

Memorandum



DATE February 16, 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 **Upcoming Agenda Item - Flora Lofts New TEFRA Public Hearing**

Summary

On January 24, 2018, George Rodriguez, Attorney of Bracewell LLP, and Municipal Advisor for the City of Dallas Housing Finance Corporation (DHFC), requested authorization by the applicable elected representative, as defined by Section 147(f)(2)(E) of the Internal Revenue Code, of the City of Dallas to approve the issuance of multifamily housing revenue bonds issued by the Dallas Housing Finance Corporation in one or more series of tax-exempt bonds in an amount not to exceed \$15,000,000 to Flora Street Lofts, Ltd. to finance the acquisition and new construction of Flora Lofts, a 52-unit multifamily project at 2121 Flora Street following a public hearing held on February 13, 2018, after reasonable public notice, in order to comply with the Tax Equity and Fiscal Responsibility Act's 1-year validation period requirement of Section 147(b)(4)(B)(iv) of the Internal Revenue Code.

Background

Flora Lofts will include 52 multifamily units composed of 31 one-bedroom, 19 two-bedroom, and 2 three-bedroom units (the "Project") for mixed-income families. The original public hearing for the Project was held on March 22, 2017 with a validity date through March 21, 2018. Given that the Project will close on the tax-exempt bonds after March 21, 2018, a new TEFRA public hearing had to be held to satisfy the public hearing requirement of Section 147(b)(4)(B)(iv) of the Internal Revenue Code. The approval being requested is only for complying with the validity period requirement of Section 147(f) of the Internal Revenue Code which requires that the City Council or the applicable elected representative, as defined in Section 147(f)(2)(E) of the Internal Revenue Code, of the City of Dallas, approve the issuance of the bonds by the Dallas Housing Finance Corporation after a public hearing.

The Project bond closing was delayed awaiting TDHCA's approval of the 4% tax credits. Unfortunately, the validity period for the public hearing is fast approaching and near its expiration. Under applicable federal income tax law, the TEFRA approval is only valid for a one-year term. The Project bonds are anticipating a closing date after March 21, 2018, and as a result, a new TEFRA approval had to be conducted. The new TEFRA hearing was published in the Dallas Morning News on January 29, 2018. On February 13, 2018, the public hearing will be held with no outside participants in attendance, and thus, no comments made.

Issue

The Project's bond closing has not occurred but it is scheduled to take place after the initial TEFRA approval of March 21, 2018. Consequently, the DHFC must conduct a new TEFRA approval, requiring authorization be granted for conducting a public hearing pursuant to

Section 147 (f) of the Internal Revenue Code by the applicable elected representative of the City of Dallas in order for the bonds to be tax exempt.

Alternatives

If no action is taken, the applicant will not close on the tax-exempt bonds. Furthermore, it will jeopardize the bond financing for the Project and risk their tax credit allocation.

Fiscal Impact

There is no cost consideration to the City for this request. The bonds are not issued by the City of Dallas, thus, will not be a debt or liability of the City. Nor will the City's name appear on the bonds.

Departments/Committee Coordination

On February 22, 2017, the City Council approved DHFC Flora Lofts application for the issuance of tax exempt bonds by Resolution Nos. 17-0377.

On March 22, 2017, the City Council approved DHFC Flora Lofts application for the issuance of tax exempt bonds by Resolution No. 17-0533.

Information about this item was provided to the Economic Development and Housing Committee on February 20, 2018.

Staff Recommendation

Staff recommends that the Economic Development and Housing Committee support the new TEFRA conducted on February 13, 2018. This item was placed on the City Council agenda for February 28, 2018.

