

Memorandum



DATE March 27, 2017

TO Members of the Housing Committee:
Scott Griggs (Chair), Carolyn King Arnold, (Vice Chair), Monica R. Alonzo, Mark Clayton, Casey Thomas II, Tiffinni A. Young

SUBJECT **Dallas Housing Finance Corporation: Status Update**

On Monday, April 3, 2017, the Housing Committee will be briefed on: Dallas Housing Finance Corporation: Status Update.

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3309.



Theresa O'Donnell
Interim Chief of Economic Development & Neighborhood Services

c: The Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Mark McDaniel, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Alan E. Sims, Interim Chief of Community Services
Directors and Assistant Directors

Dallas Housing Finance Corporation: Status Update

Housing Committee
April 3, 2017

Karl Zavitkovsky
Director
Office of Economic Development
City of Dallas



Overview

- Describe Dallas Housing Finance Corporation (DHFC) Mission and Background History
- Provide an Update on Key Product and Service Offerings
- Review Peer City Initiatives
- Evaluate Issues, Operational Concerns
- Discuss Future Direction



Mission

- To support Citywide efforts to provide affordable housing for low to moderate income persons (LMIs) by:
 - Facilitating financing of development or redevelopment of multifamily rental housing
 - Providing programs to assist first time single family home buyers



Mission Cont'd

- Making annual donations to fulfill its public purpose
- Promoting development of Mixed Income/ Mixed Use Projects for persons with disabilities and providing permanent supportive Housing for formerly homeless



Authorization

- Organized in 1984, by Council Resolution, as non-profit corporation 501(c)(3) for purposes of Texas Housing Finance Corporations Act
- 11 Member Board of Directors, appointed by Council for a term of two years (see Appendix A)
- Authorized to issue Revenue Bonds on behalf of City for purpose of providing Housing for low-moderate income persons (LMI's) in Dallas



Authorization Cont'd

- City Council resolution of 1/11/06 requires pre-application waiver by Council prior to approving new tax credit transactions
- Bylaws amended to allow DHFC (direct or through subsidiary) to purchase, lease, own or acquire interest in residential development
- All transactions require DHFC Board and City Council Approval



DHFC Products And Services

- Tax Exempt Bond Financing
- Multifamily Ownership
- Tenant Service Compliance Monitoring
- Single Family Programs
- Donations supporting affordable housing



Multifamily Tax Exempt Bond Financing

- DHFC serves as issuer of Tax Exempt Bonds
- Used in conjunction with 4% Tax Credits from Texas Department of Housing and Community Affairs (TDHCA)
- DHFC receives application fee (\$2K), processing fee (\$10K), 50 Basis Points closing fee and annual issuer fee (10 basis points on outstanding principal)
- Since 2006, DHFC issued bonds on 4 projects for families totaling 1,024 units (see Appendix B)



Multifamily Ownership

- Council approved DHFC to own residential developments (directly or through a subsidiary)
 - Limited partnership structure where DHFC subsidiary is general partner with .01% ownership interest
 - Equity provider and developer partner are limited partners with 99.99% ownership interest
 - Creates Ad Valorem Tax Exempt status to improve project feasibility
 - Since 2006, DHFC owns 5 projects with 919 units (see Appendix C)

9



Multifamily Ownership Criteria

- Must facilitate development/redevelopment that materially improves a neighborhood condition and/or supports underserved groups
- Allows DHFC to receive income (closing fee, cash flow split, Bond application, processing, closing and annual issuance fees) significantly in excess of current City Tax assessment
- Fee income supports GAP financing for mixed income Housing
- All transactions must be approved by Council

10



Tenant Service Compliance Monitoring

- TDHCA and the Council approved Social Service Policy requires HTC project owners to provide supportive services at no cost to the tenants
 - Can choose from 20 types of services
 - Must provide a minimum of \$40K or \$200 per unit/year, whichever is greater (can be in-kind)
- DHFC monitors and enforces compliance at 36 projects financed with tax credits since 2004 (including 10 where DHFC was bond issuer)

11



Tenant Service Compliance Monitoring (Cont'd)

