinate to the existing mortgage or equity loan.

Refinancing of an existing mortgage, equity loan, or liens from lot clearance/demolition is an eligible refinancing expense up to $10,000. The total debt, including refinanced amount and rehabilitation costs, cannot exceed 100% of the after-rehabilitation value of the property. Refinancing of revolving loan accounts, vehicles, credit card debt, or property taxes are NOT allowable refinancing expenses.

Heirs

A loan may be transferred to the heir(s) of the borrower if the heir(s) are income qualified and utilize the assisted property as their primary residence whether the loan is still within the period of affordability or not. If the heir(s) do not meet the income requirements of the program, the remaining balance of the loan is due immediately and payable in full if the loan is still within the period of affordability. If the property is not within the period of affordability and the heir(s) are not income qualified or do not utilize the property as their primary residence, the City or Sub-recipient may make payment arrangements with the heir(s) at an interest rate between zero (0) and three percent (3%).

Dallas Homebuyer Assistance Program

To provide homeownership opportunities to low-to-moderate income homebuyers through the provision of financial assistance when purchasing a home, in accordance with federal, state and local laws and regulations.

Eligibility

Applicants to homebuyer programs must meet the following criteria:

1. Property must be located in the city limits of Dallas.
2. Applicant's projected annual income must not exceed 80% of the Area Median Income, adjusted for household size, at the time of application to the program.
3. Applicant must have acceptable credit. High cost or sub-prime loans, adjustable rate mortgages, interest only loans are not allowed.
4. Applicant household must be U.S Citizens or legal residents and possess a valid social security card.
5. Property to be purchased must be primary residence of Applicant.
6. Applicant must attend an 8-hour homeownership education class from a HUD certified counseling agency within 12 months of application for assistance.
7. Applicant must make a minimum initial cash investment of $1,000 toward purchase of home.
8. Home must have meet federal and local requirements, including Minimum Housing Standards and international residential code.
9. Applicant must not have owned a home during the three-year period immediately prior to application.

Following are exceptions to the "three year" rule: displaced homemakers (an adult, 21 years of age or older who has not worked full time in the labor force for a number of years, but has during those years worked primarily as a homemaker, who is unemployed and experiencing difficulty in obtaining employment) or single parents (an individual who is unmarried or legally separated from a spouse and who has custody of one or more minor children, or someone who is pregnant at the time of application).

Eligible Properties

The property can be privately or publicly owned prior to sale to the Applicant. The property must be within the Dallas city limits and meet City building codes, lead based paint requirements, and environmental standards at the time of initial occupancy.

The property must contain adequate living and sleeping space for the applicant household as verified by the property appraisal, site visit, and/or Dallas Appraisal District Data. The property can be an existing property, or it may be newly constructed. The property can be:

- Single-family property (one unit)
- Two to four unit property (Assistance provided for the unit to be occupied as the purchaser's principal residence); or
- Condominium or cooperative unit

All Homebuyer Programs require an appraisal and can be provided by the first mortgage lender. The appraisal value of an assisted property to be acquired for this activity cannot exceed the HOME Value Limit for Dallas. This limit is updated annually. The sale price of an assisted property may not exceed the "Appraised Value".

Affordability Periods

The residence must remain affordable for a certain period of time, which is dependent on the amount of CDBG or HOME funds invested. The City's recapture provisions will apply.

Amount of Funds	Required Affordability
Less than $15,000	5 Years
$15,000 to $40,000	10 Years
Over $40,000	15 Years

HOME Program Recapture/Resale Requirements

These requirements can be found in Appendix XX.

Eligible Expenses

Homebuyer Programs may include any of the following activities: principle reduction, down payment and closing cost assistance. If the house is sold before the required affordability period has elapsed, the assistance funds must be recaptured.

Terms of Assistance

The assistance for the Dallas Homebuyer Assistance Program will be offered in the form of a deferred, zero percent interest (0%) loan. If the home is vacated or leased during the term of the loan, then the full loan shall be immediately due and payable in full. If the property is transferred through sale during the term of the loan, the balance shall also be immediately due and payable in full.

Credit Standards

Following are the credit standards for homebuyer programs:

- No Chapter 7 or Chapter 13 bankruptcy if primary or any mortgage is included as a secured creditor on the subject property for which the City or subrecipient will place a lien securing the loan.
- Qualifying debt to income ratios are 30% on the front end and 43% on the back end. With compensating factors, the City will allow 33% on the front end and 45% on the back end.
- Maximum loan is up to the 1st lien holder's approval of Complete Loan to Value (CLTV).
- Predatory lending describes lending practices that take advantage of clients by charging usurious interest rates or excessive fees and penalties. Loans will not be made with an interest rate more than 2% about the prevailing market rate.

Heirs

A loan may be transferred to the heir(s) of the borrower if the heir(s) are income qualified and utilize the assisted property as their primary residence whether the loan is still within the period of affordability or not. If the heir(s) do not meet the income requirements of the program, the remaining balance of the loan is due immediately and payable in full if the loan is still within the period of affordability. If the property is not within the period of affordability and the heir(s) are not income qualified or do not utilize the property as their primary residence, the City or Sub-recipient may make payment arrangements with the heir(s) at an interest rate between zero (0) and three percent (3%).

Additional Requirements for the Homebuyer Incentive Program

Repayment Terms and Requirements

Assistance will be provided up to 8% of the HUD HOME Value Limit for existing properties to individuals willing to purchase homes within one of the targeted areas, with the requirement of only having to repay 25% of the actual loan amount at 0% interest and the balance is due at the time of resale.

Targeted Homebuyer Incentive Program Only

This program would offer further incentives for schoolteachers, police officers, emergency medical technicians, and firefighters of requiring the repayment only upon re-sale or refinance, contingent of the requirement of meeting a 10-year owner occupancy requirement.

Neighborhood Empowerment Zones

This program will provide a property tax freeze for homeowners in Stabilization Areas, making improvements to their properties resulting in more than 25% increase in value. The tax freeze would be for up to 10 years, along with fee rebates.

LANDLORD PROGRAMS

Rental Rehabilitation and Reconstruction

Provides an all-inclusive repair and rehabilitation program for single-family (1-4) rental units. The Home Improvement and Preservation Program (HIPP) expands to offer a repayment loan program to landlords which lease to low income household, with the purpose of making needed improvements and preserving affordable housing. HIPP is designed to finance home improvements and address health, safety, accessibility modifications, reconstruction and structural/deferred maintenance deficiencies.

<u>Eligibility</u>

1. The property must be a single-family home (1-4 units). Properties with over 5 units are not eligible for rehabilitation assistance under this program.
2. The property must reside within the city limits of Dallas.
3. Applicant must lease the unit to a low-income household.
4. Applicant must provide evidence of property ownership. Additionally, City shall require a title search to verify whether liens or deed restrictions exist.
5. Applicant and tenants must be a U.S. Citizen or Permanent Resident, have a valid Social Security card, and current Texas State issued identification card or Driver License.
6. Applicant must be current with the mortgage company meaning not more than 30 days past due.
7. Property taxes must be current. Property taxes must not be delinquent for any tax year.
8. Tenant household's annual gross income must be at or below the 80% of the Area Median Income.
9. Standard property insurance, satisfactory to the City, must be maintained on the property (with coverage adequate to insure the City's lien position). If a property is located in a flood plain, flood insurance must also be maintained with coverage adequate to insure the City's lien position.
10. Applicant must adhere to the City Code Section 20-A and comply with HUD rent limits.

<u>Maximum Assistance Limits</u>
For rehabilitation activities, the maximum amount of assistance provided shall not exceed 47.5% of the HUD HOME Value Limits for existing properties.

For reconstruction activities, the maximum amount of assistance provided shall not exceed 75% of the HUD HOME Value Limits for new construction. The Chief of Economic and Neighborhood Services may on a case by case basis administratively approve (without Housing Committee approval) additional assistance not to exceed 10% above the maximum limit for any Rental Rehabilitation or Reconstruction project under the following circumstances:

- To address outstanding repairs or necessary work to close out an existing project.

- The need to provide reasonable accommodations in accordance with the Americans with Disabilities Act or other local, state or federal law;
- Unanticipated costs deemed necessary to meet applicable City Codes;
- Unforeseen environmental issues; and
- Addressing issues that threaten life, health, safety and welfare of the public.

It should be noted that the Rental Rehabilitation and Reconstruction establishes maximum per unit thresholds below the HUD required maximum per-unit dollar limitations established under HUD Section 234 Condominium Housing Limit. Thus, no individual project under this program can exceed these HOME maximum subsidy limits.

<u>Terms of Assistance</u>

The terms of assistance to Applicants of Rental Repair and Rehabilitation will be in the form of a three percent (3%) interest rate loan. If the landlord does not comply with the requirements set out in this program, including but not limited, leasing to a household over eighty percent (80%) AMFI, then the full loan shall be immediately due and payable in full. If the property is transferred through sale during the term of the loan, the balance shall also be immediately due and payable in full.

Credit Standards

Following are the credit standards for HIPP:

- No Chapter 7 or Chapter 13 bankruptcy if primary or any mortgage is included as a secured creditor on the subject property for which the City or subrecipient will place a lien securing the loan.

<u>Eligible Rehabilitation and Reconstruction Scope</u>

Eligible rehabilitation and reconstruction activities will include all items necessary to bring the structure into compliance with the City's written rehabilitation standards and applicable local residential codes; including items recommended as necessary to preserve the property's structural integrity, historic integrity, weatherization, and quality of living conditions. The scope of work must address all major systems that have a remaining useful life for a minimum of 5 years at project completion, or the system must be rehabilitated or replaced as part of the scope of work. Major systems are identified as structural support; roofing; cladding and weatherproofing (e.g., windows, doors, siding, gutters); plumbing; electrical; and heating, ventilation, and air conditioning.

Improvements to or demolition of an accessory structure such as detached garage, work shed, or small residential structure will be made on a case by case basis depending on the available budget, grant requirements, current building codes, health and safety concerns, and minimum occupancy requirements of residents of the property.

Amount of Assistance	Term
Less than $5,001	5 Years
$5,001 to $50,000	10 years
Over $50,001	15 years
Reconstruction Only	20 years

Assistance to remove of any items from the property that are considered to be dangerous, hazardous, or a violation of local code are eligible in conjunction with the rehabilitation of the property.

Assistance may not be used for the purchase or repairs of appliances (except for energy efficient window units) or renovations not necessary to bring the home up to local code or property standards. Unnecessary renovations include but are not limited to luxury items (granite counter tops, swimming pools, spas, high end fixtures); tree trimming; fences; and landscaping.

TENANT PROGRAMS

Tenant Based Rental Assistance

The purpose of this program is to provide supplemental financial assistance to displaced tenants as a result of the High Impact Landlord Initiative (HILI) to pay the difference between the cost of rent and the actual affordable amount that the tenant can pay. The program shall be operated on a first come first serve basis. Only HOME funds can be used to fund Tenant Based Rental Assistance (TBRA) programs. This is not an eligible activity under the Community Development Block Grant (CDBG) Program.

Eligible Uses

Eligible costs include: Subsidy is based on the amount of the rent, household income and City rent standard in a form of a grant. Covered expenses include:

Rent supplemental financial assistance:

- Utility costs
- Security deposits
- Utility deposits
- Maximum assistance of 24 months
- May provide security deposit and utility deposit assistance upon exiting the program for a permanent unit

No payments will be made directly to the tenant household.

Prohibited Uses

City of Dallas HOME TBRA funds may not be used to assist tenants in conjunction with homebuyer programs, including lease purchase programs.

Eligible Units

Eligible tenants may rent any housing that meets the following criteria:

- Located in Dallas City Limits
- Meets Minimum Housing Quality Standards
- Reasonable rents are charged
- Are not public housing projects, or receiving project based federal assistance

Subsidy Amounts and Tenant Contribution

Maximum Subsidy: Maximum assistance that can be provided is the difference between 30% of the household's adjusted monthly income and the payment standard.

Minimum Tenant Contribution: All tenants are required to pay 30% of their monthly adjusted income, or $20.00 per month, whichever is greater.

Length of Assistance: Assistance will not be provided for a period of time longer than two years, and minimum of one-year lease.

Other Tenant Requirements

Agencies administering TBRA programs may require tenant participation in a self-sufficiency program as a condition of rental assistance.

A legitimate, legal lease is required for program participants.

Income Recertification

Income of tenants receiving HOME tenant based rental assistance must be re-certified on an annual basis, at a minimum. City staff may require recertification of tenant income at any time, at the City's discretion, if it appears that a tenant's income has changed substantially during the contract term. If the tenant's income exceeds eighty percent (80%) of Area Median Family Income, HOME assistance must be terminated.

Payment Standard

The HOME payment standard will be the Small Area Market Rent, annually established and published by the US Department of Housing and Urban Development.

Termination of Assistance

HOME assistance may be terminated if the following occurs:

- Household's income exceeds eighty percent (80%) of Area Median Income;
- Household is evicted from the approved unit by owner for cause;
- After receipt of two official notices requesting cooperation in the re-certification process, the household is unresponsive and uncooperative.

In all cases above, thirty days notice of the termination must be provided to the tenant and landlord.

DEVELOPER PROGRAMS

New Construction and Substantial Rehabilitation Program

The purpose of this program is to provide financial assistance to new developments or substantial rehabilitation developments, where such assistance is necessary, and appropriately incentivize private investment for the development of quality, sustainable housing that is affordable to the residents of the City.

Funds may be used to: 1) build new single-family project with 5 or more homes, 2) build new multi-family rental housing with 5 or more units, or 3) substantially rehabilitate multi-family rental housing with greater than 5 units. The City shall award, when funds are available, through a competitive Request for Applications (RFA) process in accordance with the program's scoring policy.

Eligibility
To be eligible for funding under the New Construction and Substantial Rehabilitation Program assistance the proposed project must meet all of the following basic criteria:

- Project must consist of 5 or more units located within the municipal boundaries of the City of Dallas. Note: Extra Territorial Jurisdictions areas are not eligible for financial assistance.
- Substantial rehabilitation projects must, at a minimum, meet the substantial rehabilitation test –

  In addition to fully meeting the City's minimum code requirements, a project must met one or more of the following Substantial Rehabilitation threshold tests: 1) Replacement of two or more major building components (roof; wall or floor structures; foundations; plumbing, central HVAC or electrical system); or 2) costs are 15% or more, exclusive of any acquisition and/or acquisition and development soft costs, of the property's replacement cost (fair market value) after completion of all required repairs, replacements and improvements; or 3) rehabilitation hard costs are $10,000 or more per unit.

- The after-rehabilitation rents required to effectively support the property, including the additional rehabilitation project debt service, must be:
  - Reasonable, and fall within the underwriting standards; and
  - Affordable and meet the City's definition of affordability.
- Owners must exhibit a cash equity participation of at least 10% in the rental property proposed for rehabilitation. Note: Housing tax credits proceeds are to be treated as equity.

Loan Terms
Financial assistance can be provided in the form of a repayable loan with scheduled payments or, if the project involves housing tax credits, a surplus cash loan. The City loan is fully repayable, and the

interest rate varies by the type of Borrower. The Interest rate for a qualified CHDO Borrower or Sponsor shall be zero percent (0%) simple annual interest. The interest rate for a qualified nonprofit Borrower or Sponsors shall be one percent (1%) simple annual interest. The base interest rate for all other Borrowers shall be three percent (3%). However, the 3% base rate can be reduced through a combination of one or more Borrower concessions:

a) A Borrower guarantee to make annual interest payment will reduce base interest rate by 1%;
b) Borrower agreement to limit loan maturity to 20 years or less reduces base interest rate by 1%; or
c) Borrower guarantee of annual interest and principal payments reduces base interest rate by 2%.

The Borrower can combine a) and b) above to reduce the 3% annual simple interest base interest rate by 2% to the 1% annual simple interest floor rate. However, in no instance can the floor interest rate be less than 1% annual simple interest for a Borrower in this category.

Repayment of loan principal and interest should be either:

- Equal monthly installments over a period of up to 300 months, if the project does not involve housing tax credits. Subject to City review and approval, multi-family projects may have up to 24 months (in addition to the above stated maturity of 300 months) of deferred principal and interest during a construction and lease-up; or,
- An annual surplus cash payment, when the project involves housing tax credits. The City's surplus cash loans funding will be structured with note provisions requiring that at least 50% of Eligible Cash in excess of $50,000 be paid annually to subordinate lenders (including funding partners and related parties) on a prorated basis. Eligible Cash shall be defined as: Surplus cash available for partnership distribution, less any outstanding:

    - Credit adjusters
    - Asset management fees
    - Operating reserve account replenishment
    - Limited partner loans that have been approved by the City
    - Deferred developer fees
    - Supplemental replacement reserve deposits approved by the City

  Note: Incentive management fees have been deliberately omitted from the above list. Payment of incentive management fees shall be subordinate to repayment of the City's loan(s).

<u>Additional Requirements for New Construction Development</u>
For new construction housing developments funded by the City, the maximum subsidy per unit is 22.5% of the HUD HOME Value Limit.

Funding will be provided to Community Housing Development Organizations, governmental entities, or public facility corporations at 0% simple interest, which will be forgiven upon sale of the property to home buyer.

In addition, funding will be provided to other qualified non-profit organizations at 1% simple interest, which will be forgiven upon sale of the property to home buyer.

Projects shall submit, on an annual basis, either HUD Form 93489 (HUD Computation of Surplus Cash), or the City's form, with the project audit. The City will invoice the project, allowing for repayment to occur up to the end of the current calendar year when HUD financing is involved. Otherwise, the surplus cash payment will be due within 45 days of the invoice postmark. Late payments will be assessed a 5% late charge. The loan will be in default if payments are more than 75 days late. The default interest rate shall be 500 basis points (5%) over the note interest rate.

The City multi-family rental loan is limited to only the amount necessary to fully fund the required rehabilitation work, not to exceed nine percent (9%) of the annual HUD Section 234 – Condominium Housing Limits in Dallas, Texas for elevator units (by number of bedrooms per unit). In 2018, the annual limits were as follows:

Efficiency - $58,787
1 Bedroom - $67,391
2 Bedroom - $81,947
3 Bedroom - $106,013
4 Bedroom - $116,369

Note: The above table is only valid for 2018 and is otherwise provided for illustrative purposes. Contact the City's Housing Department for a schedule of current HUD 234 Limits.

Affordability Period Requirements for All Rental Housing Development and Substantial Rehabilitation Loans

The Period of Affordability (income and rent restrictions) applies to both single-family and multi-family rental housing projects. Affordability periods shall be set as follows, in keeping with HUD requirements.

Amount of CDBG or HOME funds Per Unit	Minimum Period of Affordability
Under $15,000/ Unit	Five (5) years
$15,000 - $40,000/ Unit	Ten (10) years
Over $40,000 or rehabilitation involving refinancing	Fifteen (15) years
New construction of Rental Housing	Twenty (20) years

Conditions of All City Loans Include:

- The property must residential rental property under the existing ownership for the entire loan term. If the property is transferred by any means during the loan term, the remaining unforgiving portion, plus interest based on the existing market, will become immediately due and payable;
- The Borrower must maintain the property according to the Dallas Unified Building Code and agrees to allow City personnel to annually inspect the property;
- The Borrower provides evidence of having paid annual property taxes and having secured fire and extended insurance coverage for the property;
- Borrower must annually provide the City of Dallas with the information on rents and occupancy of HOME-assisted units to demonstrate compliance with the affordability rent requirements;
- The Borrower must maintain reserves for maintenance; and
- No further assistance during the affordability period term of the loan, whichever is longer.

The City loan will be secured by a lien on the property. The lien position will be no less than a second, except upon approval of the appropriate City Department Director, subordinate only to a private financial institution's superior lien for a loan in a greater amount. The City may also require additional security for its loan, including, but not limited to, a first lien position on other investment property of the owner, as well as personal and/or corporate guarantees, if it is necessary to secure the loan.

The terms of payment will continue throughout the entire term of the note, provided the Borrower complies with each and every term and condition of the loan documents. If the Borrower does not comply, or if the borrower at any time defaults under the terms of the note, interest on the unpaid principal will thereafter:

(a) accrue at a rate that is 500 basis points over the Note interest rate, and
(b) be immediately payable in addition to the entire outstanding principal amount

Financial Structuring

GAP Financing
The City deferred debt (deferred forgivable or surplus cash) only be used for and based upon the financing gap on affordable units. The City loan cannot exceed the financing gap.

