



City of Dallas

Use of MIHDB Fee in Lieu Funding

**Housing and Homelessness
Solutions Committee
March 21, 2023**

Thor Erickson, Assistant Director
Jessica MacKinnon, Operations Research Analyst
Department of Housing & Neighborhood Revitalization
City of Dallas

Presentation Overview



- Mixed Income Housing Development Bonus (MIHDB) Background
- MIHDB Fund
- Research on use of fund
- Funding use recommendations
- Next steps



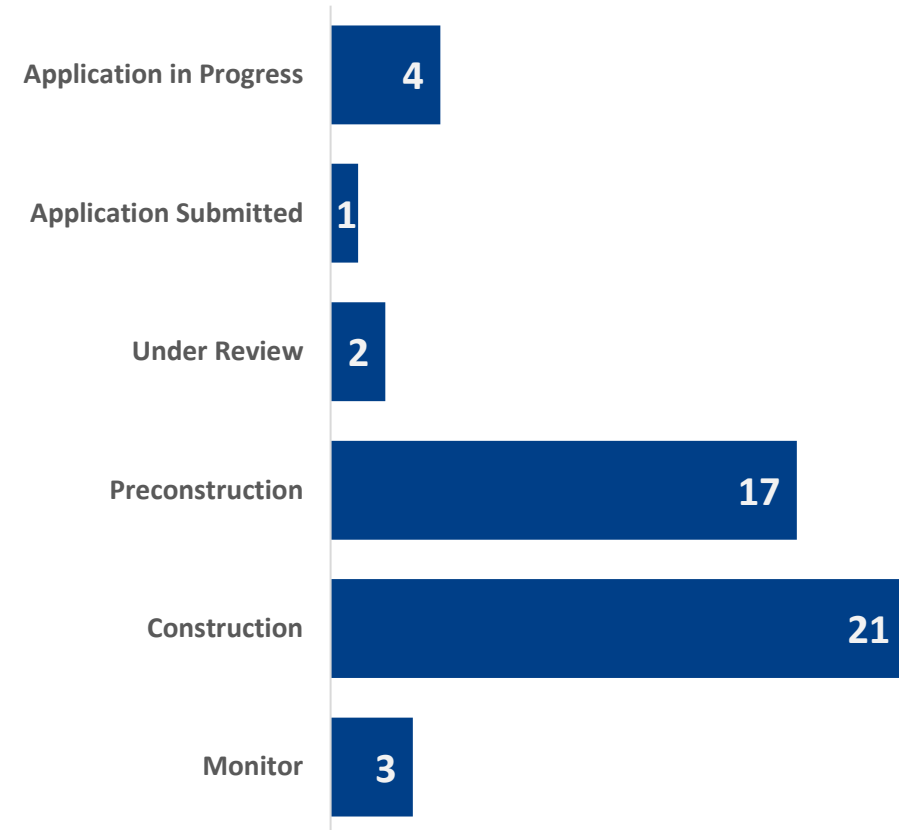
MIHDB Background



Mixed Income Housing Development Bonus

- Provides zoning incentives (stories, height, density, etc.) in exchange for on-site affordable housing units
- Developers may also pay a fee in lieu of affordable housing with the density bonus

MIHDB Project Pipeline



MIHDB Fund



- City Council created the MIHDB Fund on May 11, 2022 to ensure that the fees paid in lieu of affordable housing achieved the intent of improving housing and neighborhoods in Dallas
- Per Sec. 20A-33, MIHDB fund to be used only for:
 - Funding programs authorized by the comprehensive housing policy that affirmatively further fair housing
 - Funding for data and analysis in support of housing programs authorized by the comprehensive housing policy that affirmatively further fair housing
 - Funding staff and expenses for management and administration of mixed income housing development bonus program and the mixed income housing development bonus fund



MIHDB Fund



- Program is funded by program fees and fees in lieu of on-site affordable housing
- Housing Department estimates receiving \$6 million this fiscal year
- Housing has collected ~\$4.4M to date
- This fund is separate from the Housing Trust Fund which was created from Tax Increment Financing (TIF) dollars



Research



- To further refine the use of funds within the categories allowed by code, staff conducted research on the following:
 - Dallas Housing Policy 2033
 - Housing Policy Task Force (HPTF)
 - Surveyed the HPTF on priorities
 - Presented to the HPTF on February 23, 2023
 - Other Cities' Funds
 - Researched use of 44 cities' Housing Trust Funds
 - Internal Department Discussions
 - Discussed gaps in existing programs with program managers and staff



