

# Memorandum



**DATE:** February 24, 2020

**TO:** Paula Blackmon, Council Member, District 9

**SUBJECT:** Independent Report on Agreed-Upon Procedures for the Notice of Funding Availability – Single-Family Housing Development – BUZ19-00010338

Attached for your review is the *Independent Report on Agreed-Upon Procedures for the Notice of Funding Availability - Single-Family Housing Development – BUZ19-00010338*. The agreed-upon procedures are included in [Attachment 1](#). Exceptions were noted for procedures (b) and (c). Management comments are included in [Attachment 2](#).

We have performed these procedures solely to assist City of Dallas City Council in evaluating compliance with the requirements of Housing and Neighborhood Revitalization Department, Development Division's *Notice of Funding Availability- Single-Family Housing Development – BUZ19-00010338*, relevant to the City's evaluation and recommendation for funding the: (1) Dallas Area Habitat for Humanity - Ideal & Joppa Infill and (2) Notre Dame Place- Five Mile Infill & Bonton project proposals.

Dallas City Charter, Chapter IX, Section 3, and the Office of the City Auditor's Fiscal Year 2020 Annual Audit Plan authorizes agreed-upon procedures attestation engagements on behalf of City Council Members.

If you have any questions, please contact me at (214) 670-3222 or by email at [mark.swann@dallascityhall.com](mailto:mark.swann@dallascityhall.com).

Sincerely,



Mark S. Swann  
City Auditor

## Attachment

C: Honorable Mayor and Members of City Council

T.C. Broadnax, City Manager

Christopher J. Caso, Interim City Attorney

Kimberly Bizer Tolbert, Chief of Staff

Michael Mendoza, Chief of Economic Development and Neighborhood Services

M. Elizabeth Reich, Chief Financial Officer

David Noguera, Director - Housing & Neighborhood Revitalization

Chhunny Chhean, Director – Office of Procurement Services



*Independent Report on Agreed-Upon  
Procedures for the Notice of Funding  
Availability – Single-Family Housing  
Development – BUZ19-00010338*

February 24, 2020

Mark S. Swann, City Auditor

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Mayor

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Mayor Pro Tem

Adam Medrano

Deputy Mayor Pro Tem

B. Adam McGough

Council Members

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Tennell Atkins

Adam Bazaldua

Paula Blackmon

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Jennifer S. Gates

Lee M. Kleinman

Cara Mendelsohn

Omar Narvaez

Jaime Resendez

Casey Thomas, II

Chad West



# Executive Summary

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## Objective and Scope

The objective of this attestation was to assist the City Council in evaluating compliance with the requirements of Housing and Neighborhood Revitalization Department, Development Division's *Notice of Funding Availability- Single-Family Housing Development – BUZ19-00010338*, relevant to the City's evaluation and recommendation for funding the: (1) Dallas Area Habitat for Humanity - Ideal & Joppa Infill; and, (2) Notre Dame Place- Five Mile Infill & Bonton project proposals.

## Background

Council Member Paula Blackmon requested this attestation to assist City Council in evaluating the quality and accuracy of information received relevant to the City's evaluation and recommendation of funding the: (1) Dallas Area Habitat for Humanity - Ideal & Joppa Infill; and, (2) Notre Dame Place- Five Mile Infill & Bonton project proposals.

## What We Found

Auditors performed the three agreed-upon procedures and identified exceptions for procedures (b) and (c). See [Attachment 1](#) for the full list of procedures.

## Results:

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### Independent Agreed-Upon Procedures Report

The Office of the City Auditor conducted the procedures described in [Attachment 1](#), which were agreed to by Council Member Paula Blackmon, solely to assist the City of Dallas City Council in evaluating compliance with the requirements of Housing and Neighborhood Revitalization Department, Development Division's *Notice of Funding Availability- Single-Family Housing Development – BUZ19-00010338*, relevant to the City's evaluation and recommendation for funding the: (1) Dallas Area Habitat for Humanity - Ideal & Joppa Infill; and, (2) Notre Dame Place- Five Mile Infill & Bonton project proposals.

Exceptions were noted for agreed-upon procedures (b) and (c).