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



Raquel Favela

Chief of Economic Development & Neighborhood Services

- c: The Honorable Mayor and City Council
- T.C. Broadnax, City Manager
- Larry Casto, City Attorney
- Craig D. Kinton, City Auditor
- Biliera Johnson, City Secretary (Interim)
- Daniel F. Solis, Administrative Judge
- Kimberly Bizzor 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 (Interim)
- 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

STRATEGIC PRIORITY: Economic and Neighborhood Vitality

AGENDA DATE: February 28, 2018

COUNCIL DISTRICT(S): 14

DEPARTMENT: Housing & Neighborhood Revitalization

CMO: Raquel Favela, 670-3309

MAPSCO: 45K

SUBJECT

Authorize the applicable elected representative, as defined by Section 147(f)(2)(E) of the Internal Revenue Code, of the City of Dallas to approve the issuance of multifamily housing revenue bonds issued by the Dallas Housing Finance Corporation in one or more series of tax-exempt bonds in an amount not to exceed \$15,000,000 to Flora Street Lofts, Ltd. to finance the acquisition and new construction of Flora Lofts, a 52-unit multifamily project at 2121 Flora Street following a public hearing held on February 13, 2018, after reasonable public notice, in order to comply with the Tax Equity and Fiscal Responsibility Act's one year validation period requirement of Section 147(b)(4)(B)(iv) of the Internal Revenue Code - Financing: No cost consideration to the City

BACKGROUND

Flora Lofts will include 52 multifamily units composed of 31 one-bedroom, 19 two-bedroom, and 2 three-bedroom units (the "Project") for mixed-income families. The original public hearing for the Project was held on March 22, 2017 with a validity date through March 21, 2018. Given that the Project will close on the tax-exempt bonds after March 21, 2018, a new TEFRA public hearing had to be held to satisfy the public hearing requirement of Section 147(b)(4)(B)(iv) of the Internal Revenue Code. The approval being requested is only for complying with the validity period requirement of Section 147(f) of the Internal Revenue Code which requires that the City Council or the applicable elected representative, as defined in Section 147(f)(2)(E) of the Internal Revenue Code, of the City of Dallas, approve the issuance of the bonds by the Dallas Housing Finance Corporation after a public hearing.

BACKGROUND (continued)

The Project bond closing was delayed awaiting TDHCA’s approval of the 4% tax credits. Unfortunately, during that time the validity period for the public hearing is fast approaching and near its expiration. Under applicable federal income tax law, the TEFRA approval is only valid for a one-year term. The Project bonds are anticipating a closing date after March 21, 2018, and as a result, a new TEFRA approval had to be conducted. The new TEFRA hearing was published in the Dallas Morning News on January 29, 2018. On February 13, 2018, the public hearing was held with no outside participants in attendance, and thus, no comments made.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On February 22, 2017, City Council approved DHFC Flora Lofts application for the issuance of tax exempt bonds by Resolution Nos. 17-0377.

On March 22, 2017, City Council approved DHFC Flora Lofts application for the issuance of tax exempt bonds by Resolution No. 17-0533.

Information about this item will be provided to the Economic Development and Housing Committee on February 20, 2018.

OWNERS

Flora Street Lofts, Ltd

Enterprise Community Investments, Inc.	99.99% Limited Partner
2121 Flora, LLC	.01% General Partner

2121 Flora, LLC

Green Arc Corporation	39% interest
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La Reunion TX

Graham Green, President	10% interest
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Artspace Projects, Inc.

Kelley Lindquist, President	51% interest
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DEVELOPERS

Green Arc Corp and La Reunion TX

Graham Green, President

Ashwood Companies, Inc.

Buddy Jordan, President

FISCAL INFORMATION

No cost consideration to the City.

MAP

Attached

February 28, 2018

WHEREAS, George Rodriguez, Attorney of Bracewell LLP, and Municipal Advisor for the City of Dallas Housing Finance Corporation (DHFC), requested a new Tax Equity and Fiscal Responsibility Act (TEFRA) approval with regards to a public hearing for compliance with the 1-year validation period requirement of Section 147(f) of the Internal Revenue Code; and

WHEREAS, the Issuer issued the following bond issue (the "Bonds") to finance the following project:

\$15,000,000 City of Dallas Housing Finance Corporation, Multi-family Housing Mortgage Revenue Bonds (Flora Street Lofts Project) Series 2018 to build 52 units of new construction residential units for families on the site located at 2121 Flora Street, Dallas, Texas; and

WHEREAS, Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), requires that the governing body or the chief elected executive official of the governmental unit in which the projects are located approve the issuance of the Bonds after a public hearing following reasonable public notice thereof; and

WHEREAS, the DHFC held a public hearing, the Tax, Equity and Fiscal Responsibility hearing with respect to the Bonds on March 22, 2017, following publication of reasonable public notice in the Dallas Morning News, a newspaper of general circulation within the city of Dallas; and

