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DALLAS, TEXAS

City of Dallas

1500 Marilla Street
Dallas, Texas 75201

Public Notice

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POSTED CITY SECRETARY
DALLAS, TX



Housing & Homelessness Solutions Committee

January 25, 2021

9:00 AM

2021 CITY COUNCIL APPOINTMENTS

COUNCIL COMMITTEE	
ECONOMIC DEVELOPMENT Atkins (C), Blewett (VC), Gates, McGough, Narvaez, Resendez, West	ENVIRONMENT AND SUSTAINABILITY Narvaez (C), West (VC), Atkins, Blackmon, Gates
GOVERNMENT PERFORMANCE AND FINANCIAL MANAGEMENT Mendelsohn (C), Gates (VC), Bazaldua, McGough, Thomas	HOUSING AND HOMELESSNESS SOLUTIONS Thomas (C), Mendelsohn (VC), Arnold, Blackmon, Kleinman, Resendez, West
PUBLIC SAFETY Gates (C), Kleinman (VC), Arnold, Bazaldua, Blewett, McGough, Medrano, Mendelsohn, Thomas	QUALITY OF LIFE, ARTS, AND CULTURE Medrano (C), Atkins (VC), Arnold, Blewett, Narvaez
TRANSPORTATION AND INFRASTRUCTURE McGough (C), Medrano (VC), Atkins, Bazaldua, Kleinman, Mendelsohn, West	WORKFORCE, EDUCATION, AND EQUITY Thomas (C), Resendez (VC), Blackmon, Kleinman, Medrano
AD HOC JUDICIAL NOMINATING COMMITTEE McGough (C), Blewett, Mendelsohn, Narvaez, West	AD HOC LEGISLATIVE AFFAIRS Johnson (C), Mendelsohn (VC), Atkins, Gates, McGough
AD HOC COMMITTEE ON COVID-19 RECOVERY AND ASSISTANCE Thomas (C), Atkins, Blewett, Gates, Mendelsohn, Narvaez, Resendez	

(C) – Chair, (VC) – Vice Chair

Note: A quorum of the Dallas City Council may attend this Council Committee meeting.

This Housing and Homelessness Solutions Committee meeting will be held by videoconference. The meeting will be broadcast live on Spectrum Cable Channel 16 and Online at [bit.ly/cityofdallas.tv](https://cityofdallas.tv). The public may also listen to the meeting as an attendee at the following videoconference link: <https://dallascityhall.webex.com/dallascityhall/onstage/g.php?MTID=e561429f0e5e90b972059e0ff838a9cb5>

Call to Order

MINUTES

1. [21-32](#) Approval of the December 15, 2020 Housing and Homelessness Solutions Committee Meeting Minutes

Attachments: [Minutes](#)

BRIEFING ITEMS WITHOUT ACTION

- A. [21-41](#) Supporting Partnerships for Anti-Racist Communities (SPARC) Report and Implementation Actions
[Regina Cannon, Chief Equity and Impact Officer, C4 Innovations]

Attachments: [Presentation](#)

- B. [21-40](#) Mixed Income Housing Incentives: (1) Housing Program Overview and Amendments to the Mixed Income Housing Development Bonus Program, (2) Chapter 20A Housing Voucher Incentives Overview and Amendments, and (3) Overview of the Proposed One Dallas Program (Fee in Lieu)
[David Noguera, Director, Department of Housing and Neighborhood Revitalization; Pam Thompson, Strategy Manager, Department of Housing and Neighborhood Revitalization]

Attachments: [Presentation](#)

BRIEFING MEMORANDUMS WITH ACTION

- C. [21-42](#) Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act Approvals for Bond Issuance by the City of Dallas Housing Finance Corporation for Gateway Oak Cliff (\$33,000,000.00)
[Kyle Hines, Interim Assistant Director, Department of Housing and Neighborhood Revitalization]

Attachments: [Memo](#)

- D. [21-43](#) Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act Approvals for Bond Issuance by the City of Dallas Housing Finance Corporation for Midpark Towers (\$20,000,000.00)
[Kyle Hines, Interim Assistant Director, Department of Housing and Neighborhood Revitalization]

Attachments: [Memo](#)

- E. [21-44](#) Upcoming Agenda Item: Comprehensive Housing Policy Amendment To Modify Program Requirements- New Construction and Substantial Rehabilitation Program
[David Noguera, Director, Department of Housing and Neighborhood Revitalization]

Attachments: [Memo](#)

- F. [21-58](#) Upcoming Agenda Item: Consideration of a Conditional Grant Agreement with St. Jude, Inc. for the Rehabilitation of 180 Permanent Supportive Housing Units as Part of the 2020 Standing Notice of Funding Availability
[David Noguera, Director, Department of Housing and Neighborhood Revitalization]

Attachments: [Memo](#)

ADJOURNMENT

EXECUTIVE SESSION NOTICE

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

1. seeking the advice of its attorney about pending or contemplated litigation, settlement offers, or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act. [Tex. Govt. Code §551.071]
2. deliberating the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.072]
3. deliberating a negotiated contract for a prospective gift or donation to the city if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.073]
4. deliberating the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or employee who is the subject of the deliberation or hearing requests a public hearing. [Tex. Govt. Code §551.074]
5. deliberating the deployment, or specific occasions for implementation, of security personnel or devices. [Tex. Govt. Code §551.076]
6. discussing or deliberating commercial or financial information that the city has received from a business prospect that the city seeks to have locate, stay or expand in or near the city and with which the city is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect. [Tex Govt. Code §551.087]
7. deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. [Tex Govt. Code §551.089]



City of Dallas

1500 Marilla Street
Dallas, Texas 75201

Agenda Information Sheet

File #: 21-32

Item #: 1.

Approval of the December 15, 2020 Housing and Homelessness Solutions Committee Meeting Minutes

Housing and Homelessness Solutions Committee Meeting Record

The Housing and Homelessness Solutions Committee meetings are recorded. Agenda materials are available online at www.dallascityhall.com. Recordings may be reviewed online at <https://dallastx.swagit.com/ad-hoc-committees>.
Note: This meeting was conducted via videoconference to comply with a social distancing mandate during a declared state of disaster.

Meeting Date: December 15, 2020

Convened: 9:00 a.m.

Adjourned: 10:15 a.m.

Committee Members Present:

Chad West, Chair
Casey Thomas II, Vice Chair
Carolyn King Arnold
Paula Blackmon
Cara Mendelsohn
Lee Kleinman
Jaime Resendez

Committee Members Absent:

N/A

Other Council Members Present:

AGENDA

CALL TO ORDER

BRIEFINGS

1. **Approval of the December 3, 2020 Housing and Homelessness Solutions Committee Meeting Minutes**
Action Taken/Committee Recommendation(s): A motion was made to approve the minutes for the December 3, 2020 Housing and Homelessness Solutions with the removal of the name Deputy Mayor Pro Term McGough from the Committee Members Absent section. The motion passed unanimously.

Motion made by: Paula Blackmon
Motion seconded by: Casey Thomas II
2. **Housing and Homelessness Solutions Committee Forecast**
Presenter(s): Chad West, Housing and Homelessness Solutions Committee
Action Taken/Committee Recommendation(s): Information Only.
3. **Housing and Homelessness Solutions Interagency Report**
Presenter(s): David Noguera, Director, Department of Housing and Neighborhood Revitalization; Kevin Oden, Interim Director, Office of Homeless Solution
Action Taken/Committee Recommendation(s): Information Only.
4. **Department of Housing and Neighborhood Revitalization Performance Report Update**
Presenter(s): David Noguera, Director, Department of Housing and Neighborhood Revitalization
Action Taken/Committee Recommendations(s): The Committee was briefed on an overview of the program metrics from the Department of Housing and Neighborhood Revitalization. Information only.
5. **Housing Programs Overview: COVID-19 Mortgage Rental Assistance Program (MRAP)**
Presenter(s): David Noguera, Department of Housing and Neighborhood Revitalization; Thor Erickson, Area Redevelopment Manager, Department of Housing and Neighborhood Revitalization
Action Taken/Committee Recommendation(s): The Committee was briefed on the overview of short-term mortgage and rental assistance programs, update on current program impact, recommendations on future program efficiencies, programs/initiatives which include the City of Dallas Mortgage and Rental Assistance Program, and subrecipient Rental Assistance Program. Information only.

6. Upcoming Agenda Item: Preliminary Adoption and Approval of Substantial Amendment No. 7 to the FY 2019-20 Consolidated Plan to expand the targeted areas of the Neighborhood Stabilization Programs.

Presenter(s): Cynthia Rogers-Ellickson, Assistant Director, Department of Housing and Neighborhood Revitalization

Action Taken/Committee Recommendation(s): The Committee was briefed on the preliminary adoption of Substantial Amendment No. 7 to the FY 2019-20 Consolidated Plan for the Neighborhood Stabilization Program (NSP) 1 and NSP 3 to expand the target areas in the Action Plan. A public hearing for public comments on February 10, 2021 and at the conclusion of the public hearing approve the adoption of the substantial amendment No. 7. A motion was made to move this item to Council with committee recommendation.