The exceptions pertain to required documentation, underwriting, and consistent scoring of the proposals. Department of Housing and Neighborhood Revitalization management provided comments to address the exceptions. [See Attachment 1](#) for the specific exceptions and a list of the procedures performed. Management's comments are provided in [Attachment 2](#).

Council Member Paula Blackmon requested this attestation on February 11, 2020 to assist City Council in evaluating the quality and accuracy of information received relevant to the City's evaluation and recommendation of funding the: (1) Dallas Area Habitat for Humanity - Ideal & Joppa Infill; and, (2) Notre Dame Place- Five Mile Infill & Bonton project proposals.

The purpose of this report on applying agreed-upon procedures is intended solely for the information and use of the City Council and City management and is not intended to be and should not be used by anyone other than these specified parties. Accordingly, this report is not suitable for any other purpose. The Office of the City Auditor was not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance. Accordingly, the Office of the City Auditor does not express such an opinion or conclusion. Had additional procedures been performed, other matters might have been identified that would have been reported.

Dallas City Charter, Chapter IX, Section 3 and the Office of the City Auditor's Fiscal Year 2020 Annual Audit Plan authorizes agreed-upon procedures attestation engagements. The agreed-upon procedures were conducted in accordance with the United States generally accepted government auditing standards.

Signature:

A handwritten signature in blue ink that reads "Mark S. Swann" followed by a long horizontal flourish.

Mark S. Swann, CPA  
City Auditor  
City of Dallas, Texas

**February 24, 2020**

## ATTACHMENT 1: Agreed-Upon Procedures

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### Independent Report on Agreed-Upon Procedures for the Notice of Funding Availability – Single-Family Housing Development – BUZ19-00010338

February 24, 2020

#### Agreed-Upon Procedures

- (a) Confirm the City received the sealed proposals within the due date and time.

**No Exceptions.**

- (b) Confirm the proposals were responsive and responsible.

**Exceptions.**

Required documentation:

Notice of Funding Availability includes several lists of required documents to be submitted to the Department of Housing and Neighborhood Revitalization either with the initial proposal or after the initial scoring and prior to underwriting. However, both Dallas Area Habitat for Humanity and Notre Dame Place did not submit some of the required documents. [See Attachment 2.](#)

Underwriting:

Contrary to the procedure described in the Addendum No. 5 to the Notice of Funding Availability, underwriting was not performed by an external party for Dallas Area Habitat for Humanity. According to the Department of Housing and Neighborhood Revitalization, *"All developer proposals that did not require funding were reviewed in-house because there was no funding request to underwrite."*

- (c) Confirm the proposal's documentation supports the evaluation scoring and is consistent with the scoring rubrics set forth in the *Notice of Funding Availability- Single-Family Housing Development – BUZ19-00010338*.

**Exceptions.**

Both proposals received scores (up to 7 points) on whether their previous developments *"were completed in a timely manner; have been maintained in accordance with city, state and federal regulations; offer Services, if applicable; and there are no outstanding deficiencies related to inspections,"* even though the proposers did not submit documents related to timelines, most recent inspection report, and property audits for their current/pending projects.

Despite the missing documents, four out of five scoring panelists for Dallas Habitat of Humanity and three out of five panelists for Notre Dame Place gave full 7 points for this category. According the Department of Housing and Neighborhood Revitalization, information was not provided in the specified forms but was extracted from the owner, developer, and general contractor experience tabs and from other documents submitted during the multi-family Notice of Funding Availability process.



## ATTACHMENT 2: Comparison of NOFA Requirements to Submitted Documentation

| Documents Required by the Notice of Funding Availability   | Submitted Documents:                                    |   | Housing and Neighborhood Revitalization Department Comments                                   |
|--|---|---|---|
|  | Dallas Area Habitat for Humanity - Ideal & Joppa Infill | Notre Dame Place- Five Mile Infill & Bonton project |   |
| Executive Summary form   | Yes   | Yes   |   |
| Identification and Resumes of Proposer and Project Team form   | Yes   | Yes   |   |
| Owner's, Developer's and General Contractor's Experience form  | Yes   | Yes   |   |
| Timelines, most recent inspection report, and property audits for current/pending Projects.                                      | No  | No  | These documents were not required unless the past projects were done with the City's funding. |
| Three or more professional references (related to past Projects).  | Yes   | Yes   |   |
| Project Sources and Uses of Funds (For Sale, Lease-Purchase or Rental) form  | Yes   | Yes   |   |
| Cash flow analysis and projected sales, including profit and loss statement (through sale of all homes and eligible homebuyers). | Yes   | Yes   |   |