Balloon Mortgages
Ballooning senior debt mortgages may require additional mitigating factors depending on overall project sources and uses, projected loan-to-value, and other risk factors. **Under no circumstances will the City participate in a transaction where a senior balloon term is less than 15 years.**

Surplus Cash Mortgages
The City's surplus cash loans funding will be structured with note provisions requiring that at least 50% of Eligible Cash in excess of $50,000 be paid annually to subordinate lenders (including funding partners and related parties) on a prorated basis.

Eligible Cash shall be defined as:

- Surplus cash available for partnership distribution, less
- Any outstanding:
  - i. Credit adjusters
  - ii. Asset management fees
  - iii. Operating reserve account replenishment
  - iv. Approved limited partner loans
  - v. Deferred developer fees
  - vi. Approved supplemental replacement reserve deposits

Projects shall submit, on an annual basis, either HUD Form 93489 (HUD Computation of Surplus Cash), or the City's form, with the project audit. The City will invoice the project, allowing for repayment to occur up to the end of the current calendar year when HUD financing is involved and general HUD distribution guidelines. Otherwise, the surplus cash payment will be due within 45 days of the invoice postmark. Late payments will be assessed a 5% late charge. The loan will be in default if payments are more than 75 days late. The default interest rate shall be 500 basis points (5%) over the note interest rate.

Appraisal Requirements

Projects Receiving City First Mortgage Acquisition Financing
Prior to funding commitment, the borrower must provide a completed Appraisal Request Form for City-Ordered Appraisals by the date specified in the City's notice of funding award, unless the development

is exempt from the appraisal requirement as described below. The establishment of the date will take into account the applicable funding source commitment deadline and the Borrower's project timeline.

Developments exempt from the prior to commitment appraisal requirement:

- Acquisition price under $100,000
- Land only where there is no identity of interest. Identity of interest is used broadly to include non-arm's length transactions, related-party transactions, etc.
- Single family homes (1-4 family structures) that are aggregated under one loan
- The Borrower has provided a Market Study
- The Project is HUD 202 or HUD 811 with a funding reservation

  Note: Whenever, a project is exempt under one of the above provisions, the City will use assessed value unless the borrower requests an appraisal for determining acquisition cost as defined in these Underwriting Standards.

<u>The cost of appraisals must be borne by the Borrower.</u> All costs incurred for the appraisal, and any revisions, will be the responsibility of the applicant. The City will collect the appraisal costs from its loan proceeds at closing.

Appraisals ordered by the Borrower will not be accepted. All appraisals must be ordered by the City, HUD or a designated HUD MAP lender, Fannie Mae or a designated Fannie Mae Delegated Underwriter Services (DUS) lender or a regulated financial institution.

An Agency ordered appraisal will be used to support the acquisition costs identified at the time of application. The appraised value will be used by the City and its funding partners in underwriting the acquisition cost.

An As-Is Appraisal:

- Land Only for New Construction**:** Fee simple value of the land. The market value appraisal will consider the real property's zoning as of the effective date of the appraiser's opinion of value. If the real property consists of more than one parcel, the parcels will be combined in one appraisal with one value conclusion.
- Acquisition/Rehab**:**
  - Fee simple "as-is" value of the existing multi-family property assuming market rate rents
  - Fee simple, in "as-is" condition, with existing restricted rate rents
  - Adaptive Re-Use: Fee simple market value of the property to be adapted for an alternate use. The valuation will assume the highest and best use permitted by law and economically feasible in the current market.

Prior to Closing – Scheduled Payment Loans

- For scheduled payment loans, an as-completed appraisal is required to establish loan to value
- An "as-completed and stabilized" appraisal is required for all amortizing loans
- Two hypothetical values are required:
  - As completed and stabilized, subject to restricted rents

    - As completed and stabilized, assuming market rate rents
    - The lesser of the two values will be used to determine loan to value for the City's underwriting
- The City will finance no more than 87% of appraised value (85% for loans with $15,000 per unit or less in rehabilitation).
- Plans and specifications must be sufficiently complete for the appraiser to establish the "as completed" value.
- The appraisal must be conducted no more than six months prior to closing or end loan commitment (or the borrower will be required to pay for an appraisal update).

Prior to Closing- Deferred Loans

For non-amortizing loans, the City requires an appraisal prior to closing similar to that required for amortizing loans (above). Borrowers may use another lender's appraisal. Non- Amortizing developments exempt from the prior to closing appraisal requirement include:

- Single family homes (1-4 family) that are aggregated under one loan (the City will use assessed value unless the Borrower requests an appraisal for determining acquisition cost as defined in the Borrower's Underwriting Standards.)

Loan Conditions

As a condition of the City Loan, the Developer must agree:

- To rent these properties in accordance with Affirmative marking standards and the current HUD Section 8 rental income guidelines for the Period of Affordability and the federal equal housing opportunity requirements in the Fair Housing Act.
- Not discriminate on basis or race, religion or national origin.
- Not discriminate against lower income prospective tenants, solely on the basis of their receipt of Section 8 Housing assistance support.
- Not convert the property to condominiums for the duration of the public note.
- To maintain the property in a safe, sanitary and decent condition, in compliance with the City of Dallas Building Codes throughout the term of the public sector note.
- To provide evidence of having paid annual property taxes and secured fire and extended insurance coverage for the property.
- Comply with Annual Re-certification of tenant's annual income, which means each year the property owner must document the income of the tenant by reviewing documents such as W-2's, pay stubs, etc. in order to ensure that their income meets the low-income requirements.
- The City will examine the sources and uses for each project and determine whether the costs are eligible and reasonable, the return to the developer is appropriate (not excessive); and the other sources of funds needed for the project are firm commitments. "Reasonableness" of development costs should be based on the following factors:
    - Costs of comparable projects in the same geographical area;
    - Qualifications of the cost estimators for the various budget line items; and
    - Comparable costs published by recognized industry cost index services
- To adhere to Lead-Based Paint Abatement guidelines for all properties built 1978 and before.
- To a property inspection one (1) year after the rehabilitation and every two (2)

years thereafter during the period of affordability. The owner must agree to cooperate with and assist in this inspection effort, and to resolve all deficiencies cited within the designated correction period allotted.

- To pay real property taxes and maintain adequate fire and extended coverage insurance with City named as co-insured on the subject property for the full term of the loan. The City will require owner to provide documentation of tax payment and insurance coverage on an annual basis.

Failure to comply with any of the conditions outlined above will constitute a default of the public sector loan, requiring the balance to become immediately due and payable.

During the term of the public sector loan, if the property is sold, or ownership transferred through any means, then the balance of the note then owning, including the remaining deferred forgivable portion is immediately due and payable in full.

For HOME projects, a determination of fixed or floating HOME units must be made at the time of Loan commitment. Fixed units must remain the same throughout the period of affordability. Floating units may change in order to maintain conformity so that the total number of units meet the required number of bedrooms to the originally designated HOME-assisted unit.

Loan Closing

The property owner will be required to provide the following items for loan closing:

- For substantial rehabilitation projects, the after-rehabilitation appraisal of the property showing the appropriate value relative to the proposed loan.
- Acceptable Commitment for Title Insurance Policy showing the City's interest in the total amount of the City's Deferred Payment Loan.
- Credit Reports on all Borrowers with a 15% or greater ownership interest.
- List of all real property assets and their value.
- An acceptable bid from an approved contractor. The approved contractor must be licensed, and provide proof of appropriate insurance coverage, covering the total cost of the rehabilitation work and including, but not limited to worker's compensation, general liability, and personal liability.
- Copy of the insurance policy for fire and extended coverage for 80% of the value of the property with City named as co-insured.

Permitted Rehabilitation Program Costs

CDBG or HOME funds will be used to support only the following eligible costs:

- Actual rehabilitation costs necessary to correct substandard conditions to comply with the City of Dallas building Codes, federal environmental conditions standards, and federal lead-based paint abatement requirements.
- Essential improvements including energy conservation-related repairs, and improvements to permit use of the rehabilitated units by persons with disabilities.
- Repairs to major building system in danger of failure.
- Costs, generated by the public sector, for processing and closing the financing for the project, such as: credit reports, fees for title evidence, fees for recordation and filing of legal documents, attorney's fees, permits, and appraisal fees.
- Cost for the relocation of tenants currently residing in the property at the date of initial application, who must be temporarily or permanently displaced as a direct result of the rehabilitation activity.

Involuntary Displacement
The City prohibits involuntary displacement of residents from developments receiving funding. If a development receives federal funds, the Uniform Relocation Act provisions will apply.

Eligible Costs
The following costs may be reimbursed with HOME funds:

Hard Costs	Soft Costs
Land and Structure Acquisition	Financing Fees & credit reports
Site preparation, including demolition	Affirmative marketing, initial leasing & marketing costs
Construction Materials and Labor	Title binders and insurance
	Performance bonds and surety fees
	Recording fees
	Legal & accounting fees
	Appraisals
	Eligible Soft Costs
	Environmental reviews

CDBG funds may not be used for new building construction, in accordance with HUD regulations. However, CDBG funds may be used for all other reasonable and eligible costs in the above table.

Monitoring
The City is required by HUD to obtain information on rents and occupancy of HOME – assisted units to demonstrate compliance with the affordability rent requirements on an annual basis.

Additional Requirements for ALL Rental Housing Projects

Tenant Selection/Eligibility
An owner of rental housing assisted with HOME or CDBG funds must adopt written tenant selection policies and criteria that:

- are consistent with the City's goal of providing housing for very low-income and low-income families;
- are reasonably related to program eligibility and the applicant's ability to perform the obligations of the lease;
- provide for the selection of tenants from a written waiting list in the chronological order of their application, insofar as is practicable; and
- give prompt written notification to any rejected applicant stating the grounds for the rejection

Income Eligibility and Re-certification
Tenant incomes must be re-certified annually and verified with source documents every six years. If the income of a household in an assisted unit rises above 80% of Area Median Income, the household may continue to rent the unit and the household must pay monthly rent equal to the lesser of:

- The rent permitted by state law; or

- 30% of the family's adjusted monthly income at annual re-certification.
    - o If the project was financed with Low Income Housing Tax Credits, the tax credit rent prevails.

Acceptable Rents for HOME Projects Only

The HOME program has established rules in relation to acceptable rents. There are two rent standards: High HOME Rent and Low HOME rent. For properties with five (5) or more HOME assisted united, at least 20% of the units must have rents that meet the "Low HOME" criteria.

- **High HOME Rent:** lesser of the Section 8 Fair Market Rents for existing housing OR thirty (30) percent of the adjusted income of a family whose annual income equals 65% of the area median income.

- **Low HOME Rent:** Thirty percent of the tenant's monthly adjusted income OR thirty percent of the annual income of a family whose income equals 50% of the area median income.

Community Housing Development Organizations (CHDOs)

A CHDO is defined under 24 Code of Federal Regulations (CFR) Part 92.2 as a nonprofit organization (501©3 or 4) organized under state law; has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual; is neither controlled by nor under the direction of individuals seeking to derive profit or gain from the organization. While a CHDO may be sponsored or created by a for-profit entity whose primary purpose is **not** the development or management of housing, such as a builder, developer or real estate management firm, the for-profit entity may not have the right to appoint more than one-third of the membership of the organization's governing body and the board members appointed by the for-profit entity may not appoint the remaining board members. A CHDO does not include a public body although a locally chartered organization may qualify under certain conditions.

The CHDO must be free to contract for goods and services from vendors of its own choosing. The CHDO must comply with certain financial accountability standards as described in the 24 CFR 84.21 Standards for Financial Management Systems. Among the primary purposes of the CHDO's organization, as outlined in their organizational charter, articles of incorporation, resolutions or bylaws must be the provision of decent housing that is affordable to low-to-moderate income persons. A CHDO must remain accountable to the low-income community residents by: **1)** maintaining at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representative of a low-income neighborhood organization; **2)** providing a formal process for low-income program beneficiaries to advise the organization in its decisions regarding the design, site selection, development and management of affordable housing.

A service area in urban areas such as Dallas, "community" may be defined as a neighborhood, or neighborhoods, city, county or metropolitan area. Additionally, CHDOs are subject to the affirmatively furthering fair housing rules which state that housing should not be located in areas of minority concentration or with high poverty rates. Historically, Dallas CHDOs have elected to work in areas where disinvestment has occurred, and where high concentrations of poverty exist. CHDOs should grow and develop the capacity to partner with for-profit developers to produce market rate housing in areas of disinvestment. Furthermore, CHDOs should work in areas with low poverty rates, have access to a quality education, transportation, and jobs. These high opportunity areas lack quality affordable housing options.

A CHDO must demonstrate the capacity to carry out the activities assisted with HOME Investment Partnership Program (HOME) funds within **12 months** of the project commitment. CHDO's may satisfy the HOME requirement by hiring experienced key staff members who have successfully completed similar projects or a consultant with the same type of qualified experience and a plan to train appropriate key staff member of the organizations. CHDO's must demonstrate a minimum of one-year experience in serving the community in which the assisted housing will be located before funds can be reserved for the organization. This requirement can be satisfied by a parent organization in some cases if a CHDO is formed by a group of local churches or local service organizations. CHDOs must be certified by the City of Dallas to be awarded CHDO set-aside funds for the development of housing and operating assistance.

Set Aside

HUD requires that 15% of the HOME allocation each year be made available to Community Housing

Development Organizations (CHDOs) for the development of affordable homebuyer or rental housing.

Operating

In addition, the City can allocate up to 5% of the HOME allocation each year operating expenses for CHDOs. These funds provide operating funds to Community Housing Development Organizations based on financial need and the expectation that the organization is utilizing or will utilize the City's HOME CHDO set aside funding within 24 months of the award.

HOME funding provided for CHDO operating expenses may not exceed $50,000 or 50% of the organization's total annual operating expenses for that fiscal year, whichever is greater. CHDO operating expense funds may not supplant CHDO set-aside funds for project costs.

Certification

To be eligible to receive HOME CHDO set-aside funding and Operating Assistance Grants, a CHDO must be certified by the City of Dallas. CHDO certification must be done prior to the commitment of funds for a set-aside development, and there cannot be a general CHDO certification. The City can work in advance to determine if a CHDO will likely meet the requirements for certification prior to funding considerations. A CHDO must continue to be a certified throughout the development of a project and during the affordability period. the City has developed the "Community Housing Development Organization (CHDO) Policy, Procedure, and Standards" document to outline the process and requirements for CHDO certification. This can be found in Appendix XX.

Resolutions of Support or No Objection

The City of Dallas (the City) has developed a policy for developers requiring Resolutions of Support or No Objection for multi-family rental housing development projects seeking Housing Tax Credits (HTC) through the Texas Department of Housing and Community Affairs (TDHCA). Each year, the TDHCA is required to develop the Qualified Allocation Plan (QAP) to establish the procedures and requirements relating to the allocation of Housing Tax Credits. Once the QAP is submitted and approved by the Office of Governor, which occurs in December of each year, the adopted QAP will be published in the Texas Register.

In the administration of its HTC Program, the TDHCA awards application points for a resolution from a Governing Body of a local municipality on the following basis:

(A) Within a municipality, the application will receive:

- seventeen (17) points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality supports the application or development; or
- fourteen (14) points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality has no objection to the application or development.

(B) Within the extraterritorial jurisdiction of a municipality, the Application may receive:

- eight and one - half (8.5) points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality supports the Application or Development; or
- seven (7) points for a resolution from the Governing Body of that municipality expressly setting forth that the municipality has no objection to the Application or Development

The City will issue a Request for Applications for Resolutions of Support or No Objection in December of each year and provide bring forth recommendations to the Economic Development and Housing Subcommittee and City Council in February of each year. This schedule is in line with the TDHCA program calendar.

Evaluation Criteria

The City has developed a self-scoring application in order to conduct a comprehensive, fair and impartial evaluation of all applications received in response to the Request for Applications process. Each application is analyzed to determine overall responsiveness and qualifications under this policy. Evaluation Criteria are outlined below:

1. General Partner and Property Management Experience – Up to 20 total points (as determined utilizing the below general partner and property manager point tables)

General Partner – up to 10 of the 20 total experience points. To receive experience points under this category, the proposed general partner(s), or a key individual(s) (officer, managing member or principal) within the proposed general partner organization (the "general partner"), must meet one of the following tests for each counted project.

To obtain points for a current project owned by the proposed general partner, the applicant must certify that the development has: 1) been in service and continuously operated for three or more years; 2) yielded positive operating cash flow from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.); and 3) held reserves as required by the partnership agreement and any/all applicable loan agreements.

To obtain points for projects previously owned by the proposed general partner, the applicant must certify that: 1) the ending date of ownership or participation was no more than 10 years before the deadline associated with the subject application; 2) the previously owned development was yielding positive operating cash flow from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.) at the time of disposition; and 3) the project was holding reserves as required by the partnership agreement and any/all applicable loan agreements at the time of disposition.

Experience of the General Partner – Up to 10 points	Points
1-2 Multi-family rental housing projects in service more than 3 years	**1**
1-2 Sec. 42/142/HOME projects in service more than 3 years	**3**
3-6 Multi-family rental housing projects in service more than 3 years	**4**
3-6 Sec. 42/142/HOME projects in service more than 3 years	**6**
7 or more Multi-family rental housing projects in service more than 3 yrs.	**7**
7 or more Sec. 42/142/HOME projects in service more than 3 years	**10**

"Sec.42/142/HOME" means Internal Revenue Code §42 "Low-income housing credit", §142 "Exempt facility bond – qualified residential rental project", and/or 24 CFR Part 92 - HOME Investment Partnerships Program ("HOME")
"Multi-family housing" means any multi-family rental housing project of 20 units or more that is not subject to IRC §42, IRC §142, or 24 CFR Part 92 requirements.

Property Manager – Up to 10 of the 20 total experience points. To receive experience points under this category, the proposed property management entity must meet one of the following tests for each counted project.
To obtain points for a current project managed by the proposed property management entity, the applicant must certify that the property has: 1) been in service and continuously managed by the proposed property management entity for three or more years; 2) yielded positive operating cash flow from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.); and 3) held reserves as required by any/all applicable partnership agreement and loan agreements.

To obtain points for projects previously managed by the proposed property manager, the applicant must certify that: 1) the ending date of management agreement was no more than 10 years before the deadline associated with the subject application; 2) the previously managed development was yielding positive operating cash flow from typical residential income alone (e.g. rents, rental subsidies, late fees, forfeited deposits, etc.) at the time of termination of the management agreement; and 3) the project was holding reserves as required by the partnership agreement and any/all applicable loan agreements at the time of termination of the management agreement.

Experience of Property Manager – Up to 10 points	Points
1-2 Multi-family rental housing projects managed more than 3 years	**0**
1-2 Sec. 42/142/HOME projects in service more than 3 years	**3**
3 or more Multi-family rental housing projects in service more than 3 yrs.	**4**
3-6 Sec. 42/142/HOME projects in service more than 3 years	**6**
7 or more Multi-family rental housing projects in service more than 3 yrs.	**7**
7 or more Sec. 42/142/HOME projects in service more than 3 years	**10**

"Sec. 42/142/HOME" means Internal Revenue Code §42 "Low-income housing credit", §142 "Exempt facility bond – qualified residential rental project", and/or 24 CFR Part 92 - HOME Investment Partnerships Program ("HOME")

"Multi-family housing" means any multi-family rental housing project of 20 units or more that is not subject to §42, §142, or 24 CFR Pat 92 requirements.

2. Nonprofit Organization Participation – 10 points
To receive these points, the nonprofit organization must have controlling interest (e.g., greater than 50 percent ownership in the General Partner) in the project. If ownership is a limited partnership, the Qualified Nonprofit Organization must be the Managing General Partner. If ownership is a limited liability company, the nonprofit organization must be the controlling Managing Member. Additionally, the nonprofit entity or its affiliate or subsidiary must be the developer or a co-developer of the project.
The nonprofit organization is not required to elect to apply under the State's Nonprofit Set-aside in order to receive these points.

3. Stabilization Target Areas – 20 points
To receive these points, the Project must be located in one of the # Stabilization Target Areas – 1) Name, 2) Name, 3) Name, 4) Name, 5) Name, 6) Name, and 7) Name..Target Areas

4. Redevelopment Areas – 16 points
Project is located within the City of Dallas zone.

5. Emerging Market Area – Up to 16 points.
Three factors are used in determining and ranking planning areas. The three factors are:

- The poverty rate of the Census Tract within which the housing project is located;
- The median income of the Census Tract within which the housing project is located; and
- The student achievement rating of the school within which the students of housing project are assigned to attend. This area is commonly referred to as the school "attendance zone".

