

Memorandum



CITY OF DALLAS

DATE May 17, 2019

TO Members of the Economic Development & Housing Committee: 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 **Proposed Amendment to the City of Dallas Comprehensive Housing Policy to Adopt a New Low Income Housing Tax Credit Policy**

On Monday, May 20, 2019, the Economic Development and Housing Committee (Committee) will consider a proposal to amend the comprehensive housing policy to adopt a new low income housing tax credit policy.

Summary

This memorandum summarizes the Department of Housing and Neighborhood Revitalization's (H&NR) proposal to amend the comprehensive housing policy (CHP) to adopt a new low income housing tax credit policy. The purpose of the low income housing tax credit policy is to set the parameters under which H&NR staff will evaluate proposals submitted by developers requesting resolutions of support or no objection from the City for housing development projects (Projects) seeking low income housing tax credits through the Texas Department of Housing and Community Affairs (TDHCA).

Background

In 1986, Congress, through the Tax Reform Act, enacted Section 42 of the Internal Revenue Code (Section 42). Section 42 created low income housing tax credits (LIHTC) that may be awarded to owners of multi-family rental housing that meet certain income and rent restrictions and other program requirements. At the Federal level, the LIHTC program has very few requirements but does require that states designate an agency to administer the LIHTC program and develop a Qualified Allocation Plan outlining how LIHTC will be allocated and administered.

There are two forms of the LIHTC: 9% LIHTC and 4% LIHTC:

9% tax credit program—The nine (9) percent housing tax credit program is referred to as the “competitive” housing tax credit program because Projects seeking a 9% HTC allocation are scored, and thus compete against each other, based on criteria and procedures recommended each year by the TDHCA and approved by the Governor. The criteria and procedures are collectively referred to as the Qualified Allocation Plan (QAP). In general, the QAP's scoring criteria results in the TDHCA favoring projects that are close to the urban core of the City, have a high Opportunity Index (i.e. are located in census tracts with low poverty and crime and are close to public parks, transit and child care,

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etc.), and are located in places that have the fewest LIHTC units per capita. Additionally, for an application to attain a total score that makes the application competitive, the Project must obtain a resolution of support from the applicable city council or other governing body.

Timeframe for 9% HTC projects—TDHCA begins accepting pre-applications for 9% Projects in January of each year and requires full applications, including resolutions, to be submitted in March. The state issues scoring notices in mid-May that identify Projects deemed “competitive” and issues final award notices in July.

4% tax credit—The four (4) percent housing tax credit program is referred to as the “non-competitive” housing tax credit program because Projects, while subject to some of the policies and procedures outlined in the QAP, are not subject to the scoring criteria or once-per-year timeframe for awards. The State will not allocate 4% LIHTC unless the project receives a resolution of no objection from the applicable city council or other governing body.

Timeframe for 4% HTC projects—Nearly all Projects seeking a 4% LIHTC allocation must partner with an issuer of Private Activity Bonds (PABs) and obtain tax-exempt bond financing for the project to be financially feasible. After an applicant identifies a PAB issuer, the applicant must apply for and obtain a Certificate of Reservation (CAR) from the Texas Bond Review Board (TBRB). Once a project receives a CAR, it must submit its application for LIHTC at least 75 days prior to one of the monthly meetings of the TDHCA board and the project must close on bond financing within 150 days from the issuance of the CAR.

Municipalities’ Role in Supporting HTC Projects

Under the competitive scoring process for 9% LIHTC, the QAP allocates points for local government support. To receive these points, an applicant must include in its state application a resolution of support or resolution of no objection from the governing body of the municipality in which the proposed development site is to be located. More points are allocated to a resolution of support than a resolution of no objection, thus making a resolution of support a crucial component of an applicant’s state application for LIHTC.

Although 4% LIHTC applications are not competitively scored, the applicant must obtain a resolution of no objection from the governing body of the municipality in which the proposed development site is to be located. This is a threshold requirement for 4% credit awards. Applications that do not include a resolution of no objection cannot proceed.

On May 9, 2018, the City Council adopted the CHP by Resolution No. 18-0704, which included a policy for evaluating proposals submitted by developers requesting resolutions of support or no objection from the City for Projects seeking an award of LIHTC through TDHCA.

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On October 24, 2018, the City Council considered a proposed amendment to the CHP to amend the City's LIHTC policy. The City Council deferred the item for six months so that the City Manager could review and present:

1. Recommendations regarding how to identify and evaluate rehabilitation of properties and to determine whether the rehabilitation affirmatively furthers fair housing;
2. Recommendations regarding a schedule for accepting applications for resolutions seeking housing tax credits through the Texas Department of Housing and Community Affairs; and
3. Engage the Housing Policy Taskforce to ensure that staff recommendations take into account feedback from the development community and neighborhood stakeholders.

