

Memorandum



CITY OF DALLAS

DATE 12/04/2023

TO Honorable Mayor Pro Tem Atkins, Vice Chair Omar Narvaez, Carolyn King Arnold, Adam Bazaldua, Paul Ridley, Kathy Stewart, Chad West

SUBJECT **Dallas Housing Opportunity Fund – Progress Update**

On December 8, 2021, Dallas City council approved Resolution No. 21-1973, authorizing a Chapter 380 Economic Development Grant Agreement (“Agreement”) with Dallas Housing Opportunity Fund (“DHO”) to support the development of affordable housing within the City of Dallas. Local Incentives Support Corporation Fund (LISC) Fund Management, LLC is the sole managing member of DHO and manages, implements, and administers the fund.

The DHO is a targeted investment fund with a minimum fund size of at least \$46 million, of which at least \$40 million is to be raised by the DHO from private philanthropic donors as a deliverable of the Agreement on or before December 31, 2026. The remaining \$6 million was provided by the City of Dallas in the form of a Chapter 380 Economic Development Conditional Grant and secured by a promissory note. Under the Agreement, DHO shall create or retain a minimum of 1500 housing units for households earning at or below 120% of the area median income of the City of Dallas, with the first 100 to be created on or before December 31, 2025, and all to be created by the end of 2031.

Provided that DHO complies with all obligations contained in the Agreement, the principal amount of the Promissory Note will be forgiven in 1/15 increments (\$400,000) as each 100 affordable housing units are produced and verified by the Director.

During the obligatory period of the contract, LISC is required to submit written status reports to the Director of OED. This presentation to the Economic Development Committee serves as the required annual report for 2023.

Majed A. Al-Ghafry, P.E.
Assistant City Manager

c: T.C. Broadnax, City Manager
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Deputy City Manager
Jon Fortune, Deputy City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Dr. Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
Jack Ireland, Chief Financial Officer
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors

Dallas Housing Opportunity Fund

Dallas Housing Opportunity Fund Progress update to the City of Dallas

December 4, 2023

Presented by George Ashton,
President of LISC Fund Management

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LISC Strategic Investments - Leadership