The matrix below shall be used in determining the appropriate score for this Emerging Market Area criteria. The matrix establishes Emerging Market Area threshold criteria (found in the below matrix at the 4-Point Level) and further defines the relative quality of an Emerging Market by ranking the poverty and median income factors across the other Point Levels. The third factor – the school attendance zone factor – is either present or not. In other words, a Emerging Market Area can receive 4, 8, 12 or 16 points, depending on the particular combination of factors.

Census Tract Poverty Rate	Census Tract Quartile MSA Median Income	Elementary School TEA Rating	Points
<15% for all individuals	Top Quartile	Met standard rating and ≥ 77 on index 1	**16**
<15% for all individuals	Second Quartiles	Met standard rating and ≥ 77 on index 1	**12**
<15% for all individuals	Top Quartile	(intentionally blank)	**8**
<15% for all individuals	Top Two Quartiles	(intentionally blank)	**4**

6. Determination of Project Feasibility – Up to 20 points (5 points each, no more than 20 points can be awarded in this category)
- Proposed rent schedule consistent with TDHCA rent limits on rent-restricted units.
- Appropriate vacancy and collection loss assumptions in the project pro forma are consistent with TDHCA HTC requirements.
- Reserves in the pro forma are consistent with TDHCA HTC requirements.
- Completed Market Feasibility Report with conclusions supporting the applicable project pro forma assumptions completed or underway.

7. Project Site Characteristics – Up to 10 points (5 points each)
- Project meets land use density requirements at time of application
- Project meets City of Dallas zoning requirements at time of application

8. Transit Amenities – Up to 28 points (zero to four points each, no more than 28 points can be awarded in this category)

The following transit amenity matrix shall be used in scoring the project:

Amenity	Points		
	1/4 mile or less	**>1/4 mile and < 1/2 mile**	**1/2 mile and up to 1 mile**
Bus Station or Stop	4	2	1
Public Park	4	2	1
Full Scale Grocery Store	4	2	1
Community or Senior Center	4	2	1
Aging & Disability Resource Center	4	2	1
Amenity	**1/2 mile or less**	**>1/2 mile and < 1 mile**	**1 mile and up to 2 miles**
Qualifying Medical Clinic or Hospital	4	3	1
Amenity	**20 minutes or less**	**>20 min. and < 40 min.**	**More than 40 min.**
Transit time to Major Employment Center	4	2	0

9. Project Readiness – Up to 10 Points *(5 points each, no more than 10 points can be awarded in this category)*

- Applicant has secured site control per TDHCA HTC definition of site control.
- Environmental Report (s) has/have been completed.

10. Resident Services – *Up to 15 points (5 points each; no more than 15 points can be awarded in this category)*

- The equivalent of one (1) FTE resident service coordinator for every 600 project bedrooms.
- Project provides or has agreements with third party service providers to provide on-site educational, wellness and/or skill building classes
- Project provides on-site, licensed child care or after school program that operates at least 20 hours per week.

165 total points are provided under the above scoring preferences. To receive a staff recommendation for a **Resolution of Support,** the applicant must score 85 points. Any applicant receiving less than 85 points, shall be eligible to receive a staff recommendation for a Resolution of No Objection, provided the application receives at least 6 experience points under the *I. General Partner and Property Manager Experience* of the above scoring methodology.

APPENDICES

APPENDIX 1
Single Family Development Underwriting

A. Eligible Developer Applicants

The City of Dallas will fund developers of affordable single-family homebuyer units, including for-profit developers, non-profit developers, and City of Dallas-designated CHDOs, with City of Dallas HOME single-family development program funds. Developers must demonstrate the capacity and previous experience developing projects of the type presented in their proposals. Prior to committing funds, the City of Dallas will review the status of any organization seeking funds from the CHDO set-aside to ensure that it meets all HOME requirements and that it has sufficient staff and financial capacity to carry out the project.

Project Location
Projects must be located within the city limits of Dallas.

Project Types
Funds will be provided for new construction projects. In general, the City of Dallas will require that all homes constructed have a minimum square footage of 1,200 sq ft, at least 3 bedrooms, and at least 1.5 bathrooms. RFPs issued by the City of Dallas may further specify or provide priority for eligible project types.

Parameters of HOME Investment
Applications must include an investment of $1,000 in HOME funds per HOME unit. In no case will the City of Dallas investment exceed the maximum HOME investment allowed under 24 CFR 92.250.

Additionally, for projects involving both City of Dallas other HOME funds, the combined HOME funding investment shall not exceed the total maximum HOME investment allowed under 24 CFR 92.250.

Typically, the City of Dallas will also establish a maximum cap on its investment in a single home. Such a limit will be based on the availability of funding and other City of Dallas priorities and will be addressed in any NOFA issued by the City of Dallas.

B. Eligible Costs
Costs funded with the City of Dallas HOME funds must be eligible according to HOME Final Rule 24 CFR 92.206. The following additional limitations also apply:

i. HOME funds shall not be used for luxury improvements according to 24 CFR 92.205.

ii. Acquisition costs shall be supported by an independent appraisal of the property. Acquisition costs exceeding the appraised value of the property will be ineligible for HOME funding reimbursement.

iii. HOME funds shall not be used for non-residential accessory structures such as free-standing garages, carports, or storage structures. Applicants must delineate project costs in a manner that allows free-standing structures to be clearly paid for using other project funds.

City of Dallas Eligible Project Soft Costs
The HOME program allows the City of Dallas to include, as project costs, its internal

soft costs specifically attributable to a HOME project. These may include consulting, legal, inspection, and staff costs associated with reviewing, processing, and overseeing the award of funds to the project. Projects must provide budget allowances for "City of Dallas-Lender Due Diligence & Legal Costs" in the project's sources and uses.

Cost Reasonableness
Per the requirements of 92.250(b) and 2 CFR 200 Subpart E (formerly known as OMB Circular A-87), all project costs must be reasonable, whether paid directly with HOME funds or not. The City of Dallas will review project costs, including hard and soft costs, to evaluate their reasonableness and may, at its option, require applicants to obtain additional quotes, bids, or estimates of costs.

Identity of Interest
Developers must disclose any identity of interest situations that may occur when contracting with related companies during either the development or ongoing operation of the project. City of Dallas staff must be allowed the opportunity to conduct a cost analysis to determine costs reasonableness. Applications may be determined ineligible if access is not granted or costs are determined to be unreasonable.

C. Property Standards

To meet both HOME regulations and City of Dallas goals, all HOME-funded projects must meet certain physical standards intended to provide quality affordable housing that is durable and energy efficient.

i. Construction must meet all local codes.

City of Dallas has adopted and enforces the following codes with amendments:

- 2012 International Building Code
- 2012 International Mechanical Code
- 2009 International Energy Conservation Code
- 2012 International Existing Building Code
- 2011 National Electric Code
- Chapter 11 of the 2009 International Residential Code

ii. All HOME projects must meet applicable Section 504/UFAS requirements. Pursuant to 24 CFR 8.29, single-family housing developed with Federal funds must be made accessible upon the request of the prospective buyer if the nature of the prospective occupant's disability so requires. Developers must ensure that projects are designed in a way that can accommodate such a request. Should a prospective buyer request a modification to make a unit accessible, Developer must work with the homebuyer to provide the specific features that meet the need(s) of the prospective homebuyer or occupant. If the design features that are needed for the buyer are design features that are covered in UFAS, those features must comply with the UFAS standard. Developers shall be permitted to depart from the standard in order to have the homebuyer/occupant's needs met.

iii. Site shall be served by public sewer, public water, and public road. Sites should have ready access to recreational opportunities such as parks, playgrounds, etc., nearby shopping and services including transportation, grocery, banking, and medical facilities, and otherwise be located in neighborhoods that provide amenities that support residential development. The City of Dallas also generally prefers that sites have safe, walkable connections—including sidewalks—to the surrounding neighborhood;

iv. Site shall be in a designated Fire District or served by a Fire Department;

v. Units must be equipped with the following appliances: Refrigerator, range/oven, dishwasher, and garbage disposal. Developers may also propose to include in-unit clothes washers and dryers, microwave/vent fan combination units, as appropriate. If the Energy Star program rates the type of appliances being installed, the developer must furnish the units with Energy Star rated appliances. Note however that not all appliances are rated by the Energy Star program.

D. Sales Price

Housing developed with HOME funds must be modest, and the sales/purchase prices for homes developed under this program cannot exceed the HOME Homeownership Value Limits published by HUD in effect at the time of project commitment. The City of Dallas will identify the applicable limits in any NOFA issued.

Units produced under the City of Dallas' single-family development program must be sold at the fair market value as determined by an "as-completed" or "subject to completion" appraisal completed by an independent state licensed appraiser. Developers shall submit such an appraisal prior to project commitment, and the City of Dallas may require an updated appraisal prior to construction completion if the appraisal is more than 9 months old at that point. Any reductions in list or sales price below the City of Dallas-approved appraised value must be approved in writing by the City of Dallas and will generally require updated market information.

E. Eligible Homebuyers

Homebuyers for units produced under the City of Dallas single-family development program must meet the eligibility criteria set forth in the City of Dallas Homebuyer Assistance Program (DHAP) guidelines.

F. Environmental Review Requirements

Federally-assisted projects are subject to a variety of environmental requirements. Developers should be familiar with these requirements and are strongly encouraged to discuss any questions they have with City of Dallas staff prior to entering into a purchase agreement or submitting an application.

i. All projects shall be implemented in accordance with environmental review regulations as defined 24 CFR Part 58.

ii. The City of Dallas shall be responsible for conducting the environmental review and completing all necessary public notifications, and the request for release of funds (RROF) from HUD. The applicant is responsible for cooperating with the City of Dallas in the environmental review process and providing information necessary for the City of Dallas to fulfill its responsibilities under Part 58 and other applicable regulations.

iii. Submitting an application for HOME funds triggers environmental review requirements under 24 CFR 58, including the National Environmental Policy Act (NEPA). Once an application for federal funds is submitted, a development proposal is now subject to the environmental review requirements and requires an environmental clearance and issuance of a Release of Funds (ROF) by the US Department of Housing and Urban Development.

iv. Developers are prohibited from undertaking or committing or expending any funds to (including non-federal funds) any physical or choice-limiting actions on the site prior to an environmental clearance as required by Part 58. Physical and choice limiting actions include, but are not limited to, property acquisition, demolition, movement, rehabilitation, conversion, repair or construction. This prohibition applies regardless of whether federal or non-federal funds are used, and taking a choice limiting action prior to completion of the required environmental clearance process will result in the denial of any HOME funds from the City of Dallas.

G. Other Federal Requirements

Nondiscrimination and Equal Opportunity

The following federal nondiscrimination and equal opportunity guidelines apply to all projects and affect both development and sales of assisted housing:

i. The Fair Housing Act (42 U.S.C. 3601-19) and implementing regulations at 24 CFR part 100 et seq.;

ii. Executive Order 11063, as amended by Executive Order 12259 (3 CFR, 1959-1963 Comp., p. 652 and 3 CFR, 1980 Comp., p. 307) (Equal Opportunity in Housing Programs) and implementing regulations at 24 CFR part 107;

iii. Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d- 2000d-4) (Nondiscrimination in Federally Assisted Programs) and implementing regulations at 24 CFR part 1

iv. The Age Discrimination Act of 1975 (42 U.S.C. 6101-6107) and implementing regulations at 24 CFR part 146

v. Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794) and implementing regulations at part 8 of this title

vi. Title II of the Americans with Disabilities Act, 42 U.S.C. 12101 et seq.; 24 CFR part 8; Section 3 of the Housing and Urban Development Act of 1968 (12 U.S.C. 1701u) and implementing regulations at 24 CFR part 135;

vii. Executive Order 11246, as amended by Executive Orders 11375, [[Page 41]] 11478, 12086, and 12107 (3 CFR, 1964-1965 Comp., p. 339; 3 CFR, 1966-1970 Comp., p. 684; 3 CFR, 1966-1970 Comp., p. 803; 3 CFR, 1978 Comp., p. 230; and 3 CFR, 1978 Comp., p. 264, respectively) (Equal Employment Opportunity Programs) and implementing regulations at 41 CFR chapter 60;

viii. Executive Order 11625, as amended by Executive Order 12007 (3 CFR, 1971-1975 Comp., p. 616 and 3 CFR, 1977 Comp., p. 139) (Minority Business Enterprises); Executive Order 12432 (3 CFR, 1983 Comp., p. 198) (Minority Business Enterprise Development).

ix. Executive Order 12138, as amended by Executive Order 12608 (3 CFR, 1977 Comp., p. 393 and 3 CFR, 1987 Comp., p. 245) (Women's Business Enterprise). The nondiscrimination provisions of Section 282 of the National Affordable Housing Act of 1982.

Uniform Relocation Act (URA)
All projects fall under requirements of the URA. Any project resulting in permanent relocation/displacement of households will not be funded by the City of Dallas. Applicants must further document that any purchase of property meets the requirements of URA, including provision of notices to the seller identifying the transaction as a voluntary sale not under the threat of eminent domain. To ensure compliance with URA, applicants should consult the City of Dallas to understand the requirements of URA and reference the URA forms included in the RFP prior to submitting an application involving an occupied property.

Davis Bacon
Davis Bacon federal prevailing wage requirements shall apply to all projects with 12 or more units assisted with HOME funds.

Excluded Parties
The City of Dallas will not fund projects owned, developed, or otherwise sponsored by any individual, corporation, or other entity that is suspended, debarred, or otherwise precluded from receiving federal awards. Nor may the developer contract with any other entity (including but not limited to builders/general contractors, property management companies, or other members of the development team) that are suspended, debarred, or otherwise so precluded. Similarly, the general contractor will be required to determine that subcontractors are not so precluded.

H. Ongoing Project Requirements

Deadlines

- Construction Start- If construction is not started within 12 months of the date the City of Dallas commits funds to a project, the commitment will be subject to cancellation. If the project is cancelled as a result of failure to meet this deadline, the Developer must repay to the City of Dallas any HOME funds disbursed for the project.

- Completion Deadline- Project completion occurs when construction is complete, all HOME funds have been disbursed by the City of Dallas and drawn from the US Treasury, title to the property has transferred to an eligible buyer, and required completion data has been entered in HUD's IDIS system. Project completion must occur within 2 years of the date of commitment of funds to the project. If the Developer fails to meet this 2-year deadline, it must repay to the City of Dallas any HOME funds disbursed for the project.

- Sales Deadline- Pursuant to 24 CFR 92.254(a)(3), Developers must have a ratified sales contract with an eligible buyer for each HOME-funded unit within nine (9) months of completion of construction or the unsold units must be converted to rental housing or the project will be deemed ineligible and all HOME funds drawn must be repaid to HUD.

If a unit is unsold after six (6) months, the Developer must present an updated sales and marketing plan to the City of Dallas outlining steps being taken to identify buyers. At the City of Dallas option, the Developer may be required to i) take further steps--such as listing the home with a licensed realtor, adjusting the sales price, etc.—as the City of Dallas may require to facilitate the sale of the home or ii) to transfer title to the City of Dallas or to another entity selected by the City of Dallas that can otherwise identify buyers prior to the regulatory deadline.

At the City of Dallas option, if a unit remains unsold after nine (9) months, the developer shall be required i) to repay the entire HOME investment, including any City of Dallas project soft costs; ii) to convert the project to rental housing in accordance with 24 CFR 92.252; or iii) to transfer title to the City of Dallas or to another entity selected by the City of Dallas for conversion to rental housing.

Units converted to rental housing must be rented to eligible tenants in accordance with 24 CFR 92.252, which includes tenant income eligibility and rent limit requirements. Further, any units converted to rental properties shall be operated in compliance with the City of Dallas Rental Housing Program guidelines.

Reporting and Record Keeping

To allow effective oversight of funded projects and document compliance with applicable HOME requirements, all projects must submit periodic reports to the City of Dallas. While this section outlines standard reporting requirements, the City of Dallas reserves the right to require additional reporting or to alter the reporting format or frequency based on future changes to HOME requirements or City of Dallas policy. Additionally the City of Dallas reserves the right to require additional or more frequent reporting for projects with compliance deficiencies.

- Developers are required to report monthly during the development phase and sales phase. During the construction phase, developers must provide monthly reports detailing construction progress and barriers to progress, copies of invoices being paid, and evidence of appropriate lien waivers.
- During the sales phase, developers are required to provide monthly reports detailing the number of additional sales, total sales, and marketing activity. These reports are required until all units are sold.

i. The City of Dallas may require more frequent reporting due to findings identified during the development and sales phases.

ii. At the City of Dallas option, Developers may be required to obtain and submit an audit of project costs (i.e. cost certification) prepared by an independent Certified Public Account.

Developers shall allow City of Dallas, HUD, State of Texas, the Comptroller General of the United States (aka the GAO), and all other pertinent Federal or State agencies or their designated representative the right to inspect records and property.
Conflict of Interest

To comply with HOME requirements and to maintain a high standard of accountability to the public, conflicts of interest and perceived conflicts of interest must be avoided. Developers shall maintain compliance with all HUD conflict of interest provisions as stated in 92.356(f).

Developers with officers, employees, family members, consultants, or agents that are otherwise eligible to purchase HOME funded-units must receive waiver/approval from City of Dallas staff before entering into a sales agreement with HOME eligible employees. 92.356(f) provisions apply to all HOME projects.

I. Structure of Transaction

Loan Types and Terms
The City of Dallas will provide HOME funds in the form of a loan to the entity that owns the property. No grants will be awarded, and funding commitments are not transferable without prior written City of Dallas approval.

The City of Dallas HOME Loan may be used for acquisition and construction financing. Proceeds of the HOME loan will only be released following satisfaction of all requirements outlined below.
In all cases, the HOME loan will:

i. Have a maximum term of 2 years;

ii. Be repayable in full upon sale, refinancing, or transfer of the property or upon maturity, except that repayment will be limited to the net proceeds of a City of Dallas-approved sale to a low-income buyer. Net sales proceeds will exclude any portion of the sale proceeds used to repay senior construction debt, return of City of Dallas-recognized developer equity, approved sales costs, and any HOME-assistance transferred to the buyer(s) at closing as direct homebuyer assistance.; and

iii. Secured with a promissory note, mortgage, and appropriate UCC liens. Mortgages will be recorded with the Dallas County Recorder of Deeds and generally may be subordinate only to an approved amortizing first mortgage.

Guarantees
Unless otherwise determined by the City of Dallas, all underlying individuals, corporate entities, partnerships, or limited liability companies with an interest in the project will be required to provide a completion guarantee including provisions guaranteeing construction completion of the project. For nonprofit organizations, including community housing development organizations (CHDOs), a guarantee shall not be required, but in all cases the City of Dallas may require a performance bond or irrevocable letter of credit acceptable to the City of Dallas to ensure project completion.

HOME Agreement
In addition to any financing documents, developers of HOME-financed projects must sign a HOME agreement with the City of Dallas. The HOME agreement will identify requirements for compliance with the HOME regulations and the City of Dallas Single-Family Development Program requirements and will remain in effect in the event of any prepayment of the HOME loan.

J. Underwriting & Subsidy Layering Reviews

Market Demand
Developers must, as part of their application, provide evidence of sufficient demand for the proposed units. Developers shall provide information from the multiple listing service pertaining to recent sales in the neighborhood, average time on the market for recent sales, availability of other product and average “months of supply” currently available, and any known or planned projects.

Additionally, Developers must complete the HOME Sales and Marketing Plan, identifying among other items the profile of typical buyers, relationships with homeownership counseling agencies or other sources of buyer referrals, and plans for marketing the homes.

In some cases, the City of Dallas may only commit to a specific project (or may limit the number of projects under construction by a given developer) upon demonstration that a home has been pre-sold to an identified low-income buyer who has, at least, executed a reservation or initial purchase agreement with the Developer.

Project Underwriting

- All HOME applications must include financial statements from all underlying owners and guarantors. Developers must have a net worth equal to 10% of the total development cost with net liquid assets equal to 3% of the total development cost.
- Applicant must provide the amounts and terms for any other financing being provided to the project.

