Dallas Housing Finance Corporation (DHFC) – Pillars 1, 2, 3, 4, 5, 6, 7
Amended Month, Day, 2025, by Resolution No 25-???

~~The City of Dallas Housing Finance Corporation (DHFC) was organized in 1984 in accordance with Chapter 394 of the Texas Local Government Code (Code). Under the Code, the purpose of the DHFC is to assist persons of low and moderate income to acquire and own decent, safe, sanitary, and affordable housing. To fulfill this purpose, the DHFC can be an issuer of tax-exempt bonds. The DHFC may issue bonds to finance, in whole or in part, the development costs of a residential development or redevelopment; the acquisition of existing residential properties, the costs of purchasing or funding the making of home mortgages; and any other costs associated with the provision of decent, safe, and sanitary housing and non-housing facilities that are an integral part of or are functionally related to an affordable housing development.~~

~~Affordable Housing Partnerships: The DHFC can also partner with affordable housing developers for the production of multifamily and for-sale housing. The DHFC can acquire an ownership stake in the development by becoming the General Partner (GP) of an ownership entity, right of refusal to purchase the improvements, and owning and controlling the land. DHFC is the sole member of the GP. Fifty-one percent of the units must be set aside for affordable housing. If all of the aforementioned criteria are met; then the development can benefit from a tax exemption. Additionally, the DHFC can be the General Contractor to allow for sales tax exemption on construction materials.~~

About Dallas Housing Finance Corporation

The City of Dallas Housing Finance Corporation (DHFC) was created by the City of Dallas in 1984 in accordance with the Texas Housing Finance Corporations Act, Chapter 394, Texas Local Government Code (the Act). Under the Act, the purpose of the DHFC is to assist persons of low and moderate income to acquire and own decent, safe, sanitary, and affordable housing.

To fulfill this purpose, the DHFC can be an issuer of tax-exempt bonds to finance, in whole or in part, the development costs of a residential development or redevelopment; the acquisition of existing residential properties, the costs of purchasing or funding the making of home mortgages; and any other costs associated with the provision of decent, safe, and sanitary housing and non-housing facilities that are an integral part of or are functionally related to an affordable housing development.

The DHFC is authorized to purchase, lease, own, hold title to, or otherwise acquire an interest in residential development, directly or indirectly through a subsidiary of the DHFC.

For both Low Income Housing Tax Credit (LIHTC) and non-LIHTC properties, at least ninety percent of the units must be set aside for affordable housing. The DHFC and all property owned by it are exempt from license fees, recording fees and all other taxes imposed by the State of Texas or any political subdivision.

Partnerships

The DHFC can partner with affordable housing developers to produce affordable housing. The DHFC can participate in the partnership structure by becoming the General Partner (GP) of an ownership entity, admitted into a limited partnership or limited liability company with the affordable housing developer and an investor; the Ground Lessor, owning the land on which the development is located and receiving fees for the ground lease from the borrower; Co-Developer, entering into a development agreement with the affordable housing developer; and/or General Contractor, entering into a construction contract (and subcontract) of joint-venture agreement for the construction of the affordable housing development. Of these partnership structures, the DHFC is the sole member of the GP. The DHFC's role as GC allows for sales tax exemption on construction materials.

If the application criteria are met and approved by City Council, then the development can benefit from the tax exemption.

Policies and Procedures

DHFC must have written policies and procedures that outline division of duties, application criteria, fair, transparent procurement procedures, board terms and assignment and methods to adjust any and all policy or procedure stated.

City Staff Representation on the Board

The OHCE Director or designee will have a seat on the Board of Directors as an ex-officio board member, to attend all Board meetings, including executive or closed sessions. The ex-officio member will not attend executive sessions involving corporate decisions for staffing.