Motion made by: Paula Blackmon

Item passed unanimously: X

Item failed unanimously:

Motion seconded by: Casey Thomas II

Item passed on a divided vote:

Item failed on a divided vote:

7. Upcoming Agenda Item: Authorize the sale and construction of up to fifty-nine (59) affordable homes to Camden Homes, LLC, pursuant to the City's Land Transfer Program

Presenter(s): David Noguera, Director, Department of Housing and Neighborhood Revitalization

Action Taken/ Committee Recommendations(s): The Committee was briefed on the proposed sale of Land Transfer lots to qualified participating developer. A motion was made to move this item to Council with committee recommendation.

Motion made by: Casey Thomas II

Item passed unanimously: X

Item failed unanimously:

Motion seconded by: Paula Blackmon

Item passed on a divided vote:

Item failed on a divided vote:

8. Upcoming Agenda Item: Amendment to a Contract with Benevate Inc. dba Neighborly Software for Software Subscription Services (Supplemental Agreement #2)

Presenter(s): David Noguera, Director, Department of Housing and Neighborhood Revitalization

Action Taken/Committee Recommendation(s): The Committee was briefed on the authorization of the City Manager to amend a contract with Benevate Inc. dba Neighborly Software (Benevate Inc.) to provide additional services to the Department of Housing & Neighborhood Revitalization (Housing). These services will include, the immediate purchase of five additional user licenses, two new modules to manage the Neighborhood Empowerment Zone (NEZ) and Mixed Income Housing Development Bonus (MIHDB) programs, and provisions for the eventual purchase of an API software service and additional users or modules as needed, at the discretion of the Director of Housing. Information only.

ADJOURN (10:15 a.m.)

APPROVED BY:

ATTESTED BY:

Casey Thomas II, Chair
Housing and Homelessness Solutions Committee

Gabriela Castillo, Coordinator
Housing and Homelessness Solutions Committee



City of Dallas

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Agenda Information Sheet

File #: 21-41

Item #: A.

Supporting Partnerships for Anti-Racist Communities (SPARC) Report and Implementation Actions
[Regina Cannon, Chief Equity and Impact Officer, C4 Innovations]

Race and Homelessness

Dallas, TX

January 25, 2021
Presented by Regina Cannon



Why Focus on Racial Equity

- Race is a predictor of health outcomes, social well-being and economic well-being in the US
- Racial inequities persist in every system
- Inequities based on race occur across every dimension of identity
- To end homelessness, we must build systems with targeted strategies that are responsive to those who are most impacted by the issue.

What Do We Mean By...?

Equity

- Equity is just and fair inclusion into a society in which all can participate, prosper, and reach their full potential

Racial Equity

- Racial equity is the condition that would be achieved if one's racial identity no longer predicted, in a statistical sense, how one fares

Structural Inequities Across Systems

Due to historic and structural factors Black, Indigenous and People of Color experience higher rates of disparities

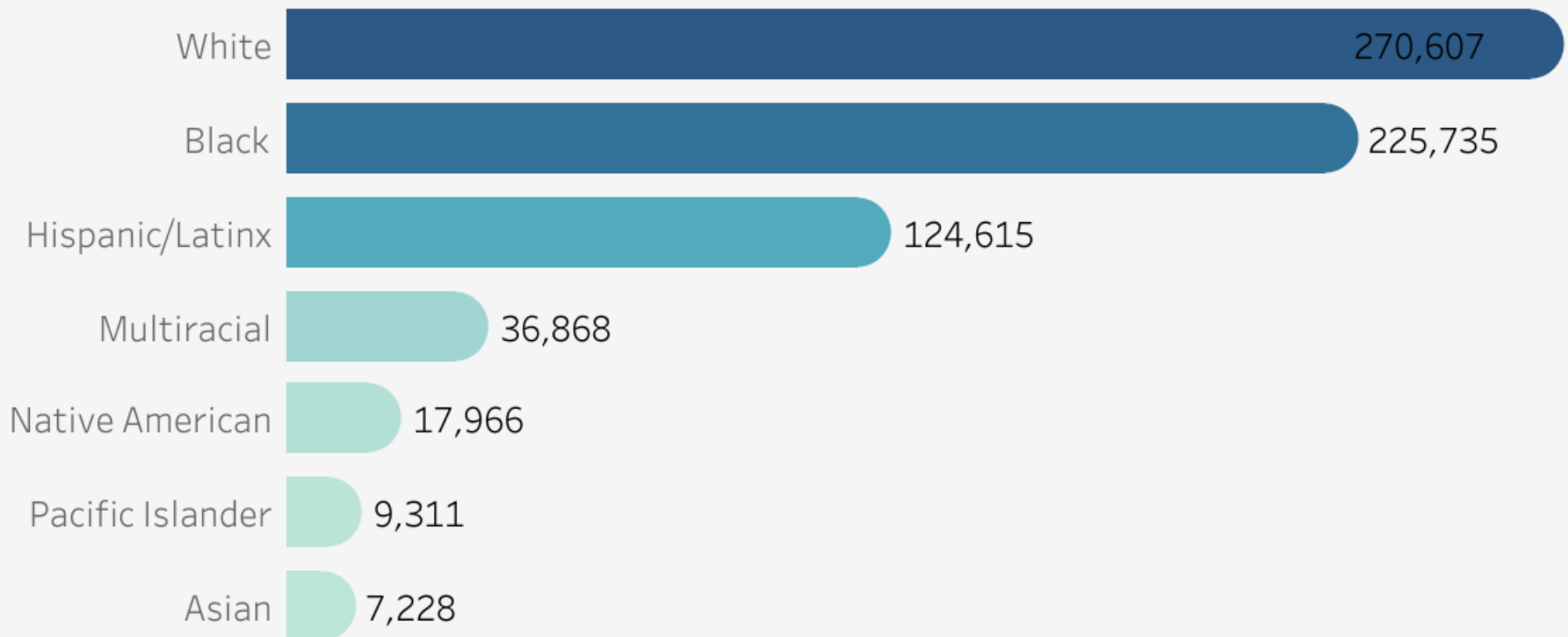
- Behavioral Health
- Child Welfare
- Criminal Justice System: Incarceration of BIPOC
- Education
- Environmental
- Employment: Unemployment, under-employment
- Health: Chronic medical conditions, decreased life expectancy
- Economic Impact: Inability to accumulate and pass down wealth
- **Housing: Lack of access to safe and affordable housing**