Proforma Requirements

The proforma must explicitly show:

i. An itemized breakdown of development hard and soft costs by unit including any allowances for soft costs such as architectural fees, carrying costs, etc;

ii. The hard costs of any stand-alone accessory buildings, including free-standing garages, carports, or storage structures should be specifically itemized in the Development Sources and Uses so that the City of Dallas can complete preliminary HOME cost allocation calculations. (Stand-alone accessory structures like a detached garage may be included in the project but are not HOME-eligible and must be paid for with another funding source.)

iii. Costs and fees to be paid to the City of Dallas as permitted by the HOME program. The HOME program allows the City of Dallas to include, as project costs, its internal soft costs specifically attributable to the project. These may include consulting, legal, inspection, and staff costs associated with reviewing, processing, and monitoring award of funds to a project. The City of Dallas will notify Developers of the amounts to include in their Development Sources and Uses for "City of Dallas-Lender Due Diligence & Legal Costs."

iv. Estimates of the sales transaction to an eligible homebuyer, including a calculation of the proposed buyer's ability to qualify for a mortgage meeting City of Dallas requirements, the anticipated need to provide direct HOME assistance (e.g. downpayment and closing cost assistance) to the buyer, projected sales costs (e.g. realtor's commissions), and the distribution of sales proceeds (including toward repayment of private construction financing)

Cost Limitations

All project costs must be reasonable and customary. The City of Dallas reserves the right to review any line-item cost to ensure that total project costs are not excessive. Additionally, HOME projects will be subject to the following specific cost limitations:

i. The maximum allowable developer fee is 15% of total development costs less the developer fee itself and seller's closing costs.

ii. Acquisition costs are limited to fair market value as determined by a third-party appraisal.

iii. Unless prior approval has been obtained from the City of Dallas, all project hard costs and all project professional fees should be the result of a competitive bidding process. While developers are not subject to federal procurement rules and may use less formal bid processes, the City of Dallas generally expects developers to seek multiple bids and identify the most advantageous bidder based on cost, track record, and other pertinent factors.

Other Public Funding Sources

Developers must disclose all other public and private sources or applications for funding with their initial HOME Single-Family Development application to the City of Dallas at the time of application and upon receiving any additional commitments of public source funding. The City of Dallas will conduct a subsidy layering review as part of the underwriting process for all projects. Using its underwriting criteria, the City of Dallas will assess the project and may require changes to the transaction to ensure that return to the owner/developer are not excessive. Changes may include a reduction in HOME funds awarded.

The City of Dallas will consider adjusting its underwriting in consultation with other public funders, if applicable, to the project. The City of Dallas retains, at its sole discretion, the power to decide whether to accept alternative standards.

K. Construction Process

City of Dallas Construction Inspections

The City of Dallas must be provided with copies of all contractor invoices and provided reasonable notice of monthly draw inspections during the construction period. City of Dallas staff will participate in all draw reviews whether or not the specific draw is being funded with HOME or other project funds and conduct inspections to ensure that the project is progressing and that work completed is consistent with all applicable HOME requirements.

Davis Bacon

When Davis Bacon applies to a project, the City of Dallas must be provided with compliance documentation throughout the construction period. Prior to commencing construction, the City of Dallas must approve current wage determinations applicable to the project. The contractor will be required to provide weekly payroll forms to the City of Dallas and allow access to the site and workers for the purpose of completing worker interviews.

Drawing City of Dallas HOME Funds

Proceeds of the HOME loan will only be released as reimbursement for eligible project costs following:

i. Review and acceptance of appropriate source documentation by the City of Dallas including evidence of appropriate lien waivers and/or title endorsements.

ii. A determination by the City of Dallas that all HOME requirements pertaining to the development of the Project have been met, including but not limited to monitoring of Davis Bacon compliance.

For nonprofit developers, including CHDOs, the City of Dallas may release payment based upon outstanding invoices for costs incurred and work completed. In such cases, the City of Dallas reserves the right to disburse through a title company, directly to the vendor, or with two-party checks.

Project Closeout

Developers are required to submit homebuyer eligibility packets to the City for approval of the homebuyers. Data shall include elderly status, race, gender, female head of household, number of household members, and income.

The City of Dallas requires a copy of the final project sources and uses statement and, at the City of Dallas option, may require the submission of the project cost certification prepared by an independent Certified Public Accountant following completion of construction and payment of all development costs.

APPENDIX 2
Rental Development Underwriting

In reviewing applications for HOME assistance, as required by §92.250(b) and prudent business practices, the City's underwriting framework includes evaluations of:

- **Regulatory requirements** applicable to the project, including compliance (or ability to become compliant) with HOME's affordability restrictions, property standards, and cross-cutting federal requirements;
- **Market risk**, including whether or not sufficient demand exists for the project, the anticipated lease-up period, and whether general economic conditions and other competition supports ongoing viability;
- **Developer risk**, focusing on whether the owner/developer (including but not limited to the underlying owners of special purpose entities) have the technical capacity to develop and operate the property and the financial capacity to safeguard public funds and backstop the project if the event of poor financial performance; and
- **Project risk** (or "financial underwriting"), testing the economic and financial projections for the transaction including both sources and uses as well as ongoing operating assumptions. This includes confirmation that all sources of project financing are available, commercially reasonable, and have been appropriately maximized prior to awarding HOME funds.

Market Assessment

All HOME project applications must include a third-party market study prepared in a manner consistent with TDHCA's market analysis requirements. Unless otherwise approved by the City, market studies shall be prepared by providers included on the list of TDHCA Approved Market Analysts. Owner's may generally submit the market study used in conjunction with the Owner's LIHTC application, if applicable. Market studies must be less than one year old at the time of commitment of HOME funds. For market studies that are more than one year old, the City will typically require an update from the original analyst or a new market study from another analyst. Proposed rent levels must be supported by the applicant's market study and be within HOME regulatory limits.

Additionally, the market study should demonstrate the following:

- All units, including any "market rate" units as well as any units with income/rent restriction imposed by other programs such as LIHTC, must demonstrate viability within the primary market area taking into account any known rent concessions being offered by competing properties;
- Income and rent restricted units must have "discounts" of at least 15% relative to comparable un-restricted units;
- Achievable occupancy rates, based on a comparison of comparable properties in the primary market area, must be at or above 95% (physical occupancy);
- Capture rate for the development as a whole is no more than 10%, and no capture rate for specific unit sizes (e.g. 3-bedroom units) exceeds 25%; and

- Absorption can be expected to result in underwritten occupancy levels within six (6) months of units being ready for occupancy.

For projects not meeting these standards the City, in its sole discretion, may also consider the following:

- For project targeting special needs populations (e.g. homeless households, domestic violence victims, veterans, or other specific subpopulations), the City may accept higher capture rates if data from the local Continuum of Care and/or service providers specializing in the targeted populations (e.g. VA service centers) suggest an adequate pipeline of eligible renters exists and will be consistently referred to the development.
- For existing projects being rehabilitated, the City will consider the recent operating history of the project in terms of actual rents charged/received, eligibility of in-place tenants, and the like for evidence that the development's projections are supported by actual performance.

The City may also consider offsetting the risk of relatively "weaker" market study findings by offering HOME assistance as permanent debt only, to be disbursed following actual lease-up of the development at proforma levels and achievement of stabilized occupancy.

Developer and Development Team

In most cases, projects considered by the City will be owned by single-purpose, single-asset entities created to hold title the development. For various purposes, including structuring necessary to comply with industry norms and take advantage of other funding sources such as LIHTC, the "owner" and "developer" of a project are often legally distinct entities, even if ultimately owned and controlled by the same underlying parties.

Developer Technical/Professional Capacity

In evaluating the capacity of the "developer" the City will use the term more loosely to refer collectively to the underlying corporate entities and individuals that will own and control the single-purpose entity (excluding the investor member/limited partner). Additionally, the City requires various guarantees and indemnities from all of the underlying corporate and individual owners of the various limited partnership or limited liability corporation entities involved in the ownership and development of the project.
Developers should demonstrate:

- Recent, ongoing, and successful experience with the development of similar regulated affordable housing; and
- The presence of adequate staff, with specific experience appropriate to their role in the project, to successfully implement and oversee the project. This includes the assembly and oversight of the development team.

The City requires applicants to provide lists of real estate owned (including partnership/membership interests) by the developer as well as all projects underway. The City will review the performance of those projects, including financial factors like net occupancy, actual DCR, cash flow received, outstanding loan balances, and net equity of individual projects and the developer's overall portfolio.

Applicants are also required to provide descriptions of the role played by specific staff members relative to the proposed project along with resumes or other similar information demonstrating experience appropriate to the assigned staff member's role.

Financial Capacity
Developers must also demonstrate the financial capacity to support the proposed project both during construction and lease-up as well during ongoing operations. This includes not just that the applicant has sufficient financial resources but that it has adequate financial systems in place to appropriately manage project funding, accurately account for all project costs, and provide reliable reporting to the City and other project funders.

At minimum, the City will review audited financial statements, interim financial statements, and individual personal financial statements to ensure that:

- The "primary" development entity's most recent audit must demonstrate compliance with Generally Accepted Accounting Principals (GAAP) and must not express material weaknesses in the entity's system of internal controls or financial management systems;
- The developer's net worth (including the un-duplicated net worth of other guarantors) is equal to at least 10% of the total development cost of all projects underway (i.e. those that have received funding commitments from HOME or LIHTC but have not yet been completed and converted to permanent financing); and
- The developer has net liquid assets (current assets less current liabilities) equal to at least 3% of the total development cost of all projects underway.

Development Team
The City will also review the capacity of the development team including but not limited to the general contractor, architect, engineer, market analyst, management company, accountant, attorney, and any other specialized professionals or consultants.

As a whole, the development team should have the skills and expertise necessary to successfully complete and operate the development. Insomuch as possible, on balance the development teams should have worked successfully on other projects in the past. That is, while a developer may identify new development team members from project to project, an "entirely new" team may present added risk.

Additionally, when using development team members from outside of the region, the City will consider whether assigned team members have recent local experience or have been supplemented with local professionals. This may be particularly important for design professionals and legal counsel.

In no case, may any owner/developer/applicant or any member of the development team be a suspended, debarred, or otherwise excluded party.

Identify of Interest Relationships & Costs
Applicants must disclose all identity of interest relationships/contracts and/or costs involved in a transaction, including during the development period and following completion of the project. The City reserves the right to review any such costs further to ensure they are reasonable and consistent with the costs expected from arms-length relationships.

An “Identity of Interest” (whether or not such term is capitalized) is any relationship based on family ties or financial interests between or among two or more entities involved in a project-related transaction which reasonably could give rise to a presumption that the entities may not operate at arms-length. The City will take a broad approach to defining identities of interest and expects all applicants to err on the side of disclosure. That is, if there is any question about whether an identity of interest may exist, the relationship should be disclosed and explained to the City.

Beyond this general definition, an identity of interest relationship will be deemed to exist if:

1. An entity, or any owner of any direct or indirect ownership interest in such entity, or any family member of any such owner is also an owner, through a direct or indirect ownership interest, or an officer, director, stockholder, partner, trustee, manager, or member of the counterparty; or
2. Any officer, director, stockholder, partner, trustee, manager, member, principal staff, contract employee or consultant of an entity, or any family member of thereof, is an owner, through any direct or indirect ownership interest, or an officer, director, stockholder, partner, trustee, manager or member of the counterparty.

For purposes of this definition, “family member” means the spouse, parents or stepparents, children or stepchildren, grandparents or step-grandparents, grandchildren or step-grandchildren, aunts, uncles, parents-in-law, and siblings-in-law (or their children or stepchildren). It also includes any other similar relationship established by operation of law, including but limited to guardianship, adoption, foster parents, and the like.

Financial Analysis
As noted in the introduction, the City views underwriting as more than just the financial review of a project. However, a revive of the underlying financial assumptions is still a critical and core part of underwriting. In reviewing projects, as a public funder the City must to balance two somewhat competing perspectives.

Projects must be viable, that is they must have sufficient allowances for all costs to maximize the chances the project can meet or exceed its financial projections and thereby succeed in the marketplace. In other words, the project must represent a “safe” investment. However, taken to an extreme, “safe” or overly conservative projections can also result in a project that is over-subsidized and risks providing excessive returns to the owner/developer.

As a steward of very limited public funding for affordable housing, the City also needs to ensure that costs are reasonable, that they represent a “good deal” to the public, and that returns to the owner/developer are fair but not excessive. In seeking to balance these perspectives, the City has established the following review factors and principals.

Development Costs
In general, the City will review the entire project budget to all costs are reasonable yet that the budget is sufficient to complete and sustain the project. All line items, whether or not paid directly with HOME funds, must be necessary and reasonable.

The City will consider the cost of both specific line items as well as the total development cost on a per unit and per square foot basis, comparing costs to other projects from the City's portfolio, similar projects in the region (such as those funded by TDHCA), City-data from the Building Department, and/or third-party indices such as RS Means.

Selected Development Cost Items

Acquisition – Acquisition costs must be supported by an independent third-party appraisal prepared by a state-licensed appraiser. The purchase price must be at or below the as-is market value of the property. In the event an applicant has previously purchased land prior to applying to the City, the project budget may only reflect the lesser of the actual purchase price or the current market value. Standard closing costs from the acquisition may be included.

Applicants who purchased property prior to applying to the City, or following environmental releases under NEPA but prior to closing, may not charge or include financing costs associated with interim financing, whether from third-party or related lenders.

Architectural Fees – Architectural fees cannot exceed the following:

- Design services: 6% of total construction costs
- Supervision/Administration: 2% of total construction costs

City Soft Costs – The development budget for each project must include an allowance for the City's internal project-related soft costs as specified in periodic RFPs issued by the City. Similar to lender due diligence or lender legal costs, the inclusion of soft costs allows the City to recoup its direct costs of underwriting, processing, closing, and monitoring the project prior to project completion. These costs will be included in the HOME loan but may be drawn directly from HUD by the City rather than via payment requests from the project owner.

Construction Interest – Any budgeted line item for construction interest must be supported by developer period cash flow projections, modeling the actual expenditure of development costs and the anticipated pay-in of equity, HOME funds, and other construction period sources. For presentation purposes, only interest from the date of initial closing through the end of the month in which the building(s) are placed in service (i.e. approved for occupancy) may be included as construction interest. Additional interest following that date and prior to the conversion to (or closing on) permanent debt must be separately itemized and modeled. In most cases, this should be included in the "lease up reserve" noted below.

Contingencies – Applicants should include a contingency (inclusive of hard and soft costs) within the minimum and maximum amounts noted below. The contingency will be measured as a percentage of hard costs (including the construction contract plus any separate contracts for off-site work but excluding contractor fees).

- *New construction projects should include a contingency of least 3% and no more than 7% of hard costs;*
- *Acquisition/rehabilitation projects, including adaptive reuse projects, should include a contingency of at least 5% and no more than 10% of hard costs.*

The City may consider higher contingencies based on identified risk factors such as the known need for environmental remediation or poor subsurface soils.

Contractor Fees – Contractor fees are limited as a percentage of net construction costs as further identified below. Net construction costs exclude the contractor fees, any budgeted contingency, and (even if otherwise included in the construction contract) permits and builder's risk insurance.

- **Contractor Profit:** 6% of net construction costs
- **General Requirements/General Conditions:** 6% of net construction costs. General requirements include on-site supervision, temporary or construction signs, field office expenses, temporary sheds and toilets, temporary utilities, equipment rental, clean-up costs, rubbish removal, watchmen's wages, material inspection and tests, all of the builder's insurance (except builder's risk), temporary walkways, temporary fences, and other similar expenses.
- **Contractor Overhead:** 2% of net construction costs.

With prior approval of the City, contractor fees may vary from the limits above provided the gross contractor fees do not exceed 14% of net construction costs.

Developer Fees – Developer fees are intended to compensate a developer for the time and effort of assembling a project, overseeing the development team, and carrying a project to fruition. Developer fees are also intended to compensate for the risk inherent in the development process, including that not every potential project proves viable and that developers must necessarily advance funds for their own operating costs and various third-party predevelopment costs prior to closing (or in some cases for projects that never proceed). The City, therefore, allows the inclusion of developer fees as follows:

- **Developer Fee:** 15% of total development costs less a) the developer fee itself; b) organizational expenses and/or syndication fees/cost (including investor due diligence fees); and c) reserves, escrows, and capitalized start-up/operating expenses (such as working capital, marketing, etc.).
- **Maximum Limit:** Regardless of percentage, the maximum developer fee shall be $1.5M.
- **Combined Contractor & Developer Fees:** When an identity of interest exists between the owner/developer and the general contractor, the combined total of contractor fees and developer fees cannot exceed 20% of total development cost less a) the developer fee and b) other cost elements excluded from the calculation of the developer fee itself (see above).

In some cases, developers may delegate some of its responsibilities to third-party professionals or consultants. This may include contracting specific tasks – such as construction oversight of the builder or specialized consulting related to applying for or structuring various financial incentives like LIHTC. The costs of engaging such professionals, whether they are third parties or identity of interest relationships, must be paid from (and if separately itemized will be counted against) the allowable developer fee.

Reserves – Capitalized reserves to facilitate the initial start-up and to protect the ongoing viability of the project will include the following:

- **Deficit Reserve:** The City anticipates that in most cases, developments with predicted deficits during the affordability period would not be funded. However, in the event a development's long-term operating proforma projects actual cash deficits during the affordability period, an operating deficit reserve must be included in the development budget in an amount sufficient, taking into account any interest on reserve balances, to fully fund all predicted deficits through the affordability period.

- **Lease-Up Reserve:** A lease-up reserve intended to cover initial operating deficits following the completion of construction but prior to breakeven operations may be included. Any such reserve must be based on lease-up projections/cash-flow modeling and the lease-up (or absorption) period identified in the project's market study. In evaluating the appropriateness of any lease-up reserve, the City will consider whether the development budget includes specific line items for other start-up expenses that otherwise are typically part of the ongoing operating budget for a development. This may include budgets for marketing, working capital, etc.
- **Operating Reserve:** An operating reserve equal to three (3) months of underwritten operating expenses, reserve deposits, and amortizing debt service must be included in the development budget. The operating reserve is intended as an "unexpected rainy day" fund and will only be accessible after a project has achieved stabilized occupancy.
- **Replacement Reserve:** For acquisition-rehabilitation projects, a capitalized replacement reserve must be included in the development budget. The capitalized replacement reserve should be funded at the greater of i) $1,000 per unit; or ii) the amount determined by a capital needs assessment approved by the City.
- **Other:** The City may consider other specialized reserves as appropriate based on unique features of the project and/or requirements of other funding sources. These may include special security reserves, supportive service reserves, or transition reserves for projects with expiring project-based rental assistance contracts, etc.

Operating Revenues

The City will review an applicant's projection of operating revenues to ensure they are reasonable and achievable both initially and through the affordability period. In evaluating operating revenues, the City will take into account the i) project-specific market study; ii) actual operating performance from other comparable projects including those from the applicant's existing portfolio of real-estate owned; iii) data available from comparable projects in the City's portfolio; and/or iv) information available from actual performance within TDHCA's portfolio.

For purposes of the long-term operating proforma, operating revenue projections cannot be increased by more than 2% per year. The City reserves the right to "stress" proposals for underwriting purposes to assess the impact of lower inflationary increases, such as modeling the impact of only 1% rent increases for the first three to five years of a project's affordability period.

Rents

All rents should be supported by the market study. Including the utility allowance, the gross rent for any income/rent restricted unit should demonstrate at last a 15% "discount" compared to comparable "market rate" units.

Additionally, to hedge against flat or declining rents to the owner in the event that income limits (and therefore rents) do not increase in a given year (particularly between commitment and lease-up), gross rents should demonstrate at least a 2.5% discount from the regulatory limit imposed on any income/rent restricted units by HOME, LIHTC, or other similar sources. As an alternative to setting rents below the applicable regulatory limit, the City will consider increasing the allowance for vacancy by 2.5%.

Non-Rental Revenue

Non-rental revenue must be fully explained and conservatively estimates. In general, no more than $60-$240 per-unit, per-year may be budgeted in "other revenue" including that from tenants fees (such as fees for late payment of rent, nonsufficient funds, garage/carport upgrades, pet fees, etc. or interest on operating account balances). Exceptions may be considered by the City based on the operating history of an acquisition/rehabilitation project or normalized operations are other comparable properties in the same market area.

