# Memorandum

CITY OF DALLAS

DATE August 12, 2016

TO Housing Committee Members: Scott Griggs, Chair, Carolyn King Arnold, Vice-Chair, Mayor Pro-Tem Monica R. Alonzo, Tiffinni A. Young, Mark Clayton, and Casey Thomas, II

SUBJECT Affordable Housing Policy: TIF Districts and Public Private Partnership Program

On Monday, August 15, 2016, you will be briefed on Affordable Housing Policy: TIF Districts and Public Private Partnership Program. A copy of the briefing is attached.

Please let me know if you have any questions.

Ryan S. Evans
First Assistant City Manager

c: The Honorable Mayor and Members of the City Council
A. C. Gonzalez, City Manager
Rosa A. Rios, City Secretary
Christopher D. Bowers, Interim City Attorney
Craig Kinton, City Auditor
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P. E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Alan S. Sims, Chief of Neighborhood Plus
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor and Council

# AFFORDABLE HOUSING POLICY:

## TIF DISTRICTS AND PUBLIC PRIVATE PARTNERSHIP PROGRAM

A Briefing to the Housing Committee
August 15, 2016

DALLAS
ECONOMIC
DEVELOPMENT

City of Dallas

# Briefing Purpose

- Review current mixed-income housing policy guidelines related to TIF’s/PPP Programs
- Respond to questions posed by Housing Committee at 6/20/16 Briefing
- Lessons Learned
- How Improved Policies Might Work

# Existing TIF/PPP Policy
# Mixed-Income Housing: Policy Guidelines

- **All TIF Districts created after 2005 require an affordable housing set-aside**
  - 20% of all housing receiving TIF funding must be set-aside for families earning less than 80% of AMFI - Area Median Income ($56,300 for a family of 4) for a period of 15 years (except Downtown Connection – 10%)
  - Affordable units distributed geographically and by unit size
  - Maximum rents set each year at 30% of 80% of AMFI – method for determining income the same for affordable and market rate units
  - All units share access to same amenities
- **Fair Housing Considerations**
  - Must avoid disparate impact against protected classes (Example: limiting all income restricted housing to one-bedroom units would negatively impact families with children
  - Affirmative Furtherance of Fair Housing: extends to all City funding programs related to Housing and Urban Development
  - No ‘Buy-outs’ allowed in Mixed Income Housing Policy
- **Same guidelines apply to any form of PPP Program subsidy (Abatement, Grant, etc.) related to Residential Development**

# 6/20 Housing Committee Briefing: Multifamily Development Recommendations Impacting TIFs and/or PPP Residential Subsidies

- All Tax Increment Financing (TIF) District housing projects in “high opportunity” areas that receive assistance must provide 20% of units to households at 80% of Area Median Family Income (AMFI) with a minimum of half of those units being offered to households at 50% AMFI and below

# Response to 2/1/16 Committee Briefing Questions

1. **Audit results of TIF-Assisted projects with mixed income Housing requirements**
   - 19 TIF Residential/Mixed-Use projects (5,046 units) completed/under construction North of I-30/East of Trinity with average 17% affordable (at 80% AMFI)
     - 10% Policy in CBD, but Lone Star Gas/Atmos 100% and 51% respectively (TIF combined with LIHTC and HUD 108)
     - Mercantile: No affordable units
   - 8 TIF Residential/Mixed-Use projects (1,587 units) with average 45.5% affordable (at 80% AMFI) completed/under construction in Southern Dallas
     - Taylor Farms/Hillside West (290 units in Canyon) 90% and 100% affordable respectively with
     - TIF and LIHTC support
   - Developers provide certifications. Have instituted annual audits to verify
   - No good in-house analytical data in TIF Districts (or in other targeted areas) to reflect housing price points, conditions and units counted toward affordable requirement.