Staffing

DHFC staff will handle:

- General administration,
- Developer/applicant communication,
- Notifying OHCE staff of new applications received on a monthly basis,
- Project management,
- Project monitoring,
- Quarterly reporting,
- Annual education for developers,
- Attend and be the primary speaker at all Housing and Homelessness Solutions Committee (or others as needed or named) and City Council meetings when

board-related agenda items are under consideration.

OHCE Staff will handle:

- Review of projects against City policies,
- Long-term affordability monitoring,
- Perform administrative functions for items to be placed on Council Committee or Council agendas,
- Communication with the corporation staff on items for reviews, meetings with Councilmembers, questions on projects, reports and all other pertinent information.

Applications

Applications for partnership agreements shall:

- Be submitted in writing to DHFC so that discussions and transactions can be discussed,
- Prioritize projects that have been designated for prioritization by City Council and confirmed by OHCE staff. Prioritize projects that have been designated for prioritization by City Council and confirmed by OHCE staff.
- Not request waivers for LIHTC in Racially/Ethnically Concentrated Areas of Poverty (R/ECAP) areas in Dallas or areas with 20% poverty or higher, unless:
    - Redevelopment of an existing low-income property is proposed,
    - Development will address slum and blight, urban nuisance, environmental contamination or environmental nuisance, or other public benefit as determined by Council from time to time.
    - Projects seeking any of these will require a ¾ council vote for approval.

The City of Dallas will not support tax exemptions or other municipal approvals for residential development projects located within city limits that are sponsored, owned, or operated by Housing Finance Corporations (HFCs) formed by entities outside of the Dallas Housing Finance Corporation (DHFC).

In alignment with House Bill 21 (89th Legislature), which reformed Chapter 394 of the Local Government Code governing HFC operations, and to ensure local accountability, transparency, and alignment with city housing priorities, HFC-sponsored developments must be structured through the City's own HFC or an entity directly affiliated with the City of Dallas.

Additionally, applications may be denied if:

- Applicants have open projects underway that may limit their capacity to carry out the development being proposed, including projects with the City of Dallas, the DHFC and other non-City affiliated developments
- Waivers are requested for LIHTC in R/ECAP areas in Dallas or areas with 20% poverty or higher that do not meet the above criteria,
- Project does not align with any term of the program statement, statute, City of Dallas program or regulation.

DHFC will monitor and report the total tax-exempt value of its project portfolio in two ways. For each individual project seeking approval before the Housing and Homelessness Solutions (HHS) Committee and the Dallas City Council, DHFC will report the associated tax-exempt value. Also, DHFC will compile and report the total tax-exempt value of its entire portfolio on an annual basis. The annual report on tax-exempt properties shall be included as an agenda item at the DHFC Board meeting held in either November or December each year. The report shall be submitted to the Office of Housing and Community Empowerment no later than December 1st, alongside the DHFC annual financial audit.

DHFC will include a Public Benefit Analysis (PBA) with each project to be briefed to the HHS Committee and for City Council consideration. The PBA should be at least 60% of the estimated property taxes. The PBA is calculated by comparing the value of the benefits received by the public to the cost of the property tax exemption. It is determined by adding the total anticipated revenue received over a 15-year period and the estimated rental savings over the same 15-year period and then diving that total amount by the property taxes that will be foregone over the 15-year period. If the percentage is below 60% a rationale shall be included that addresses the following:

- How the project will link housing to economic job opportunities,
- How the project will address older or ageing housing stock in the area,
- How the project will align services provided to the community.

Community Input

The Board Member appointed by the City Council member, the Board Chair, or the DHFC General Manager will alert the council member of all projects located within the Council district so that the Council Member can determine if further community engagement is needed.

Relocation Policy

For developments that are occupied by existing tenants and that are not otherwise subject to the Uniform Relocation Act (URA), the development proposal must include a Corporation approved relocation plan that: (1) Minimizes permanent displacement from the Development. In the event of permanent displacement, Applicants will be required to provide compensation to affected tenants that is otherwise in alignment with URA requirements; (2) Must provide reasonable notice to affected tenants prior to any temporary relocation and covers all reasonable out of pocket costs incurred by tenants as a result of moving from one unit to another within the Development or temporarily vacating their units to allow rehabilitation work to proceed; and (3) Applicant must meet all applicable state, federal, or local laws relating to displacement of tenants.