Race and Homelessness

Counts and Rates by Race/Ethnicity, 2019

Total or Rate

Total Homeless

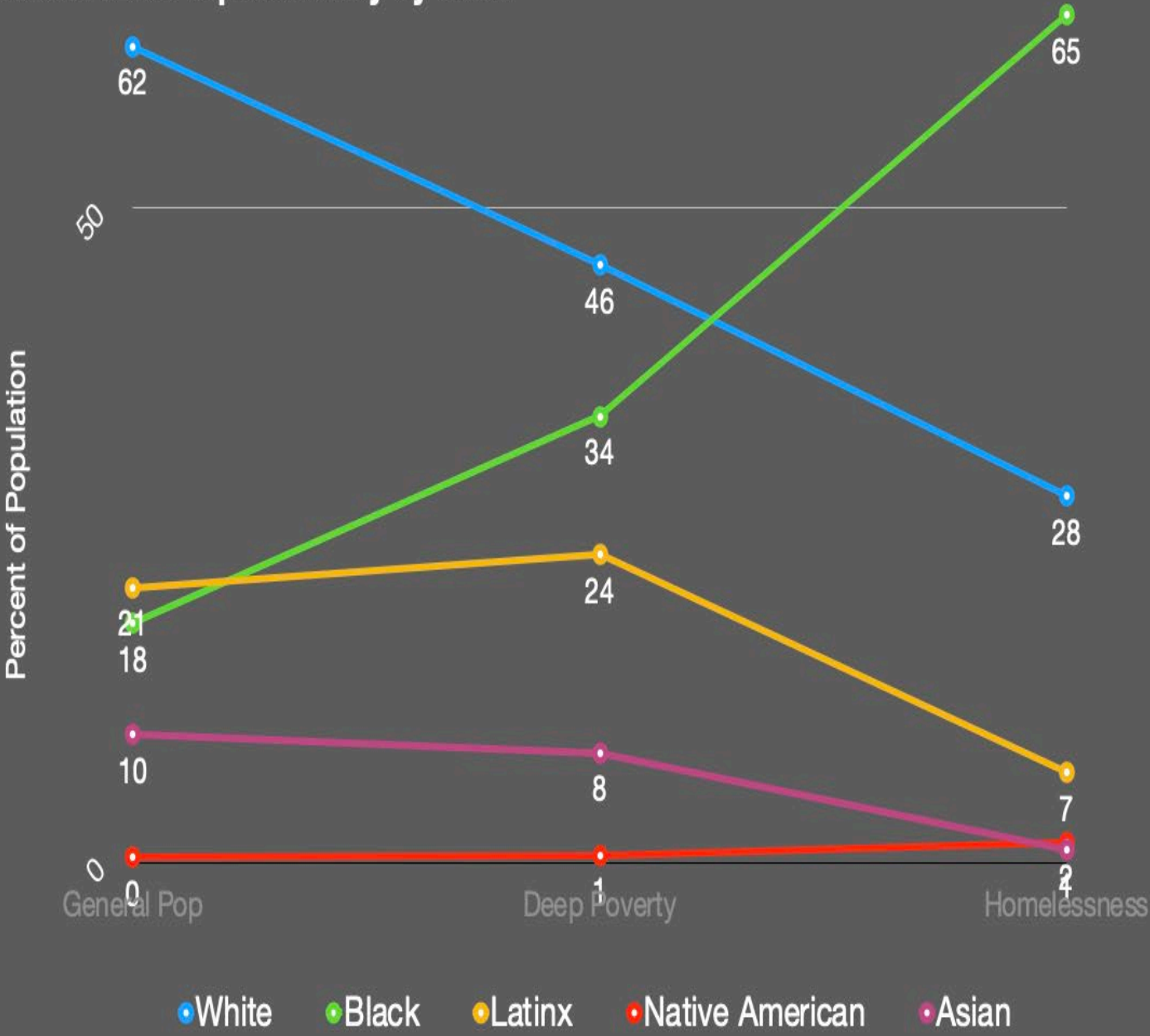


Racial Inequity Demographics Data

United States

	General Population	Deep Poverty	Homeless
White	73.8%	59.7%	48.6%
Black	12.4%	23.5%	42.6%
American Indian and Alaska Native	0.8%	1.6%	2.5%
Asian	5.2%	4.6%	.8%
Native American and Other Pacific Islander	.2%	.2%	1.1%
Two or more races	3.0%	3.9%	4.6%
Hispanic/Latinx (of any race)	17.2%	24.3%	16.9%

SPARC COMMUNITIES: Proportionality by Race



Race and Homelessness in Dallas



Disproportionality in Dallas

- The Black population in Dallas constitutes **18.7% of the general population**, but is overrepresented among those living in **deep poverty (30.7%)** and among people **experiencing homelessness (66.7%)**.
- Whites constitute **63.2% of the general population** but are slightly underrepresented in the **deep poverty group (49.5%)** and drastically underrepresented among the **homeless population (29.8%)**.

DATA

A Snapshot: 2020 PIT Data

A decorative graphic of a palm frond, rendered in a light yellow and orange gradient, is positioned in the bottom right corner of the slide.

Disproportionality in Dallas

Race

	Sheltered			Unsheltered	Total
	Emergency	Transitional	Safe Haven		
White	574	327	20	721	1,642
Black or African-American	1244	464	27	824	2,559
Asian	21	23	0	8	52
American Indian or Alaska Native	21	8	2	19	50
Native Hawaiian or Other Pacific Islander	8	2	0	2	12
Multiple Races	70	40	1	45	156

Disproportionality in Dallas

Ethnicity	Sheltered			Unsheltered	Total
	Emergency	Transitional	Safe Haven		
Non-Hispanic/Non-Latino	1689	686	47	1417	3,839
Hispanic/Latino	249	178	3	202	632

Pathways into Homelessness

- Lack of Personal/Network Safety Net
- Family destabilization through systems involvement
- Health challenges



Barriers to Exiting Homelessness

- Economic immobility
- Criminal justice and other system involvement
- Lack of quality affordable housing
- Difficulty navigating the Homeless Response System
- Under-investment in Targeted Culturally Appropriate Strategies and Interventions

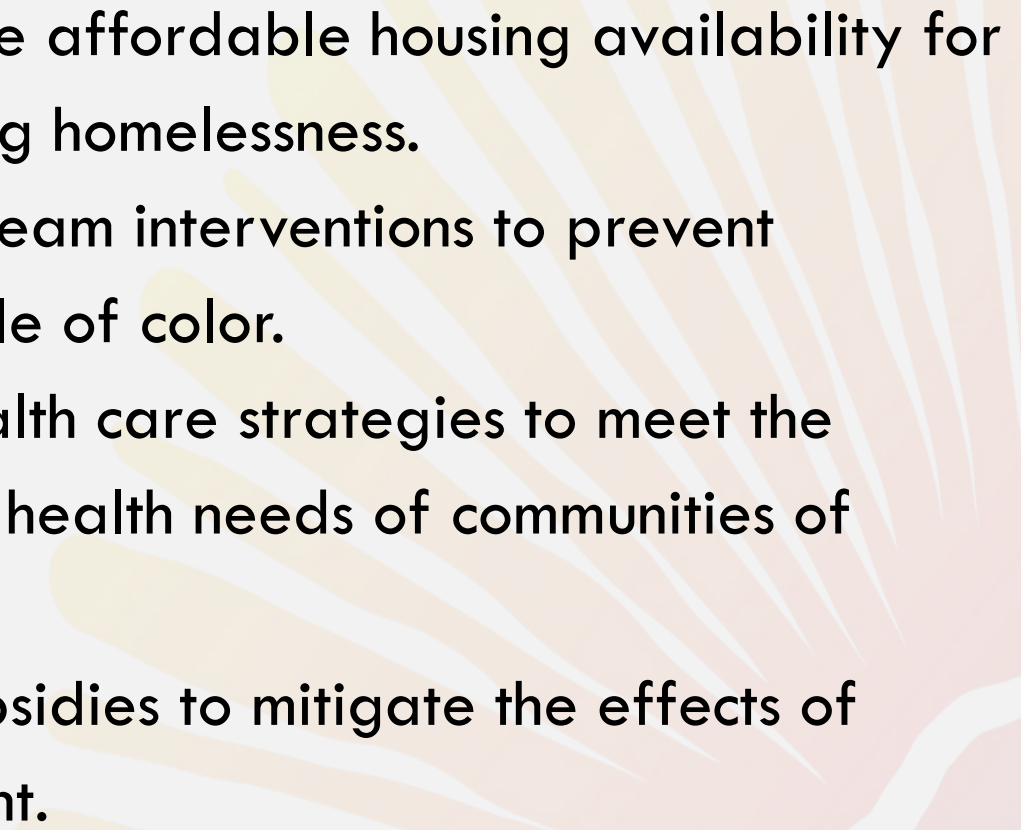
Alignment

- Shared Understanding of the Challenge(s)
- Shared Vision of the Result(s)
- Defined and Aligned Contributions from All Systems and Stakeholders
- Measurable Actions
- Collective Impact

Recommendations

1. Design an equitable Coordinated Entry System.
2. Support organizational development to ensure racial equity at the organizational level.
3. Include racial equity data analysis and benchmarks in strategic planning to end homelessness.
4. Incorporate racial equity into grantmaking and contracting for homelessness and housing programs.
5. Set the expectation for anti-racist program delivery.

Recommendations

- 
6. Collaborate to increase affordable housing availability for all people experiencing homelessness.
 7. Utilize innovative upstream interventions to prevent homelessness for people of color.
 8. Support innovative health care strategies to meet the health and behavioral health needs of communities of color.
 9. Investigate flexible subsidies to mitigate the effects of network impoverishment.


Getting Started:

What does Transformation Look Like?

- 1. Move from Diversity to Equity**
 - 2. Multi-system Approach to Ending Homelessness**
 - 3. Racial Equity Gaps Analysis**
 - 4. Focus on Results / Equitable Outcomes**
 - 5. Embed Racial Equity Principles and Practices**
 - 6. Equitable Implementation**
 - 7. Racial Equity Impact Analysis**
 - 8. Accountability**
- 
- A stylized background graphic on the right side of the slide. It features several hands in shades of yellow, orange, and pink, reaching out from the right edge towards the center. The hands are depicted in a simplified, almost abstract manner, with fingers spread. The overall effect is one of support, reaching out, or collective effort.

Final Thoughts

Transformation is a Choice
Lead up Close
Leave Best Behind

A stylized, light-colored hand graphic is positioned in the bottom right corner of the slide. The hand is open, with fingers spread, and is rendered in a soft, painterly style with warm tones of yellow and orange. It appears to be reaching towards the center of the slide.

Questions?





For Additional Information:

Regina Cannon
Chief Equity & Impact Officer
617-659-8010
rcannon@c4innovates.com





City of Dallas

1500 Marilla Street
Dallas, Texas 75201

Agenda Information Sheet

File #: 21-40

Item #: B.