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ASHTON**

MANAGING
DIRECTOR



**CATHERINE
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**TIFFANY
DURR**

SENIOR DIRECTOR
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McMAHON**

PRESIDENT & CEO



**SUMMER
LOVELAND**

CFO



**FELICIA
PIERSON**

SENIOR DIRECTOR
COMMUNITY
INVESTMENT



**KAWANISE
MIMS**

COMMUNITY
INVESTMENT
MANAGER



**AMY
STOVALL**

SENIOR DIRECTOR
OF MEMBERSHIP,
ENGAGEMENT, AND
COMMUNICATIONS



**NEBIAT
WODERE**

CONTROLLER

Dallas Housing Opportunity Fund

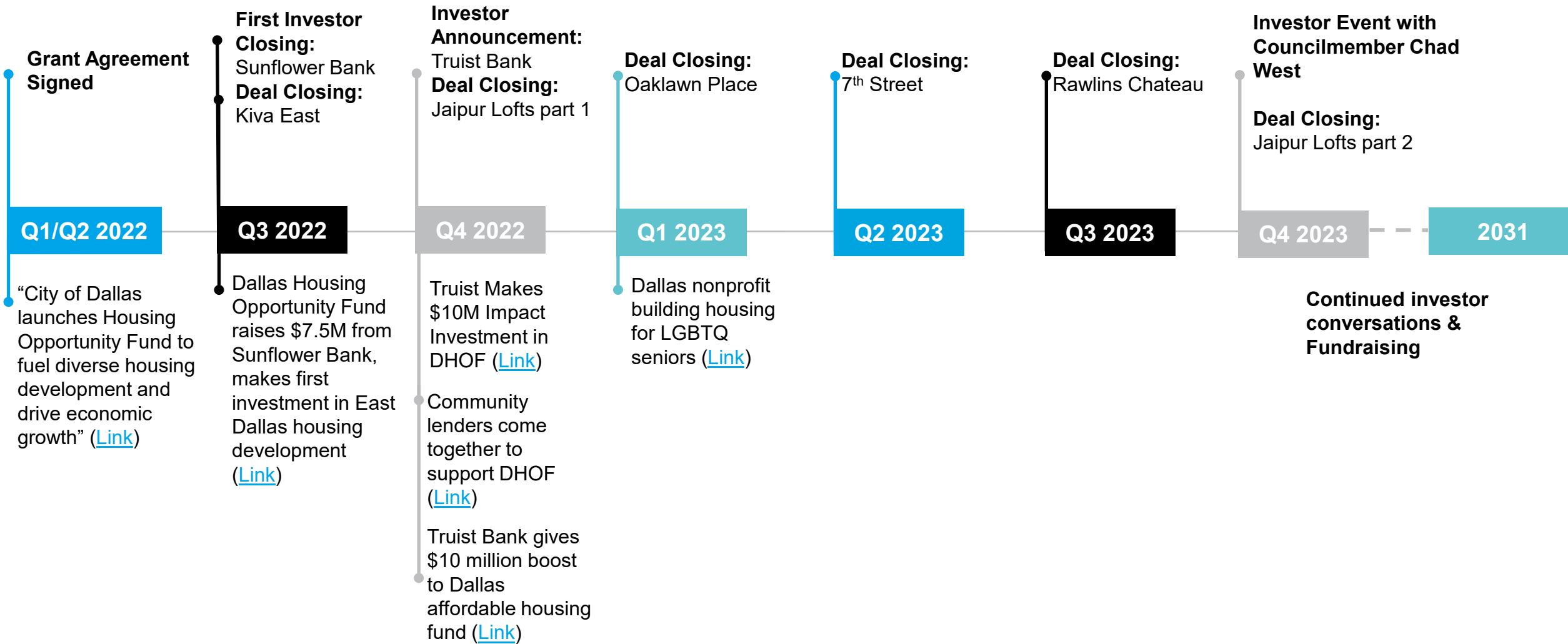
LISC is partnering with TREC Community Investors and the City of Dallas to form a mission-oriented Affordable Housing Fund

About the Dallas Housing Opportunity Fund (DHOF):

- 1) The Fund is seeded by \$6MM from the City of Dallas
- 2) The Fund seeks to support at least 1,500 affordable housing units by 2031
- 3) Eligibility:
 - a) 50% of the units at or below 120% AMI (project level)
 - b) 51% of the units at or below 80% AMI (Fund level)
- 4) Focus on preservation and new construction
 - a) Mixed-income housing
 - b) Areas of high opportunity

Mission-oriented investment vehicle set up for charitable purposes and the charitable purpose is intended to take priority over the maximizing of profits should a conflict between the two arise.

Progress since City Council Approval



City of Dallas' \$6MM is already being put to work for the community

- ✓ Grant agreement signed on January 10, 2022
- ✓ Received \$6MM from the City on June 22, 2022
- ✓ All dollars are at work in the community



Mayor Johnson at the Kiva East Groundbreaking
12/6/2022



Breaking Ground at Kiva East
12/6/2022



DHOF Affordable Housing Convening & Truist Bank \$10MM investment announcement
11/30/2022



Kiva East construction is almost complete
10/2/2023

DHOF fundraising

Minimum Goal:
\$46MM



Per the Grant Agreement, DHOF needs to be \$46MM by Dec 31, 2026




Current status:
\$23.5MM



As of March 31, 2023, DHOF is a \$23.5MM Fund.

Achieved in less than 1 year with 2.5+ years remaining.

DHOF Investors:

1.  City of Dallas \$6MM grant (1/10/2022)
2.  Sunflower Bank \$7.5MM debt and equity (9/23/2022)
3. **TRUIST**  \$10MM debt (3/14/2023)

Fundraising insights:

- **Currently in discussion with a dozen investors, two are in due diligence**
- **One of the biggest fundraising challenges has been the sharply rising interest rate environment**

DHOF currently supports 280 units of affordable housing (<80% AMI)

Kiva East



Loan amount: \$3.4MM
TDC: \$25MM
Sponsor: Saigebrook Developments

Total Units: 87 (71 units affordable at 30%, 50%, and 60% of AMI, and 16 units at market rate)

Tuition-free, Montessori pre-school: Offers a free pre-school for 40 students ([about Bezos academy](#)).

