

Memorandum



CITY OF DALLAS

DATE September 14, 2018

TO 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 **Financial Underwriting Contract**

On Monday, September 17, 2018, the Economic Development and Housing Committee will be briefed on a contract proposal for the Office of Economic Development and the Housing and Neighborhood Revitalization Department to hire a financial underwriting firm.

Summary

The Comprehensive Housing Policy and Office of Economic Development incentive application require all development projects to undergo an underwriting process. Financial underwriting provides the City an opportunity to assess a project's debt capacity based on reasonable market lending ratios and provide an equity investment that delivers a reasonable return. During the underwriting process, the City confirms that the developer's costs are reasonable, reviews the other funding sources in the financial stack, determines if the project is financially feasible and that the return on equity investment is reasonable, confirms that the site and location are suitable for the proposed project, confirms that the project will achieve a public benefit, reviews the capacity and experience of the development team and determines the ability of the project to repay the City incentives.

The Office of Procurement Services conducted a Request for Bids process to solicit bids from financial underwriting firms and selected National Development Council to provide these services.

Background

In 2017, the U.S. Department of Housing and Urban Development suspended the City's use of HOME Improvement Partnership Program grant funds due to the City's lack of underwriting guidelines. This action led to the development of underwriting guidelines for all Housing activities by a third-party contractor and a redesign of housing programs through the Comprehensive Housing Policy. The Office of Economic Development implemented similar underwriting guidelines for its incentive programs. The two departments collaborated to sponsor underwriting training opportunities for staff. A number of staff members recently completed the Housing Development Finance Professional Certification Program and in the upcoming 18 months, staff will complete the Economic Development Finance Professional Certification Program.

Issues

The Housing Department recently issued a Notice of Funding Availability to solicit projects for \$25 million in available funding. The Office of Economic Development accepts application requests for funding on an ongoing basis. Evaluating these applications will require the expertise of professional underwriters, which the City currently does not have employed.

Alternatives

The City can utilize existing staff to perform underwriting services with the understanding that most Economic Development and Housing staff do not have the expertise.

Fiscal Impact

The National Development Council underwriting bid is valued at \$1,188,000 for a three-year term, with each underwrite and staff training priced at \$11,000.

Staff Recommendation

The Office of Economic Development and Housing Department recommend that the City Council accept National Development Council's bid and contract with them to provide financial underwriting services for housing and economic development incentive applications.



David Noguera
Director, Housing & Neighborhood Revitalization

c: Christopher Caso, City Attorney (l)
Craig D. Kinton, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Assistant City Manager and
Chief Resilience Officer
Directors and Assistant Directors