Vacancy

Total economic vacancy includes physical vacancy (a unit is unrented), bed debt (a unit is occupied but the tenant is not paying rent), concessions (a unit has been leased for less than the budgeted rent), and "loss to lease" (an pre-existing lease is less than the most recently approved annual rent but will be adjusted upward at renewal).

In all cases, based on the market study or other data available to the City, the City reserves the right to require higher vacancy projections. This may include higher vacancy rates for small developments (e.g. less than 20 unit) where standard percentage assumptions about vacancy may not be appropriate. Minimum allowances for vacancy must include:

- 5% for projects where all units are supported by a project-based rental assistance contract with a term equal to or in excess of the affordability period (e.g. project based Section 8); or
- 7% for all other projects.

As noted above, the minimum vacancy rate will be increased by 2.5% if budgeted gross rents are at the applicable regulatory maximums.

Operating Costs

The City will review an applicant's projection of operating expenses to ensure they are reasonable and adequate to sustain ongoing operations of the project through the affordability period. In evaluating a proposed operating budget, the City will compare projects costs to i) actual operating expenses of comparable projects in the applicant's existing portfolio of real-estate owned (insomuch as possible, comparable projects will be in the same vicinity and operated by the same management company); ii) actual operating expenses of other comparable projects in the City's portfolio; iii) data available on the operating costs of affordable housing in the TDHCA portfolio; and/or iv) minimum per-unit, per-year allowances established by the City through periodic RFPs for rental housing.

For purposes of the long-term operating proforma, operating expenses, including reserve deposits, will be inflated at no less than 3% per year. The City reserves the right to "stress" proposals for underwriting purposes to assess the impact of higher operating cost factors, such as modeling the impact of higher inflation rates in general of for specific items of cost (for example, assessing the impact of high rates of increase for insurance or development paid utility costs).

Selected Items of Operating Cost

City HOME Monitoring Fee – Pursuant to 24 CFR 92.214(b)(1)(i), the City assesses an annual HOME monitoring fee. The operating budget for each project must include an allowance for the City's annual HOME Monitoring Fee as specified in periodic RFPs issued by the City.

Property Management Fees **–** An allowance of 5% of effective gross income (i.e. gross rent potential plus other revenues minus actual vacancy, bad debt, concessions, etc.) should be included. In the event a lower management fee is proposed, the City will consider using a fee as low as 3% provided the proposed management company is acceptable to the City and has agreed in writing to the lower fee.

Property Taxes – Applicants must provide detailed explanations of property tax projections and, as applicable, provide documentation that any anticipated partial or full exemptions or payments in lieu of taxes (PILOT) have been approved by the appropriate tax assessor. In the absence of a tax exemption or PILOT, the operating budget must provide for a tax rate equal to 1.25% of the market value of the property or the City, at its option, may require confirmation from the tax assessor of the applicant's projection.

Replacement Reserve Deposits – The operating budget must include minimum replacement reserve deposits of:

- New Construction Family: $300 per-unit, per-year
- New Construction Senior: $250 per-unit, per-year
- Rehabilitation: The greater of i) $300 per-unit, per-year; or ii) a higher amount established by a CNA approved by the City.

Note: The City will reserve the right within a project's transactional documents to require periodic CNAs for all projects and to adjust ongoing replacement reserve deposits base on the results of the CNA to ensure that the replacement reserve is sufficient to address all anticipated needs for the project's affordability period of the term of the City's loan, whichever is longer.

Items Payable only from Surplus Cash

Certain costs, sometimes identified by project owners as "operating costs" cannot be included in the operating budget and will only be payable from surplus cash (aka cash flow). These include:

- **Incentive Management Fees** payable in addition to the allowable management fees noted above, whether paid to related party or independent third-party management fees.
- **Asset Management Fees** payable to any investor, general or limited partner, or member of the ownership entity.
- **Deferred Developer Fees**
- **Operating Deficit Loan Payments** made to any related party including any investor, general or limited partner, or members of the ownership entity.
- **Other payments** to investors, general or limited partners, or members of the ownership entity, however characterized, including but not limited to negative adjustors, yield maintenance fees, etc.

Ongoing Economic Viability
The City will review the ongoing economic viability of all projects, taking into account long-term projections of revenue and expenses. Projects must demonstrate they can be expected to remain viable for at least the affordability period, taking into account trending assumptions noted above, as well as other any other changes in operating revenues or expenses that can reasonably be anticipated based on other information available to the City or other project funders. In particular, the City will review the debt coverage ratio and operating margin as outlined below.

Debt Coverage Ratio
Projects must demonstrate a minimum debt coverage ratio (DCR) of 1.25 (Net Operating Income divided by amortizing debt service) throughout the affordability period. In some cases, for projects with relatively small levels of mortgage debt, this may require a higher initial DCR to ensure that the DCR in later years remains at or above the appropriate level.

Operating Margin
In addition to considering the DCR, the City will review the operating margin (surplus cash divided by total operating expenses and amortizing debt service). The operating margin must remain at or above 5% for the period of affordability.

Other Funding Sources
Prior to committing funds, all other funding sources necessary for a project must be identified, committed in writing, and consistent with the both the City's underwriting requirements and the affordability restrictions of the HOME program. In general, developers must make all reasonable efforts to maximize the availability of other funding sources, including conventional mortgage debt and tax credit equity (as applicable), within commercially available and reasonable terms.

Additionally, restrictions or limitations imposed by other funding sources cannot conflict with any applicable HOME requirements and cannot, in the discretion of the City, create undue risk to the City.

Senior Mortgage Debt
Any amortizing mortgage debt that will be senior to the City's HOME loan must:

- Provide fixed-rate financing;
- Have a term equal to or in excess of the HOME affordability period. The affordability period will generally be 15 years beyond the date of "project completion" as defined in 24 CFR 92.2 for acquisition/rehabilitation projects and 20 years for new construction projects. In practice, the date of "project completion" will not be the same as "placed in service" date for tax purposes but for most projects will occur prior to permanent loan conversion following property stabilization. Insomuch as possible, the first mortgage should have the longest amortization period available but cannot balloon prior to the expiration of the affordability period; and
- Allow the City's HOME covenant running with the land (i.e. the deed restrictions imposing the HOME affordability requirements) to be recorded senior to all other financing documents such that the HOME covenant is not extinguished in the case of

foreclosure by a senior lender. Note the City HOME loan itself will be junior to conventional amortizing loans; only the deed restrictions must be senior.

Tax Credit Equity

Projections of tax credit equity must be documented by letters of intent or other similar offers to participate in the transaction by the proposed tax credit investor. Prior to committing funds, the applicant must provide evidence it has received a tax credit reservation from TDHCA and provide the proposed limited partnership agreement or operating agreement, as applicable, documenting the terms of the equity investment.

The City will review proposed equity pricing against information from other projects in the region to assess whether the pricing and terms are reasonable.

Deferred Developer Fee

It is common for projects to include deferred developer fees as a financing source. The City will generally require:

- That projections of surplus cash available (after any cash-flow contingent payment due the City) be sufficient to repay the deferred fee within 15 years (notwithstanding other “waterfall” provisions in the partnership or operating agreement, the City will assume that all surplus cash distributions will be credited against the developer fee);
- That following the initial application to the City, the level of deferred developer fee with remain fixed (in nominal dollar terms) in the event City underwriting identifies cost reductions, increases in other funding sources, or other changes that result in a net reduction of the “gap” to be filled with HOME funds; and
- That any net savings (or increased funding sources including but not limited to upward adjusters for tax credit equity) at project completion and cost certification will be used in equal parts to reduce the deferred developer fee and the City’s permanent HOME loan. In the event savings are sufficient to eliminate the deferred fee in this manner, any remaining net savings will be used to further reduce the City’s HOME loan, or in the sole discretion of the City, to increase the operating reserve.

Exceptions and Interpretation

The City has developed these guidelines for several reasons. Not only are they required by HUD as part of the City’s role as a HOME PJ, but more generally they are intended to provide clarity to applicants on what the City expects and transparency about the “rules of the road.” However, the City recognizes that it cannot pre-emptively identify every possible special circumstance that may warrant an exception to its general requirements, nor can it identify every possible “loophole” whereby a creative presentation of costs or other projections might subvert the general need to balancing of viability and reasonable returns, risk to the City and public benefit.

Consequently, the City reserves the right to waive specific underwriting criteria for specific projects when, in its judgement, the purposes of the program can be better achieved without taking on undue risk. When waiving any given requirement, the City may impose additional special conditions or business terms that are not otherwise typically applied to all projects.
For administrative ease, the City may also align its underwriting standards with those required by other public funders involved in a given transaction, particularly if those standards are more restrictive or conservative than the City’s. However, the City retains the right, in its sole discretion, to decide whether to accept alternative standards.

The City also reserves the right to reject any element of a transaction that, despite not being specifically prohibited, was not anticipated by these guidelines of such an element or business term otherwise creates unacceptable risks, excessive returns to the owner/developer, or otherwise undermines the public purposes of the City's program.

Insomuch as is reasonable, the City will update and clarify these guidelines over time to account for exceptions, waivers, or additional restrictions it imposes.

APPENDIX 3
UNIVERSAL DESIGN GUIDELINES

This portion of the manual outlines the City's policy on Universal Design and the minimum design criteria for new affordable housing projects.

In order to ensure the sustainability of the projects supported by CDBG and HOME funds, the City has established guidelines in relation to Universal Design. In addition, the City wants to ensure that newly constructed units are compatible with existing neighborhoods.

Universal Design

This comprehensive housing policy creates a Universal Design construction requirements for all new single-family homes, duplexes, and triplexes using financial assistance from the City.

The goal of "Universal Design" is to ensure that housing can accommodate the needs of people with a wide range of abilities, including children, aging populations and persons with disabilities. Consequently, all new construction housing projects using City of Dallas CDBG and/or HOME funds will meet all the following criteria:

- At least one entrance shall have 36-inch door and be on an accessible route.
- All interior doors shall be no less that 32-inches wide; except for a door that provides access to a closet of fewer than 15 square feet in area. Each hallway shall have a width of at least 36-inches wide and shall be level and ramped or beveled changes at each door threshold.
- All bathrooms shall have the walls reinforced around the toilet, bathtub and shower; for future installation of grab bars.
- Each electrical panel, light switch or thermostat shall be mounted no higher than 48 inches above the floor. Each electrical plug or other receptacle shall be at least 15 inches from the finished floor.
- An electrical panel located outside the dwelling unit must be between 18 inches and 42 inches above the ground and served by an accessible route.
- All hardware installed to open/close doors and operate plumbing fixtures shall be lever handles.

Universal Design Waiver or Exterior Accessibility Requirements

- The Director of Sustainable Development or his designee may only grant modifications or an exemption to the requirements of the Ordinance regarding full compliance with the exterior path of travel on an individual case-by-case basis. The criteria for granting a modification or exemption are as follows:
  1. The lots rise or falls so steeply from the street that a maximum 1:12 slope cannot be achieved without extensive grading; and
  2. No vehicular access to the back of the house will be available by means of an alley.
- Appeals of orders, decisions of determination made by the Director of Sustainable Development may be made to the Board of Appeals.

Universal Design Implementation

- Clearly stamp or print "Universal Design" on plans submitted
- Clearly Identify design elements outlined in Ordinance.
- Certify that the plans comply with the requirements of the Ordinance.
- Plan checking, construction inspections and enforcement shall be

accomplished by the Development Services Department in accordance with existing procedures.

Design Guidelines

All builders and developers of infill housing are strongly encouraged to incorporate the defining features of a neighborhood into newly constructed infill houses. Those defining features of older inner city neighborhoods may include: roof pitches, porches, materials, and window types. Developers must comply with any standards established by an existing neighborhood conservation district and/or approved neighborhood plans.

For infill projects supported with CDBG and/or HOME funds, developers will be required to demonstrate that the neighborhood association near the land to be developed has been consulted on the design issues. Developers should obtain input and feedback from neighborhood residents and work with them to ensure that designs are compatible with existing housing and development patterns.

In extreme cases where an agreement cannot be reached between the developer and local neighborhood groups, CDBG and/or HOME funding may be pulled from the project.

Specific design guidelines may be developed for certain City sponsored projects. Historic and neighborhood conservation district requirements must also be met for all projects.

For rehabilitation projects, builders and developers are strongly encouraged to retain the defining features of older structures. This applies to multi-family and single-family projects.

APPENDIX 4
City of Dallas Income Limits and Part 5 Requirements

Per 24 CFR Part 92.203(b)(1), the City has elected to utilize the 24 CFR Part 5 definition for determining annual income which is commonly referred to as the "Section 8 Low-Income Limit". To be eligible for HOME or CDBG funds, households must have annual (gross) incomes at or below 80% of area median income, adjusted by household size and determined annually by the U.S. Department of Housing and Urban Development (HUD).

The *Technical Guide for Determining Income and Allowances for the HOME Program* should be utilized as a resource and the standard for the following determinations:

- Whose Income to Count
- Types of Income to Count
- Treatment of Assets
- Income Inclusions and Exclusions
- Verifying Income
- Comparing Annual Income to Published Income Limits
- Determining Household Size
- Source Documentation
- Timing of Income Certifications

The annual income limits are published by HUD each year at the webpage below.
http://www.huduser.gov/portal/datasets/il/il15/index.html

APPENDIX 5
Community Housing Development Organization (CHDO) Policy, Procedure, and Standards

APPENDIX 6
Recapture/Resale Requirements for Homebuyer Activities

To ensure that HOME investments yield affordable housing over the long term, HOME regulations impose occupancy requirements over the length of an affordability period. If a house purchased with HOME funds is sold during the affordability period, recapture or resale provisions as per 24 CFR 92.254 shall apply to ensure the continued provision of affordable homeownership.

Definitions

Affordability Period: Occupancy restrictions for varying lengths of time for those homeowners assisted with HUD HOME funds. The affordability period affects the terms of the resale/recapture of the property if sold during the affordability period.

HOME Affordability Periods	
HOME subsidy/unit	Minimum Period of Affordability in Years
Under $15,000	5
$15,000 to $40,000	10
Over $40,000	15

Direct Homebuyer Subsidy: A direct subsidy consists of any financial assistance that reduces the purchase price from fair market value to an affordable price, or otherwise directly subsidized the purchase (e.g., down payment or closing cost assistance, subordinate financing, etc.).

Development subsidy: A development subsidy is the difference between the cost to develop housing and the market price. For example, the PJ might provide a $50,000 construction loan to a developer. The appraised value after construction will be $45,000 because of neighborhood and the market conditions. The $5,000 difference between the $45,000 sale price and $50,000 construction loan is not repaid to the PJ and represents a development subsidy provided to the developer. While the subsidy does not go directly to the homebuyer, it helps make development of an affordable home feasible.

Summary of Provisions for the City of Dallas by Subsidy Type:		
Direct Homebuyer Subsidy (DHS)	**DHS + Development Subsidy**	**Development Subsidy**
Recapture provisions shall apply	Recapture provisions shall apply	Resale provisions shall apply

Net Proceeds: The sales price minus loan repayment (other than HOME funds) and closing costs.

Recapture Requirements

Pursuant to HOME regulations at 24 CFR 92.254(a)(5) each HOME-funded homebuyer unit must be subject to either resale or recapture requirements during the affordability period. The City of Dallas exclusively uses the recapture provisions as defined herein and does not intend to use resale restrictions.

The City of Dallas provides HOME-funded direct buyer assistance to income eligible buyers based on need as dictated by the City of Dallas Homebuyer Assistance Program Underwriting Guidelines.

The level of HOME assistance provided to a buyer is based on an evaluation of the buyer's individual need taking into account their specific income, debts, etc. according to the City's underwriting policies for homebuyer assistance. Depending on the level of homebuyer assistance provided, the affordability period may be five (5) years (less than $15,000 in direct assistance), ten (10) years ($15,000 or more but less than $40,000 in direct assistance), or fifteen (15) years ($40,000 or more in direct assistance). Based on the City's program design, most projects trigger a 5- or 10-year affordability period.

All buyers sign a HOME written agreement with the City outlining the affordability period and recapture provisions. HOME assistance is provided in the form of a deferred loan secured by a second-position deed of trust which is due and payable upon sale or transfer of title. In the event buyers remain in the unit beyond the end of the affordability period, the HOME loan remains outstanding until sale or transfer of title while the term of the HOME written agreement expires.

Any sale or transfer of title during the affordability period results in recapture by the City of the lesser of the:

a) Entire amount of direct HOME assistance originally provided to the buyer (less any voluntary prepayments previously made); or
b) Net proceeds of sale (sales price minus senior secured debt minus reasonable seller's closing costs).

When the net proceeds are inadequate to fully repay the City's HOME loan, the City accepts the net proceed as full and final payoff of the note. The City reserves the right to determine that the sales price reflects an arms-length transaction at fair market value. Receipts received as a result of a sale within the affordability period are recorded as "recaptured funds." When net sales proceeds exceed the HOME assistance, buyers retain all remaining net proceeds after repaying the HOME loan balance.

After the expiration of the affordability period, any sale or transfer requires the HOME loan balance be repaid, and the City similarly limits the payoff to the net proceeds of sale. Receipts collected after the affordability period has expired are recorded as "program income." Net proceeds in excess of the City's HOME loan balance are retained by the original homebuyer.

Resale Requirements

The City of Dallas shall require that Resale provisions be used in the event that only a Development Subsidy is used to make the home affordable (i.e. funding construction to the developer). In a project where both Development and Direct subsidies are provided, recapture provisions apply.

Resale provisions require the homeowner to sell to another low-income homebuyer. The resale requirement must ensure that the price at resale provides the original HOME-assisted owner a fair return on investment and ensure that the housing will remain affordable to a reasonable range of low-income homebuyers as defined below:

Affordable to range of low-income homebuyers (As it relates to the Resale Provision only): That which is affordable to a family earning 80% AMI and below and that who not pay any more than 30% their gross income for PITI (Principle, Interest, Tax, and Insurance).

Fair Return on Investment (As it relates to the Resale Provision only): A Homeowner can sell the home during the affordability period according to the following chart:

Fair Return on Investment (as it relates to Resale Provision only)		
Years	**Lower Range**	**Max Limit**
Year 1-5 of Affordability Period	A Homeowner can sell the home during the affordability period for no more than 15% over DCAD's most recent appraisal value	Current (as of date of sale) Affordable Home Price as set forth in the City of Dallas Housing Policy
Year 6-15 of Affordability Period	No Cap on appreciation rate	Current (as of date of sale) Affordable Home Price as set forth in the City of Dallas Housing Policy

Homeownership projects undertaken using the resale provision shall use deed restrictions, covenants running with land, or other similar mechanisms per 92.254(a)(5)(i)(A) to ensure the resale requirements. The period of affordability specified in the mortgage will be the minimum period for the project as specified above. The period of affordability is based on the total amount of HOME funds invested in the housing.

Either recapture or resale provisions must be detailed and outlined in accordance with 24 CFR in marketing brochures, written agreements and all legal documents with homebuyer. Either recapture or resale may be used within a project, not both. Combining provisions to create "hybrids" is not allowed.

APPENDIX 7
City of Dallas Affirmative Fair Housing Marketing Policy

The Affirmative Fair Housing Marketing (AFHM) Plan is a marketing strategy or approach designed to attract renters and buyers that would be least likely to apply to assisted multi- family or single-family developments. The City of Dallas requires that all recipients and sub-recipients of HOME, CDBG or NSP funds, for all projects resulting in five (5) or more assisted housing units, implement affirmative marking approaches as part of the overall marketing strategy. To market affirmatively means that a good faith effort is made to attract to a project those minority or majority groups who are least likely to apply or are underrepresented in a neighborhood or community. Good faith efforts are recorded activities and documented outreach to those individuals identified as least likely to apply. Affirmative marketing requirements apply to all housing programs, including, but not limited to Tenant- Based Rental Assistance and Down Payment Assistance Programs.

The City of Dallas is committed to affirmatively market to such groups and requires that recipients of HOME/CDBG funds to submit an AFHM Plan using HUD Form 935.2B for single- family developments and HUD Form 935.2A for multi-family developments, prior to expending any funds on a project.

In developing an Affirmative Marketing Plan, the recipient/managing agent shall abide by the following:

I. Regulations

HOME: The recipient/managing agent shall adopt the affirmative marketing procedures and requirements as specified in the HOME Final Rule 92.351 for all projects resulting in five (5) or more HOME-assisted housing units.

