

Memorandum



CITY OF DALLAS

DATE May 19, 2023

TO, Honorable Members of the City Council Housing and Homelessness Solutions Committee: Casey Thomas II (Chair), Jesse Moreno (Vice Chair), Carolyn King Arnold, Paula Blackmon, Cara Mendelsohn, Paul Ridley, Jaynie Schultz

SUBJECT **Upcoming Agenda Item on May 10, 2023 for an agreement with United Way of Metropolitan Dallas in the amount of \$500,000 for the Emerging Developer Initiative**

Summary

This memorandum is to inform the Housing and Homelessness Solutions Committee of an upcoming item on June 14, 2023 for an agreement with United Way of Metropolitan Dallas in the amount of \$500,000 for the Emerging Developer Initiative.

Background

In August 2022, the United Way of Metropolitan Dallas (United Way) received a \$15,000 grant from Truist Bank to conduct research, data collection and planning for the emerging developers' initiative. In March 2023, Schwab Bank contributed an additional \$12,500 to the efforts. United Way contracted Dionne Roberts, President and CEO of TDA Consulting Inc. to assist with facilitation of two focus groups. The focus group discussions were on specific topics for upcoming opportunities for needs faced and gaps in services.

The first focus group, "Challenges Facing Nonprofit Affordable Housing Developers," was a two-hour session on September 8, 2022 with more than 25 members of the nonprofit housing community. Participants included current developers, service providers, and related entities such as architects. While funding was the biggest need across the board, collaboration and capacity building were also recognized by all as being critical to building a strong ecosystem and sustainable organizations.

The second focus group centered on banks, lenders, and Community Development Financial Institutions (CDFI's) and was called, "Discussion of goals and offerings of lenders related to affordable housing." Using the information from the first focus group, United Way, TDA, and the City led a discussion with more than 20 lenders, focused on the global housing challenge facing the City of Dallas, what products the lenders currently have, and the types of deals they are supporting. The lenders that gathered for the meeting largely expressed an interest in being part of the solution and many spoke to existing strategies and efforts that are already taking place.

Overall, both the nonprofit and lender communities recognize the challenges facing the City of Dallas related to affordable housing. Further, there appears to be agreement in a number of areas as to what the gaps are that are keeping the affordable housing

community from making substantial progress. These can be summarized as markets, money, capacity, and collaboration. While all participants generally indicated some level of appetite for addressing at least one of these four, it is clear from their level of need that a significant and coordinated effort will be critical to increasing the ability of the nonprofits to expand production and put units on the ground. The City's proposed approach of linking capacity building and predevelopment funding is an important step in changing the landscape of opportunity within Dallas.

In December 2022, United Way had several discussions with the private banking partners centered around private funding opportunities and curriculum to develop the action plan for implementation. As a result of the research and data collection, United Way of Metropolitan Dallas developed a program called Emerging Developers Initiative (Program). The Program will launch in Summer 2023.

Issue

Affordable housing development in Dallas is carried out by large scale multifamily developers and single-family homebuilders. The local market lacks non-profit and Minority/Women-Owned Business Enterprises (M/WBE) capable and committed to developing \$200,000 to \$2 million housing projects that serve low to moderate income households. Filling this void requires the City of Dallas to invest in cultivating new developers and supporting their growth and sustainability. Dallas has many interested individuals and organizations that would enter the affordable housing development space but lack the capacity to get started. Needed capacity building services range from organizational, to programmatic, and project development.

Existing MWBEs with a vested interest in revitalizing historically disadvantaged communities across the City of Dallas also lack capacity to achieve their goals. The network of capacity building support providers is fragmented and not accessible to many individuals and organizations that need it.

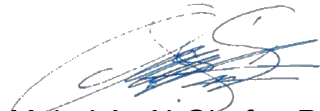
Recommendation

Through the 2022 budget development process, City Council approved \$500,000 to the Department of Housing & Neighborhood Revitalization (Housing) to assist in developer capacity-building to increase the depth of local affordable housing developers building in Dallas. United Way will provide additional matching funds as they become available, to expand the program and leverage City funding. United Way will utilize 20% of the City's \$500,000 for administration of the program as described in Attachment A (Scope of Services) with the remaining funds going directly to capacity building opportunities including training, technical assistance and predevelopment grants to emerging developers.

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This item was procured through Special Needs Consideration due to the existing program available through the United Way. Housing is prepared to enter into a contract with United Way after approval of the item.

Should you have any questions or require any additional information, please contact me or David Noguera, Director, Department of Housing & Neighborhood Revitalization at David.Noguera@Dallas.gov or 214-670-3619.



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

[Attachment: Scope of Services]

c: T.C. Broadnax, City Manager
Tammy Palomino, Interim City Attorney
Mark Swann, City Auditor
Biliera 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

Attachment A
United Way of Metropolitan Dallas
City of Dallas Housing and Neighborhood Revitalization
Emerging Developer Program

Scope of Services

PROGRAM DESCRIPTION

The goal of the Emerging Developer Program (EDP) is to increase the number of nonprofit organizations working to develop affordable housing and strengthen the capacity of existing affordable housing developers in the City of Dallas. By increasing both the number of nonprofit organizations developing affordable housing and providing resources that will increase the capacity of those organizations as affordable housing developers, the number of affordable housing projects started and completed in the City of Dallas will increase. Dallas has many interested individuals and organizations that would enter the affordable housing development space but lack the capacity to get started. Over the course of three years and on the condition of securing an additional \$500,000 in matching funding from philanthropic donations, we plan to serve a total of 90 participants (approximately 30 each year).