| Documents Required by the Notice of Funding Availability  | Submitted Documents:                                    |   | Housing and Neighborhood Revitalization Department Comments   |
|---|---|---|---|
|   | Dallas Area Habitat for Humanity - Ideal & Joppa Infill | Notre Dame Place- Five Mile Infill & Bonton project |   |
| Rent, utility allowance, and operating cost projections for rental properties   | No  | Yes   | Dallas Area Habitat for Humanity was not proposing rental housing. As such 20-year cashflow and rent/utility/allowance/operating costs were not needed. |
| 20-year cash flow analysis for rental properties  | No  | Yes   |   |
| Commitments for other financing, both permanent and construction loan sources   | Yes   | Yes   |   |
| Documents of construction costs (e.g. estimate by qualified individual, bids, contract documents)   | Yes   | Yes   |   |
| Estimates/documentation of professional services and soft costs (e.g. architectural fees, construction period taxes/insurance, marketing expenses, realtor listing agreement, etc.) | Yes   | Yes   |   |
| Identification of Housing Issues form   | Yes   | Yes   |   |
| Income bands served form  | Yes   | Yes   |   |
| Housing unit design principles form   | Yes   | Yes   |   |
| M/WBE and BI Form   | Yes   | Yes   |   |

Chart continues on next page.

| Documents Required by the Notice of Funding Availability  | Submitted Documents:                                    |   | Housing and Neighborhood Revitalization Department Comments   |
|---|---|---|---|
|   | Dallas Area Habitat for Humanity - Ideal & Joppa Infill | Notre Dame Place- Five Mile Infill & Bonton project |   |
| Evidence of site control (e.g. option, deed, etc.). N.A if entire Project will be developed on Land Transfer parcels.   | No  | No  | These documents were not required for Dallas Area Habitat for Humanity because they are only requesting to purchase land. These documents were not required for Notre Dame Place because there are currently no buildings on the land they request to purchase. |
| Preliminary title insurance commitment. N.A if entire Project will be developed on Land Transfer parcels.   | No  | No  |   |
| Documentation of existing/improved property value (e.g. tax assessment, appraisal, comparable developments etc.). N.A if entire Project will be developed on Land Transfer parcels. | No  | No  |   |
| Maps demonstrating proximity to Site Amenities  | Yes   | Yes   |   |
| Plans and specifications including site plan and elevation drawings.  | Yes   | Yes   |   |
| Documentation of status of any necessary zoning, planning, and other approvals.   | No  | Yes   | The information is included in "plans and specifications including site plan and elevation drawings."   |
| Analysis of Project's proposed sale price, lease purchase, or rental rates versus comparable homes recently sold or leased in the neighborhood.                                     | Yes   | Yes   |   |
| Analysis of Project's proposed sale price, lease purchase, or rental rates versus comparable homes recently currently for sale/rent.  | Yes   | Yes   |   |

| Documents Required by the Notice of Funding Availability  | Submitted Documents:                                    |   | Housing and Neighborhood Revitalization Department Comments |
|---|---|---|---|
|   | Dallas Area Habitat for Humanity - Ideal & Joppa Infill | Notre Dame Place- Five Mile Infill & Bonton project |   |
| Analysis of Project's proposed sale price, lease purchase, or rental rates versus any planned housing developments in the area. | Yes   | Yes   |   |
| Evidence of buyer and renter demand for the proposed housing unit type, size, design, and other unit specifications.            | Yes   | Yes   |   |
| Rental projects must provide evidence supporting proposed lease rates, cash flow assumptions, absorption rates, and unit mix.   | Yes   | Yes   |   |
| Provide sufficient evidence that sources of funds are available to be committed to the Project upon award.                      | Yes   | Yes   |   |
| Certification of Financial Stability and Regulatory Compliance  | Yes   | Yes   |   |
| Proposer Disclosure and Explanation Form  | Yes   | Yes   |   |
| Proposer Identity and Interest Questionnaire  | Yes   | Yes   |   |
| Affidavit of Authorized Representative and Authorization to Obtain Information  | Yes   | Yes   |   |
| Authorization and Release to Obtain Personal Credit Information   | Yes   | Yes   |   |
| Acknowledgement and Certification of CHDO Requirements  | Yes   | Yes   |   |