WHEREAS, on June 26, 2017, and again on December 12, 2017, the Texas Bond Review Board issued Bond Reservations to the DHFC for the Flora Street Lofts Project, a proposed 52 unit new construction project for families, in an amount not to exceed \$15,000,000; and

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City of Dallas Housing Finance Corporation held a public hearing on February 13, 2018, and thereby the applicable elected representative, as defined by Section 147(f)(2)(E) of the Internal Revenue Code, of the City of Dallas is authorized to approve the issuance of multifamily housing revenue bonds issued by the Dallas Housing Finance Corporation in one or more series of tax-exempt bonds in an amount not to exceed \$15,000,000 to Flora Street Lofts, Ltd. to finance the acquisition and new construction of Flora Lofts, a 52-unit multifamily project at 2121 Flora Street, following the public hearing after reasonable notice, in order to comply with the Tax Equity and Fiscal Responsibility Act's one year validation period requirement of Section 147(b)(4)(B)(iv) of the Internal Revenue Code.

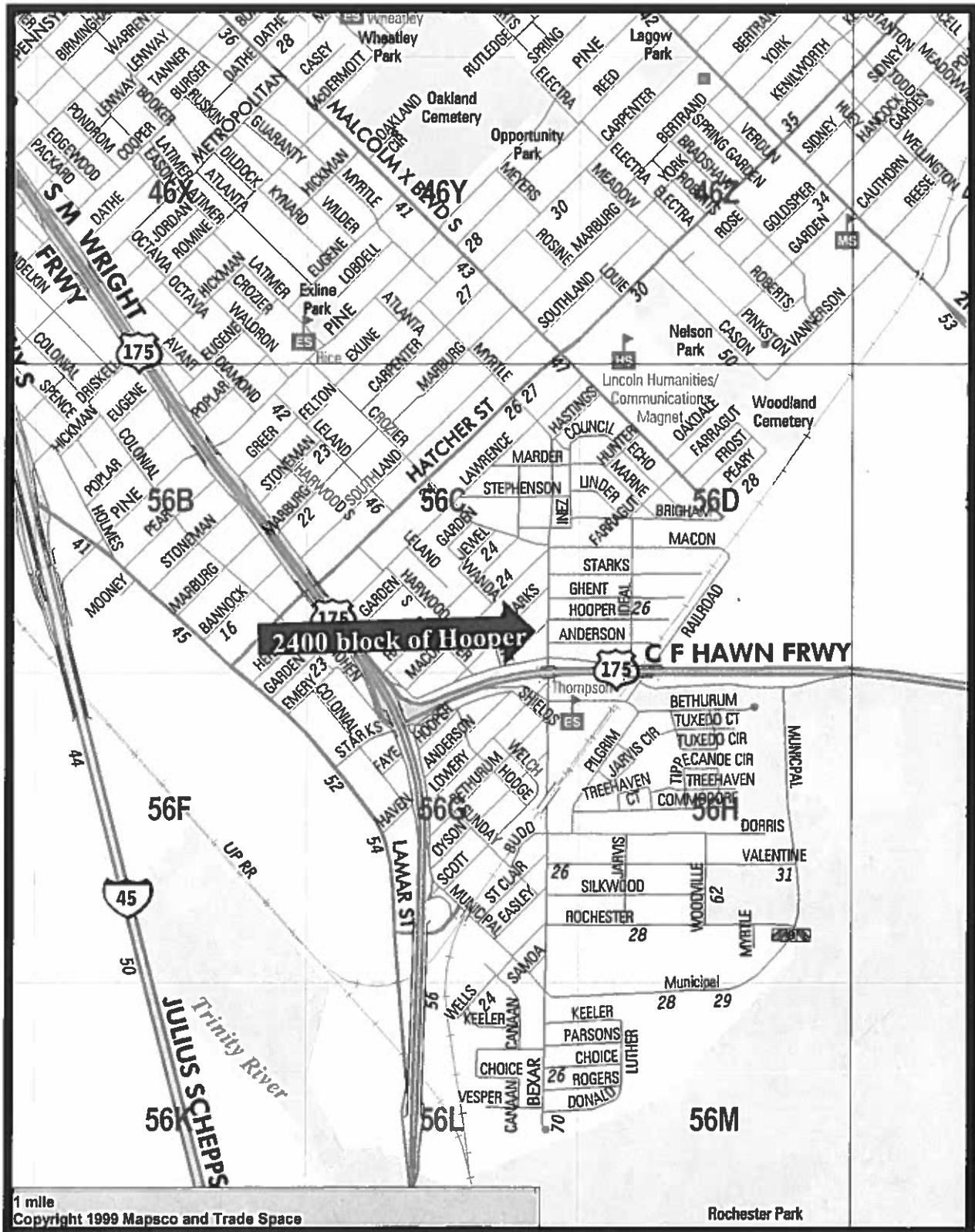
February 28, 2018

SECTION 2. That the approval of the City is also for the purpose of satisfying the conditions and requirements of Section 147(f) of the Code and is not to be construed as an undertaking by the City of Dallas. The Bonds shall not constitute a liability, an indebtedness, or obligation of the City of Dallas nor shall any of the assets of the City of Dallas be pledged to the payment of the Bonds. The Bonds shall specifically provide that the Bonds are not a debt of the City of Dallas, Dallas County and the State of Texas and that the City of Dallas, Dallas County and State of Texas are not liable with respect to the Bonds.

SECTION 3. That notice of the new TEFRA hearing was published in the Dallas Morning News on January 29, 2018. On February 13, 2018, the public hearing was held with no outside participants in attendance, and thus no comments made.

SECTION 4. That it is FURTHER RESOLVED that for and on behalf of the Governing Body, the Mayor or the City Manager, are hereby authorized, empowered and directed to certify these resolutions to the Texas Department of Housing and Community Affairs.

SECTION 5. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.



MAPSCO 56C

Memorandum



DATE February 16, 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 **Upcoming Agenda Item - Dallas Homebuyer Assistance Program (DHAP)**

Summary

Authorize an amendment to the Dallas Homebuyer Assistance Program (DHAP) Program Statement to incorporate terms for loan forgiveness.