From November 2018 through May 2019, the Housing Policy Taskforce held seven (7) subcommittee meetings and one (1) training session related to housing tax credits and where attendees discussed the existing LIHTC policy and developed proposed policy recommendations related to Projects including: rehabilitation standards for acquisition and rehabilitation projects, preventing displacement of existing tenants, and identifying priority needs related to projects developed in the City, among other items. The proposed policy, which is attached to this item as Exhibit A is the result of this collaborative work.

The proposed LIHTC policy addresses the City Council's October 2018 directive to the City Manager in the following manner:

1. **Timing**—The current LIHTC policy provides for applications to be accepted once a year in December, with any recommendations coming to City Council in March. This approach creates challenges for Projects in three ways: (1) it does not recognize the differences in the timing needs of 4% and 9% Projects, (2) it does not align to the TDHCA calendar, and (3) and creates potential delays in staff review by having all applications arrive at once.

To address this concern, staff recommends that the City move to a quarterly application process, which would be updated annually to align to the TDHCA calendar for 4% and 9% Projects. By spreading the applications across the year, this would also allow for more timely staff review of submitted applications.

2. **Scoring Criteria**—The current policy requires all applications to be scored based on an extensive list of criteria. In order to analyze potential opportunities for improvement in the evaluation criteria, especially as it relates to Projects seeking City support for the rehabilitation of existing LIHTC projects, staff conducted a survey of current LIHTC policies adopted by larger cities across Texas. This survey provided useful insights regarding how various cities have chosen to convey their priorities for the development of LIHTC projects.

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Staff and stakeholders used these insights to develop a proposed policy framework that: (1) sets minimum standards (classified as Threshold items) that any LIHTC Project must meet in order to be eligible for a resolution of no objection as well as sets specific minimum standards for rehabilitation projects and projects sited in high poverty census tracts, (2) communicates the City's priorities related to 9% LIHTC Projects (classified as Priority Housing Needs Developments) by outlining six factors that will allow a 9% LIHTC Project to be eligible for the higher-value resolution of support, and (3) provides an alternative means by which a Project can be eligible for the higher-value resolution of support by demonstrating that it meets a combination of City priorities (classified as Scoring Factors for Other 9% HTC Applications).

3. **Fair Housing**—The current policy does not specifically state that all Projects are subject to a fair housing review by the Office of Equity and Human Rights. To support the City-wide commitment to affirmatively furthering fair housing, the proposed policy incorporates a fair housing review into the threshold requirements. Furthermore, the proposed policy incorporates specific fair housing considerations, including prioritizing projects in low-poverty areas, requiring projects in high-poverty areas to demonstrate significant commitment to on-site amenities, and creating a priority for units accessible to those experiencing homelessness.

Fiscal Impact

A Resolution of Support for a 9% tax credit project requires a \$500 commitment from the City.

Departments/Committee Coordination

The Department of Housing and Neighborhood Revitalization (H&NR) coordinated with the Office of Equity and Human Rights and the Office of Welcoming Communities & Immigrant Affairs. Additionally, H&NR received feedback from the Dallas Housing Authority, Dallas Housing Finance Corporation and the TDHCA. From November 2018 through May 2019, the Housing Policy Taskforce held 5 in-person meetings, 2 webinars, and 1 training session. A total of 186 persons representing 37 different organizations participated in these meetings.

Staff Recommendation

Staff recommends that the Economic Development and Housing Committee vote to forward the proposed comprehensive housing policy amendment to the City Council for consideration.

Should you have any questions, please do not hesitate to contact me.

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Michael Mendoza
Chief of Economic Development and Neighborhood Services

c: Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer 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
Michael Mendoza, Chief of Economic Development and Neighborhood Services
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
Directors and Assistant Directors

CITY OF DALLAS POLICY FOR SUPPORTING HOUSING DEVELOPMENTS SEEKING HOUSING TAX CREDITS

The City of Dallas (“City”) has developed the following policy to outline its approach regarding requests from developers of projects seeking Housing Tax Credits (“HTC”) from the Texas Department of Housing and Community Affairs (“TDHCA”) for Resolutions of No Objection (sometimes referred to as “No Objection”) or Resolutions of Support (sometimes referred to as “Support”) from the City.

Background on Housing Tax Credits in Texas

In 1986, Congress, through the Tax Reform Act, enacted Section 42 of the Internal Revenue Code (“Section 42”). Section 42 created Low Income Housing Tax Credits that may be awarded to owners of multi-family rental housing that meet certain income and rent restrictions and other program requirements. At the Federal level, the HTC program has very few requirements but does require that states designate an agency to administer the HTC program and develop a Qualified Allocation Plan (“QAP”) outlining how HTC will be allocated and administered. For Texas, the Texas Department of Housing and Community Affairs has been designated as that agency, and the QAP is updated annually.