Mixed Income Housing Incentives: (1) Housing Program Overview and Amendments to the Mixed Income Housing Development Bonus Program, (2) Chapter 20A Housing Voucher Incentives Overview and Amendments, and (3) Overview of the Proposed One Dallas Program (Fee in Lieu) [David Noguera, Director, Department of Housing and Neighborhood Revitalization; Pam Thompson, Strategy Manager, Department of Housing and Neighborhood Revitalization]



City of Dallas

Regulatory Incentives

Housing and
Homelessness Solutions
January 25, 2021

David Noguera, Director
Pam Thompson, Housing Strategy Manager
Department of Housing &
Neighborhood Revitalization
City of Dallas

Presentation Overview



- Purpose
- Background
- MIHDB
 - Equity Context/Program Design
 - Process
 - Projects
 - Evaluation
- Proposed - Amendments to Chapter 20A-4.1
- Proposed - One Dallas
- Staff Recommendation
- Next Steps



Purpose



- Review regulatory incentives that directly affect the provision of affordable housing
 - Regulation can either incentivize or stymie development
- Under review today:
 - MIHDB - Mixed income housing development bonus
 - Chapter 20A provisions that require developments that receive financial incentives to reserve 10% of their units solely for voucher holders
 - A proposed One Dallas program to be developed that allows for on-site development of affordable units, off-site development, land dedication, or a fee in lieu of development in exchange for development bonuses



Background – Overall



- Land use regulations and economic development policies help to direct, incentivize, or even hinder development
- Rigorous zoning requirements can improve the quality of a development but also add to a development's cost
- Economic development incentives must outweigh the cost of complying with the requirements of the incentives



Background – MIHDB



- In 2014, the City signed a voluntary compliance agreement (VCA) with HUD that required a planning effort to encourage:
 - The development of affordable housing throughout the city
 - Greater economic opportunity in areas of concentrated poverty
- This planning effort led to Neighborhood Plus, which included a goal of trading incentives for affordable housing
- In 2016, the Housing Committee directed staff to begin the work on MIHDB
- In 2019, after dozens of stakeholder and committee meetings, Council approved a by-right mixed income housing development bonus (MIHDB) in the zoning regulations and an amendment to Chapter 20A (Fair Housing) that created regulations for compliance and implementation.
 - By-right bonuses guide negotiations in zoning cases with bonuses



Background – Ch. 20A-4.1



- The 2014 VCA with HUD also required Council to consider an ordinance prohibiting discrimination against voucher holders
- In 2015, the state legislature pre-empted cities from prohibiting voucher holder discrimination, but left intact cities' ability to negotiate non-discrimination
- In 2016, Council amended Ch. 20A-4.1. The change was designed to increase opportunities for housing voucher holders and required that all multifamily developments receiving a financial subsidy from the City reserve 10% of their units solely for voucher holders
- Since the set aside requirement was approved, zero multifamily developments have been completed with tax increment financing(TIF) funding alone.
 - In contrast, in the 8 years prior to 2016, the TIF program produced 24 mixed income developments in 13 TIF districts, for a total of 5,214 residential units, including 1,487 units for households under 80% AMFI.



Background – One Dallas

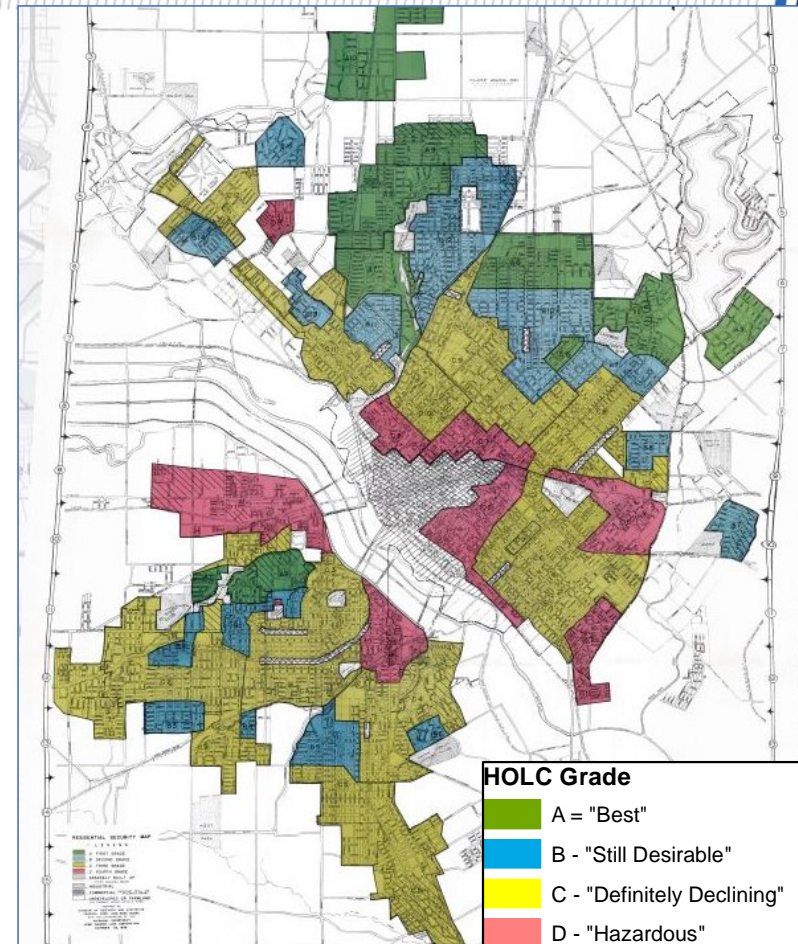


- MIHDB and TIF can create mixed income developments, but on-site provision of affordable housing in expensive developments can be financially prohibitive
- Nexus Study/One Dallas
 - On October 26, 2020, HHS was briefed on a proposed study to determine a maximum justifiable fee in lieu of on-site provision of affordable housing units
 - Staff is working with the consultant to finalize the Nexus Study which will serve as the basis for a proposed One Dallas program
 - If approved, One Dallas would allow for on-site development of affordable units, off-site development, land dedication, or a fee in lieu of development in exchange for development bonuses



Equity Context

- In 1937, the Home Owners' Loan Corporation drew maps to show residential "mortgage security."
- HOLC coded the maps largely along racial, ethnic, and religious lines.
- In areas deemed "hazardous," the federal government would not insure loans.
- This is the legacy the City seeks to undo in its housing programs.



Robert K. Nelson, LaDale Winling, Richard Marciano, Nathan Connolly, et al., "Mapping Inequality," American Panorama, ed. Robert K. Nelson and Edward L. Ayers, accessed January 9, 2021, <https://dsl.richmond.edu/panorama/redlining/#loc=12/32.784/-96.915&city=dallas-tx>

MIHDB – Program Design



- Purpose – Create mixed income development by providing zoning bonuses for multifamily developers in exchange for on-site housing for households at 51-100% AMFI and voucher holders
- Intended to incentivize additional mixed-income development without requiring additional financial incentives.
- State law requires the program to be voluntary
- Two tracks:
 - By-right bonus in multifamily and mixed use districts
 - Base plus bonus structure in planned development districts



MIHDB – Program Design



- Designed to be used mostly by-right in MF and MU zoning districts: developer finds property, does their due diligence and some paperwork, pulls permit.
 - Entire process is administrative – no Council action
- But – for zoning cases, everything is negotiated – design, uses, height, setbacks, landscaping, massing, and bonuses.
 - These elements all affect project cost as well as project value
 - The case goes through staff, CPC, and Council review.



MIHDB – Process Example – Preston Center



- Developer applied for zoning - April 2020
 - Complicated height, setback, open space, and design requirements on expensive property
- Developer worked diligently with nearby property owners to incorporate their comments
- Multiple staff & developer meetings to discuss site design as well as bonus.
 - Staff recommendation: 5-15% reserved units at 51%-100% AMI
 - Developer proposal: 2.6% reserved units at 81-120% AMI (initial proposal was even fewer)
- Case went to CPC in August but was held twice.
 - CPC requested a staff briefing on MIHDB program



MIHDB – Process Example – Preston Center



- In September:
 - Developer submitted the tenth version of their proposed zoning
 - Staff briefed CPC on MIHDB program
 - CPC recommended approval for the zoning and for 5% reserved units (including units for voucher holders)
- Council approved the zoning following CPC recommendation in October 2020
- Developer currently studying whether or not to use the bonus
 - Preston Center is a high opportunity, low poverty area close to good jobs and in the Highland Park school district
- Take away: Negotiated zoning cases can take an extraordinary amount of staff, CPC, Council, and developer time, even for very good projects.