Background

The Dallas Homebuyer Assistance Program (DHAP) has been in existence for over 25 years. It provides eligible homebuyers with incomes at or below 80% of Area Median Family Income with down payment and closing cost assistance to be applied towards the purchase of a home in the City of Dallas. The DHAP is funded with annual entitlement grant allocations from the U.S. Department of Housing and Urban Development (HUD), specifically Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME Program) funds.

In April 2017, HUD notified the City of Dallas of findings from their February 2017 monitoring review. On October 25, 2017 the City Council approved, by Resolution No. 17-1653, program changes, including, but not limited to, underwriting guidelines, Homebuyer Written Agreement, and the recapture policy. In working with the revised program changes we identified that the recapture language granting loan forgiveness was absent from the resolution. With the approval of the amendment to the DHAP Program Statement, in the event net proceeds are insufficient to fully repay the City's loan balance, the homebuyer will be forgiven the shortfall. If there are zero net proceeds, then repayment will not be required. This amendment to the DHAP Program Statement will provide for its compliance with the federal requirements.

Issue

While the program provides down payment and closing cost assistance as a loan repayable at sale or transfer of the property, the market for sales constantly changes to allow proceeds for payoff of debt in a healthy market and shortfalls in a down market. In the absence of a healthy market, the homebuyer can pay back loans as agreed. In down markets, homebuyers are unable to do so. The DHAP Program Statement does not allow for forgiveness of debt when proceeds are not available; however, HUD's approved recapture policy requires such forgiveness, when necessary.

Alternatives

If the city does not amend the DHAP Program Statement to allow for forgiveness of debt when proceeds are not sufficient for repayment, HUD's regulations will not be met. This could result in future audit findings.

Fiscal Impact

The amendment to the DHAP Program Statement does not have a cost consideration to the City.

Departments/Committee Coordination

On August 9, 2017, the City Council approved the FY 2017-18 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 17-1171.

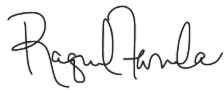
On October 25, 2017, the City Council approved changes to the Dallas Homebuyer Assistance Program (DHAP) by Resolution No. 17-1653.

