

# Memorandum



CITY OF DALLAS

DATE November 2, 2018

The Honorable Members of the Economic Development and Housing Committee:  
TO Tennell Atkins (Chair), Rickey D. Callahan (Vice Chair), Lee M. Kleinman, Scott Griggs,  
Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder, Omar Narvaez

SUBJECT **Housing Trust Fund: Proposed Seed Funds**

On May 9, 2018, Dallas City Council approved the Dallas Comprehensive Housing Policy to (1) create and maintain affordable housing throughout Dallas, (2) promote greater fair housing choices, and (3) overcome patterns of segregation and concentrations of poverty through incentives and requirements. The Policy calls for the establishment of a Dallas Housing Trust Fund (DHTF) to support the Policy's production goals. The Policy states that a portion of the DHTF should be sought from a one-time transfer of a minimum of \$7 million in unencumbered fund balances from high-performing Tax Increment Financing Districts (TIFs).

Staff has identified \$7 million in available funds that could be used to seed the Housing Trust Fund, as follows:

\$4,575,000	1407 Main Street Loan Repayment
\$523,246	State-Thomas TIF District Close-Out
\$828,129	Cityplace TIF District Close-Out
\$649,097	Vickery Meadows TIF District fee in lieu of affordable housing payment
\$424,528	City Center TIF District Affordable Housing Set-Aside Funds
\$7,000,000	Total

Note that the account balances for State-Thomas, Cityplace and Vickery Meadows are of October 10, 2018, and may accrue additional interest prior to moving funds to new account.

The corresponding briefing details the funding sources that would seed the Dallas Housing Trust Fund. If recommended, seven related items will be placed on the December 12, 2018 agenda (two of the above listed funding sources require TIF Plan amendments).

Courtney Pogue, Director  
Office of Economic Development

cc: The Honorable Mayor and the Members of City Council  
T.C. Broadnax, City Manager  
Chris Caso, City Attorney (Interim)  
Carol A. Smith, City Auditor (Interim)  
Bilerae Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager  
Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer  
M. Elizabeth Reich, Chief Financial Officer  
Directors and Assistant Directors

# **Housing Trust Fund Proposed Seed Funds**

**Economic Development &  
Housing Committee  
November 5, 2018**

**Courtney Pogue, Director  
Office of Economic Development**



# Presentation Overview

- Background
- Action Items Required
- Fiscal Impact
- Next Steps



# Background

- On May 9, 2018, Dallas City Council approved the Comprehensive Housing Policy to (1) create and maintain affordable housing throughout Dallas, (2) promote greater fair housing choices, and (3) overcome patterns of segregation and concentrations of poverty through incentives and requirements.
- The Policy calls for the establishment of a Dallas Housing Trust Fund (DHTF) to support the production goals of the Housing Policy.
  - The Policy states that a portion of the DHTF funding should be sought from a one-time transfer of a minimum of \$7 million in unencumbered fund balances from high-performing Tax Increment Financing Districts (TIFs).

# Background

- Staff has identified \$7 million in available funds that could be used to seed the Housing Trust Fund.
- This briefing describes each of the sources and the necessary actions required to use each source for the purpose of funding the Housing Trust Fund.
- While the Housing Trust Fund account has not yet been established, the City can take action to account for and hold \$7 million in anticipation of creating the account.

# SOURCE 1: State-Thomas TIF District

- The State-Thomas TIF District expired December 31, 2008.
- The State-Thomas TIF District value increased \$662 million from the base year, yielding approximately \$5 million annual windfall to the City.
  - City real property taxes generated when the TIF District was created were estimated \$319,340.
- Since 2004 (due to reaching budget max), property tax generated within the TIF District has gone to the General Fund; however, the TIF account was never closed-out and a balance remains:

	Unallocated Cash	Increment Collections by Tax Jurisdictions					Total
		City of Dallas	DISD	DCCCD	County	DCHD	
Increment Collections		\$7,372,707	\$16,921,726	\$659,655	\$2,223,754	\$2,534,189	\$29,712,031
Contribution % of Total		24.81%	56.95%	2.22%	7.48%	8.53%	100.00%
<b>Disbursement of Unallocated Funds</b>	<b>\$2,108,683</b>	<b>\$523,246</b>	<b>\$1,200,946</b>	<b>\$46,816</b>	<b>\$157,821</b>	<b>\$179,853</b>	<b>\$2,108,683</b>

- The TIF District must be formally closed-out and the other taxing jurisdictions' funds must be disbursed to those entities.
- The City may direct the City's share of increment balance in the amount of **\$523,246** to the Housing Trust Fund.



# SOURCE 2: Cityplace TIF District

- The Cityplace TIF District expired December 31, 2012.
- The Cityplace TIF District value increased \$1.193 billion from the base year, yielding approximately \$9 million annual windfall to the City.
  - City real property taxes generated when the TIF District was created were estimated \$302,930.
- Since 2009 (due to reaching budget max), property tax generated within the TIF District has gone to the General Fund; however, the TIF account was never closed-out and a balance remains:

	Unallocated Cash	Increment Collections by Tax Jurisdictions					Total
		City of Dallas	DISD	County	DCHD	DCCCD	
Increment Collections		\$18,298,774	\$10,955,934	\$5,397,044	\$6,253,322	\$1,838,952	\$42,744,026
Contribution % of Total		42.81%	25.63%	12.63%	14.63%	4.30%	100.00%
<b>Disbursement of Unallocated Funds</b>	<b>\$1,934,422</b>	<b>\$828,129</b>	<b>\$495,821</b>	<b>\$244,248</b>	<b>\$283,000</b>	<b>\$83,224</b>	<b>\$1,934,422</b>

- The TIF District must be formally closed-out and the other taxing jurisdictions' funds must be disbursed to those entities.
- The City may direct the City's share of increment balance in the amount of **\$828,129** to the Housing Trust Fund.



