

Memorandum



DATE May 3, 2019

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 Response to Mayor Rawlings request to the City Manager to initiate a review of
housing projects that are connected to the charges against Councilmember Davis

This memorandum and the attached slides are to provide information on the staff assessment of the history of the low-income housing tax credit (LIHTC) review process for 2010 to present.

Summary

Housing & Neighborhood Revitalization Department was asked to research the history of the review process for LIHTC projects seeking resolutions of support and/or no objection from the City. Staff pulled available records to compile the following information regarding LIHTC projects:

- Procedures for managing City support for LIHTC projects
- City recommendations for support from 2010-2019
- Voting records for the Housing Committee and City Council meetings
- Contracts executed as a result of the support (when applicable)

Background

As a result of several investigations conducted by the U.S. Attorney's Office, City staff performed a historic review of records and processes associated with evaluating LIHTC projects.

The City plays a significant role in supporting LIHTC projects. As described below, the points received for 9% LIHTC projects and resolutions of no objection for 4% projects are significant enough to make or break the project at the State level.

There are 2 types of LIHTC Programs:

1. 9% tax credit program — The 9% LIHTC program is referred to as the

“competitive” housing tax credit program because developments seeking a 9% LIHTC allocation are scored, and thus compete against each other, based on criteria and procedures recommended each year by the TDHCA and approved by the Governor in December. The criteria and procedures are collectively referred to as the Qualified Allocation Plan (QAP). In general, the QAP’s scoring criteria results in the TDHCA favoring developments that are close to the urban core of the City, have a high Opportunity Index (i.e. are located in census tracts with low poverty and crime and are close to public parks, transit and child care, etc.), and are located in places that have the fewest LIHTC units per capita. Because the allocation of 9% LIHTC provides a substantial amount of equity for a development, developments that receive such awards do not typically need to seek out substantial amounts of financing.

2. 4% tax credit —The 4% LIHTC program is referred to as the “non-competitive” housing tax credit program because developments, while subject to some of the policies and procedures outlined in the QAP, are not subject to the scoring criteria or once-per-year timeframe for awards. 4% LIHTC developments only need a Resolution of No Objection, not a Resolution of Support.

In the administration of its 9% LIHTC Program, TDHCA awards application points for a resolution from a Governing Body of a local municipality on the following basis:

Within a municipality, the application will receive:

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

Under the 4% HTC Program, TDHCA requires a Resolution of No Objection from the Governing Body. TDHCA will not allocate 4% LIHTC unless the development receives a Resolution of No Objection from the applicable city council or other governing body. Once a Resolution of No Objection has been submitted, it cannot be changed or withdrawn.

Following is a summary of the City procedures and changes throughout the past ten years. The attached slides will provide more details for each corresponding year described below.

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Year	Policy and Process	Changes
2010	Project reviews were considered on a case-by-case basis; All projects were presented to the Housing Committee prior to vetting the proposals; Developers paid \$1,000 fee; Requests for funding, zoning, and endorsement were submitted all at once; Waivers presented at the City Council meeting when the item was approved; Briefed Housing Committee on requests and provided recommendations; and Staff required developers to speak with Councilmembers.	N/A
2011	Same process as in 2010.	No Changes
2012	Same process as in 2011 and added more.	Ranked the top 4 applications to "Recommend" the project or "Not Recommend" based on the 25 elements of the selection criteria
2013	Same process as in 2012 and added more.	Approved Community Revitalization Plans (CRP); and City Council adopted criteria with emphasis on focus areas where the City was making major investments to spur development ~Transit Oriented Developments ~Southern Dallas Economic Growth Plan ~Community Revitalization Areas ~Permanent Supportive Housing ~Downtown Area
2014	Same process as in 2013 and added more.	Added an interdepartmental committee review process; and Staff did not make recommendations of support but instead heavily relied on Housing Committee to choose projects to support
2015	Process completely changed.	Added the NOFA process; More priorities; All applications submitted for support; Rehab projects changed; Priorities added; Housing Plus Initiative added
2016	Same process as 2015 and added Housing Policy.	Introduction of the First Housing Policy
2017	Same process as in 2016.	No Changes
2018	Process completely changed.	Applications received by Office of ECO DEV and considered for high opportunity areas.
2019	Process completely changed.	Followed the CHP; Issued RFA; Added scoring criteria, threshold review and underwriting criteria; and Fair housing assessment

Issue

Over the past ten years, the City developed procedures for managing tax credit projects. Given the profit to be made on LIHTC projects that receive funding, the perception is that the value of the projects creates an environment for corruption to permeate. The concern is for opportunity of corruption to occur as the City plays a vital role in the selection of projects seeking LIHTC resolutions of support or no objection. Guarding against opportunities during the review process is needed.

Fiscal Impact

There is no cost consideration to the City for this item. Following is a chart of the proposals that were contracted with the City for funding, TIF, and debt reduction over the past ten years as a result of support from the City. The project costs and associated developer fees are detailed in the chart below.

Council District	Project Name	Project Total Cost	Developer Fee
3	Wynnewood Seniors	\$19,394,858	\$2,520,001
2	Atmos Lofts	\$12,623,595	\$2,100,494
2	1400 Belleview	\$22,998,852	\$2,411,630
3	Wynnewood Family Housing	\$23,158,475	\$2,352,000
1	Wynnewood Seniors Housing II	\$21,219,297	\$2,350,000
4	Serenity Place Apartments	\$7,010,502	\$1,000,000
2	Community Crest Place	\$13,627,281	\$1,640,000
14	Flora Lofts	\$13,751,373	\$940,000
14	2400 Bryan Street	\$63,928,715	\$5,000,000
3	Palladium Redbird	\$45,508,161	\$5,026,130
9	Estates at Shiloh	\$38,435,465	\$2,238,655

Departments/Committee/Council Actions

City Attorney’s Office reviewed this item.

Staff Recommendation

Staff recommends following the guidance as defined in the Comprehensive Housing Policy and carried out for the first round of requests in 2019 that includes an annual application for 9% HTC and quarterly applications for 4% HTC, scoring of the applications, limited discussions with Councilmembers and the public during the vetting process and various levels of review. In June 2019, Housing will present a

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revised policy and procedure for managing Low Income Housing Tax Credit requests for support and/or no objection.

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



Michael Mendoza
Chief of Economic Development and Neighborhood Services

c: The Honorable Mayor and the Members of City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney (I)
Mark Swann, 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
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
Directors and Assistant Directors