# Committee Briefing Questions (Cont'd)

2. **What, if any artificial land value increases occur after a TIF is formed?**
   - Formation of a TIF doesn't create artificial land value increases
     - No immediate change in DCAD values due to TIF formation
     - TIFs that contribute to new development see property value increases upon completion/subsequent sale of property

3. **What's the average subsidy/unit for creating varying degrees of affordability?**
   - TIF subsidies support financing gaps in order to make project economically feasible (affordability subsidies vary by project)
     - Feasibility gaps generated by: High redevelopment cost of adaptive re-use, environmental remediation, demolition, replacement of aging infrastructure as well as affordable housing requirements
     - Affordable housing related gaps reflect differential between market and affordable rents (in some cases 50%+ of total subsidy)
     - The higher the % requirement/lower required AMFI, greater the subsidy required

# Committee Briefing Questions (Cont'd)

## 4. How do TIF participation curves relate to affordability?

- No consistent measurable relationship between TIF participation curves and affordable/mixed-use income housing
  - State Thomas and City Place created prior to affordable housing policy- and subsidized with various public funding sources
  - Farmers Market did not require affordable units until renewed/TIF plan amended in 2013
  - Downtown Connection TIF created to stimulate adaptive reuse of vacant buildings in downtown core, lower affordable requirement due to high cost of redevelopment
  - In some locations, residential developers turn down TIF subsidies to avoid mixed-income requirement (Ft. Worth Ave, Design District, SW Medical, Maple Mockingbird, Deep Ellum) resulting in limited affordable housing and no ability to achieve other TIF policy directives such as strong urban design, M/WBE contractor use, above standard infrastructure improvements, enhanced amenities, etc.

# Committee Briefing Questions (Cont'd)

5. **How do concentrated infrastructure expenditures within a TIF effect affordability and neighborhood stability in areas adjacent to TIF Districts?**
   - Successful TIF Districts (upon build-out) have a positive impact on adjacent neighborhoods (City Place/Lower Greenville, State Thomas/Swiss Ave and Munger)
     - No public subsidy outside TIF Districts, so no affordable housing and no enhanced infrastructure
   - More difficult to measure impact of TIFs until there is sufficient development to change market conditions/foster neighborhood development (examples: Cedars, Oak Cliff Gateway, Design District, TOD Sub-Districts)

# Mixed-Income Housing: Lessons Learned

- **Identify under performing real estate in locations proximate to areas with successful real estate markets**
- **Seek areas where property owners share a common vision for redevelopment and have a willingness to invest a significant amount of their own money –** TIF Districts need private investment to generate taxable **property** value
- **'Horizontal' developments have a long gestation period and are difficult to control when original developer sells 'improved' land to vertical builders**
- **Find areas where other taxing entities will participate financially and/or are supported by other public investment** – County, DART, NCTCOG
- **Layer TIF Districts with Public Improvement Districts (PIDs) –** Provides a higher level of maintenance and community engagement in emerging neighborhoods
- **Revenue Sharing combination TIF Districts are often necessary to 'jump-start' investments in underserved areas –** Example: Mall Area TIF District; TOD, Sports Arena/West Dallas and Downtown Connection

# Mixed-Income Housing: Lessons Learned (Con't)

- **Opportunities to leverage TIF funding with other public and private sources –** Example: Lancaster Urban Village – 2 HUD programs, PPP + NMTC
- **Effective with individual projects and work well in new transit-oriented neighborhoods**
- **District-wide impact limited in 'hot' residential markets where developers opt out of subsidy to avoid mixed-income housing requirements**
- **Disproportionately high TIF subsidy necessary to incent developers to provide affordable units**
- **Deed restrictions required upon sale or refinance to ensure compliance**
- **TIF subsidies for 'Horizontal' (infrastructure) development become complicated when vertical developer is different entity with separate investors and objectives**
- **Effectiveness could be improved if TIF incentives combined with other initiatives in context of City-wide Mixed Income Housing Policy**

# Mixed-Income Housing: Lessons Learned (Con't)

- **Mixed-income housing requirements related to major public infrastructure improvements within large TIF Districts and multiple owners/developers are difficult to structure equitably**
  - Developers who do not seek TIF Subsidies, but who benefit from significant public investment (major thoroughfares, parks, etc.) aren't motivated to comply if they do not require re-platting or zoning changes
- **Mixed-income for-sale housing is expensive and complicated to subsidize**

# How Improved Policies Might Work

- Offer density bonuses or parking reductions to projects meeting mixed-income housing goals
- Create an 'Affordable Housing Trust Fund' to incentivize developers to build affordable units in market-rate areas and market-rate units in areas with concentrations of affordable units
- Encourage more strategic use of tools available to Dallas Housing Finance Corporation such as a limited partnership ownership structure to create ad valorem tax exempt status to support city-wide mixed-income housing efforts
- Support projects that produce positive outcomes for wraparound services (education, jobs, healthcare)