MIHDB – Process Example - Cost



- Why so few units reserved, especially in high rise developments?
- Two scenarios:
 - An 800 square foot Class A+ apartment:
 - Market rent: \$3.40/ft or \$2,720/month
 - Rent at 60% AMI: \$741/month
 - Loss: ~\$2,000/month per unit
 - Loss for 10 units each year: \$240,000
 - Value reduction at a 4.75 cap rate for those units: \$5,052,631
 - Less expensive 800 square foot apartment:
 - Market rent: \$1.70/ft or \$1,360/month
 - Rent at 60% AMI: \$741/month
 - Loss: ~\$620/month per unit
 - Loss for 10 units each year: \$74,400
 - Value reduction at a 4.75 cap rate for those units: \$1,566,315
- On-site provision is far more financially viable in low- and mid-rise buildings with lower construction costs and lower market rents



MIHDB – Projects



- 5 zoning cases approved in 2017 through early 2019, prior to Council approval of the by-right bonus
- 1 by-right development permitted in 2019
- All 6 developments currently under construction
- 1,605 total units; 100 reserved units (6%)

Zoning Approval Date	Project Name	Council District	Total Units	Reserved Units
10/25/2017	Aster Turtle Creek	14	270	9
5/23/2018	Broadstone at Cole	14	333	33
9/26/2018	Lenox Oak Lawn	2	285	12
11/28/2018	Provident McKinney	14	198	20
2/27/2019	9353 Garland Rd	9	219	11
By-right (MU-2)	Palladium Redbird	8	300	15



MIHDB – Projects



- Since approval, 20 zoning cases with a bonus approved in 2019-2020
 - 14 developments in pre-development process (and may or may not use the bonus)
 - 3 cases for large areas – longer development timeline
 - 3 developments are unlikely to use bonus
- Most cases are in Uptown, Oak Lawn, East Dallas, and northeast Dallas
 - Some LIHTC projects also have a zoning bonus
- In addition, 5 developments in pre-development process for by-right bonus



MIHDB – Evaluation



- MIHDB works best with stick-built apartments that offer moderately-priced market rents.
- High-rise developments on expensive land lead to a large gap between market rates and affordable rates, making this program financially less viable.
 - But these developments offer great opportunities to eligible households



Proposed – 20A and One Dallas



- Staff recommends exploring two new initiatives:
 - Amend Chapter 20A-4.1: For projects receiving financial incentives, remove requirement that 10% of units be leased solely to voucher holders
 - Create a One Dallas program - fee in lieu and/or off-site provision, particularly for high-rise developments, allowing these developments to use the bonus without requiring on-site provision of reserved units.



Proposed: Amend Chapter 20A-4.1



- Currently, Chapter 20A-4.1 requires all multifamily developments that receive a financial subsidy from the City to set aside 10% of their units and lease them solely to voucher holders for 15 years.
 - Risks vacant units if not enough voucher holders
 - Hampers City's ability to offer subsidies for affordable units in otherwise market-rate developments
- Recommendation:
 - Remove the set-aside requirement
 - Strengthen the non-discrimination and affirmative fair housing marketing language
 - Return to developing ~200 affordable units each year through the TIF and other programs



Proposed: Amend Chapter 20A-4.1



SEC. 20A-4.1. HOUSING VOUCHER INCENTIVES.

In accordance with Section 250.007(c) of the Texas Local Government Code, as amended, the city hereby creates and implements the following voluntary program to encourage acceptance of housing vouchers, including vouchers directly or indirectly funded by the federal government.

(a) Subsidy. All housing accommodations that benefit from a subsidy or financial award approved by the city council on or after the effective date of this ordinance shall not discriminate against holders of any housing vouchers, including vouchers directly or indirectly funded by the federal government and shall comply with Sec. 20A-31(g) regarding compliance with an affirmative fair housing marketing plan.

~~—(b) Financial award. Multifamily housing accommodations that benefit from a financial award approved by the city council on or after the effective date of this ordinance shall set aside at least 10 percent of the dwelling units and solely lease those dwelling units to holders of housing vouchers, including vouchers directly or indirectly funded by the federal government, for a minimum of 15 years from the date of the initial issuance of the housing accommodation's certificate of occupancy. Multifamily has the meaning assigned in Section 51A-4.209 (b)(5) of the Dallas Development Code, as amended. (Ord. 30246)~~



Proposed – One Dallas



- The proposed One Dallas program provides additional flexibility for bonuses and additional funding for mixed income communities
- In addition to on-site, developments could qualify for bonuses by
 - Paying a fee in lieu of on-site units
 - Developing units off-site
 - Donating land – particularly in high opportunity areas
 - Partnering with a non-profit to develop units
- Fees in lieu of on-site provision create an additional, locally-controlled funding source that can be used to provide gap financing for much-needed mixed-income housing in well-located areas
 - For example, setting aside 10 units in an expensive high rise in Uptown could cost \$5 million in reduced value of the property.
 - Instead of producing 10 units, the developer would pay a fee into the housing trust fund which then would be used to provide gap funding for hundreds of units or mortgage assistance for dozens of homes.



Proposed – One Dallas



- BAE Economics is developing the Nexus Study and which will propose a fee in lieu of on-site provision
- If the committee recommends moving forward, staff will work with a consultant to develop the One Dallas program and present it to the committee in the late spring/early summer



Staff Recommendation



- Staff recommends prioritizing
 - additional use of MIHDB
 - amending 20A-4.1 to remove the strict voucher language
 - creating a One Dallas program
- Several recent studies indicate a deep need for additional housing at all price points, but particularly for households under the median income
- These initiatives complement our federal programs by creating mixed-income communities in high opportunity areas



Staff Recommendation



- Staff recommends the committee direct staff to
 - Continue to strengthen the MIHDB program
 - Amend Chapter 20A-4.1 to remove the requirement for units to be leased solely to voucher holders
 - Create a One Dallas program that allows developments to provide units on-site or off-site, to donate land for affordable housing, or to pay a fee in lieu of direct provision



Next Steps



- Continue to market MIHDB and streamline process
- Pending committee direction:
 - Return to HHS with a recommendation for an amendment to Chapter 20A-4.1
 - Engage a consultant to develop the One Dallas framework and program





Appendix



MIHDB – Program Process



- For zoning cases
 - Predevelopment discussions (as long as needed)
 - Zoning process (6 months to 2 years)
- For zoning cases and by-right
 - Developer due diligence, financing, and engineering (1 year)
 - Predevelopment meeting with Housing (1 to several meetings)
 - Restrictive covenant drafted, signed, and recorded
 - Building permit (several months)
 - Construction (2-3 years)
 - Construction completion
 - Close out (20 years)
- Note: At any point in the development process, the developer could decide not to use the bonus and/or not to build at all.



MIHDB – Eight Stage Model of Development



1. Inception of idea (overall development program)
 - What should the company build, and where should it be?
 - What market needs can be met by the company's project?
 - Will it work? (Back of the envelope pro forma calculations and drawings)
2. Refinement of idea
 - Developer looks for a potential site and researches market, zoning restrictions, potential tenants, lenders, partners, physical feasibility, etc.
 - Developers call staff and ask preliminary questions.
3. Feasibility
 - Formal market study, potential for zoning changes if needed, check if "the numbers work."
 - Initial building design, site plan, etc.
 - Continued refinement of the pro forma (costs versus income)

*Info from ULI: Real Estate Development Principles and Process, 3rd edition.



MIHDB – Eight Stage Model of Development



4. Negotiation of various contracts begins

- Loan, equity, land contract, zoning, subsidies (if needed), engineering/architecture work continues, general contractor contract, sub-contractors, supplies, etc.
- Zoning alone can take a year

5. Formal commitment

- Entity creation, loan, equity, construction, insurance, etc. contracts signed, zoning approved, subsidies approved (if needed), all loose ends tied down.
- From initial inception to this point can be anything from half a year to a decade, depending on all of the elements in the development.



MIHDB – Eight Stage Model of Development



6. Construction
 - 18-24 months – break ground, foundation work, “dried in” (walls, windows, roof in place, and watertight), units completed, temporary certificates of occupancy
 - Developer hires leasing/management company and begins to lease units
7. Completion and formal opening
 - Construction finishes, final punch lists, final CO, leasing continues, permanent staff hired, permanent financing replaces construction loan
8. Property, asset, and portfolio management
 - Management company in place, lease-up completed, property stabilized
 - Some developers will develop, lease up, stabilize, and sell. Others develop, lease up, stabilize, and hold.
 - Either way, income from the property is distributed to the partners, used to pay the loan, and can be used as equity for the next project.





City of Dallas

Regulatory Incentives

Housing and
Homelessness Solutions
January 25, 2021

David Noguera, Director
Pam Thompson, Housing Strategy Manager
Department of Housing &
Neighborhood Revitalization
City of Dallas



City of Dallas

1500 Marilla Street
Dallas, Texas 75201

Agenda Information Sheet

File #: 21-42

Item #: C.

Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act Approvals for Bond Issuance by the City of Dallas Housing Finance Corporation for Gateway Oak Cliff (\$33,000,000.00)
[Kyle Hines, Interim Assistant Director, Department of Housing and Neighborhood Revitalization]

Memorandum



CITY OF DALLAS

DATE January 11, 2021

Honorable members of the Housing and Homelessness Solutions Committee: Casey Thomas II (Chair), Cara Mendelsohn (Vice Chair), Chad West, Carolyn King Arnold, Paula Blackmon, Lee Kleinman, Jaime Resendez

SUBJECT **Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act Approvals for Bond Issuance by the City of Dallas Housing Finance Corporation for Gateway Oak Cliff (\$33,000,000.00)**

This memorandum is to inform you of an upcoming agenda item on January 27, 2021 to authorize approval of the City Council of the City of Dallas, to act as the applicable elected representative, as defined by Section 147(f)(2)(E) of the Internal Revenue Code of 1986, as amended (Code), of the issuance of multifamily residential mortgage revenue bonds (Bonds) issued by the City of Dallas Housing Finance Corporation in one or more series of tax-exempt bonds in an amount not to exceed \$33,000,000; proceeds of the Bonds will be loaned to Gateway Oak Cliff, LP to finance a portion of the cost for the acquisition of land and new construction of units for a mixed-income multifamily complex to be known as the Gateway Oak Cliff and located at 400 South Beckley Avenue, Dallas, Texas (Development) which includes an increase to the number of affordable units from 173 to 184; a public hearing with respect to the Bonds and the Development was held on January 6, 2021, after reasonable public notice was published in a newspaper of general circulation in the City of Dallas all in compliance with Section 147(f) of the Code.

The upcoming agenda item will also confirm that the Texas Housing Finance Corporations Act, Chapter 394 of the Texas Local Government Code applies to the Development.

Background:

In order for the DHFC to issue tax-exempt bonds for a project, a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing must be held where individuals can voice their opinions or concerns regarding the issuance of such bonds for the project to be financed. This requirement originated under the Tax Equity and Financial Responsibility Act of 1982.

Since the Development is located within the City of Dallas, Section 147 (f) of the Internal Revenue Code requires that in order for the bonds to be tax exempt, the City Council or the applicable elected representative of the City of Dallas, must approve the issuance of the bonds by the Issuer following an appropriate public hearing. The City of Dallas is not asked to issue bonds. The bonds shall not be a debt, liability, or an obligation of the City nor shall any of the City's assets be pledged for payment of the bonds. The City's

DATE January 11, 2021

SUBJECT **Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act
Approvals for Bond Issuance by the City of Dallas Housing Finance
Corporation for Gateway Oak Cliff (\$33,000,000.00)**

name will not appear on the bonds. The approval being requested is only for the purpose of complying with federal law and with regard to tax exempt debt.

Per the requirements of TEFRA, a hearing was published in the Dallas Morning News on December 23, 2020. On January 6, 2021, the public hearing was held with no outside participants in attendance, and thus, no comments made. Under applicable federal income tax law, the TEFRA approval is only valid for a one-year term. Therefore, the public hearing for the Development has a validity date through January 5, 2021. It is anticipated that the tax-exempt bonds to fund a portion of the costs for the Development will close on or about June 1, 2021.

On May 12, 2020 the City of Dallas Housing Finance Corporation (Issuer) authorized an inducement in an amount not to exceed \$33,000,000. An application for the allocation of \$33,000,000 in private activity bonds has been submitted to the Texas Bond Review Board (TBRB) and a reservation is expected by the end of January 2021.

Project Summary:

The 4% Housing Tax Credits and private activity bonds (PAB) will be used for the development of Gateway Oak Cliff, a 230-unit mixed-income multifamily complex to be located at 400 South Beckley Avenue, Dallas, Texas 75203 (Property). The 230 units are comprised of 33 studio units, 99 1-bedroom, 72 2-bedroom, and 26 3-bedroom units. The units will have energy-efficient appliances, laundry connections and all other requirements of TDHCA. The property will also consist of 410 structured parking spaces and a 6,000 square foot community and leasing center. After the development is complete, 184 of the 230 units will be made available to households earning 0%-60% of Area Median Income (AMI) and 46 of the 230 units will be at market rate. Gateway Oak Cliff, LP increased the number of affordable units from 173 to 184 in order to receive a Priority 2 PAB allocation from the Texas Bond Review Board (TBRB) and increase the odds of receiving a PAB allocation in the TBRB allocation lottery.

The Developer will also provide social programming that will fit the needs and interests of the residents including career training and placement, income tax preparation, notary services, food pantry, organized social events, partnership with law enforcement to provide quarterly activities, and other supportive services.

Timeline:

On May 12, 2020, the Issuer authorized an inducement in an amount not to exceed \$33,000,000.

On May 25, 2020, the Housing and Homelessness Committee (HHSC) was briefed on the development and Resolution of No Objection. The HHSC approved moving forward to Council for consideration.

DATE January 11, 2021

SUBJECT **Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act
Approvals for Bond Issuance by the City of Dallas Housing Finance
Corporation for Gateway Oak Cliff (\$33,000,000.00)**

On May 27, 2020, following a public hearing, City Council adopted a Resolution of No Objection related to the Development and Developer's 4% Non-Competitive Low Income Housing Tax Credits application to TDHCA by Resolution No. 20-0866.

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@DallasCityHall.com or 214-670-3619.



Dr. Eric Anthony Johnson

Chief of Economic Development & Neighborhood Services

c:	Honorable Mayor and City Council T.C. Broadnax, City Manager Chris Caso, City Attorney Mark Swann, City Auditor Billerae Johnson, City Secretary Preston Robinson, Administrative Judge Kimberly Bizzor 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 M. Elizabeth Reich, Chief Financial Officer M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion Directors and Assistant Directors
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City of Dallas

1500 Marilla Street
Dallas, Texas 75201

Agenda Information Sheet

File #: 21-43

Item #: D.

Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act Approvals for Bond Issuance by the City of Dallas Housing Finance Corporation for Midpark Towers (\$20,000,000.00)
[Kyle Hines, Interim Assistant Director, Department of Housing and Neighborhood Revitalization]

Memorandum



CITY OF DALLAS

DATE January 11, 2021

Honorable members of the Housing and Homelessness Solutions Committee: Casey Thomas II (Chair), Cara Mendelsohn (Vice Chair), Chad West, Carolyn King Arnold, Paula Blackmon, Lee Kleinman, Jaime Resendez

SUBJECT **Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act Approvals for Bond Issuance by the City of Dallas Housing Finance Corporation for Midpark Towers (\$20,000,000.00)**

This memorandum is to inform you of an upcoming agenda item on January 27, 2021 to authorize approval of the City Council of the City of Dallas, to act as the applicable elected representative, as defined by Section 147(f)(2)(E) of the Internal Revenue Code of 1986, as amended (Code), of the issuance of multifamily residential mortgage revenue bonds (Bonds) issued by the City of Dallas Housing Finance Corporation in one or more series of tax-exempt bonds in an amount not to exceed \$20,000,000; proceeds of the Bonds will be loaned to Midpark Towers, LP to finance a portion of the cost for the acquisition of land and rehabilitation of 202 existing units for an affordable multifamily complex to be known as Midpark Towers and located at 8550 Midpark Road, Dallas, Texas 75240 (Development); a public hearing with respect to the Bonds and the Development was held on January 6, 2021, after reasonable public notice was published in a newspaper of general circulation in the City of Dallas all in compliance with Section 147(f) of the Code.

The upcoming agenda item will also confirm that the Texas Housing Finance Corporations Act, Chapter 394 of the Texas Local Government Code applies to the Development and acknowledge that the Development is located in a census tract with a poverty rate above forty percent as required by Section 10 TAC §11.101(a)(3) of the Texas Department of Housing and Community Affairs' (TDHCA) Qualified Allocation Plan.

Background:

In order for the DHFC to issue tax-exempt bonds for a project, a Tax Equity and Fiscal Responsibility Act (TEFRA) public hearing must be held where individuals can voice their opinions or concerns regarding the issuance of such bonds for the project to be financed. This requirement originated under the Tax Equity and Financial Responsibility Act of 1982.

Since the Development is located within the City of Dallas, Section 147 (f) of the Internal Revenue Code requires that in order for the bonds to be tax exempt, the City Council or the applicable elected representative of the City of Dallas, must approve the issuance of the bonds by the Issuer following an appropriate public hearing. The City of Dallas is

DATE January 11, 2021

SUBJECT **Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act
Approvals for Bond Issuance by the City of Dallas Housing Finance
Corporation for Midpark Towers (\$20,000,000.00)**

not asked to issue bonds. The bonds shall not be a debt, liability, or an obligation of the City nor shall any of the City's assets be pledged for payment of the bonds. The City's name will not appear on the bonds. The approval being requested is only for the purpose of complying with federal law and with regard to tax exempt debt.