Tenant services include:

- After school tutoring and homework help
- Teen awareness programs related to drugs and alcohol as well as social and business etiquette
- Computer education
- Swimming classes



Tenant Service Compliance Monitoring (Cont'd)

- Senior activities: health/wellness checks, pot luck meals, bingo/card games, community gardens, Big Brothers Big Sisters Program for children



Single Family Program Cont'd

- Since 1985, DHFC issued \$124 Million in tax-exempt Bonds resulting in mortgage loans to 1,621 first-time homebuyers (program ended in 2008 due to market conditions)
- In lieu of traditional single family mortgage program, Council approved DHFC to convert its “volume cap” to mortgage credit certificates (See Appendix D for Program Guidelines)

14



Single Family Program

- A Federal tax credit program that provides up to \$2,000 per year in assistance
- Provided 257 MCC's for first time homebuyers since 2009
- Now marketing in conjunction with Housing Department's Mortgage Assistance Program (MAP)



DHFC Is Self-Funding

- 2016 Operating Budget = \$289,877
 - Mandatory operating reserve = \$452K
 - Restricted account to support mixed-use income development = \$448K
- Primary 2016 Revenue Sources = \$443.8K are
 - Tax exempt Bond Issuer Fees: \$133K
 - General Partnership Supervisory Fees: \$100K

16

DHFC Is Self-Funding Cont'd

- Miscellaneous Revenue from Early Bond Redemption, Application and Processing Fees: \$181K
- Projected Surplus = \$148.K (see Appendix E)

Donation Programs Cont'd

- Cash Surplus position evaluated in 4th Q of each calendar year and grant applications are considered by DHFC Board (see Appendix F)
 - Recent priorities have been:
 - Catholic Charities to support West Dallas Families = \$300K
 - Metro Dallas Homeless Alliance = \$18K

Donation Programs Cont'd

- Since 2004 DHFC has provided \$2 Million+ to support non-profit Housing providers, homeless programs and Housing Department initiatives (Bexar St., Capella Park, People Helping People, Home Repair and NIP Programs)