# SOURCE 3: City Center TIF Loan Repayment

- On October 13, 2004, City Council approved Resolution 04-2967, authorizing a loan agreement with DLD Properties, LTD (Brian Bergersen) in compliance with the City of Dallas Main Street District Initiative Loan and Grant Program, in an amount not to exceed \$8,500,000, for the construction of a mixed-use development located at 1407 Main Street.
  - The City Center TIF funds were deployed pursuant to Chapter 380 as an incentive for 370 short-term, low-cost public parking spaces as part of \$23M mixed use development project, to support the budding retail in the downtown core.
  - \$8,500,000 was provided in the form of a no-interest loan in which the City would be re-paid \$6.375M and the County would be re-paid \$2.125M ten (10) years from the Project's Certificate of Occupancy (CO) date.
  - The CO was dated August 8, 2008.

## SOURCE 3 (Cont.)

- On October 12, 2005, City Council approved Resolution 05-2957, authorizing amendments to the construction loan documents approved on October 13, 2004 to accept pre-payment and a reduction of the City's portion of the loan in the amount of \$1,800,000, from \$6,375,000 to \$4,575,000, along with other minor modifications to the project terms.
- The subsequent Council item on the October 12, 2005 agenda (05-2958), authorized the "pre-payment" to be used as a \$1,800,000 grant for the redevelopment of the adjacent 1414 Elm Street building.
- The City executed an ILA with Dallas County to codify the County's portion of the loan repayment from the developer in the amount of \$2,125,000 (the ILA described the repayment to the two jurisdictions as percentages and therefore a Supplemental ILA was executed to establish new percentages based on the City's loan repayment reduction).

## SOURCE 3 (Cont.)

- The City will accept the \$4,575,000 loan repayment upon City Council action on December 12, 2018, and the lien on the property will be simultaneously released. Dallas County will also receive its \$2,125,000 loan repayment at that time.
- Staff recommends transferring the \$4,575,000 to the Housing Trust Fund.

# SOURCE 4: Vickery Meadow TIF District

- In 2007, an amount of \$1,000,000 in funds was deposited into the Vickery Meadow TIF Fund by the developer of Shops of Park Lane to support affordable housing development in lieu of the developer constructing affordable housing units.
- In 2013, City Council approved using \$445,000 of the \$1,000,000 for the HUD Community Challenge Grant to study affordable housing and transit-oriented development.
- As of October 10, \$649,097 remains to be used for affordable housing.
- TIF increment may be spent outside of the TIF District boundaries for affordable housing in accordance with Chapter 311 of the Texas Tax Code.
- Staff recommends amending the Vickery Meadow TIF District Project and Financing Plan to allow the remainder of this set-aside to be used inside or outside of the TIF for the Dallas Housing Trust Fund to support the implementation of the City's Comprehensive Housing Policy. Staff also recommends transferring an amount not to exceed \$649,097 from the Vickery Meadow TIF District Fund to the Dallas Housing Trust Fund (DHTF).
- On October 30, 2018, the Vickery Meadow TIF Board recommended these changes.

# SOURCE 5: City Center TIF District

- The City Center TIF District has an Affordable Housing Set-Aside in an amount not to exceed \$6.5M, of which \$2.49M has been collected to date.
- While TIF increment may be spent outside of the TIF District boundaries for affordable housing in accordance with Chapter 311 of the Texas Local Government Code, the City Center TIF District Project and Financing Plan states that the Affordable Housing Set-Aside Funds shall be used to “offset the costs of providing affordable housing in the boundaries of this Zone and the greater downtown area only”.
- Staff recommends amending the City Center TIF District Project and Financing Plan to allow an amount not to exceed \$424,528 of the Affordable Housing Set-Aside Funds to be used outside the greater downtown area and to transfer this amount to the Housing Trust Fund.
- On October 11, 2018, the City Center TIF Board recommended these changes.

11

# \$7 Million for Housing Trust Fund

Amount	Source of Funds
\$4,575,000	1407 Main Street Loan Repayment
\$523,246	State-Thomas TIF District Close-Out
\$828,129	Cityplace TIF District Close-Out
\$649,097	Vickery Meadows TIF District fee in lieu of affordable housing payment
\$424,528	City Center TIF District Affordable Housing Set-Aside Funds
<b>\$7,000,000</b>	<b>TOTAL</b>

Note that the account balances for State-Thomas, Cityplace and Vickery Meadow TIF Districts are of October 10, 2018 and may accrue additional interest prior to transferring funds to new account.

# Next Steps

- Series of action items to fund the Housing Trust Fund in the amount of \$7 million will be placed on the December 12, 2018 City Council agenda.

# **Housing Trust Fund Proposed Seed Funds**

**Economic Development &  
Housing Committee  
November 5, 2018**

**Courtney Pogue  
Office of Economic Development**