Per the requirements of TEFRA, a hearing was published in the Dallas Morning News on December 23, 2020. On January 6, 2021, the public hearing was held with no outside participants in attendance, and thus, no comments made. Under applicable federal income tax law, the TEFRA approval is only valid for a one-year term. Therefore, the public hearing for the Development has a validity date through January 5, 2021. It is anticipated that the tax-exempt bonds to fund a portion of the costs for the Development will close on or about April 15, 2021.

On October 19, 2020, the City of Dallas Housing Finance Corporation (Issuer) authorized an inducement in an amount not to exceed \$20,000,000. An application for the allocation of \$20,000,000 in private activity bonds has been submitted to the Texas Bond Review Board (TBRB) and a reservation is expected by the end of January 2021.

City Council approved a Resolution of No Objection for the development on November 11, 2020. When evaluating the Development, Staff utilized the 2020 Texas Department of Housing & Community Affairs (TDHCA) demographics report to determine the poverty rate for the Development's census tract. The 2020 demographics report stated that the poverty rate was below 40%. Since that time, TDHCA has released a revised demographics report for 2021 and it now states that the Development's census tract has a poverty rate above 40%. Section 10 TAC §11.101(a)(3) of TDHCA's Qualified Allocation Plan requires the City specifically acknowledge that the property is located in a census tract with a poverty rate above 40%. Because the Development is for the acquisition and substantial rehabilitation of an existing property, Staff recommend acknowledgement and approval of the Development to provide improved housing conditions and access to opportunity through the provision of resident services for the existing residents of the Development.

Project Summary:

Midpark Towers, LP (Developer) will utilize 4% Housing Tax Credits and Bonds for the acquisition, renovation, and rehabilitation of the Midpark Towers, an existing 202-unit multifamily complex built in 1978, located at 8550 Midpark Road.

The project scope includes the rehabilitation of all 202 units which are spread over two separate 10- and 11-story towers. The 202 units are all 1-bedroom units. Interior renovations include upgrades to cabinets, countertops, flooring, paint, energy efficient appliances, PTAC A/C units and window replacements. Improvements include installing new elevators, replacing the roof, and replacing the property's boiler, amongst other improvements. The Developer will add a new fitness center and new computer center as well as renovate the laundry facilities, corridors, and entryways.

DATE January 11, 2021

SUBJECT **Upcoming Agenda Item: Tax Equity and Fiscal Responsibility Act
Approvals for Bond Issuance by the City of Dallas Housing Finance
Corporation for Midpark Towers (\$20,000,000.00)**

Increased security at the property including onsite patrol will be provided. Cameras will be installed at all entrances and in elevators. Improved lighting will be placed throughout the interior and exterior of the property. A professional property management firm, Alpha Barnes, will be brought in to manage the property. Alpha Barnes currently manages approximately 30,000 multifamily units and employs over 850 staff members in the field.

The Developer will also provide social programming that will fit the needs and interests of the residents including financial literacy and adult education classes, income tax preparation, notary services, food pantry, career training and placement, exercise/fitness classes, and other supportive services.

Timeline:

On October 19, 2020, the Issuer authorized an inducement in an amount not to exceed \$20,000,000. The Issuer also authorized 1) the negotiation of a master agreement with Midpark Towers, LP, 2) an ownership interest as the general partner of Midpark Towers GP, LLC, 3) serving as the co-developer of the project, 4) the acquisition of the land, 5) entering into a long-term ground lease with Midpark Towers, LP, and 6) serving as the General Contractor.

On October 26, 2020, the Housing and Homelessness Solutions Committee (HHSC) was briefed on the Development, the Resolution of No Objection and proposed bond issuance. The HHSC approved moving forward to Council for consideration.

On November 11, 2020, following a public hearing, City Council adopted a Resolution of No Objection related to the Development and Developer's 4% Non-Competitive Low-Income Housing Tax Credits application to TDHCA by Resolution No. 20-1844.

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@DallasCityHall.com or 214-670-3619.



Dr. Eric Anthony Johnson

Chief of Economic Development & Neighborhood Services

c: Honorable Mayor and City Council
T.C. Broadnax, City Council
Chris Caso, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor 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
M. Elizabeth Reich, Chief Financial Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors



City of Dallas

1500 Marilla Street
Dallas, Texas 75201

Agenda Information Sheet

File #: 21-44

Item #: E.

Upcoming Agenda Item: Comprehensive Housing Policy Amendment To Modify Program Requirements- New Construction and Substantial Rehabilitation Program
[David Noguera, Director, Department of Housing and Neighborhood Revitalization]

Memorandum



DATE January 21, 2021

CITY OF DALLAS

Honorable members of the Housing and Homelessness Solutions Committee: Casey Thomas II (Chair), Cara Mendelsohn (Vice Chair), Chad West, Carolyn King Arnold, Paula Blackmon, Lee Kleinman, Jaime Resendez

SUBJECT **Upcoming Agenda Item: Comprehensive Housing Policy Amendment to Modify Program Requirements – New Construction and Substantial Rehabilitation Program**

The City has recently received numerous development applications in response to the 2020 Standing NOFA for the development of affordable multifamily and single-family housing. To receive Council approval, an application must meet the applicable threshold requirements per the Comprehensive Housing Policy (CHP), and the applicable threshold requirements outlined in the NOFA solicitation. In addition to compliance with the NOFA and the CHP, projects must meet applicable underwriting standards. To meet those standards, projects are evaluated by Housing Staff and subsequently submitted to a third-party underwriter with initial funding recommendations based on available funding. During the most recent review of projects, the third-party underwriter identified two (2) areas of the CHP that significantly impact the City's ability to provide meaningful gap financing to a variety of multifamily developments.

Background

The Comprehensive Housing Policy was adopted on May 9, 2018 and was most recently amended on August 26, 2020. As a precursor to the release of the 2020 NOFA (release August 7, 2020), Housing Staff recommended changes to the New Construction and Substantial Rehabilitation section of the CHP in June of 2020. Following review by the Housing Policy Task Force, the Housing and Homelessness Solutions Committee did not recommend proposed changes for full Council approval. Although the changes were not recommended by the committee, the committee provided valuable feedback regarding future adjustments to the CHP.

Issues Identified by the Third-Party Underwriter

Between August and December of 2020, Housing staff received five (5) applications for multifamily developments seeking financial assistance from the City. Housing staff subsequently scored all projects, did preliminary reviews of the financials, and submitted eligible projects to an underwriter with funding recommendations. During the review of the projects, the underwriter identified two issues in the CHP preventing the projects from going forward:

DATE January 21, 2021

SUBJECT **Upcoming Agenda Item: Comprehensive Housing Policy Amendment to Modify Program Requirements – New Construction and Substantial Rehabilitation Program**

Issue #1: City participation for multifamily projects is limited to 9% of the HUD 234 Limits.

Each year, HUD releases city/county-specific HUD 234-Condominium Housing Limits that establish the maximum amount of federal funding that can be used to construct or rehabilitate a unit based on the number of bedrooms. When the CHP was adopted in 2018, the HUD 234 Limits were as follows:

- Efficiency - \$58,787.00
- 1 Bedroom - \$67,391.00
- 2 Bedroom - \$81,947.00
- 3 Bedroom - \$106,013.00
- 4 Bedroom - \$116,369.00

The CHP limits the City's per unit subsidy for rental projects to 9% of the HUD 234 Limits — regardless of financial need, underwriting, or funding source — to the following:

- Efficiency - \$5,290.83
- 1 Bedroom - \$6,065.19
- 2 Bedroom - \$7,375.23
- 3 Bedroom - \$9,541.17
- 4 Bedroom - \$10,473.21

HUD already provides subsidy limits to which the City must adhere. At present, the CHP further limits subsidy for both Federal and non-Federal funding sources. Financial underwriting should determine the appropriate level of subsidy, up to the Federal limits, on a project-by-project basis.

In June of 2018 (after the adoption of the CHP), City Council approved three (3) multifamily projects: 2400 Bryan, The Estates at Shiloh, and Palladium Redbird. None of the three projects approved in 2018 adhered to the 9% limitation of the HUD 234 Limits outlined in the CHP. Using the Palladium Redbird project as an example, the matrix below outlines what the CHP currently allows in juxtaposition to what HUD allows:

DATE January 21, 2021

SUBJECT **Upcoming Agenda Item: Comprehensive Housing Policy Amendment to Modify Program Requirements – New Construction and Substantial Rehabilitation Program**

Palladium					
# of Bedrooms	# of Units	HUD 234 Limits (2018)	Multiplier	Subsidy Allowance	Subsidy Allowance (w/o 9% limit)
0	0	\$ 58,787.00	0.09	\$ -	\$ -
1	129	\$ 67,391.00	0.09	\$ 782,409.51	\$ 8,693,439.00
2	130	\$ 81,947.00	0.09	\$ 958,779.90	\$ 10,653,110.00
3	41	\$ 106,013.00	0.09	\$ 391,187.97	\$ 4,346,533.00
4	0	\$ 116,369.00	0.09	\$ -	\$ -
			Total	\$ 2,132,377.38	\$ 23,693,082.00
			@ 70% Affordable	\$ 1,492,664.17	\$ 16,585,157.40

Had the CHP limitations been applied to the Palladium Redbird project, the City would have only been able to provide approximately \$1.49 million in development subsidy. Doing so would have left a \$6.8 million gap in financing effectively making the project impossible to execute. Ultimately, City funding sources (federal & non-federal) totaled \$8,300,000 and filled the necessary financing gap identified by the developer and confirmed by the underwriter.