| Documents Required by the Notice of Funding Availability   | Submitted Documents:                                    |   | Housing and Neighborhood Revitalization Department Comments  |
|--|---|---|--|
|  | Dallas Area Habitat for Humanity - Ideal & Joppa Infill | Notre Dame Place- Five Mile Infill & Bonton project |  |
| Conflict of Interest Questionnaire   | Yes   | No  | Notre Dame Place provided Proposer Identity and Interest Questionnaire document instead.   |
| CHDO Application (if applicable)   | No  | Yes   | Dallas Area Habitat for Humanity is not a CHDO.  |
| Business Inclusion and Development Affidavit and/or History of MWBE and/or Section 3 Utilization Form  | Yes   | Yes   |  |
| Fair Housing Review Checklist  | Incomplete/<br>Not Signed                               | Incomplete/<br>Not Signed                           | The Office of Fair Housing was provided with and reviewed all information. The Office of Fair Housing also provided comments to the Department of Housing and Neighborhood Revitalization where appropriate. |
| HUD 935.2A form  | No  | No  | No comment   |
| Last 2 years' audited or reviewed financial statements for Proposer, developer, or anyone having 20 percent or more ownership interest, and any guarantors.  | Incomplete  | Incomplete  | Additional documents were required, but the provided audited financial statements were sufficient for them to move to underwriter.   |
| Last 2 years' corporate audit or reviewed financial statements. If Proposer is a special purpose or single asset entity, also submit 2 years of audited financial statements for the controlling entity of the Proposer. | Incomplete  | Incomplete  |  |
| Last 2 years' tax returns for developer (990s for nonprofit developers).   | Yes   | Yes   |  |

| Documents Required by the Notice of Funding Availability   | Submitted Documents:                                    |   | Housing and Neighborhood Revitalization Department Comments   |
|--|---|---|---|
|  | Dallas Area Habitat for Humanity - Ideal & Joppa Infill | Notre Dame Place- Five Mile Infill & Bonton project |   |
| Certified copies of all organizational documents of all entities in the Project, including articles of incorporation, operating agreement, partnership agreement, as applicable. | Yes   | Yes   |   |
| Site specific environmental record and estimate of remediation costs as applicable.  | No  | No  | Both Dallas Area Habitat for Humanity and the Notre Dame Place requested purchasing of land and as such, they currently have no site control. |
| Environmental site assessment  | No  | No  |   |
| Documentation of utility availability and connection costs. Provide any engineering studies documenting availability.  | No  | No  | To be done during the due diligence period. However, development budgets included cost estimates for utility connection/installation.         |
| Waiting list of interested tenants   | No  | No  | This is more for rental projects, as such, this doesn't necessarily apply to for-sale housing.  |
| Completed CHDO application and required documentation  | No  | Yes   | Dallas Area Habitat for Humanity is not a CHDO.   |
| Documentation of Neighborhood Meeting  | Yes   | Yes   |   |

Chart continues on next page.

| Documents Required by the Notice of Funding Availability    | Submitted Documents:                                    |   | Housing and Neighborhood Revitalization Department Comments  |
|---|---|---|--|
|   | Dallas Area Habitat for Humanity - Ideal & Joppa Infill | Notre Dame Place- Five Mile Infill & Bonton project |  |
| <b>Marketing plan</b>                                       | No  | No  | This is a document/plan that the Housing and Neighborhood Revitalization Department will require once the scope of the project has been determined (this will be determined once the developer has completed the due diligence stage with the Land Transfer lots and the number of houses and the types of houses to be built has been confirmed). |
| <b>Flood Hazard Determination Form (FEMA Form 086-0-32)</b> | No  | No  | This form was not required with the initial proposal because the City already possesses the necessary Geographic Information Systems (GIS) layer to make the flood determinations.   |