There are two forms of the HTC: 9% HTC and 4% HTC.

9% HTC are considered to be “competitive.” The State receives a per capita allocation of HTC to award each year, and applications are scored and are awarded by TDHCA only once per year. 4% HTC, on the other hand, are “automatically” awarded to projects using eligible tax-exempt debt. As a result, 4% HTC are considered to be “non-competitive” since applications are not competitively scored and are awarded by TDHCA multiple times throughout the year.

Under the 9% HTC, a Proposer may receive points for local government support. To receive points, the application must include a Resolution of Support or No Objection from the governing body of the municipality in which the proposed development site is to be located.

Although 4% HTC applications are not competitively scored, the Proposer must obtain a Resolution of No Objection from the governing body of the municipality in which the proposed development site is to be located. This is a threshold requirement for 4% credit awards. Applications that do not include a Resolution of No Objection cannot proceed.

Overview

This HTC policy seeks support the broad goals of the Comprehensive Housing Policy to do the following:

- Create and maintain affordable housing throughout Dallas,
- Promote greater fair housing choices, and
- Overcome patterns of segregation and concentrations of poverty through incentives and requirements.

The decision to provide a Resolution of No Objection or Support must be aligned with these goals. Unlike other City programs that directly invest in specific projects or provide direct incentives, such as fee waivers or tax abatements, the resolutions are an indirect way for the City to support the proposed development. Because of the points allocation for a Resolution of No Objection or Support for 9% HTC and the threshold requirement of a Resolution of No Objection for 4% HTC, the City’s position regarding a proposed development can greatly affect whether the proposed development is awarded HTC by TDHCA.

Given the substantial need for affordable housing across the City and that TDHCA administers the process for awarding HTC, the City has an interest in broadly supporting quality and responsible HTC proposals across the City. As such, the City will be supportive of maximizing production using HTC.

Definitions:

Affordability Period has the same meaning as the term is defined in the Qualified Allocation Plan, as amended.

Development has the same meaning as the term is defined in the Qualified Allocation Plan, as amended.

Development Site has the same meaning as the term is defined in the Qualified Allocation Plan, as amended.

Historically Underutilized Business has the same meaning as the term is defined in the Qualified Allocation Plan, as amended.

Market Analysis has the same meaning as the term is defined in the Qualified Allocation Plan, as amended.

Market Rate Housing Units means units for which the rent may be adjusted by the Owner, as defined in the Qualified Allocation Plan, as amended, subject only to the terms of the lease. Housing units are not considered Market Rate Housing Units if the rent that may be charged and/or the tenant(s) who may occupy the units are limited by a: (1) a Land Use Restrictive Agreement (LURA) or other restrictive covenants, or (2) any other contractual agreement.

Plan and Cost Review means an analysis, usually conducted by a third-party consultant on behalf of a lender prior to approval of a construction loan or of construction-related information and documents that is intended to evaluate whether costs are appropriate, the construction plan is well-designed and there are appropriate allowances for contingencies.

Proposer means the Proposer, Developer, Development Owner, Development Team, and Owner as those terms are defined in the Qualified Allocation Plan, as amended.

Qualified Non-Profit Organization has the same meaning as the term is defined in the Qualified Allocation Plan, as amended.

Registered Neighborhood Organizations means an organization that has registered with and provided its boundaries to the City of Dallas Department of Planning and Urban Design.

Calendar

Proposers may submit a proposal in response to this policy regarding HTC at any time during the year. However, City staff will only review applications and schedule proposals for City Council consideration four times per year. This calendar will be updated and published annually to align with the TDHCA timeline by the City Manager or his/her designee.

The calendar for 2019 is as follows:

Application deadline	City Council Consideration
January 11, 2019	February
April 12, 2019	May
July 12, 2019	August
October 11, 2019	November

Review & Recommendation Process

1. City staff will review all applications. For both 4% and 9% HTC applications, City staff will recommend a Resolution of No Objection to City Council if City staff has determined, in its sole discretion, that the threshold requirements, as outlined below, have been met.
2. For 9% HTC applications that have met the threshold requirements, as outlined below, and address Priority Housing Needs Developments, as described below, City staff may designate these applications as “Priority Housing Needs Developments” and will recommend a Resolution of Support and a \$500.00 funding commitment to City Council if City staff has determined, in its sole discretion, that the threshold requirements and Priority Housing Needs Developments criteria have been met.
3. For 9% HTC applications that have met the threshold requirements, as outlined below, and obtain a minimum score of 50 points under the Scoring Factors for Other 9% HTC Applications section, and do not qualify as a “Priority Housing Needs Development”, City staff will recommend a Resolution of Support and a \$500.00 funding commitment to City Council if City staff determines, in its sole discretion, that the threshold requirements have been met and that the application has scored at least 50 points.