CDBG: The Housing and Community Development Act of 1974, as amended, requires from each federal grantee, through the Consolidated Plan certify the following:

(1) Examine and attempt to alleviate housing discrimination with their jurisdiction;
(2) Promote fair housing choice for all persons;
(3) Provide opportunities for all persons to reside in any given housing development, regardless of race, color, religion, sex, disability, familial status, or national origin;
(4) Promote housing that is accessible to and usable by persons with disabilities;
(5) And comply with non-discrimination requirements of the Fair Housing Act.

II. Policy on Nondiscrimination and Accessibility

The recipient/managing agent shall not discriminate against any individual or family because of race, color, national origin, religion, gender, disability, familial status x sexual orientation, gender identity or expression or source of income (disability, child support, spousal support or veteran's income or voucher). Reasonable accommodations will be offered to all disabled persons who request accommodations due to disability at any time during the application, resident selection and rent up process.

III. Training

1. The recipient/managing agent shall provide property management staff with all relevant regulations and Fair Housing provisions. All property

management staff shall be required to follow the procedures and policies adopted by the recipient/managing agent. In the event that property management staff requires fair housing technical assistance, staff is to call the **City of Dallas Office of Fair Housing and Human Rights 214-670-FAIR (3247).**

2. Regular training programs shall including marketing, outreach, data collection, reporting, and record keeping. Property management staff shall annually receive instruction regarding fair housing laws and the recipient/managing agent's Affirmative Marketing Plan.

IV. Marketing and Outreach

1. All advertising shall display the Equal Housing Opportunity logo or the phrase "Equal Housing Opportunity" and the accessibility logo when appropriate, as shown below:

EQUAL HOUSING OPPORTUNITY

2. Consistent with resident population the development is designed to serve, the marketing of the project will ensure equal access to appropriate size units for all persons in any category protected by federal, state, and local laws governing discrimination. There will be no local residency requirements nor will preference be given to local residents for the project. Special marketing outreach consideration shall be given to the following traditionally underserved populations:
    a. African-Americans
    b. Native Americans
    c. Hispanics
    d. Asians and Pacific Islanders
    e. Disabled Persons

3. Marketing shall include the use of newspapers of general circulation in Dallas, The recipient/managing agent will place notices in newspapers, specialized publications, and newsletters to reach potential residents. Applications, notices and all publications will include a Fair Housing and Equal Opportunity Logo, and the Accessibility Logo.

4. The recipients/managing agent will contact local civic and community organizations representative of the ethnic and cultural diversity of the area in order to disseminate information about the development. Groups representing disabled and elderly individuals will be contacted. Where necessary, recipient/managing agent will publish its marketing

materials in multiple languages and alternate formats as requested in order to better reach potential recipients and sub-recipients in the area with language limitations.

V. Race and Ethnic Data Collection and Reporting

An applicant shall be given an application package containing the following: Application, Income Requirements and form HUD-27061-H "Race and Ethnic Data Reporting Form." The recipient/managing agent is required to offer each household member the opportunity to complete the form. Parents or guardians are to complete the form for children under the age of 18. Completed documents for the entire household shall be stapled together and place in the household's file.

VI. Compliance Assessment

1. The recipient/managing agent will review the Affirmative Marketing Plan every year and update as needed to ensure compliance. The advertising sources will be included in the review to determine if past sources should be changed or expanded.

2. The recipient/managing agent will annually assess the success of affirmative marketing actions for the project. If the demographic data of the residents vary significantly from the jurisdiction's population data, advertising efforts and outreach will be targeted to underrepresented groups in an attempt to balance the residents with the demographics of the jurisdiction. The recipient/managing agent shall submit any changes to the plan to the Fair Housing Office.

VII. Record Keeping

1. The assigned recipient/managing agent shall establish and maintain an Affirmative Marketing file to hold advertisements, flyers, and other public information documents to demonstrate that the appropriate logo and language have been used. Additionally, staff shall keep records of its activities in implementing the affirmative marketing plan, including other community outreach efforts and its annual analysis.

2. Recipient/managing shall keep up-to-date records based on census data, applications, and surveys about community residents, recipients and sub-recipients, residents of the project, and records about tenant selection or rejection.

3. The recipient/managing agent shall provide City staff provide City staff access to any pertinent books, documents, papers or other records of their properties, as necessary, for determining compliance with civil rights and nondiscrimination requirements.

APPENDIX 8
Residential Anti-Displacement and Relocation Assistance Plan (RARAP)

This Residential Anti-Displacement and Relocation Assistance Plan (RARAP) is prepared by the City of Dallas Housing & Neighborhood Revitalization Department (City) in accordance with the Housing and Community Development Act of 1974, Section 104(d) as amended and HUD regulations at 24 CFR 42.325 and is applicable to CDBG, CDBG-R, Section 108 Loan Guarantee Program, NSP and/or HOME-assisted projects.

Plan to Minimize Displacement of Low/Mod-Income Families as a Result of Any HUD Assisted Activities

Consistent with the goals and objectives of activities assisted under the Act, the City will take the following steps to minimize the direct and indirect displacement of persons from their homes:

- Coordinate code enforcement with rehabilitation and housing assistance programs.
- Support the Redevelopment and Stabilization Target Areas through this policy
- Ensure the staging of rehabilitation of apartment units to allow tenants to remain in the building/complex during and after the rehabilitation, working with empty units first.
- Ensure for the arrangement of facilities to house persons who must be relocated temporarily during rehabilitation.
- Identify and mitigate displacement resulting from intensive public investment in neighborhoods.
- Provide reasonable protections for tenants faced with conversion to a condominium or cooperative.
- Where feasible, give priority to rehabilitation of housing, as opposed to demolition, to avoid displacement.
- If feasible, allow for demolition or conversion of only dwelling units that are not occupied or vacant occupied dwelling units (especially those units which are "lower- income dwelling units" (as defined in 24 CFR 42.305).
- Target only those properties deemed essential to the need or success of the project.

Relocation Assistance to Displaced Persons

The City will ensure relocation assistance for lower-income tenants who, in connection with an activity assisted under the above-mentioned Programs, move permanently or move personal property from real property as a direct result of the demolition of any swelling unit or the conversion of lower-income dwelling unit in accordance with the requirements of 24 CFR 42.350.

A displaced person who is not a lower-income tenant, shall be provided relocation assistance in accordance with the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970m Section 104(d) as amended, and implementing regulations at 49 CFR Part 24.

One-for-One Replacement of Lower-Income Dwelling Units
The City will ensure replacement of all occupied and vacant occupied lower-income dwelling units demolished or converted to use other than lower-income housing in connection with a project assisted with funds provided under the above-mentioned programs in accordance with 24 CFR 42.375.

Before entering into a contract committing the City to provide funds for a project that will directly result in demolition or conversion of lower-income dwelling units, the City will ensure publication of such project in a newspaper of general circulation and submit to HUD the following information in writing:

1. A description of the proposed assisted project;

2. The address, number of bedrooms, and location on a map of lower-income dwelling units that will be demolished or converted to a use other than as lower-income dwelling units as a result of assisted project;

3. A time schedule for the commencement and completion of the demolition or conversions;

4. To the extent known, the address, number of lower-income dwelling units by size (number of bedrooms) and location on a map of the replacement lower-income housing that has been or will be provided. NOTE: See also 24 CFR 420.75(d).

5. The source of funding and a time schedule for the provision of the replacement dwelling units;

6. The basis for concluding that each replacement dwelling unit will remain a lower- income dwelling unit for at least 10 years from the date of initial occupancy; and

7. Information demonstrating that any proposed replacement of lower0income dwelling units with smaller dwelling units (e.g., a 2-bedroom unit with two 1- bedroom units), or any proposed replacement of efficiency or single-room occupancy (SRO) units with units of a different size, is appropriate and consistent with the housing needs and priorities identified in the HUD-approved Consolidated Plan and 24 CFR 42.375(b).

To the extent that the specified location of the replacement dwelling units and other data in items 4 through 7 are not available at the time of the general submission, the general location of such dwelling units will be identified on a map and the City will ensure that the disclosure and submission requirements are completed as soon as the specific data is available.

Replacement not required Based on Unit Available
Under 24 CFR 42.375(d), the City may submit a request to HUD for a determination that the one-for-one replacement requirement does not apply based on objective data that there is an adequate supply of vacant lower-income dwelling units in

standard condition available on a non-discriminatory basis within the area.

Responsible Entity

The City is responsible for tracking the replacement of lower income dwelling units and ensuring that they are provided within the required period. This City will also ensure that relocation payments and other relocation assistance are provided to any lower-income person displaced by the demolition of any dwelling unit or the conversion of lower-income dwelling units to another use.

APPENDIX 9
Other Federal Requirements

Other Federal Requirements	Apply to Owner Occupied Rehabilitation?	Apply to Homebuyer Programs?	Applies to Rental Housing Programs?
Non-Discrimination and Equal Access Rules			
Fair Housingand Equal Opportunity	Yes. Must affirmatively further Fair Housing	Yes	Yes.
Affirmative Marketing	Yes.	Yes, for all projects of five or more HOME-assisted units.	Yes; for projects containing five or more Home-assisted units.
Accessibility for Disabled Persons	Accessibility features must be part of rehabilitation, if needed by owner/occupant and the overall unit is brought up to the PJ's property standard. (Note: Accessibility improvements are eligible costs.)	Yes.	Yes.
Employment and Contracting Rules			
Equal Opportunity Employment	Yes.	Yes.	Yes.
Section 3 Economic Opportunity		Yes, if amount of assistance exceeds $200,000 or contract ***or*** subcontract exceeds $100,000.	Yes, if amount of assistance exceeds $200,000 or contract ***or*** subcontract exceeds $100,000.
Minority/Women Business Enterprises	No.	Yes.	Yes.
Davis-Bacon&other Labor	No.	Yes, if construction contract includes 12 or more units that are HOME-assisted	Yes, if construction contract includes 12 or more units that are HOME-assisted
Conflict of interest	Yes.	Yes.	Yes.
Excluded Parties (e.g., Debarred Contractors)	Yes.	Yes	Yes.
Other Federal Requirements			
Environmental Reviews	Yes.	Yes	Yes.
Flood Insurance	Yes for PJs that are cities/counties. No for State programs.	Yesifcityorcounty. Noifstateprogram	Yes for PJs that are cities/counties. No for State PJs.

Site and Neighborhood Standards	No.	No.	Yes; for rental new construction only
Lead-Based Paint	Yes for pre-1978 units	Yes for pre-1978 units.	Yes for rehabilitation of pre-1978 units. Applies to HOME and non-HOME assisted units. Requirements differ depending on whether rehabilitation work is performed.
Relocation	Yes.	Yes	Yes.

APPENDIX 10
Lead-Based Paint Requirements

This portion of the manual outlines the requirements in relation to Lead-Based Paint.

The U.S. Department of Housing and Urban Development recently adopted new regulations in relation to the treatment of Lead Based Paint in properties built before 1978 that are assisted with HUD funding. The requirements are outlined below based on the activity undertaken. To obtain a copy of the rules from HUD, go to the HUD website at: www.hug.gov/lead and download the regulation.

The section does not outline the City programs that are available to provide financial assistance in relation to lead abatement. Please note, however that any financial assistance provided by the City to address lead based paint will be in the form of a GRANT to the homeowner to developer.

Down-payment Assistance Programs:

The following are HUD's requirements See 24 CFR part 35 (subpart K):

- Distribute Lead Hazard Information Pamphlet and Disclosure to buyers of homes built prior to 1978.
- Perform Visual Assessment of all painted surfaces.
- If Visual Assessment reveals deteriorated paint, action must be taken to stabilize each deteriorated paint surface.
  -At this point, one will have to assume every component has lead since the Visual Assessment does not determine where lead is present. Safe work practices must be used by trained worker in this field. Paint stabilization works will on non-friction surfaces such as walls (interior/exterior). When dealing with friction points such as windows and doors, abatement procedures (removal, replacement, enclosure) are recommended.
- After paint stabilization, clearance must be performed by a certified Risk Assessor or Lead Inspector. HUD has established lead levels that meet clearance requirements.
- Notify the homebuyer within 15 days of results of clearance exam.

At the Visual Assessment Stage, the homebuyer *may opt* for a lead test. This will reveal the levels of lead present in the home. A lead inspection will not tell you the risk involved, but only where the leas is located. This is when a buyer may request a Risk Assessment to outline the necessary Lead Hazard Reduction methods needed to insure a lead safe residence.

Following are some options (NOT REQUIREMENTS) to consider in relation to your program design for down payment assistance programs:

- If the visual assessment reveals defective paint in which stabilization and clearance is required then this cost can be funded by the nonprofit or the homebuyer or seller.
- If visual assessment shows no deterioration of a painted surface, the homebuyer can sign a waiver stating that they are aware of the potential presence of lead paint and they choose not to address it.
- A qualified consultant should advise on any lead inspection, lead hazard screen or risk assessments.

For Rehabilitation Programs (Owner-Occupied, Homebuyer, and Rental Property Rehabilitation Programs and Historic Preservation Residential Programs):

See 24 CFR Part 35 (subpart J)

If you are implementing a rehabilitation program, HUD's requirements are a bit more stringent in relation to lead based paint. The following describes HUD's requirements:

For HUD funded rehabilitation activities, lead hazard evaluation and reduction activities must be carried out for all projects constructed before 1978.

In all case, notification must be made to the homeowner/buyer in the form of the HUD Lead Hazard Information Pamphlet and Disclosure or an acceptable alternative pamphlet.

The required evaluation and reduction activity is dependent upon the amount of HUD funding used for the project.

> For cases where less than or equal to $5,000 will be spent on the rehabilitation: *Testing:* Paint Testing of surfaces to be disturbed by the rehabilitation activities must occur.
>
> *Lead Hazard Reduction*: Surfaces, which are disturbed during rehabilitation, must be re paired. Safe work practices must be used. After the rehabilitation activities are completed, clearance must be performed by a certified professional to ensure that units are safe.
>
> For cases where $5,001 to $25,000 will be spent on the rehabilitation:
> *Testing*: Paint testing of surfaces to be disturbed by rehabilitation must occur. In addition, a risk assessment must be performed.
>
> *Lead Hazard Reduction*: Interim controls must be used. This means that the friction and impact surfaces would be addressed. Interim controls include paint stabilization and cleaning. Safe work practices must be used. After the rehabilitation activities are completed, clearance must be performed by a certified professional to ensure that units are safe.

For cases where more than $25,000 will be spent on the rehabilitation:
Testing: Paint testing of surfaces to be disturbed by rehabilitation must occur. In addition, a risk assessment must be performed.

Lead Hazard Reduction: abatement of hazards is the required approach. Abatement involves permanently removing lead based hazards, often through paint and component removal, replacement, encapsulation and enclosure. Interim controls and paint stabilization may be used on the home's exterior if it is not involved in the rehabilitation. Safe work practices must be used. After the lead hazard reduction activities are completed, clearance must be performed by a certified professional to ensure that units are safe.

Calculating the level of rehabilitation assistance:
When calculating how much HUD funding will be used on a rehabilitation project, the following costs are counted: soft costs, administrative costs, relocation costs, environmental reviews, acquisition of property, and lead hazard evaluation and reduction costs.

Lead-Based Paint Requirements
For HUD funded rehabilitation activities, lead hazard evaluation and reduction activities must be carried out for all projects constructed before 1978.

Less than or equal to $5,000 spent on the rehabilitation:
Projects where the level of rehabilitation assistance is less than or equal to $5,000 per unit must meet the following requirements. All work must be conducted using lead safe work practices and workers/contractors must be trained in lead safe work practices. It is presumed that painted surfaces being worked on contain lead-based paint. All disturbed paint must be repaired. Clearance is required by a State of Texas Certified Risk Assessor or Inspector if paint is disturbed. Safe work practices are NOT required when lead hazard reduction activities do not disturb (De Minimis Levels) painted surfaces that total more than 20 sq ft on exterior surfaces, 2 sq ft in any one interior room, or space or 10% of the total surface on an interior or exterior type of component.

In addition, the following notices must be provided to owners:
- Lead Hazard Information pamphlet
- Notice of Presumption and
- The Notice of Lead Hazard Reduction

Where $5,001 to $25,000 spent on the rehabilitation:
A risk assessment is required to identify lead hazards and identified hazards must be addressed by interim controls. A risk assessment must be conducted by a qualified professional prior to rehabilitation to find lead-based paint hazards in assisted units, in common areas that service those units, and on exterior surfaces. The risk assessment must include paint testing of any surfaces to be disturbed by the rehabilitation. If the risk assessment identifies lead-based paint hazards, interim controls must be implemented to address lead-based paint hazards. Interim controls must be performed by qualified professionals using safe work practices. Clearance, conducted by a State of Texas Certified Risk Assessor or Inspector, is required when lead hazard reduction activities are complete.

In addition, the following notices must be provided to owners:

- Lead Hazard Information pamphlet
- Notice of Presumption and
- The Notice of Lead Hazard Reduction

Where more than $25,000 will be spent on the rehabilitation:
A risk assessment is required to identify hazards and any identified hazards must be abated by a qualified professional. A risk assessment must be conducted prior to rehabilitation to find lead- based paint hazards in assisted units, in common areas that service those units, and on exterior surfaces. The risk assessment must include paint testing of any surfaces to be disturbed by the rehabilitation.

To address hazards identified:

- Abatement must be conducted to reduce all identified lead-based paint hazards except those described below. Abatement must be conducted by a certified abatement contractor.

If lead-based paint hazards are detected during the risk assessment on the exterior surfaces that are not to be disturbed by rehabilitation, interim controls may be completed instead of abatement to reduce these hazards.

- Clearance is required when lead hazard reduction activities are complete.

In addition, the following notices must be provided to owners:

- Lead Hazard Information pamphlet
- Notice of Presumption and
- The Notice of Lead Hazard Reduction

	<$5,000	$5,000 to $25,000	>$25,000
Approach to Lead Hazard Evaluation and Reduction	Do no harm	Identify and control lead hazards	Identify and abate lead hazards
Notification	Yes	Yes	Yes
Lead Hazard Evaluation	Paint Testing	Paint Testing and Risk Assessment	Paint Testing and Risk Assessment
Lead Hazard Reduction	Repair surfaces disturbed during rehabilitation	Interim Controls	Abatement (Interim controls may be used on exterior surfaces not disturbed by rehabilitation

APPENDIX 11
Environmental Review Policy, Procedures, and Standards

For every project, an Environmental Review must be completed in accordance with 24 CFR Part 58 prior to executing an agreement with a sub-recipient, developer or CHDO. The City has developed the “Environmental Review Policy, Procedures, and Standards” document to outline the process and requirements of completing an Environmental Review.

APPENDIX 12
SECTION 3

All projects receiving an award of HOME funds must comply with HUD's Section 3 requirements. The purpose of Section 3 is to ensure that employment, training, contracting, and other economic opportunities generated by financial assistance from HUD shall, to the greatest extent feasible, and consistent with existing federal, state, and local laws and regulations, be directed to low- and very lowincome persons, particularly those who are recipients of government assistance for housing, and to business concerns that provide economic opportunities to low- and very low-income persons. Recipients of an award of HOME funds will be required to complete Section 3 compliance forms prior to execution of a loan agreement. Applicants requesting HOME funds must provide a written strategy demonstrating understanding of the Section 3 requirements and detailing how they will ensure that, when employment or contracting opportunities are generated because the project or activity necessitates the employment of additional persons or the award of contracts for work, preference shall be given to low- and very low-income persons or business concerns in the neighborhood. Neighborhood is defined in the HOME regulations (24 CFR Part 92, Subpart A) as "a geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation that is within the boundary but does not encompass the entire area of a unit of general local government."

Developers must obtain the City's approval of the Section 3 plan prior to the construction start of the project.

APPENDIX 13
MINORITY BUSINESS ENTERPRISE & WOMEN BUSINESS ENTERPRISE

Developers must maintain a MBE/WBE plan that demonstrates marketing and solicitation of MBE/WBE businesses and contractors for the construction of the project.

APPENDIX 14
Regulatory References

You may be interested in reading the actual regulations published by the U.S. Department of Housing and Urban Development for CDBG and HOME and the applicable federal requirements. A copy of the regulations may be obtained by the contracting the Department of Housing and Neighborhood Revitalization or downloading the information from the HUD website at www.hud.gov.