PARTICIPANT ELIGIBILITY

To participate in the EDP, an organization must:

1. be based in the City of Dallas; and
2. provide Time, Talent, or Treasure related to the development of affordable housing.
 - a. For Time we are looking for a participant to be a community-based individual or organization with verifiable experience serving the Dallas community and who are intending to develop affordable housing in Dallas.
 - b. For Talent we are looking for a participant to have verifiable experience in affordable housing development needing technical assistance and/or resources to complete a Dallas-based project.
 - c. For Treasure we are looking for participants to be a landowner or building owner in Dallas with site for potential affordable housing development and/or have verifiable financial resources intended to develop affordable housing in Dallas.

PROGRAM PLAN

The EDP programming will be divided into three tiers based on different criteria and a participant will engage with the EDP at the level appropriate for their organization.

1. Tier 1 is for participants interested in developing affordable housing who need to establish a nonprofit organization in order to do so. Participants could be from a community group, an individual, a faith-based institution, or a for-profit builder needing to build a nonprofit arm (or CDC).
 - a. Interested participants will be invited to complete a screening application hosted by United Way of Metropolitan Dallas and reviewed by the City of Dallas.

- b. Those who are selected will participate as a cohort in the Nonprofit Management Certificate Program through CNM (the Center for Nonprofit Management).
 - c. The course work will cover topics that include the process to become a 501c3, building an effective board of directors, fundraising, administrative oversight, and requirements specific to being a nonprofit. The EDP will cover the cost of the CNM coursework for the selected applicants and the participant will be reimbursed on the completion of the coursework.
 2. Tier 2 is for established nonprofit organizations that need assistance, additional education, or certification opportunities related to affordable housing development.
 - a. Participants must be an established and operating nonprofit that has completed either Tier 1 of the EDP or have completed programming with other peer organizations, such as TREC, Capital Impact Partners, or Innovan.
 - b. Participants will submit a brief application through United Way's online system describing the educational, training, or certification need they have and identify the provider.
 - c. The EDP will cover the cost of the coursework up to a capped amount for the selected applicants and the participant will be reimbursed on the completion of the coursework.
 3. Tier 3 is for established affordable housing developers that need technical assistance troubleshooting issues that arise in the development process.
 - a. EDP will cover the cost of technical consultation hours related to guidance and discussion about the identified issue. This technical consultation will be provided by professionals in the various specialties around developing affordable housing.
 - b. Participant must have a project ready or in progress within the City of Dallas.
 - c. Participants will be identified by the City of Dallas through an invitation only application process.
 - d. United Way will host that application and will also host an RFQ process from recommended technical assistant providers to confirm that they are willing and able to be a part of this work.
 - e. Technical assistance providers identified by the RFQ will be presented as recommended options, but the participant will select who they work with.
 - f. Technical assistance topics include, but are not limited to, engineering, financials, land development, planning, real estate law, zoning, permits, and more.
 - g. The EDP will cover the cost of the office hours up to a capped amount and will be paid to the organization providing the technical assistance after it has been provided.

ADDITIONAL GRANTS AVAILABLE

The Emerging Developer Program will also have a grant available to participants who have completed Tier 2 and/or Tier 3 of the program.

1. A grant from United Way of up to \$10,000 could be awarded to an affordable housing developer for a project in Dallas.

2. The grant could be used to cover costs for work either identified in Tier 3 or for other costs incurred during the development process.
3. This portion of the program will be invitation only and participants who are eligible to apply will be identified by the City of Dallas.
4. UWMD will use their online grant application system to accept and review applications from invited participants.

Monitoring and Payment

United Way of Metropolitan Dallas will communicate regularly with the Housing and Neighborhood Revitalization Department at the City of Dallas to facilitate the program. This communication will include regular meetings, calls, and emails as we work together to implement the program. We will discuss progress and collectively identify challenges or opportunities related to program implementation.

To successfully execute this contract, United Way requests an advance allocation of programmatic and administrative funds representing 25% of the budget from the City of Dallas of funding for the Emerging Developer Program. United Way will provide the payment to EDP participants in each of the Tiers and the awarded grant applicants.

United Way will send quarterly progress reports to the City of Dallas. The progress reports will include status related to applications, program participation, updates to the EDP metrics, and will request the next advance.

Geographic Area:

Organizations participating in the Emerging Developer Program must be located in the City of Dallas.

Emerging Developer Program Metrics:

Up to 30 entities will participate in Year 1 across all three Tiers of the EDP.

Metrics:

Tier 1:

-Number of participants who complete the certification course through CNM. We anticipate that 75% of participants who start the CNM curriculum will complete and graduate from the course.

-Number of participants that become a nonprofit with 501c3 and a board of directors after completing the course. We anticipate 40% of participants who complete the course will complete the process of creating a nonprofit organization.

Tier 2:

-Number of participants that complete an educational or certification course. We anticipate that 80% of participants will complete the education or certification course.

Tier 3:

-Number participants that receive technical assistance. We anticipate that 90% of participants will complete the identified technical assistance.

-Whether the provided technical assistance allowed them to address the identified issue

Grants:

-United Way will track the number of organizations invited to apply for a grant, the number of grants awarded, and the value of the awarded grants through the Emerging Developer Program.