File #: 21-1615, **Version:** 1

STRATEGIC PRIORITY:	Economic and Neighborhood Vitality
AGENDA DATE:	October 13, 2021
COUNCIL DISTRICT(S):	All
DEPARTMENT:	Department of Housing & Neighborhood Revitalization
EXECUTIVE:	Dr. Eric A. Johnson

SUBJECT

Authorize an amendment to the City of Dallas Comprehensive Housing Policy, previously approved on May 9, 2018, by Resolution No. 18-0704, as amended, to amend the terms of the Dallas Homebuyer Assistance Program (DHAP) to: **(1)** change the citizenship definition for applicants to meet the guidelines set forth by The Department of Housing and Urban Development (HUD); **(2)** remove the minimum income requirement of 60% of the Area Median Income (AMI) **(3)** remove the minimum 26% front-end loan to income ratio requirement; and **(4)** modify the Targeted Homebuyer Incentive Program to remove federal requirements when assistance is provided to homebuyers using nonfederal funds - Financing: No cost consideration to the City

BACKGROUND

The Comprehensive Housing Policy (CHP) has three main goals: (1) create and maintain available and affordable housing throughout Dallas; (2) promote greater fair housing choices; and (3) overcome patterns of segregation and concentrations of poverty through incentives and requirements.

DHAP provides homeownership opportunities to low- and moderate-income homebuyers through financial assistance when purchasing a home within the City of Dallas. This includes, principal reduction, down payment assistance, and/or closing costs.

In order to improve DHAP's effectiveness and broaden the potential number of residents served, the Department of Housing & Neighborhood Revitalization (Department) recommends the following changes to the Dallas Homebuyers Assistance Program:

- Amend the AMI limits to remove the 60% Minimum

  Staff recommends removing the 60% AMI minimum income requirements because numerous applicants that were approved for loans by DHAP-approved mortgage lenders were ultimately denied by the city because they were below 60% AMI. DHAP should not have more restrictive

lending requirements than reputable and verified lenders that participate in the program. The 60% AMI minimum income requirement only hinders the City's ability to provide home ownership opportunities to low-to moderate-income families.

Removing the 60% AMI minimum income requirement will not overburden potential homeowners as DHAP will still limit applicants to a front-end loan to income ratio of 32%. This means no potential homeowner will be able to borrow more than 32% of their income on housing costs.

Removing the 60% minimum income requirement will also increase consistency throughout CHP programs as Land Transfer Program, and New Construction and Substantial Rehabilitation Program do not have a minimum requirement.

- <u>Amend the front-end ratio to remove the 26% minimum loan to income requirement</u>

   The current CHP requires a Front- Loan to Income Ratio between 26%-32%.

   Staff recommend removing the 26% minimum loan to income requirement as it penalizes homebuyers who have little to no debt. If a homebuyer has a minimal debt but needs to utilize DHAP to obtain down payment assistance, the homebuyer should not be denied simply because they do not have outstanding debt that requires 26% of their income.

   Many first-time homebuyers have paid off debt such as student loans and credit cards to prepare for home ownership, the 26% floor precludes them from utilizing DHAP. This adjustment increases applicant options for homeownership, while adhering to the appropriate underwriting guidelines within the CHP.

- <u>Amend the Definition of Applicant</u>

   Staff requests an adjustment to the definition of applicant, to meet the guidelines of The Department of Housing and Urban Development (HUD). This adjustment to the program will ensure all qualified applicants, who have eligible status, are being served.

- <u>Amend the Targeted Homebuyer Incentive Program</u>

   This program offers financial assistance for those in the respective fields of Protective Services: Fire Fighters, Police Officers, Healthcare, Teacher/Education Instruction, and Library occupations.

   Staff recommends the removal of federal program requirements that are not a requirement of the City when federal funds are not used.

Staff recommends that City Council authorizes the amendments to the Comprehensive Housing Policy (CHP), as reflected in the attached **Exhibit A,** an amendment to the City of Dallas CHP, previously approved on May 9, 2018, by Resolution No. 18-0704, as amended, to amend the terms of the DHAP to: **(1)** change the citizenship definition for applicants to meet the guidelines set for by

The Department of Housing and Urban Development (HUD); **(2)** remove the minimum income requirement of 60% of the Area Median Income (AMI) **(3)** remove the minimum 26% front-end loan to income ratio requirement; and **(4)** modify the Targeted Homebuyer Incentive Program to remove federal requirements when assistance is provided to homebuyers using nonfederal funds.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On May 9, 2018, City Council adopted the CHP and created the Dallas Housing Policy Task Force by Resolution No. 18-0704, as amended.

On November 28, 2018, City Council authorized amendments to the CHP, to make technical changes to the Home Improvement Preservation Program (HIPP), the Dallas Homebuyer Assistance Program (DHAP), and the New Construction and Substantial Rehabilitation Program by Resolution No. 18-1680.

On May 22, 2019, City Council authorized an amendment to the CHP to add a Land Transfer Program to incentivize the development of quality, sustainable housing that is affordable to the residents of the City and the development of other uses that complement the City's CHP, economic development policy, or redevelopment policy by Resolution No. 19-0824.

On June 12, 2019, City Council authorized amendments to the CHP to amend and restate the low-income Housing Tax Credit policy by Resolution No. 19-0884.

On June 26, 2019, City Council authorized amendments to the CHP to amend the DHAP, the HIPP, and the HIPP Landlord Program by Resolution No. 19-1041.

On September 25, 2019, City Council authorized amendments to the CHP to create the Title Clearing and Clouded Title Prevention Pilot Program by Resolution No. 19-1498.

On December 11, 2019, City Council authorized amendments to the CHP to modify the provisions for the housing policy task force, update language to comply with the Mixed Income Housing Development Bonus previously approved by City Council and remove two application forms by Resolution No. 19-1864.

On January 22, 2020, City Council authorized amendments to the CHP and created a Neighborhood Empowerment Zone Program by Resolution No. 20-0188.

On August 26, 2020, City Council authorized amendments to the CHP to amend the DHAP program, include the 0-30% income band in the range of income bands to be served, create the Targeted Rehabilitation Program, and allow Community Housing Development Organizations to retain a percentage of sales proceeds from eligible HOME-funded projects by Resolution No. 20-1220.

On September 9, 2021, City Council authorized amendments to the CHP to (1) amend HIPP to (a) modify the Major Rehabilitation Forgivable Loan Program; (b) modify the Subrecipient Minor Home Repair Grant Program; (c) modify the Housing Reconstruction Program; (d) modify the Landlord Rental Repair Program; (2) amend the Community Land Trust Program; (3) amend Appendix 18, Targeted Rehabilitation Program - West Dallas Sub-Program Module; and (4) amend Appendix 19,

Targeted Rehabilitation Program - Tenth Street Historic District Sub-Program Module by Resolution No. 21-1450.

On September 20, 2021, the Housing Policy Task Force was briefed on the proposed changes to the CHP for review and comment.

The Housing and Homelessness Solutions Committee was briefed on this item regarding the proposed changes on September 23, 2021.

FISCAL INFORMATION

No cost consideration to the City.