Research – Dallas Housing Policy 2033 Pillars



1. Equity Strategy Target Areas	Identify specific disparities in housing opportunities and reduce them utilizing a targeted approach
2. Citywide Production	Increase production to improve housing affordability for a broad mix of incomes in all areas of the city
3. Citywide Preservation	Increase preservation to improve housing affordability for a broad mix of incomes in all areas of the city
4. Infrastructure	Prioritize infrastructure investments in equity strategy target areas
5. Collaboration and Coordination	Align strategies and resources to maximize the impact of partnerships with internal and external stakeholders
6. Engagement	Cultivate diverse avenues of communication with residents across all neighborhoods to guide City's housing investment decisions
7. Education	Develop a city-wide, collaborative campaign to increase YIMBYism (Yes in My Back Yard) for housing affordability and the people who need it



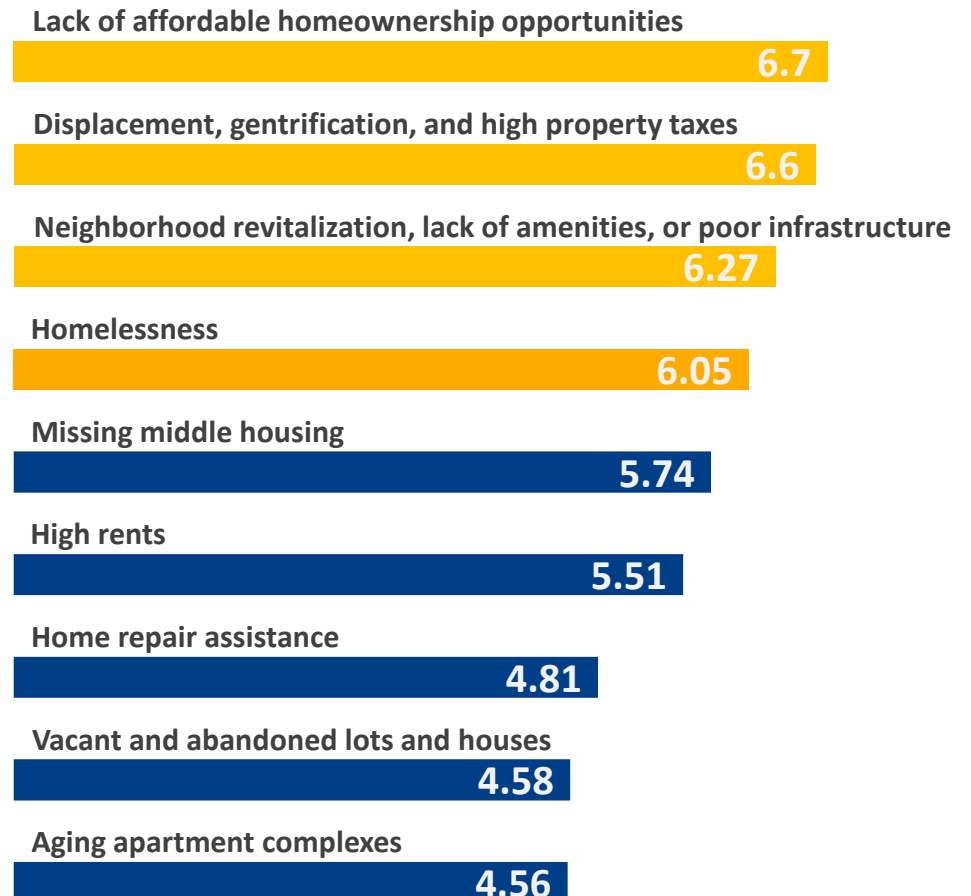
HPTF Research - Priority Issues



Which issues are most important to you or your organization?

- Homeownership
- Stability
- Strong Communities

Average Score (out of 9)