Closed: 9/15/2022

Oaklawn Place



Loan amount: \$5.4MM
TDC: \$30MM
Sponsor: Resource Center, Matthews Southwest, Volunteers of America

Total Units: 84, seniors 55+ (21 at 30% AMI, 34 at 50% AMI, and 29 at 60% AMI)

Services: Seeks to prioritize the LGBTQ+ community. Transportation, adult education, health fairs, exercise classes, organized community programming
Closed: 3/14/2023

7th Street



Loan amount: \$0.99MM
TDC: \$1.134MM
Sponsor: Exodus Development Group

Total Units: 6 (3 at 120% AMI)

Impact: Renovation of a multi-family development in the Bishop Arts District, a rapidly gentrifying area with increasing rental costs. Also supports an African American developer and property manager.

Closed: 5/31/2023

Rawlins Chateau



Loan amount: \$6.1MM
TDC: \$10.1MM
Sponsor: Metrocare

Total Units: 54 (100% affordable below 120% AMI, 60% affordable below 100% AMI)

Permanent Supported Housing: 22 units reserved for formerly chronically homeless individuals with a disability. Service providers on site to support families with resources.

Closed: 8/18/2023

Jaipur Lofts



Loan amount: \$5.5MM
TDC: \$24.5MM
Sponsor: O-SDA

Total Units: 71 (13 at 30% AMI, 26 at 50% AMI, 21 at 60% AMI, and 11 at 80% AMI)

Impact: Located in a rapidly gentrifying area within census tract where no tax credit housing has been developed within the past twenty years.

Closed: 10/31/2023

Totals:



\$22MM
 in closed loans,



financing
302 total
 units

Administrator shall produce a minimum of 1,500 affordable housing units, with the first 100 units created on or before 12/31/25

DHOF has a robust deal pipeline of \$60MM in financing requests

DHOF Pipeline							
Deal Name	Loan Amount	Status	Total Units	<80% AMI Affordable Units	<120% AMI Affordable Units	Neighborhood	Council Member
1 Kiva East	\$3,400,000	Closed	87	71	71	Old East Dallas	Jesse Moreno
2 Jaipur Lofts (Land loan)	\$5,700,000	Closed	71	71	71	East Dallas	Jesse Moreno
Jaipur Const/Perm Loan	\$5,500,000	Closed					
3 Oaklawn Place	\$5,420,000	Closed	84	84	84	Oaklawn	Jesse Moreno
4 7 th Street	\$955,000	Closed	6	3	3	Oak Cliff	Chad West
5 Deal 5	\$6,150,000	Pending	54	54	54	Oaklawn	Paul Ridley
6 Deal 6	\$1,700,000	Pending	15	10	15	West Dallas/La Bajada	Omar Narvaez
7 Deal 7	\$5,000,000	Pending	107	85	107	Ceder Crest	Carolyn King Arnold
8 Deal 8	\$5,000,000	Pending	252	0	252	Southern Dallas	Tennell Atkins
9 Deal 9	\$2,000,000	Pending	50	50	50	Fair Park	Adam Bazaldua
10 Deal 10	\$5,000,000	Pending	251	251	251	University Crossing	Paul Ridley
11 Deal 11	\$5,000,000	Pending	264	264	264		
12 Deal 12	\$5,000,000	Pending	280	280	280		
13 Deal 13	\$5,000,000	Pending	285	285	285		
14 Deal 14	\$5,000,000	Pending	160	100	100		