The regulations for CDBD are located at 24 CFR Part 570: Part 570 – Community Development Block Grants

Subpart A – General Provisions

Section	Title
570.1	Purpose and Primary Objective
570.2	Removed
570.3	Definitions
570.4	Allocations of Funds
570.5	Waivers

Subpart C – Eligible Activities

Section	Title
570.200	General Policies
570.201	Basic eligible activities
570.202	Eligible rehabilitation and preservation activities
570.203	Special economic development activities
570.204	Special activities by Community-Based Development Organizations (CBDO's)
570.205	Eligible planning, urban environmental design and policy-planning-management- capacity building activities
570.206	Program administration costs
570.207	Ineligible activities
570.208	Criteria for national objectives
570.209	Guidelines for evaluating and selecting economic development projects

The regulations for HOME are located at 24 CFR Part 92: Home Investment Partnerships Program

Section	Title SUBPART A - GENERAL
92.1	Overview
92.2	Definitions
92.4	Waivers and Suspensions of Requirements for Disaster Areas

SUBPART B – ALLOCATIONS FORMULA

92.50	Formula Allocations
92.60	Allocation Amounts for Insular Areas
92.61	Program Description
92.62	Review of Program Description and Certifications
92.63	Amendments to Program Description
92.64	Applicability of Requirements to Insular Areas
92.65	Funding Sanctions
92.66	Reallocations

SUBPART C – CONSORTIA; DESIGNATION AND REVOCATION OF DESIGNATION AS A PARTICIPATING JURISDICTION

92.101	Consortia
92.102	Participation Threshold Amount
92.103	Notification of Intent to Participate
92.104	Submission of a Consolidated Plan
92.105	Designation as a Participating Jurisdiction
92.106	Continuous Designation as a Participating Jurisdiction
92.107	Revocation of Designation as a Participating Jurisdiction

SUBPART D – SUBMISSION REQUIREMENTS

92.150	Submission Requirements

SUBPART E – PROGRAM REQUIREMENTS

92.200	Private-Public Partnership
92.201	Distribution of Assistance
92.202	Site and Neighborhood Standards
92.203	Income Determinations
92.204	Applicability of Requirements to Entities that Receive a Reallocation of HOME Funds, other than Participating Jurisdictions
92.205	Eligible Activities: General
92.206	Eligible Project Costs
92.207	Eligible Administrative and Planning Costs
92.208	Eligible Community Housing Development Organization (CHDO) Operating Expense and Capacity Building Costs
92.209	Tenant-Based Rental Assistance: Eligible Costs and Requirements

Lead Based Paint Regulations
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
24 CFR Parts 35, 91, 92, 200, 203, 206, 280, 291, 511, 570, 572, 573, 574, 576, 582, 583, 585,
761, 881, 882, 883, 886, 891, 901, 906, 941, 965, 968, 670, 982, 983, 1000, 1003, and 1005
Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance.

AGENCY: Office of the Secretary – Office of Lead Hazard Control, HUD.

ACTION: Final rule.

SUMMARY: The purpose of this rule is to ensure that housing receiving Federal assistance and federally owned housing that is to be sold does not pose lead-based paint hazards to young children. It implements sections 1012 and 1013 of the Residential Lead-Based Paint Hazard Reduction Act of 1992, which is Title X of the Housing and Community Development Act of 1992.
The requirements of this rule are based on the practical experience of cities, states and others who have been controlling lead-based paint hazards in low-income privately-owned housing and public housing through HUD assistance. It also reflects the results of new scientific and technological research and innovation on the sources, effects, costs, and methods of evaluating and controlling lead hazards. With today's action, HUD's lead-based paint requirements for all Federal programs are now consolidated in one part of title 24 of the Code of Federal Regulations.

DATES: Effective Dates: Section 35.140 is effective on November 15, 1999. All other provisions of the rule are effective on September 15, 2000.

FOR FURTHER INFORMATION CONTACT: For questions on this rule, call (202) 755-1785, ext. 104 (this is not a toll-free number) or e-mail your inquiry to lead regulations@hud.gov. For lead-based paint program information, contact the Office of Lead Hazard Control, Department of Housing and Urban Development, 451 7th Street, SW, Room B-133, Washington, DC 20410- 0500. For legal questions, contact the Office of General Counsel, Room 9262, Department of Housing and Urban Development. Hearing and speech-impaired persons may access the above telephone number via TTY by calling the toll-free Federal Information Relay Service at 1-800-877-8339.

Subpart A – Disclosure of Known Lead-Based Paint Hazards upon Sale or Lease of Residential Property.
Subpart B – General Lead-Based Paint Requirements and Definitions for All Programs

- **a.** Definitions
- **b.** Exemptions
- **c.** Options
- **d.** Notice of Evaluation and Hazard Reduction Activities

e. Lead Hazard Information Pamphlet
f. Use of Paint Containing Lead
g. Prohibited Methods of Paint Removal
h. Compliance with Other, State, Tribal, and Local Laws
i. Minimum Requirements
j. Waivers
k. Prior Evaluation or Hazard Reduction
l. Enforcement
m. Records

Subpart C – Disposition of Residential Property Owned by Federal Agency Other Than HUD **Subpart D –** Project-Based Assistance Provided by a Federal Agency Other than HUD **Subpart E -** Reserved
Subpart F – HUD-Owned Single-Family Property **Subpart G –** Multifamily Mortgage Insurance **Subpart H –** Project –Based Rental Assistance

Subpart I – HUD – Owned and Mortgagee-in-Possession Multifamily Property

Subpart J – Rehabilitation

Subpart K – Acquisition, Leasing, Support Services, or Operation
Subpart L - Public Housing Programs
Subpart M – Tenant-Based Assistance
Subpart N-Q – Reserved
Subpart R – Methods and Standards for Lead-Based Paint Hazard Evaluation and Reduction Activities

a. Standards
b. Adequacy of Dust-Lead Standards
c. Summary Notice Formats
d. Interim Controls
e. Standard Treatments
f. Clearance
g. Occupant Protection and Worksite Preparation
h. Safe Work Practices
i. Ongoing Lead-Based Paint Maintenance and Reevaluation

APPRENDIX 15

OWNER-OCCUPIED HOUSING REHABILITATION / RECONSTRUCTION PROGRAM

GENERAL CONTRACTOR / HOMEBUILDER APPLICATION

A. **COMPANY NAME:** (Print) ______________________________

Address ______________________________

City, State, & Zip ______________________________

Office Telephone No. ______________ Employer's Tax No. ______________

Cell No. ______________ Fax No. ______________

B. **BUSINESS OWNER(S) / PRINCIPAL(S):**

1. Name ______________ Title ______________

   Home Address ______________________________

   City, State, & Zip ______________________________

   Telephone No. (   )______________ Fax No. (   )______________

2. Name ______________ Title ______________

   Home Address ______________________________

   City, State, & Zip ______________________________

   Telephone No. (   ) ______________ Fax No. (   )______________

3. Name ______________ Title ______________

   Home Address ______________________________

   City, State, & Zip ______________________________

Telephone No. (   ) ______________________ Fax No. (   )______________________
__

C. **HISTORY OF COMPANY:**

1. How long has your company been under the present company name? If less than 2 years, please list previous company name, if any____

   ____

2. Are you a member of any trade or professional association? Yes __________ No ___________

   If yes, please indicate name and number of years as member: _____________________

   ____

   ____

3. Number of Employees: Office/Admin_____Trades _____ (Give averages if number fluctuates)

4. Contractor's and/or Homebuilder's License Number _______________________________

   Where Licensed _______________________

5. Have you ever had your Contractor's License revoked? Yes __________ No

____

If yes, provide year revoked and justification.

____ ___________________________________

____

6. Have you ever defaulted on a contract? Yes __________ No __________
7. Are you on any debarment or suspension lists or have been declared ineligible to participate in any Federal Assistance Programs? Yes __________ No __________
8. Have any members of the firm been sued within the past 2 years by sub-contractors, suppliers, customers, or other persons? Yes __________ No __________

   If yes, give details: ____

   ____

9. Do you have working capital to start a home improvement job of $50,000.00? Yes______ No______
10. How do you finance your work?

    ____

11. If this application is approved, how do you plan on financing these public projects?

    ____

12. If you intend on using interim financing from a lending institution to finance these public projects, please provide a commitment letter from your lending institution or other financial resources.

D. **CONTRACTOR'S INFORMATION AND BACKGROUND:**

1. Principal Contractor's Social Security Number: ___________________________________

2. How long have you been in business? ____

3. Describe your construction background and specific trades: ___________________________

   ____

   ____

   ____

   If you have no construction background, who in your company does? ____________________

   ____

4. In what areas and trades are you licensed by the City of Dallas? ____________________

   ____

5. Who is responsible for jobsite day-to-day activities such as: scheduling, supervision,
   Coordination, quality control, clients concerns and complaints, etc.?

   Name:

   ____

Title:______________________________ Years w/Company __________________

6. Please list full-time employees and the trades they cover? List names, trades and licenses,
if any, and years with the company.
____
____
____

7. What kind of warranty do you provide your customers upon completion of the construction work and how long is the warranty period? ____
____

8. How long does it take you to build a new 1,900 square foot home? ______________________

9. How long does it take you to complete a FULL rehab of a 1,900 square foot home on pier and beam? ____

E. <u>CONSTRUCTION WORK PREFERENCE:</u>

1. What type of construction work program do you want to participate in?

- ❑ Reconstruction (New construction) Yes______ No______
  - o Single family units Yes______ No______
  - o Multi-family developments Yes______ No______

- ❑ Rehabilitation (Existing homes) Yes______ No______

  - o Single family units Yes______ No______
  - o Multi-family developments Yes______ No______

E. EXPERIENCE WITH PUBLIC AGENCIES:

1. Have you participated or worked with similar federally-funded housing construction programs with other entities, i.e., Dallas Housing Authority (DHA), other housing non-profit organizations, etc.? Yes __________ No __________

   If yes, please complete the following information:

   (a) Agency Name ________________________________ Phone No. ______________

   Address ______________________________ City, State, and Zip ________________

   Type of Work ____

   Contract Amount $ _________ Units Completed ______________ Date: ___________

   (b) Agency Name ________________________________ Phone No. ______________

   Address ______________________________ City, State, and Zip ________________

   Type of Work ____

   Contract Amount $ _________ Units Completed ______________ Date: ___________

   (c) Agency Name ________________________________ Phone No. ______________

   Address ______________________________ City, State, and Zip ________________

Type of Work ____

Contract Amount $ __________ Units Completed ________________ Date:

____

(d) Agency Name ____________________________________ Phone No. _______________

Address _________________________________ City, State, and Zip ___________________

Type of Work ____

Contract Amount $ __________ Units Completed ________________ Date:

____

G. **CURRENT CONTRACT AGREEMENTS:**

Presently, do you have any contracts under construction? Yes ________ No _________

If yes, provide the following information:

Project Address	Contract Amount	Client's Name	Client's Phone No.	Construction Start and Expected Completion
1				
2				
3				
4				

H. **INSURANCE REQUIREMENTS (See Attachment A): If your application is approved, you will be required to provide proof of insurance as outlined in Attachment A.**

I. **EXPERIENCE: REHABILITATION AND/OR RECONSTRUCTION WORK DURING THE PAST YEAR:**

1. Name ______________________ Phone No. ______________

   Address ______________________ City, State, Zip ______________

   Type of Work ______________________________________

   Contract Amount $ ______________ Completed ______________

2. Name ______________________ Phone No. ______________

   Address ______________________ City, State, Zip ______________

   Type of Work ______________________________________

   Contract Amount $ ______________ Completed ______________

3. Name ______________________ Phone No. ______________

   Address ______________________ City, State, Zip ______________

   Type of Work ______________________________________

   Contract Amount $ ______________ Completed ______________

4. Name ______________________ Phone No. ______________

   Address ______________________ City, State, Zip ______________

   Type of Work ______________________________________

   Contract Amount $ ______________ Completed ______________

   Contract Amount $ ______________ Completed ______________

J. REQUIRED DOCUMENTS:

1. The following documents must accompany this General Contractor / Homebuilder Application before this application is accepted and processed.

- Copy of Current Picture I.D. (Texas Driver's License) of Owners
- Copy of Current General Contractor's License
- Copy of Current Homebuilder's License
- Copy of commitment letter from financial resource if applicable
- Copy of Current Certificate of Liability Insurance to include General Liability & Workers compensation and employers' Liability
- 2007/2008 Tax Returns for Business or Owners

K. PENALTY FOR FALSE OR FRAUDULENT STATEMENT:

USC Title 18, Sec. 1001, states: "Whomever, in any matter within the jurisdiction of any department or agency of the United States knowingly and willfully falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statement or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined not more than $10,000 or imprisoned not more than five years, or both."

The undersigned certifies that all information provided in this CONTRACTOR INFORMATION APPLICATION, and all information in support of said form, is true and complete to the best of the undersigned's knowledge and belief. Further, the undersigned hereby authorizes and requests any person, firm or corporation to furnish any information requested by the City of Dallas, Housing & Neighborhood Revitalization Department, in verification of the recitals comprising this statement of contractor's qualifications.

SIGNED this ________ day of __________________, 2008.

____
Name of Business

By: ____
Print Name

Title: ______________________________________
Owner, Partner, President, Agent or Representative

STATE OF TEXAS §

§

DALLAS COUNTY §

BEFORE ME, the undersigned authority, on this day personally appeared

____

____________________________________, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledges to me that the answers to the foregoing questions and all statements therein contained are true and correct.

GIVEN UNDER my hand and seal of office this _____ day of, ________________________, 2008.

____

NOTARY PUBLIC, STATE OF TEXAS

Please Return Completed Application to:

Rehabilitation/Reconstruction Program Supervisor
Housing & Neighborhood Revitalization Department
1500 Marilla Street,
Dallas, Texas 75201

For Questions, please contact:

EXHIBIT "A"
INSURANCE REQUIREMENTS

Prior to the commencement of the Project or any other work under this Agreement, BORROWER shall furnish an original completed Certificate(s) of Insurance or the City's Standard Certificate of Insurance form to the City's Housing & Neighborhood Revitalization Department and City's Risk Management Division, and shall be clearly labeled with Agreement name, which shall be completed by an agent authorized to bind the named underwriter(s) and their company to the coverage, limits, and termination provisions shown thereon. The original certificate(s) of form must have the agent's original signature, including the signer's company affiliation, title and phone number, and be mailed directly from the agent to the City. The City shall have no duty to pay or perform under this Agreement or under any of the other Loan Documents until such certificate(s) shall have been delivered to the City's Housing & Neighborhood Revitalization Department and the City's Risk Management Office, and no officer or employee, other than the City's Risk Manager, shall have authority to waive this requirement.

The City reserves the right to review the insurance requirements of this section during the effective period of this Agreement and of the other Loan Documents, including the term of the Note, and any extension of renewal thereof and to modify insurance coverage and their limits when deemed necessary and prudent by the City's Risk Manager based upon changes in statutory law, court decisions, or circumstances surrounding the Project, this Agreement or any of the other Loan Documents, but in no instance will the City allow modification whereupon the City may incur increased risk.

A BORROWER's financial integrity is of interest to the City; therefore, subject to BORROWER's right to maintain reasonable deductibles in such amounts as are first approved in writing by the City, BORROWER shall obtain and maintain in full force and effect for the duration of this Agreement and the other Loan Documents, and any extension thereof, at BORROWER's sole expense, insurance coverage written on an occurrence basis, by companies authorized and admitted to do business in the State of Texas and rated A- or better by A.M. Best Company and/or otherwise acceptable to the City, in the following types and amounts:

TYPE	AMOUNTS
1. Workers' Compensation ** Employers' Liability **	Statutory $1,000,000/$1,000,000/$1,000,000
2. Commercial General (public) Liability Insurance to include coverage for the following: a. Premises operations *b. Independent contractors c. Products/completed operations d. Personal Injury e. Contractual Liability *f. Explosion, collapse, underground g. Broad form property damage, to include fire legal liability	For Bodily Injury and Property Damage of $1,000,000 per occurrence; $2,000,000 General Aggregate, or its equivalent in Umbrella or Excess Liability Coverage
3. Business Automobile Liability a. Owned/leased vehicles b. Non-owned vehicles c. Hired Vehicles	Combined Single Limit for Bodily Injury and Property Damage of $1,000,000 per occurrence
4. Professional Liability (Claims Made Form)	$1,000,000 per claim to pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages by reason of any act, malpractice, error or omission in professional services.
*5. Payment/Performance Bond	$125,000.00
*6. Builder's Risk	$125,000.00
*7. Pollution of Fuel Storage Tank	$125,000.00
*8. Environmental	$125,000.00
*9. Commercial Crime/Fidelity Bond, etc.	$125,000.00
*10. Liquor Legal Liability	$125,000.00
* If Applicable	
** Alternate Plans Must Be Approved by Risk Management	

11. BORROWER must provide to City proof of continuous and renewed professional liability insurance having been obtained by all professional persons performing work or services in connection with the Project, such insurance policy having an extended discovery period of two (2) years, with such insurance policy being maintained in the same manner as set forth herein.

12. Upon completion of construction of the Project, BORROWER must carry insurance to the extent of 80% of A.C.V., fire and extended coverage policy.

13. BORROWER must provide insurance in the manner set forth herein protecting City with a standard mortgage clause naming City as loss payee for a sum equal at least to BORROWER's indebtedness to City.

BORROWER shall contractually require all third-party contractors associated with the Project to obtain the foregoing types of insurance, in the amounts and in the manner as specified herein.

The City shall be entitled, upon request and without expense, to receive copies of the policies and all endorsements thereto as they apply to the limits required by the City, and may make a reasonable request for deletion, revision, or modification of particular policy terms, conditions, limitations or exclusions (except where policy provisions are established by law or regulation binding upon either of the parties hereto or the underwriter of any such policies). Upon such request by the City, BORROWER shall exercise reasonable efforts to accomplish such changes in policy coverage and shall pay the cost thereof.

BORROWER agrees that with respect to the above-required insurance, all insurance contracts and Certificate(s) of Insurance will contain the following required provisions:

- Name City and its officers, employees, volunteers and elected representatives as <u>additional insureds</u> as with respect to operations and activities of, or on behalf of, the named insured performed under contract with the City, with the exception of the workers' compensation (and professional liability, if required) policies;

- BORROWER's insurance shall be deemed primary with respect to any insurance or self insurance carried by the City for liability arising out of operations under this agreement with the City or under any of the other Loan Documents; and

- Workers' compensation and employers' liability policy will provide a waiver of subrogation in favor of City.

BORROWER shall notify the City in the event of any notice of cancellation, non-renewal or material change in coverage and shall give such notices not less than thirty (30) days prior to the change, or twenty (20) days notice for cancellation due to non-payment of premiums, which notice must be accompanied by a replacement Certificate of Insurance. All notices shall be given to the City at the following address:

Director
Housing & Neighborhood Revitalization Department
1500 Marilla St.
Dallas, Texas 75201

and

City of Dallas
Risk Management Division
P.O. Box 839966
Dallas, Texas 78283-3966

If BORROWER fails to maintain the aforementioned insurance, or fails to secure and maintain the aforementioned endorsements, the City may obtain such insurance, and deduct and retain the amount of the premiums for such insurance from any sums due under any of the Loan Documents; however, procuring of said insurance by the City is an alternative to other remedies the City may have, and is not the exclusive remedy for failure of BORROWER to maintain said insurance or secure such endorsement. In addition to any other remedies the City may have upon BORROWER's failure to provide and maintain any insurance or policy endorsements to the extent and within the time herein required, the City shall have the right to (a) withdraw from the Project, (b) withhold any and all Loan monies until BORROWER demonstrates compliance with the requirements hereof, (c) declare a default under the Note and/or (d) terminate any and all Loan Documents.

Nothing herein contained shall be construed as limiting in any way the extent to which BORROWER may be held responsible for payments of damages to persons or property resulting from BORROWER's or its subcontractors' performance of the work covered hereunder or under any of the other Loan Documents.