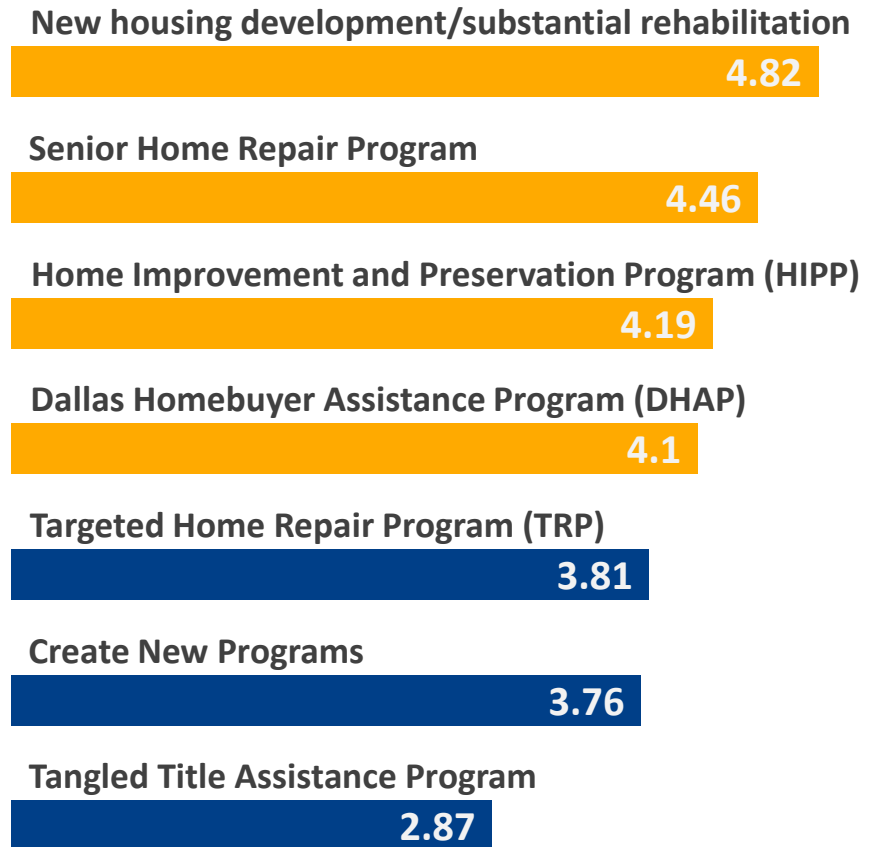
HPTF Research - Priority Programs



If Housing had the opportunity to increase funding to its programs, what priority would you or your organization recommend?

- Development/Homeownership
- Stability/Home Repair

Average Score (out of 7)

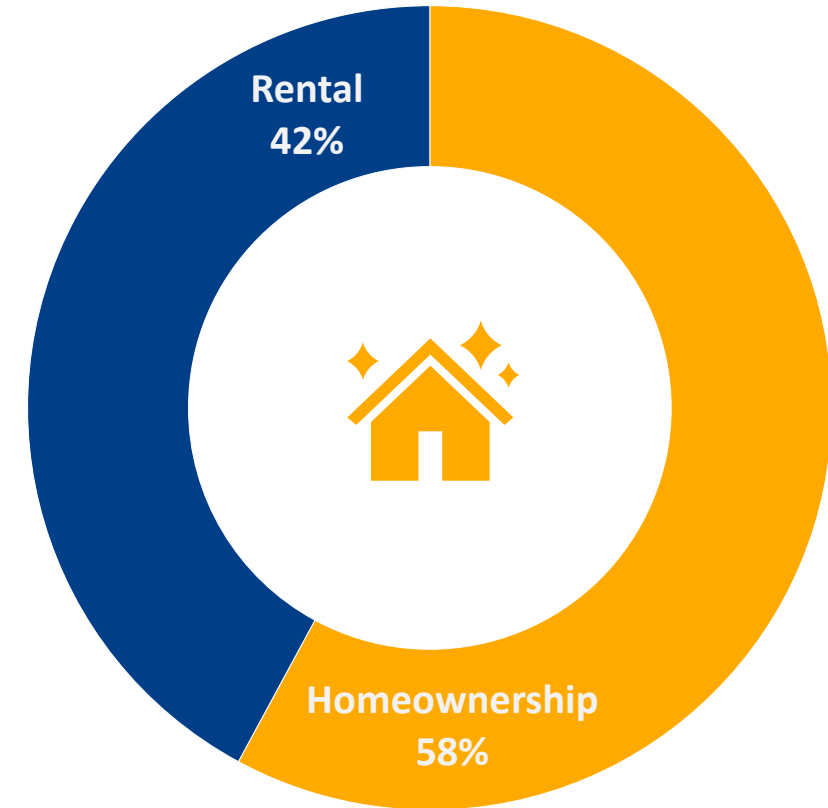


HPTF Research – Priority Construction



Which housing construction is more important to you or your organization?