What Peer City HFC's Are Doing

20

Economic Vibrancy



City of Dallas

Allegheny County, Pennsylvania Dave Wright Apartments



21

Economic Vibrancy



City of Dallas

Allegheny County, Pennsylvania

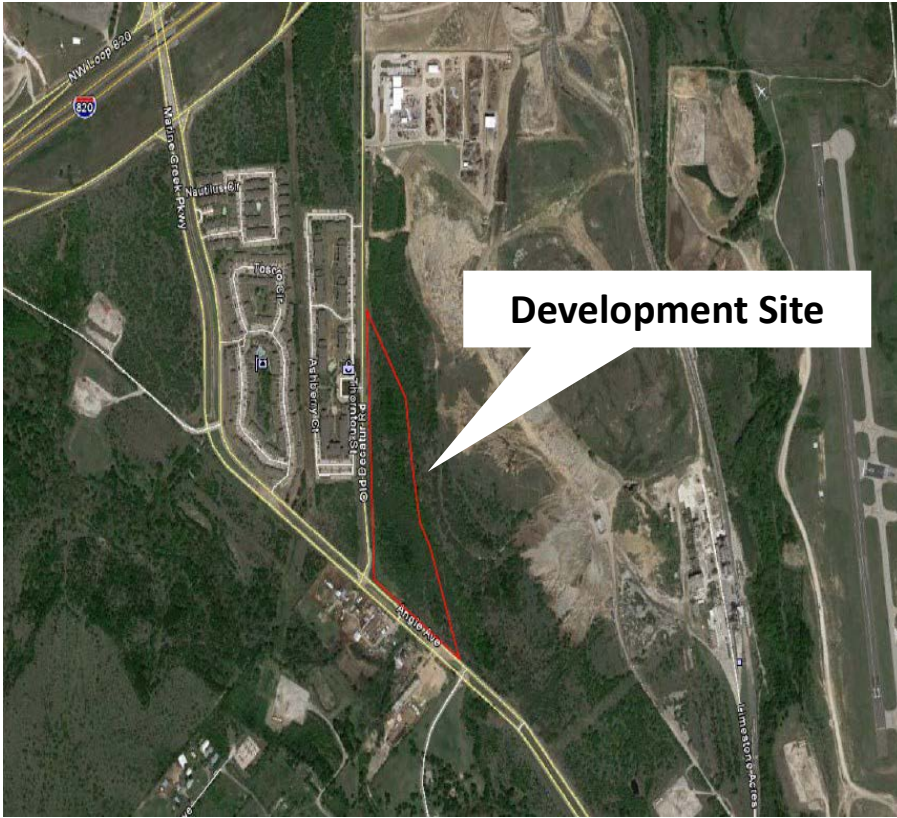
Dave Wright Apartments

- 42 unit project integrates adults on Autism spectrum with non-autism community
- All residents below 60% AMI
- Unique features supporting Autism: wide corridors, large communal rooms with alcove areas, LED lighting
- Partners include: local HFC, developer, NHS Human Services, State (HTC), HUD (Home)

22



Fort Worth, Texas Enclave At Westlake



Economic Vibrancy

Fort Worth, Texas Enclave At Westlake

- 2014 City Policy change allows multifamily developers seeking City support to opt out of affordable housing requirement in exchange for an annual per unit payment to Housing Trust Fund for 15 year period
- Enclave At Westlake first HFC project after new policy implemented
- Provides quality workforce housing near employment hub

24



Fort Worth, Texas Enclave At Westlake

Cont'd

- \$38.6M multifamily rental project near Alliance Airport
- 339 units (155 market rate, 186 at 30-80% of AMI)
- HFC is general partner and land owner
- Integrated Housing Solutions builds project/secures financing
- HFC shares 1/3 developer fees and 1/3 cash flow

25



City of Minneapolis, Minnesota Green Homes North



City of Minneapolis, Minnesota

Green Homes North

- 105 energy efficient homes built for LMI families since 2012
- Program utilizes land inventory acquired by City
- 18 developer partners (7 non-profit, 11 for-profit)
- Used Federal, State and Local funding assistance totaling \$8.5M to cover gap development cost and sales price plus down payment assistance
- Majority of homebuyers at 80% AMI or below

27



Issues/Operational Concerns

- 2016 DHFC activity on hold, pending adoption of new Housing Policy
- Multifamily ownership program requires increased oversight and monitoring
- More pro-active future role will require increased professional staffing



Future Direction

- Financial tools authorized by State Law allow DHFC to be used in a number of ways to support the strategic direction of City's Housing policies
 - Issuance of tax exempt bonds in conjunction with tax credits
 - Multifamily ownership
 - Single family mortgage credit certificates in conjunction with MAP Program



Future Direction Cont'd

- Most effectively utilized when combined with other Public and Private Resources (Housing Trust Fund, Home, GO Bonds, HTC, Conventional Financing, Pace, TIFs, etc.)
- Potential targets include: Affordable/Mixed-Income Housing near workforce hubs high opportunity areas, and neighborhood focus areas as well as initiatives related to Homelessness, Seniors and Green Buildings

30



DHFC Board of Directors

Board Members	Council Nomination
Michael Harling, President – Non Voting Member	CM Allen
Jim Harp, Treasurer	CM Wilson
Clint V. Nolan	CM McGough
Eric Anderson	CM Kleinman
James Armstrong	MPT Alonzo



DHFC Board of Directors

Board Members	Council Nomination
Brad Nitschke	CM Griggs
Trent Hughes	CM Greyson
Marcy Helfand, Secretary	CM Kleinman
Sherman Roberts, Vice President	CM Arnold
Andrew Moore	CM Medrano
James K. Sharp	CM Griggs



DHFC Advisors

Joe Nathan Wright	Corporate Attorney	Nathan Joe Wright & Associates
George Rodriguez	Bond Counsel	Bracewell
Tim Nelson	Co-Financial Advisor	Hilltop Financial