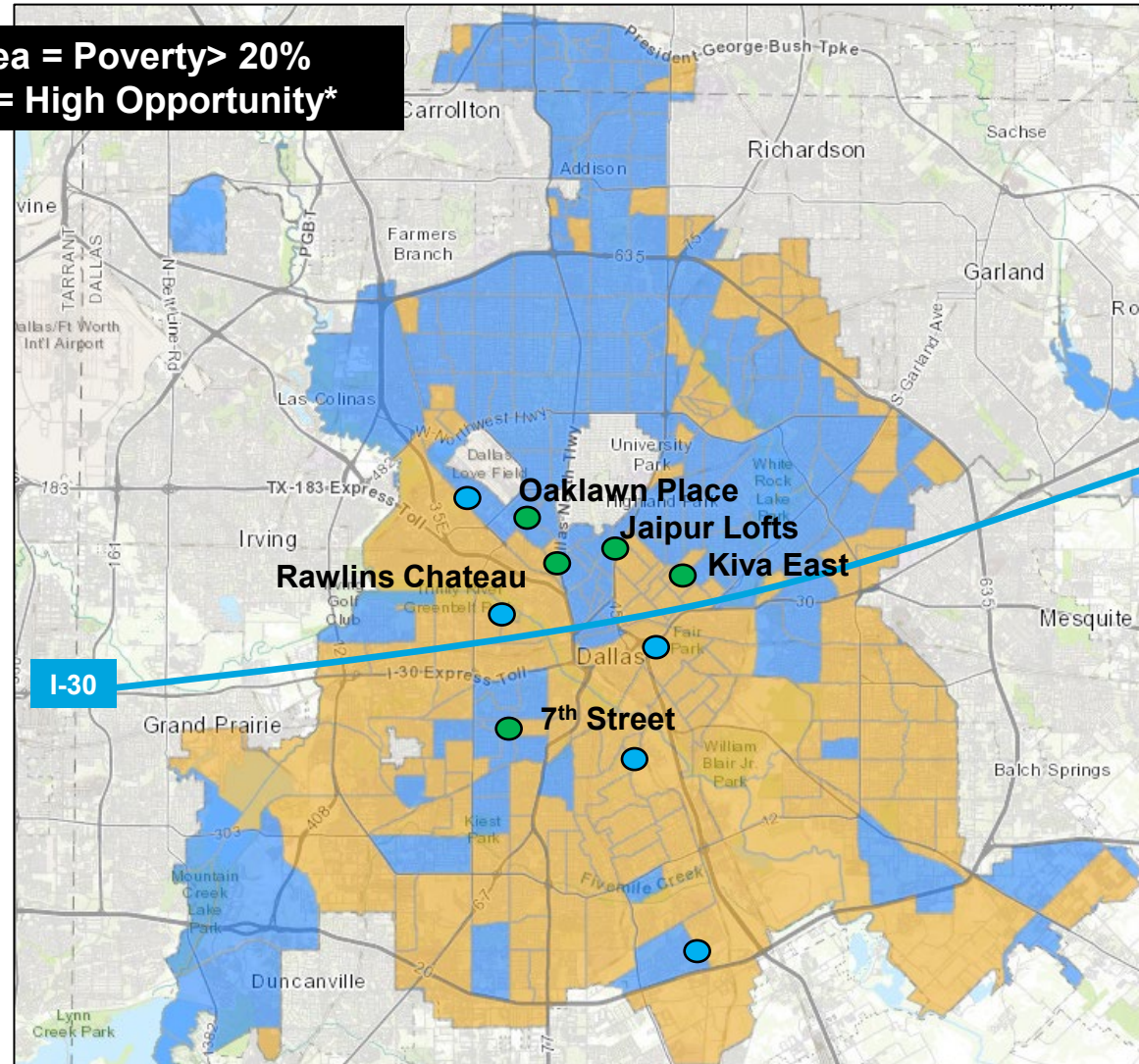
Total Pipeline Amount
\$60,125,000
Total Projected Units
1,966

DHOF is on track to support 1,500 units of affordable housing

DHOF seeks deals in “Areas of High Opportunity” with low poverty

All five closed deals are within the City of Dallas’ high opportunity areas, supporting the City of Dallas’ goals for community development

Orange Area = Poverty > 20%
Blue Area = High Opportunity*



*High opportunity areas within the City of Dallas where the census tract has poverty rates of 20% or below

● Closed
● In Underwriting

Challenges

- Supporting affordable **for-sale / single family** housing
 - Several impactful for-sale home deals with the typical 5-year affordability period (these deals are ineligible as they do not align with the DHOF-required 15 years)
- **Banking environment**
- **Rising interest rates** creating a larger gap between the Fund's concessionary rates and the market (LIBOR* has increased from 0.60% on 1/4/22 to 5.45% on 1/3/23)
- **CRA RFP changes** (freeze on investments in Q2/Q3)



Successes

- **Raised money quickly** from banking partners
 - \$15MM debt and \$2.5MM equity raised
- **Deploying capital quickly**
 - \$22MM in deals
- **Developer referrals**



CONTACT

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