- Homeownership



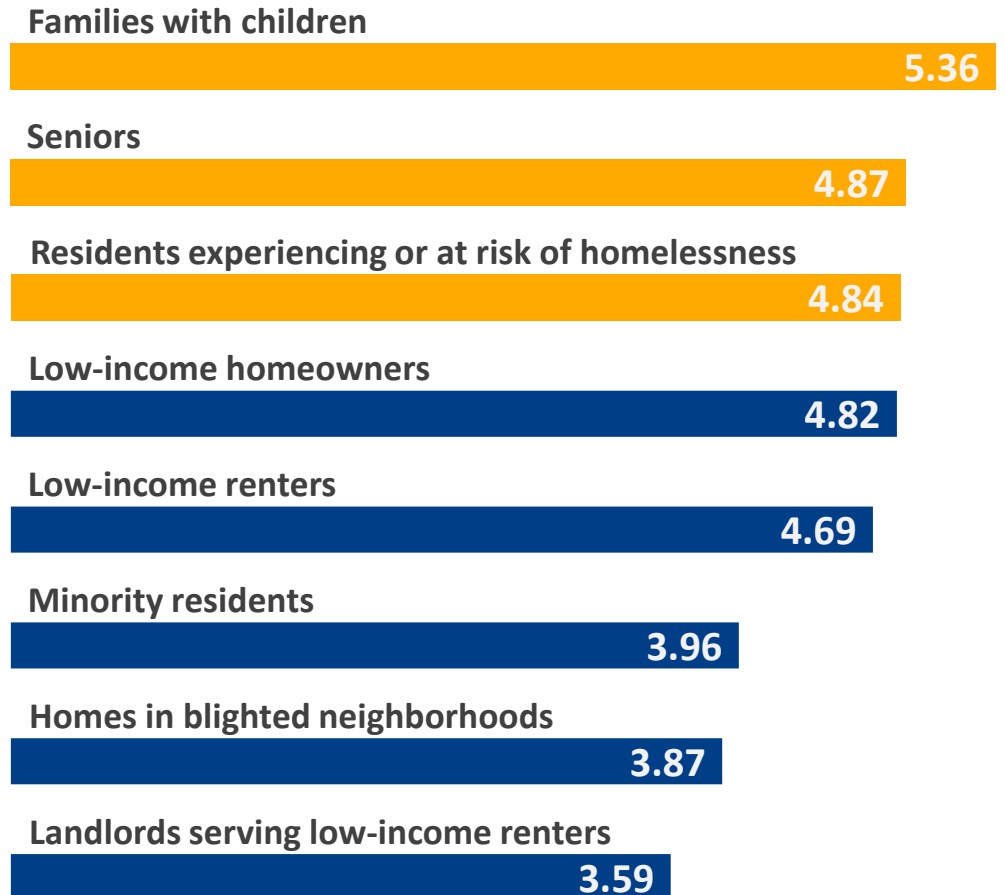
HPTF Research – Priority Populations



Which residents would you prefer Housing serve with this money?

- Strong Communities
- Stability

Average Score (out of 8)



HPTF Research – Qualitative



- Please list the names of, or briefly describe, any solutions or best practices that you or your organization would like to recommend.
- Trends in responses included:
 - Homelessness and eviction
 - Deeper affordability
 - More communication and education regarding housing issues
 - Rehabilitation of single-family and aging multifamily stock
 - Homeownership
 - Equity, displacement, and gentrification



Research - Other Cities' Funds



New housing development

- 31 of 44 cities included Development as part of their housing trust fund
- Cities that noted Area Median Income (AMI) levels required deeper affordability levels for rental housing (<60% AMI, <50% AMI, <30% AMI, even <15% AMI)
- High-cost, high-density cities focused on multifamily housing, but homeownership was still present

Research - Other Cities' Funds



- Home repair
 - 14 of 44 cities included repair or targeted rehabilitation programs
- Homebuyer assistance
 - Only 5 of the 44 cities included homebuyer assistance programs
 - Some of these cities also offered homebuyer counseling

Research - Other Cities' Funds



- Homelessness and Stability
 - 7 of the 44 other cities have programs addressing homelessness
 - 4 have programs for rental assistance
 - No consistent use of funds devoted to homelessness. Uses include:
 - development of homeless housing and residential facilities
 - funding supportive and transitional housing
 - aid to nonprofits serving homeless populations
 - prevention and housing stability services



Research - Other Cities' Funds



- Flexibility and Innovation
 - Housing Trust Funds have looser requirements than federal or bond funds and can be allocated to address specific gaps
 - Many cities had unique programs that met their needs, such as
 - funding Accessory Dwelling Units (ADUs) and Community Land Trust (CLT)
 - incentivizing landlords to register as affordable for 10 years
 - offering operating expenses and capacity building to organizations serving homeless populations