DHFC Advisors

Robert Estrada	Co Financial Advisor	Estrada Hinajosa



DHFC Tax Exempt Bond Issuances

Housing For Families	Units
Fountains of Rosemeade	380
Sterlingshire Village (fna Bruton)	264
Park at Cliff Creek	280
Martha's Vineyard Place	100
TOTAL UNITS	1,024

Appendix C

Properties In Which DHFC Has An Ownership Interest

Providence Mockingbird
Apartment Homes



Gurley Place



Parks At Cliff Creek



Sterlingshire Village



Martha's Vineyard

Properties In Which DHFC Has An Ownership Interest

Properties DHFC Has An Ownership	Interest
Sterlingshire Village (fna Bruton)	264
Parks at Cliff Creek	280
Martha's Vineyard Place	100



Properties In Which DHFC Has An Ownership Interest

Properties DHFC Has An Ownership	Interest
Providence at Mockingbird	251
Jubilee at Gurley Place	24
<i>TOTAL UNITS</i>	919



MCC Program Guidelines

- Homebuyer cannot have owned a residence in the past (3) years
- Home must be occupied as a primary residence
- Homebuyer must apply for the MCC through a participating lender
- Applicant must purchase a home within the City of Dallas
- Income levels must not exceed IRS guidelines (Families of two or less, \$67,900 and families of three or more \$78,085)



MCC Program Guidelines

- Income levels must not exceed IRS guidelines (Families of two or less, \$67,900 and families of three or more \$78,085)
- Maximum purchase price is \$250,200
- Funds are available on a first come first serve basis
- Homes that are sold prior to nine years of purchase may be subject to a recapture tax

MCC Production

- 2009 - 47
 - 2011 - 104
 - 2014 - 56
 - 2015 - 20
 - 2016 - 30
- TOTAL = 257

DHFC 2017 Project Budget

<u>Description</u> <u>Revenues</u>	<u>2016</u> <u>Actuals/Accruals/Pa</u> <u>yable</u>	<u>2017 Proposed</u> <u>Budget</u>
Single Family Fees	\$3,787	
Multifamily Fees	\$132,532	\$141,441
Monitoring Fees	\$28,000	\$29,500
Ad Valorem Payments	\$100,00	\$100,000
DHFC Jubilee Seniors Annual Fee	-	\$100
Miscellaneous	<u>\$181,411 (1)</u>	-
Sub-Total Revenues	\$443,830	\$271,041

42

(1)Prepayment of Bonds



DHFC 2017 Project Budget

<u>Description</u> <u>Revenues</u>	<u>2016</u> <u>Actuals/Accruals/</u> <u>Payable</u>	<u>2017 Proposed Budget</u>
<u>Expenses</u>		
Staffing/Internal Cost	\$147,929	\$153,673
Corp. Counsel & Other Professional Services & Fees	\$69,244(2)	\$52,308
Auditor	\$9,500	\$9,719
DHFC Board Travel & Training	\$20,151	\$20,438

(2)Martha's Vineyard Related Legal Costs



DHFC 2017 Project Budget

<u>Description</u> <u>Revenues</u>	<u>2016</u> <u>Actuals/Accruals/</u> <u>Payable</u>	<u>2017 Proposed</u> <u>Budget</u>
Liability Insurance	\$15,948	\$16,315
Marketing & Misc. Expenses	\$32,671	\$30,865
<u>Sub-Total</u> <u>Expenditures</u>	<u>\$295,444</u>	<u>\$283,319</u>
Balance of Revenues	\$148,385	<\$12,278>

DHFC Cash Position And Cash Available For Donations

<u>DHFC Checking</u> (2/28/17)	<u>2016</u>
Beginning Balance	\$317,120
Deposits	\$558,593
Payments/Payables	<\$497,003>
Est. Cash	\$378,710



DHFC Cash Position And Cash Available For Donations

<u>DHFC Checking (2/28/17)</u>	<u>2017</u>
Est. Revenues	\$271,041
Est. Expenditures	\$283,194
2017 Est. Op. Deficit	<\$12,153>
4Mos. Est. 2017 Exp.	<\$94,398>
	\$272,159
Saving (1/9/17)	+ \$46,650
Cash Available For Donations	\$318,809