Attachment 1: Virtual Town Hall Attendance by Council District

Event	1/29/2018			1/31/2018			2/15/2018			2/23/2018			Grand Total			
CD	English	Spanish	Total	English	Spanish	Total	English	Spanish	Total	English	Spanish	Total	English	Spanish	Total	% Total
1	492	91	583	471	50	521	404	56	460	402	35	437	1,769	232	2,001	5.0%
2	465	40	505	447	43	490	381	34	415	364	29	393	1,657	146	1,803	4.5%
3	1,109	41	1,150	923	29	952	850	21	871	775	23	798	3,657	114	3,771	9.4%
4	1,149	31	1,180	1,069	25	1,094	980	21	1,001	955	16	971	4,153	93	4,246	10.6%
5	496	47	543	410	42	452	373	21	394	388	25	413	1,667	135	1,802	4.5%
6	417	51	468	377	22	399	358	26	384	336	17	353	1,488	116	1,604	4.0%
7	836	20	856	679	17	696	635	15	650	600	22	622	2,750	74	2,824	7.1%
8	923	29	952	858	25	883	697	11	708	717	10	727	3,195	75	3,270	8.2%
9	793	31	824	743	18	761	651	14	665	633	11	644	2,820	74	2,894	7.2%
10	785	11	796	740	11	751	667	11	678	640	6	646	2,832	39	2,871	7.2%
11	796	13	809	777	5	782	752	14	766	646	3	649	2,971	35	3,006	7.5%
12	799	12	811	774	5	779	726	12	738	656	11	667	2,955	40	2,995	7.5%
13	1,061	24	1,085	1,060	13	1,073	1,030	10	1,040	963	20	983	4,114	67	4,181	10.5%
14	661	9	670	604	6	610	600	8	608	534	6	540	2,399	29	2,428	6.1%
	10,782	**450**	**11,232**	**9,932**	**311**	**10,243**	**9,104**	**274**	**9,378**	**8,609**	**234**	**8,843**	**38,427**	**1,269**	**39,696**	
Unmatched	62	4	66	62	4	66	61	3	64	78	9	87	263	20	283	0.7%
Totals	**10,844**	**454**	**11,298**	**9,994**	**315**	**10,309**	**9,165**	**277**	**9,442**	**8,687**	**243**	**8,930**	**38,690**	**1,289**	**39,979***	**100%**

*** Participants who called in for two or more events** **10,467**

- **Two events** **5,241**
- **Three events** **2,945**
- **Four events** **2,281**

Sign - In 1/27/18

[illegible]
1 cop
[illegible]

	Name	Email	
1.	Robert Harden	N/A	1/27/18
2.	Michelle McKamy	[redacted]	
3.	Michael Veale	[redacted]	
4.	Cyndy Lutz	[redacted]	
phd 5.	Kate Kosut	[redacted]	
6.	Larry Hochberg	[redacted]	
7.	Dorothy Hopkins	[redacted]	
8.	Hal Hopkins	[redacted]	
9.	Larry Hochberg	[redacted]	
10.	Ronnie Mestas	[redacted]	
11.	Arthur Adams	[redacted]	
12.	Tasha Penson	[redacted]	
13.	Victor Toled	[redacted]	
14.	James Armstrong	[redacted]	
15.	Patrick Reilly	[redacted]	
16.	Maggie Parker	[redacted]	
17.	Sef Okuth	[redacted]	
18.	Parker Lumkes	[redacted]	
19.			
20.			
21.			
22.			

2/3/18

Sign In

	Name	Email
1	Cyndy Lutz	[redacted]
2	Victor Toledo	[redacted]
3	KATE KOSUT	[redacted]
4	LARRY HOCHBERG	[redacted]
5	Georgette Chennancai	[redacted]
6	Monica R. Alonzo	[redacted]
* 7	Randy Bacon	[redacted]
* 8	JAMES ARMSTRONG III	[redacted]
9	Kenn Webb	[redacted]
10	KEN Montgomery	[redacted]
* 11	Tasha Person	[redacted]
12	THOMAS SIMPSON	[redacted]
13	Kenny K Baldwin	[redacted]
14	Bobbie Allen	[redacted]
15	Karen Hembry	[redacted]
16	Patsy Ross	[redacted]
17	David King *	[redacted]
18	Mary E. Bell	[redacted]
19		
20		

2-17-2018

1 Cyndy Lutz
2 KATHERINE KOSUT
3 LAWRENCE HOCHBERG
4 Victor Toledo
5 Kazzidy Stewart F H
6 Marian A. Williams Alliance Tech
7 KENT CASEY [redacted] ~~Partners~~
8 Dernie Hicks A
9 KEN Montgomery
10 Stephanie Champion did not get notified for 3rd Virtual

11 Shellie Ross - [redacted]
12 Thomas Simpson - [redacted]

13 JAMES ARMSTRONG [redacted] Ed G

14 Keith Stone - [redacted]

15. WILLIAM HARRIS- [redacted]
16. Maggie Parker

2-26-18

Name	email/phone #
1. Lula L. Johnson	[redacted]
2. Monica R. Alonzo	[redacted]
3. KATE KOSUT	[redacted]
4. LARRY HOCHBERG	[redacted]
5 Rand Lewer	[redacted]
6. Goreta Recta	[redacted]
7. Mary Lou Paras	[redacted]
8 REESE COLLINS	[redacted]
9. Randy Golden	[redacted]
10 Steve McClure	[redacted]
11 Larry James	[redacted]
12 Victor Toler	
13 Iraiz Hernandez	[redacted]
14 Lucinda G. Paredes	[redacted]
15 Cynthia G Martinez	[redacted]
16 JAMES ARMSTRONG III	[redacted]
17 Jeff Howard	[redacted]
18 Michael Davis	[redacted]
19 CYNDY LUTZ	[redacted]
20 Alexandra Eber	[redacted]
21 Stephanie Champion	[redacted]
22 Raul Reyes	[redacted]
Daniel Arredondo	
23 Cornell Montgomery	[redacted]
24, Thomas Simpson	[redacted]
15. Owen Wilson-Chavez	[redacted]

26 Susybelle Gossler [redacted]
27 ALEX GARCIA [redacted]
28 Lisa Neergaard [redacted]
29 DARRYL BAKER [redacted]
30 Maggie Parker [redacted]
31. Stephanie Keller Hudiburg [redacted]
32. Job Sterling [redacted]
33.
34. Cm Thomas
35 Enriquez [redacted]
36 Emily Lollola [redacted]
37. Shellie Ross [redacted]
38. Debra Moore [redacted]
39 Randy Gilbert [redacted]
40 . Terina Taylor [redacted]

Comprehensive Housing Policy

Economic Development & Housing Council Committee,

March 19, 2018

Raquel Favela,
Chief of Economic Development and Neighborhood Services,
City Manager's Office

City of Dallas

Presentation Outline

- Background
  - Policy guidance of Housing Committee
  - Market Value Analysis
  - Public Input Process
- Description of the Housing Problem
- Economic Solutions
  - Strategic Approach
    - Reinvestment Areas
  - Programs
  - Tools
  - Cost estimates
- Policy Recommendation Summary
  - Policies and Procedures Draft
  - Implementation Plan

Background

- March 12, 2017 Housing Committee approves three goals to guide the comprehensive housing policy
  - Create and maintain available and affordable housing throughout Dallas
  - Promote greater fair housing choices
  - Overcome patterns of segregations and concentrations of poverty through incentives and requirements

Background cont.

- Market Value Analysis
  - Analytical tool use to classify residential real estate conditions throughout the entire city at granular level
  - Helps guide type of investments based on market conditions given limited City resources
  - Allows a way to measure impact over time

Background cont.

- Public Input Process
  - 4 in-person town hall meetings with 94 total stakeholders participating
  - 4 virtual telephone town hall meetings with 38,690 participants, simulcast in Spanish, aired on Spectrum Channel 95 and streamed online
    - 10,000 participating in more than 1 town hall
  - Topics:
    - How Residential Real Estate Gets Financed
    - How to Reduce Development Costs
    - How to Increase Access to Capital and Reduce Cost of Capital
    - Programs, Tools and Strategies for Increasing Housing Production
  - Dedicated email set up housingpolicy@dallascityhall.com

Background cont.

- Town halls allowed for a discussion of the housing problem in Dallas from the perspective of the major stakeholders in the housing development process:
    - Consumers
    - Developers/Builders
    - City – Regulatory & permitting
    - Lenders, Foundations, Sources of Gap Financing – City, Housing Finance Corporations, Community Development Financial Institutions
- This provides an opportunity for the policy makers to consider the recommendations that are the outcome of the process

Dallas Housing Market Problem

- Housing shortage of approximately 20,000 units is causing a pricing increase for both rental and for-sale housing
- Causes:
  - Land and development costs
  - Labor and materials shortages
  - Regulatory effects – federal, state and local
  - Volume of single-family units that converted to rental post housing bust (2009);
    - many of these renters are mortgage ineligible for 3-7 years if they experienced foreclosures or bankruptcies
    - Income producing property takes longer to convert back to ownership because of buyer's perceptions of high rental
- 6 out of 10 families are cost burdened regardless of income band
  - Spend more than 30% of household income on housing and related expenses
  - Spend more than 50% of household income on housing, transportation, utilities and groceries
- Consumers move outside of city limits seeking affordable housing

Dallas Housing Market Problem

- In 2014 homes under $249,999 decreased to less than 40%
- By 2017 58% of homes were between $300,000 to $1 million
- In 2017 the volume of home in Dallas only grew 3.6% but Median Sales Price grew by 9.1%
- Supply of housing has not kept pace with the population growth in the DFW metro area of 2.9%

Results in two major economic problems

- Disinvestment in areas that can't support the kind of returns to a developer that the strong markets can provide
  - Displacement of "naturally" occurring affordable housing

- Lack of affordability for consumers especially the lower the income band

Economic Solutions: A Strategic Approach

- The City doesn't have enough resources to fix the housing shortage by itself
  - It must leverage its limited resources; it should only be a source of gap financing for development and consumers
    - Projects should maximize their debt capacity
    - Developers should provide some reasonable equity investment
  - Work from market areas of strength
  - Stabilize areas that are G, H, I markets that are surrounded by very strong markets and therefore are at risk of displacement
  - Choose emerging markets that can be ready in 3 years for real estate investments

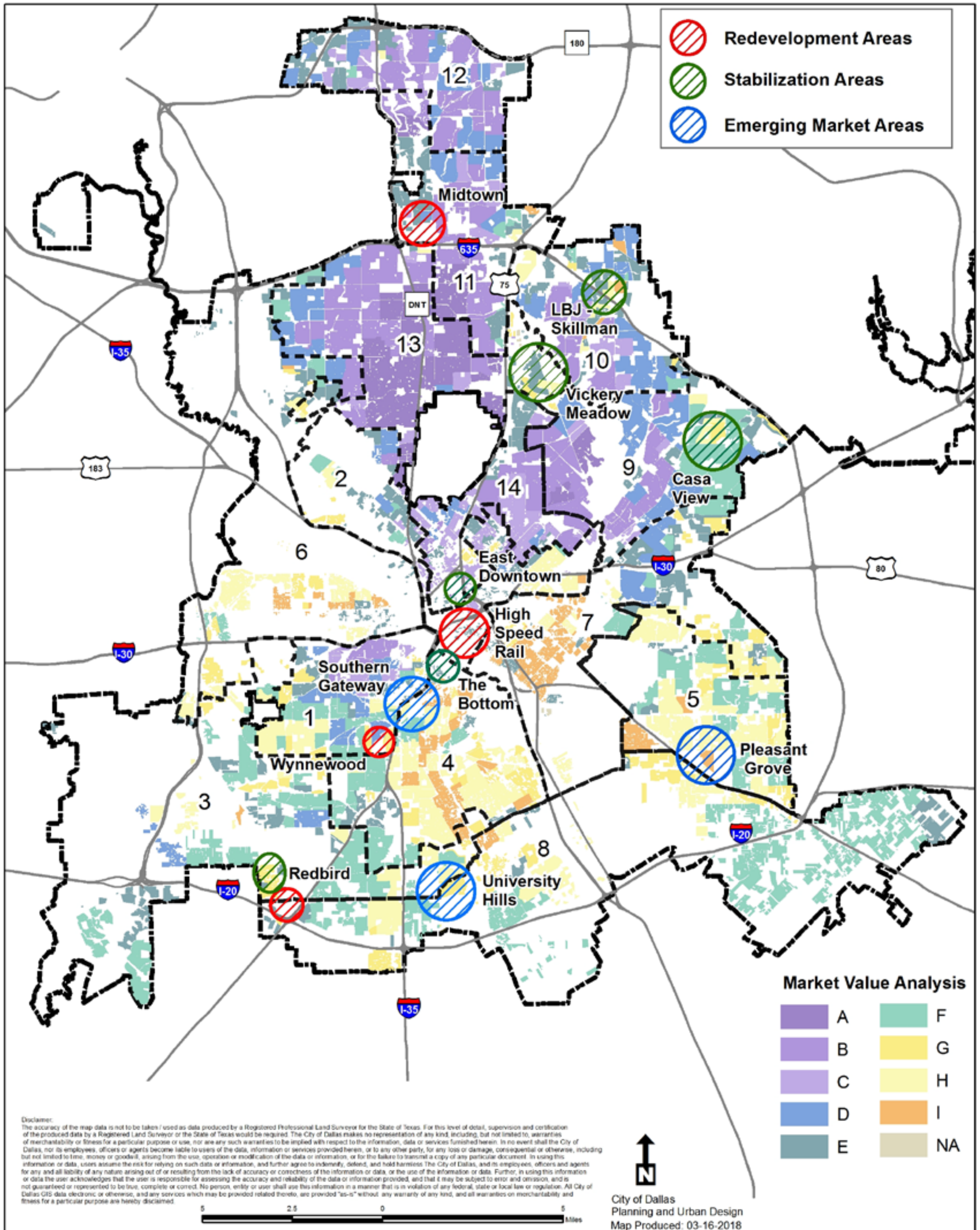
Reinvestment Strategy Areas

- Redevelopment Areas – a catalytic project scheduled to occur within the next 12 months and includes housing production supported through a third party, independent market analysis with affordability to a mix of income bands

- Stabilization Areas – G, H, and I markets as identified in the MVA that are surrounded by A-E markets and as such are at risk of displacement based on market conditions and scheduled redevelopment projects

- Emerging Markets – a blend of middle markets (C, D, E) with mostly G, H, I, markets that are in need of intensive environmental enhancements, public infrastructure assessments and corrective plans, code enforcement, code lien foreclosure, nuisance property abatement, establishment of a crime watch or crime reduction strategies, and neighborhood resource development.

Reinvestment Areas



Existing Programs & Tools

PROGRAMS

- Dallas Homebuyer Assistance Program (DHAP)
- Tenant Based Rental Assistance Program (HILI)
- Housing Choice Vouchers (DHA)
- Land bank / HB110
- Dallas Tomorrow (code referral
- 3 separate Home Repair Programs

TOOLS

- CDBG
- HOME Investment Partnership
- TIF
- Bond (2017)
- Tax Exempt Bond Financing (DHFC)
- Chapter 380
- Pilot
- Neighborhood Stabilization Program

Recommended Programs & Tools

PROGRAMS

- Home Improvement Preservation Program
- Multi-Family Rehab Program
- Code Lien Foreclosures
- Employer Assisted Housing Program
- Rental / Homeowner Maintenance Education Programs
- Contractor Training Program
- Voucher Sublease Program

TOOLS

- Housing Trust Fund
- Neighborhood Empowerment Zones
- Corporate Credit Enhancement Fund
- Opportunity Zones
- Community Land Trust
- Envision Centers
- Homestead Preservation Districts
- Accessory Dwelling Units
- Incentive Zoning

Housing Production Goals

- Meet 20,000 unit shortage over 3 year period
- Maintain a 56% homeownership and 44% Rental
- Homeownership 3,733 units annually
- Rental 2,933 units annually

Mixed Income Affordability Goals

	Homeownership (56%)		Rental (44%)	
120% of Area Median Income (AMI)	933	25%	587	20%
100% of AMI	1,120	30%	587	20%
80% of AMI	1,307	35%	733	25%
60% of AMI	373	10%	440	**15%**
50% of AMI	-	0%	293	**10%**
30% of AMI	-	0%	293	**10%**
Annual unit production goals based on meeting 20k units iover 3 years	3,733	100%	2,933	100%

Cost Estimate to Subsidize Homeownership Production Goal

Cost to build SF	250,000
FMV in a “teal” market	140,000
Development Subsidy	110,000
15% ROI	21,000
Total per unit subsidy	131,000
Scale to annual goal 3,733	489,066,667

Cost Estimate to Subsidize Homeownership Affordability

Homebuyer Subsidy Assumptions				
	Families at 60% of AMI		Families @ 80% to 120% AMI	
FMV Sales Price	$	140,000	$	140,000
First Mortgage Eligibility Estimate:	$	111,720	$	133,000
Need soft second mortgage from City in the amount of:	$	28,280	$	7,000
Plus Closing Costs 3%	$	4,200	$	4,200
Total Homebuyer Subsidy per Unit	$	32,480	$	11,200
To scale per annual goal per income band	$	12,115,040	$	37,632,000
Total Estimate for all Second Mortgages	$49,747,040.00			

Total Estimate Subsidy Cost for Homeownership

- $538,813,807 Combined
- However property tax base value added for 3,733 units at an average of $140,000 per unit is $522,620,000 not including appreciation
- Interest earned on a loan portfolio of $489,066,667 at 2% over 30 years is approximately $177,251,830*
  - Not all loans will be for 30-year term or at 2% interest
  - Loan portfolio can be valued annually and can be sold to recapitalize loan fund

Rental Housing Subsidy Estimate

- Using a Mixed Income Approach
- 4% tax-exempt bonds – financing through Dallas Housing Finance Corporation
- Through competitive NOFA (Notice of Funding Availability)
- $251.4 million in development subsidy
- This is more difficult to estimate because the tax credit market is more volatile
- City's ability to help reduce development costs and add density is more closely evaluated in the competitive proposals

Policy Recommendation Summary

- Implement Reinvestment Strategy 3 tier approach
  - Redevelopment Area (recommend 3-5 areas)
    - Building up the market but still some scaling of affordability
    - Twelve months catalytic project
  - Stabilization Area (recommend 3-5 areas)
    - focus on affordability preservation through rehab programs for both home owners and rental units that will commit units to affordability scaling including the voucher holders through voucher sublease program
    - Return to City Council with a recommendation of Neighborhood Empowerment Zone overlay for these selected areas
    - Identify areas here appropriate for Incentive Zoning, Accessory Dwelling Units to support additional affordable unit options
    - Evaluate Community Land Trusts or similar concepts like, townhome and garden home developments
    - Focus land bank activities here

Policy Recommendation Summary

- Emerging Markets Area (recommend 3-4 areas)
  - Dedicated team from Planning and Urban Design
  - Assess neighborhood needs to be addressed by interdepartmental team
  - Schedule 2 week intensive neighborhood sweep with physical community command center during that time to take resident concerns
  - Work to develop plan and budget necessary to address negative neighborhood characteristics
  - Identify area that will be ready for real estate market investments in 3 years
  - Begin code lien foreclosure process

Policy Recommendation Summary, cont.

- Housing Trust Fund (HTF)
  - Capitalize with a minimum $7 million from unobligated TIF increment in high performing TIF districts
  - Contribute $7 million from Dallas Water Utility set aside to support economic development in Southern Dallas
  - Reinvest interest earnings and loan fees into the HTF
  - Launch a capital campaign through local foundations to meet the 3 year production goal
  - Manage this through the Dallas Development Fund

Policy Recommendation Summary, cont.

- Dallas Housing Authority
  - Develop an agreement for a voucher sublease program through Dallas Housing Finance Corporation
  - Seek Envision Center Designation
  - Provide the Economic Development & Housing Committee and the Community Development Commission with a presentation of the proposed Annual Plan

2019 Legislative Housing Priorities

- Create a Housing Task Force that includes a public process to explore:
  - Adding Section 8 / Choice Vouchers to Source of Income legislation to prevent discrimination
  - Expand the Homestead Preservation District legislation to help areas experiencing displacement
  - Evaluate notification options for redevelopment of multi-family properties even if they are not seeking public funding so that tenants have adequate notice and can relocate children
  - Evaluate other housing related proposed legislation
  - Provide input on Low Income Housing Tax Credit Program annual Qualified Allocation Plan

Implementation Plan

- Finalize Comprehensive Housing Policy Manual to incorporate feedback from today
  - Please note staff continues to receive input from HUD as audits and reviews are resolved and past deficiencies are addressed
- Present to City Council for consideration

Comprehensive Housing Policy

Economic Development & Housing Council Committee,

March 19, 2018

Raquel Favela,
Chief of Economic Development and Neighborhood Services,
City Manager's Office

City of Dallas