Development

- Federal requirements on funding, such as the 120-day Environmental Review, are discouraging developers from participating
- Community Development Block Grant (CDBG) dollars cannot be spent on vertical construction, limiting what can be offered to developers
- More flexible funding can allow us to attract more developers and affordable development, and provide more funding to developments that need it

Research – Program Management



- Home Repair
 - Difficulty attracting and keeping contractors
 - Minimal profits on the most expensive repairs
 - Limited flexibility on change orders
 - No way to incentivize quick timelines
 - Homeowners have difficulty meeting requirements
 - Many homeowners have difficulty relocating, moving furniture, or other tasks required for significant repairs



Research – Program Management



- Homebuyer Assistance
 - Expand options to serve households earning up to 120% AMI
 - Currently have targeted occupation program (\$254,000) and, on February 22, 2023, the City Council approved the anti-displacement program DHAP10 (\$1 million)
 - Regularly deny assistance to households earning just over 80% AMI, though they are not any more capable of purchasing than someone earning just under 80% AMI

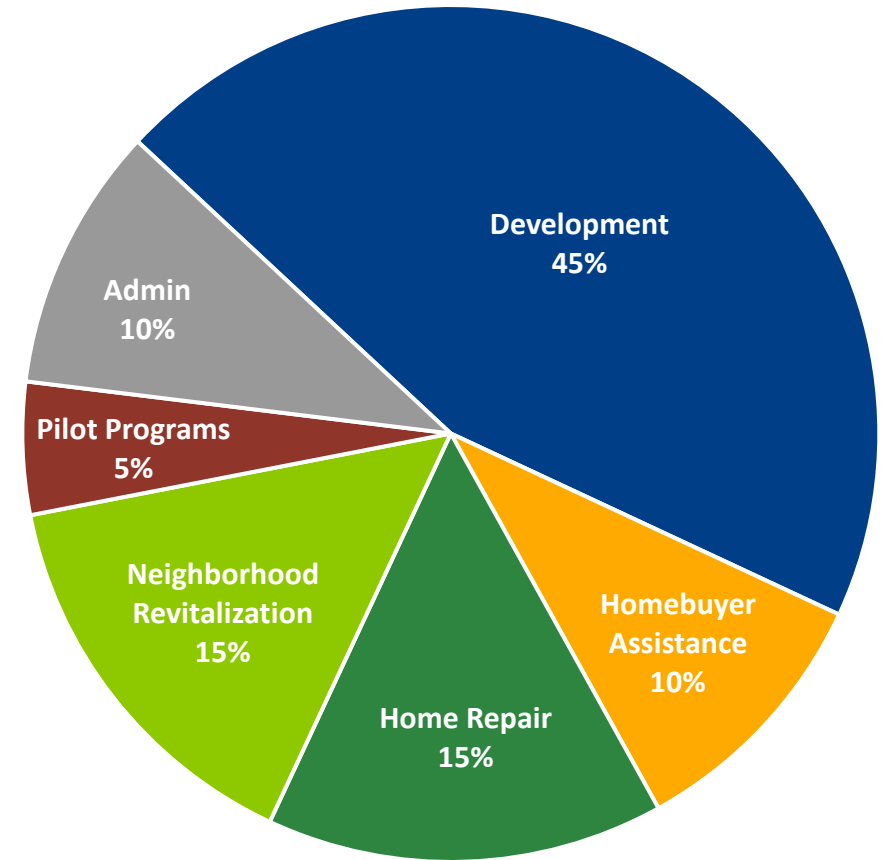


Summary of Recommendations



Based on the research presented, Housing recommends the following approach to allocating the MIHDB fund.

The percentages are general splits and will vary based on need and research over the course of the year.