More recently, the City Attorney's Office collaborated with staff in the preparation of the revised program change to be in compliance with federal regulations.

Staff Recommendation

Staff recommends approval of the DHAP program changes to be in compliance with HUD requirements. With the Committee's approval, the item will be placed on the City Council agenda for February 28, 2018.

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



Raquel Favela
Chief of Economic Development & Neighborhood Services

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|---|---|
| c: The Honorable Mayor and the Members of City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Billerae Johnson, City Secretary (Interim)
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M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors |
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STRATEGIC PRIORITY: Economic and Neighborhood Vitality

AGENDA DATE: February 28, 2018

COUNCIL DISTRICT(S): All

DEPARTMENT: Housing & Neighborhood Revitalization

CMO: Raquel Favela, 670-3309

MAPSCO: N/A

SUBJECT

Authorize an amendment to the program statement for the Dallas Homebuyer Assistance Program previously adopted by Resolution No. 17-1653 on October 25, 2017, to incorporate terms for loan forgiveness - Financing: No cost consideration to the City

BACKGROUND

The Dallas Homebuyer Assistance Program (DHAP) has been in existence for over 25 years. It provides eligible homebuyers with incomes at or below 80% of Area Median Family Income with down payment and closing cost assistance to be applied towards the purchase of a home in the City of Dallas.

The DHAP is funded with annual entitlement grant allocations from the U.S. Department of Housing and Urban Development (HUD), specifically Community Development Block Grant (CDBG) and HOME Investment Partnership Program (HOME Program) funds.

In April 2017, HUD notified the City of Dallas of findings from their February 2017 monitoring review. On October 25, 2017 the City Council approved, by Resolution No. 17-1653, program changes, including, but not limited to, underwriting guidelines, Homebuyer Written Agreement, and the recapture policy. In working with the revised program changes staff identified that the recapture language granting loan forgiveness was absent from the resolution. With the approval of the amendment to the DHAP Program Statement, in the event net proceeds are insufficient to fully repay the City's loan balance, the homebuyer will be forgiven the shortfall. If there are zero net proceeds, then repayment will not be required. This amendment to the DHAP Program Statement will provide for its compliance with the federal requirements

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 25, 2014, City Council adopted the FY 2014-15 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 14-1001.

On June 10, 2015, City Council adopted the FY 2015-16 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 15-1055.

On June 22, 2016, City Council adopted the FY 2016-17 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 16-1066.

On August 9, 2017, City Council adopted the FY 2017-18 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 17-1171.

On October 25, 2017, City Council adopted a new program statement for the Dallas Homebuyer Assistance Program by Resolution No. 17-1653.

FISCAL INFORMATION

No cost consideration to the City.

February 28, 2018

WHEREAS, homeownership is a high priority of the City of Dallas; and

WHEREAS, the Dallas Homebuyer Assistance Program provides assistance to eligible homebuyers; and

WHEREAS, on June 25, 2014, City Council adopted the FY 2014-15 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 14-1001; and

WHEREAS, on June 10, 2015, City Council adopted approved the FY 2015-16 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 15-1055; and

WHEREAS, on June 22, 2016, City Council adopted the FY 2016-17 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 16-1066; and

WHEREAS, on August 9, 2017, City Council adopted the FY 2017-18 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 17-1171; and

WHEREAS, on October 2, 2017, the Housing Committee was briefed on the Dallas Homebuyer Assistance Program changes; and

WHEREAS, on October 25, 2017, City Council adopted a new program statement for the Dallas Homebuyer Assistance Program, by Resolution No. 17-1653; and

WHEREAS, the City desires to amend the Dallas Homebuyer Assistance Program, as described in Exhibit A.

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the adoption of the amendments to the program statement for the Dallas Homebuyer Assistance Program (DHAP), attached hereto as Exhibit A, is hereby authorized.

SECTION 2. That the City Manager is hereby authorized to execute such instruments, upon approval as to form by the City Attorney, as may be necessary to carry out the program in accordance with the DHAP Program Statement.

February 28, 2018

SECTION 3. That with the exceptions of the amendments in Exhibit A, all other terms of the program statement for the DHAP previously approved on October 25, 2017 by Resolution No. 17-1653, remain in full force and effect.

SECTION 4. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.