Minimum Rehabilitation Requirements

For rehabilitation projects, the proposed scope of work must be informed by a capital needs assessment (CNA), prepared by a qualified third-party professional that is independent from the Development's architect or engineer, builder/general contractor, or other member of the Development Team. The Corporation will review the CNA and conduct a site visit. The CNA must demonstrate to the Corporation's satisfaction that the initial scope of work is sufficient to address all City code violations (whether formally cited or not) stated in the report. Further, the scope of work, combined with planned replacement reserve funding, must be determined sufficient to address all projected repairs or replacements of the following items through the entire term of the Development's affordability period:

- All major systems including roof, foundation, electrical, heating, ventilation, and air conditioning (HVAC), and plumbing,
- Interior and exterior windows and doors,
- The interiors of all units including the kitchen and bathroom and all major appliances,
- The exterior of the development, including balconies, walkways, railings, and stairs,
- Communal facilities such as community rooms, fitness centers, business centers, etc.,
- Security features including gates and security cameras, and
- All federal, state, and local accessibility regulations, including Americans with Disabilities Act (ADA) compliance and Texas Accessibility Standards (TAS).

City Goals and Initiatives
Prior to consideration by the Housing and Homelessness Solutions (HHS) Committee or Council, OHCE staff will:

- Review DHFC projects for compliance with Dallas Housing Resource Catalog (DHRC) goals, needs identified as priorities, and affordability compliance,
- Determine if project is located in a Tax Increment Finance (TIF) district and if so, the TIF board needs to receive notice and TIF board will determine if project will be reviewed and approved by the TIF board of directors before being considered by HHS Committee or Council,
- Require a Phase 1 Environmental Review to be conducted by the developer/applicant on all projects and to be further reviewed by the corporation to certify the review was cleared before presenting to HHS Committee and City Council.

If additional City incentives are requested in conjunction with DHFC tax exemptions, a second fiscal underwrite will be conducted by the Office of Economic Development for subsidy layering review before any commitments are authorized.

Monitoring
Long-term affordability monitoring will be conducted by OHCE staff, while project monitoring is conducted by corporation staff.

Reporting
DHFC staff will provide:

- Quarterly reports for the entity and each project in a form satisfactory to the Director of Housing and Community Empowerment, including financial information, use of revenue, property occupancy, crime statistics, project pipeline, and other information requested by the Director from time to time,

- Financial audits that must be completed and submitted to the Office of Housing and Community Empowerment no later than December 1st
- Annually, the Board of Directors will present the corporation's financial status, assets and activities to the HHS Committee, as required in the statute.

Revenue

DHFC will limit uses of revenue to opportunities as defined by OHCE Director and the DHFC Board of Directors. A quarterly cumulative and annual report will be submitted to OHCE that details uses of revenue with an administrative breakdown. When City resources are utilized for administration for agenda items, compliance and monitoring or other services requested by the corporations, the corporations will reimburse the City for those costs. Uses of revenue will be in accordance with state statutes and may include but are not limited to:

- Corporate Administration,
- Development activities such as but are not limited to; acquisition, construction, rehabilitation (multifamily), City services and infrastructure for contributions to housing,
- Projects that have been approved seeking gap financing for the project, DHFC will prioritize using revenue to support the development,
- Funds will be made available to the City and developers annually through the corporation or in another approved application opportunity approved by OHCE Director and the Board. OHCE and the Board will collaborate on uses of funds that will be presented to the Housing Committee, or Funds will be made available to the Dallas Housing Opportunity Fund or any other funding provider to administer on behalf of the DHFC and/or city.