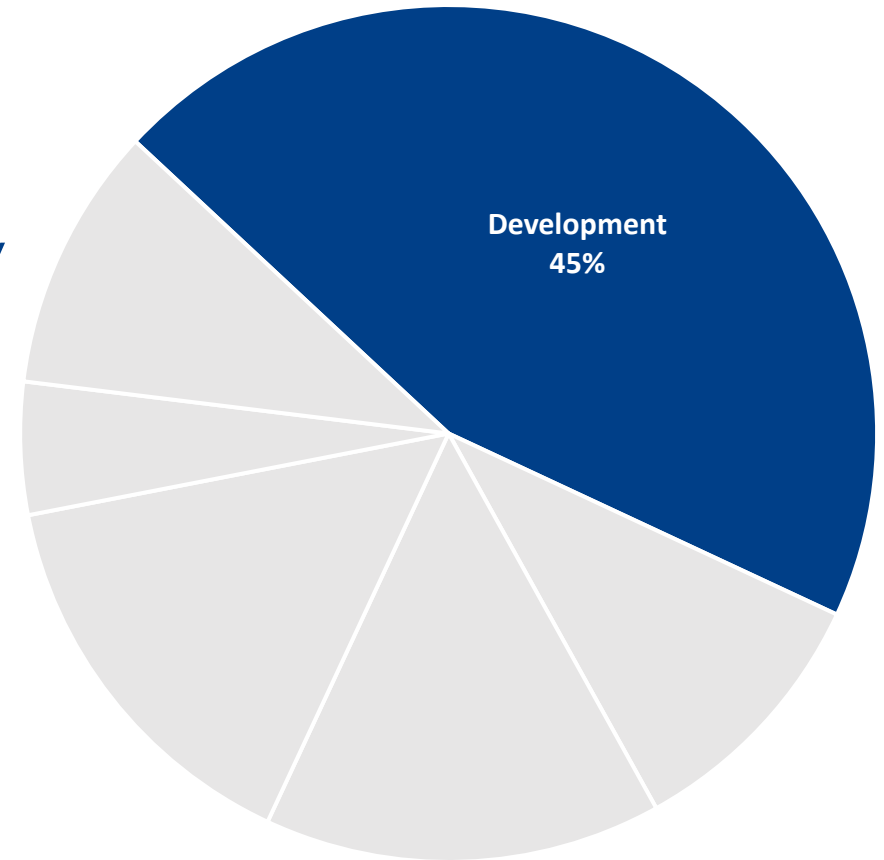
Recommendations - Development

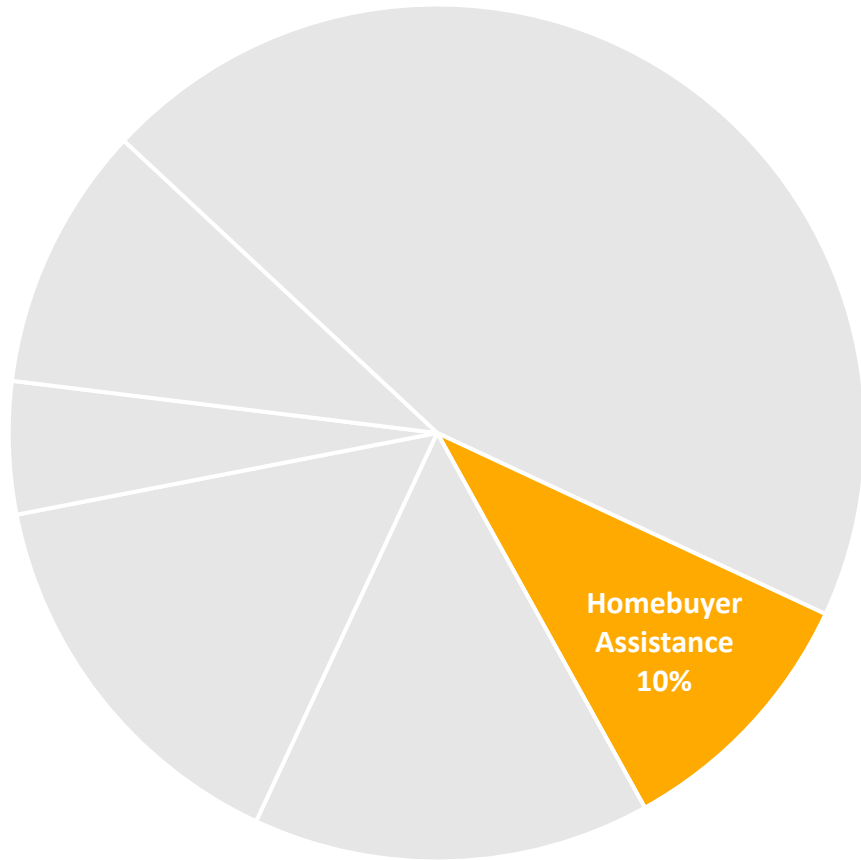


Development

Incentivize developments that:

- Provide deeper long-term rental affordability
 - Seek opportunities for family housing with larger units and housing for homeless populations
- Offer affordable homeownership opportunities
 - Seek opportunities for missing middle and innovative housing types
- Focus in City's targeted areas





Homebuyer Assistance

- Bolster existing homebuyer assistance programs as needed
- Increase opportunities for applicants earning 120% AMI and below