Issue #2: Comprehensive Housing Policy does not make any distinction between permanent supportive housing developments and other multifamily developments with regards to debt structuring.

At present, the CHP requires that all loans be repayable and makes no distinction between project type or financial need. As outlined in the underwriting report for a proposed permanent supportive housing development, the project can ostensibly support debt service, however, by eliminating debt service on the City loan, the project is on firmer financial footing. The underwriter subsequently recommends that the City structure its debt as a recoverable loan without debt service.¹ Because the City is recommending Proposition J Bond funding for the proposed project, debt service repayment is not an issue. However, if federal sources were the only sources available for permanent supportive housing projects, they, too, would be subject to the current repayment requirements in the CHP.

Permanent supportive housing projects—when compared to non-permanent supportive housing projects—1) have higher operating costs due to required wrap-around services and 2) have lower operating income due to the profile of individuals served and restricted rents. To that end, structuring debt for a permanent supportive housing development and a LIHTC development in the same manner can be problematic.

Recommendation

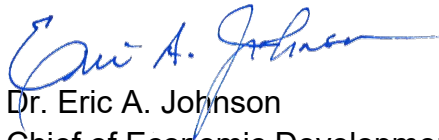
Staff recommends amending the CHP to remove the 9% cap to allow the City to provide subsidy based on financial need and underwriting. The third-party underwriter outlines

DATE January 21, 2021

SUBJECT **Upcoming Agenda Item: Comprehensive Housing Policy Amendment to Modify Program Requirements – New Construction and Substantial Rehabilitation Program**

the need to amend the CHP in the underwriting report for a proposed permanent supportive housing project. It is important to note that this limitation affects the remaining four (4) projects in the NOFA pipeline.

Similarly, staff recommends amending the CHP to allow debt to be structured as a forgivable loan for projects with permanent supportive housing units, subject to financial underwriting. Doing so recognizes the inherent challenges in developing permanent supportive housing and makes the CHP responsive to the need for such development.



Dr. Eric A. Johnson

Chief of Economic Development and Neighborhood Services

c:	T.C. Broadnax, City Manager	Jon Fortune, Assistance City Manager
	Chris Caso, City Attorney	Joey Zapata, Assistant City Manager
	Mark Swann, City Auditor	Nadia Chandler Hardy, Assistant City Manager
	Biliera Johnson, City Secretary	M. Elizabeth Reich, Chief Financial Officer
	Preston Robinson, Administrative Judge	Laila Aleqresh, Chief Innovation Officer
	Kimberly Bazor Tolbert, Chief of Staff to the City Manager	M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
	Majed A. Al-Ghafry, Assistant City Manager	Directors and Assistant Directors



City of Dallas

1500 Marilla Street
Dallas, Texas 75201

Agenda Information Sheet

File #: 21-58

Item #: F.

Upcoming Agenda Item: Consideration of a Conditional Grant Agreement with St. Jude, Inc. for the Rehabilitation of 180 Permanent Supportive Housing Units as Part of the 2020 Standing Notice of Funding Availability

[David Noguera, Director, Department of Housing and Neighborhood Revitalization]

Memorandum



CITY OF DALLAS

DATE January 21, 2021

Honorable members of the Housing and Homelessness Solutions Committee: Casey Thomas II (Chair), Cara Mendelsohn (Vice Chair), Chad West, Carolyn King Arnold, Paula Blackmon, Lee Kleinman, Jaime Resendez

SUBJECT **Consideration and Recommendation of City Council Approval of an Award of Funding and Authorization to Enter into a Development Agreement with St. Jude, Inc. to Develop Permanent Supportive Housing Units as Part of the 2020 Standing Notice of Funding Availability (NOFA) to Develop Affordable Multifamily and Single-Family Housing**

Summary

On January 25, 2021, the Committee will consider whether to recommend that the City Council authorize an award of funding to St. Jude, Inc. (Developer) as part of the 2020 Standing Notice of Funding Availability (NOFA) and authorize staff to enter into a development agreement setting forth the terms of the development of permanent supportive housing units.

Background

On October 12, 2020, St. Jude, Inc. submitted a NOFA application in conjunction with their previously submitted Notice of Intent (NOI) to apply for NOFA funds in the amount of \$3,300,000 million in Proposition J Homeless Bond funds.

As outlined in their NOI, the subsequent NOFA application specifically requested funding to develop the \$15 million project while undertaking the following activities:

1. Purchase of the Gateway Hotel property located at 8102 LBJ Freeway, Dallas Texas 75251;
2. Following purchase of the property, St. Jude, Inc. will enter a two-phase operational process:
 - a. Phase I: Serve as transition housing for COVID-19-displaced persons experiencing homelessness and other housing insecure individuals during convalescence
 - b. Phase II: Renovate the property and house individuals experiencing homelessness and other housing insecure individuals
3. In total, Phase II renovation will result in 180 permanent supportive housing units that are approximately 350 square feet each

DATE January 21, 2021

SUBJECT

Consideration and Recommendation of City Council Approval of an Award of Funding and Authorization to Enter into a Development Agreement with St. Jude, Inc. to Develop Permanent Supportive Housing Units as Part of the 2020 Standing Notice of Funding Availability (NOFA) to Develop Affordable Multifamily and Single-Family Housing

4. Transition from Phase I to Phase II will be gradual and done systematically in conjunction with City, County, and other stakeholders. Phase I and Phase II will overlap as renovation of common areas may commence during transitional housing period.

The St. Jude, Inc. application received a fundable score of 100.00 points and met the criteria for consideration for the use of Proposition J Homeless Bond funds. St. Jude, Inc. is a subsidiary of Catholic Housing Initiative. Since 1992, the Catholic Housing Initiative has developed over 1,400 units of housing—the majority of which are affordable and senior housing projects. Those projects represent over \$75 million in total investment. At present, Catholic Housing Initiative owns and manages over 900 units of affordable and senior housing units.

St. Jude, Inc. currently operates the St. Jude Center – Forest Lane property. The Forest Lane property received \$2 million in HOME funds from the City of Dallas in 2017 to renovate 104 units of permanent supportive housing. The proposed St. Jude Center – Park Central project is structured similarly to the Forest Lane project in that it is a partnership between the City of Dallas, Dallas County, private lending institutions, and a consortium of non-profits and private contributors. Like Forest Lane, Catholic Charities Dallas (CCD) will provide property management and social services at the Park Central site. Additionally, St. Jude, Inc. has secured memoranda of understanding (MOUs) with Dallas County and a 3rd party service providers for rental subsidies and housing vouchers for future residents.

As underwritten, the proposed development consists of one hundred-eighty (180) units of permanent supportive housing for households in the 0-30% AMI income band.

As proposed, the permanent financing for the project is as follows:

Financing Sources	Amount
City of Dallas NOFA – Proposition J Bond Funds	\$3,300,000.00
City of Dallas CARES Act Funding	\$2,000,000.00
Permanent Financing	\$1,000,000.00
St. Jude, Inc Equity/Investors	<u>\$8,750,000.00</u>
Total	\$15,050,000.00

In addition to the permanent financing outlined above, Dallas County has committed \$8 million in funds for operating expenses.

DATE January 21, 2021

SUBJECT

Consideration and Recommendation of City Council Approval of an Award of Funding and Authorization to Enter into a Development Agreement with St. Jude, Inc. to Develop Permanent Supportive Housing Units as Part of the 2020 Standing Notice of Funding Availability (NOFA) to Develop Affordable Multifamily and Single-Family Housing

Investment in the Project is estimated to exceed \$15 million with each City dollar leveraging a minimum of \$1.84 in private investment. Approval of this project will help the City meet its affordable housing production goals under the Comprehensive Housing Policy.

Staff Recommendation

- As substantiated in the underwriting report, staff recommends Council approval of the item as detailed herein. Passage of the item will help the City maintain its affordable housing production goals.
- As substantiated in the underwriting report, Developer has the experience to successfully complete the proposed project. Staff will continue to work with the Developer to address outstanding due diligence items outlined in the underwriting report prior to entering into any agreements.

Please feel free to contact David Noguera, Director of Housing & Neighborhood Revitalization at 214-670-5988, or David.Noguera@dallascityhall.com if you have any questions or need additional information.



Dr. Eric A. Johnson

Chief of Economic Development and Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor 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
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors