

# Memorandum



CITY OF DALLAS

DATE May 29, 2020

Honorable Members of the Economic Development Committee:  
TO Tennell Atkins (Chair), David Blewett (Vice-Chair), Jennifer Staubach Gates, Adam McGough, Omar Narvaez, Jaime Resendez, Chad West

SUBJECT **Public Facility Corporation Update**

How the City of Dallas deploys its limited resources and development tools to recover economically from COVID-19 could set the precedence for its strength and resilience for many years to come.

In developing this plan, it would be prudent to re-examine creating a Public Finance Corporation (PFC). When used effectively, a PFC can prove to be an effective mechanism for the City to reach its economic and community development goals. When used across multiple development approaches, project scale and location, it is a more powerful tool for cities in pursuit of economic and equitable vitality.

During April's Economic Development Committee meeting, I requested sixty (60) days to further review the PFC concept in the context of the following questions:

1. How do we create a developer participation and review process that provides clarity for the development community, yet not further delay the development process?
2. How do we create a participation process that is diverse with respect to development approaches and concepts?
3. How do we utilize the PFC to accelerate creating affordable housing via a direct development model using city owned land and redevelopment tools?
4. How do we deploy the PFC beyond the traditional bureaucratic view of affordable housing to ultimately develop innovative strategies at a scale needed to address the required additional housing in areas across the city.?
5. What is the best organizational structure/placement of the PFC within the offices of Housing and Economic Development?

If the City Council decides to move forward with forming a PFC, there will be a business model having up to two primary categories for projects. Having two-categories will ensure a diverse set of development approaches, the establishment of a reasonable timeline, and allow for better engagement and outreach with prospective partners. Additionally, the process would provide room to explore innovative development solutions.

The following are the recommended categories:

- A. Market Rate Developments that are seeking to add 50% affordable units at 80% area median income (AMI):
  - a. A non-RFP process which allows developers to submit proposals at any time throughout the year. This will also include staff creating a streamlined review process, and a timeline for review and response to development partners.
- B. Direct development PFC Sponsored Projects on City Owned Land
  - a. Creative development approaches using the PFC in tandem with city redevelopment tools to produce non-LIHTC, non-HUD government program housing development projects. These would consist of a range of blended market rate development projects to be explored.
  - b. These approaches would be pursued through a city issued RFP process. This process would seek to align with a development partner to test the creation of a shared value development model as part of a pilot demonstration project.

Categories A is traditional in the scope and use of the PFC. Category B represents a creative direct development approach. It holds promise in the use of the PFC framework to support addressing affordable housing needs, but innovatively. To implement the PFC work and other related transformative development projects, the City will establish a dedicated development unit to ensure projects are pursued in an equitable and proactive manner.

### **Thoughts for Consideration on a Path Forward**

As budget projections have indicated, economically, the City is facing challenging times due to Covid-19. In the short term, restricting spending would seem to assist economic recovery. However, halting development efforts may not contribute to recovery. In fact, in the long-term, accelerating development efforts, the City will be fostering renewed local consumer and business spending, as well as generating property and sales taxes to recover revenue loss.

As a development tool, the PFC has as a tax benefit for development partners to support project implementation. While this issue may seem to contradict the City's need to generate revenue, at the same time this presents an opportunity to fuel redevelopment.

If the City Council moves forward to create a PFC, it is recommended that the City allow up to eight (8) PFC sponsored projects to occur over the next 36 months. This recommendation will provide an opportunity to test and evaluate the impact of the PFC tool to further development projects that include affordable housing units up to 80% AMI. The 36-month period was also selected based on the scope of the process from projects

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development to completion. The projects would consist of six (6) market rate developments and up to two (2) direct development PFC project on city owned land.

Within six months of the 36-month period, staff would provide a comprehensive evaluation report to City Council after 36 months. It will explore best practices, unit production, and economic and fiscal impact. The evaluation will also be used to guide staff when seeking approval to pursue additional projects.

For any questions or concerns, please feel free to contact me.



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Chief of Economic Development and Neighborhood Services

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