Recommendations - Revitalization

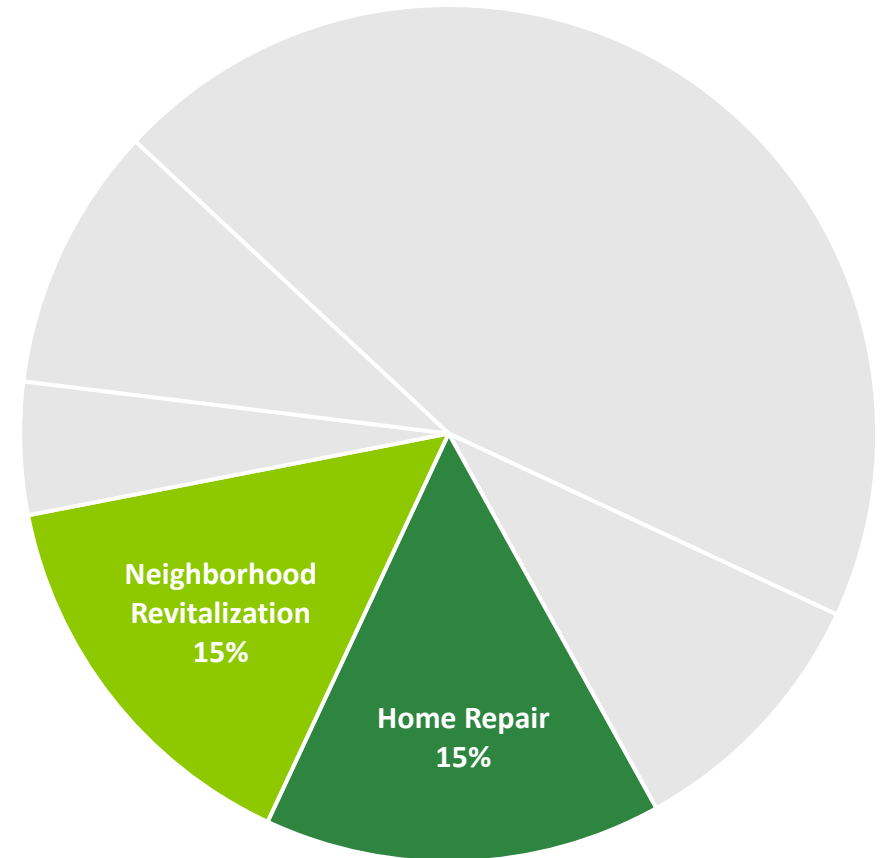


Home Repair

- Increase available home repair funding per the Dallas Housing Policy 2033
- Analyze program gaps that can be covered with this funding such as contractor recruitment, assistance to applicants

Neighborhood Revitalization

- Incentivize infrastructure, services, home repair, and amenities in target neighborhoods

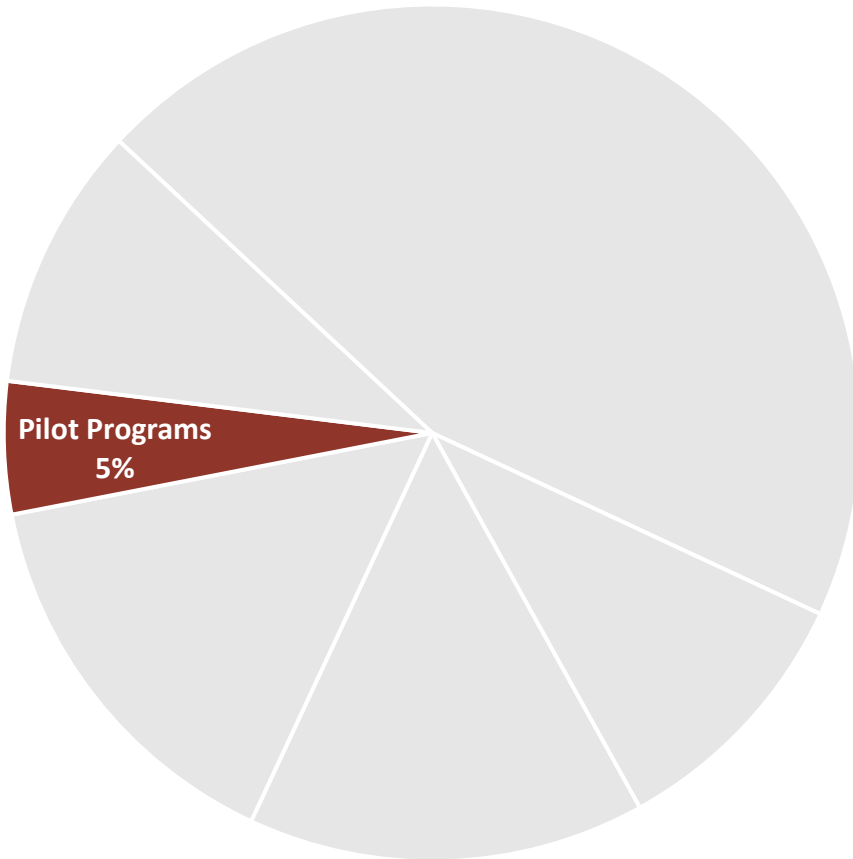


Recommendations - Innovation



Pilot Programs

- Use funding every year to pilot new programs
- Flexible funding to respond to needs as they are identified
- Fund recommendations from the anti-displacement toolkit and other stabilization efforts according to Market Value Analysis (MVA)
- Fund MIHDB on-site fee reimbursements



Recommendations - Admin

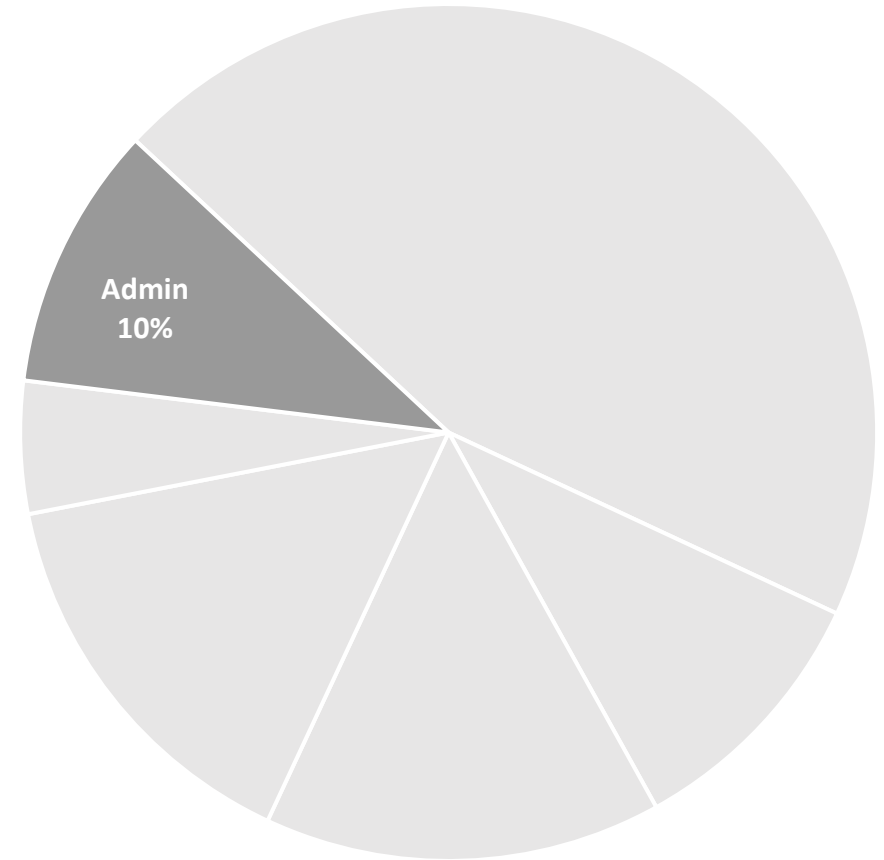


FY 22-23 - \$300,000

- Prioritize staff that implement MIHDB
- Support research on further refinement of housing programs
- Hire additional staff to support MIHDB Fund programs as funding is available

FY 23-24 – 10% annual

- Maintain and increase staff to implement MIHDB and programs enhanced by MIHDB fund as needed
- Support additional research projects and data to ensure positive impacts
- Contribute to Neighborly system costs for data and file maintenance of all programs



Recommendation – Immediate



- Make **\$2.5 million** of the MIHDB fund available in the development Notice of Funding Availability (NOFA)
- Increase budget for Senior Home Repair program by **\$1 million**



Next Steps



- Continue to implement the MIHDB Program
- Release NOFA or increase program budgets according to final recommendations
 - Use NOFA as the main vehicle to alert when MIHDB funds are available for development





City of Dallas

Use of MIHDB Fee in Lieu Funding

**Housing and Homelessness
Solutions Committee
March 21, 2023**

Thor Erickson, Assistant Director
Jessica MacKinnon, Operations Research Analyst
Department of Housing & Neighborhood Revitalization
City of Dallas