4% and 9% HTC Applications Threshold Requirements

1. Applicable to All Applications

- Submission of a complete application to the City;
- The Proposer must have site control (e.g. purchase option);
- If not currently zoned for the intended use, the Proposer must have completed a formal consultation with City Planning staff outlining the process and requirements for rezoning the site;
- The Development must meet TDHCA minimum site and development requirements. If undesirable site features exist, the Proposer must submit a mitigation plan that sufficiently mitigates undesirable site features and supports site eligibility pursuant to TDHCA standards;
- The Development must meet TDHCA underwriting standards;
- The Development must contribute to the City’s obligations to affirmatively further fair housing;
- The Proposer must notify existing tenants living at the Development Site at least 45 days prior to submitting the proposal;
- For any Development that is occupied by existing tenants that is not otherwise subject to the Uniform Relocation Act (URA), the development proposal must include a City-approved relocation plan that:

- Minimizes permanent displacement from the Development. In the event of permanent displacement, Proposers will be required to provide compensation to affected tenants that is otherwise in alignment with URA requirements;
- Must provide reasonable notice to affected tenants prior to any temporary relocation and covers all reasonable out of pocket costs incurred by tenants as a result of moving from one unit to another within the Development or temporarily vacating their units to allow rehabilitation work to proceed; and
- Proposer must meet all applicable state, federal, or local laws relating to displacement of tenants.
- For any Development involving rehabilitation or adaptive reuse (i.e. conversion of space originally designed and built for other than residential purposes), the Proposer must submit a Plan and Cost Review for the Development including all supporting documentation that formed the basis of the review;
- For any Development located in a census tract with a poverty rate of 40% or higher, the Development must achieve a minimum score under Resident Services element of the scoring factors below of:
 - 17 points for elderly developments;
 - 23 points for family developments; or
 - 22 points for permanent supportive housing developments; and
- The Proposer must be eligible pursuant to TDHCA standards and City standards:
 - A proposer is not eligible for any resolution if the Proposer i) is in debt to the City or delinquent in any payment owed to the City, in accordance with Dallas City Code Section 2-36, as amended; ii) is currently in litigation with the City, either as a defendant or plaintiff; or iii) within the last 10 years has been found liable of violating Chapter 20A (Fair Housing) or Chapter 46 (Human Rights and Sexual Orientation) of the Dallas City Code.

2. Developments Involving Rehabilitation of Existing Housing

- The proposed scope of work must be informed by a capital needs assessment (CNA), prepared by a qualified third-party professional that is independent from the Development’s architect or engineer, builder/general contractor, or other member of the Development Team. The City will review the CNA and conduct a site visit. The CNA must demonstrate to the City’s satisfaction that the initial scope of work is sufficient to address all City code violations (whether formally cited or not). Further, the scope of work, combined with planned replacement reserve funding, must be determined sufficient to address all projected repairs or replacements of the following items through the entire term of the Development’s affordability period:
 - All major systems including roof, foundation, electrical, HVAC, and plumbing;
 - Interior and exterior windows and doors;
 - The interiors of all units including the kitchen and bathroom and all major appliances;
 - The exterior of the development, including balconies, walkways, railings, and stairs;
 - Communal facilities such as community rooms, fitness centers, business centers, etc.; and
 - Security features including gates and security cameras.
 - Accessibility

Priority Housing Needs Developments (applicable to only 9% HTC Applications)

A 9% HTC application that meets any of the following criteria may be designated by City staff as a “Priority Housing Needs Development” and recommended for a Resolution of Support and \$500.00 funding commitment to City Council, if City staff has determined, in its sole discretion, that the threshold requirements and Priority Housing Needs Developments criteria have been met:

1. The development proposal has been selected within the past three years to receive City funding (including federal funds such as HOME, CDBG, etc. or local funding such as General Obligation Bond funding) under a competitive application process administered by the Department of Housing and Neighborhood Revitalization and otherwise remains in compliance with all funding requirements;
2. The proposal includes participation by the Dallas Housing Finance Corporation or City of Dallas Public Facilities Corporation applicable to housing (if created). Such participation must include ownership of the underlying development site by the entity and/or stake in the ownership structure of the development;
3. The proposal involves the redevelopment of public housing owned by the Dallas Housing Authority under the Choice Neighborhoods, Rental Assistance Demonstration, HOPE VI, or other similar HUD programs that may be created;
4. The development proposal is located in a census tract with a poverty rate below 20%;
5. The development proposal is within any area designated as a Redevelopment Reinvestment Strategy Area (RSA) or a Stabilization RSA in this Comprehensive Housing Policy; or
6. Developments with at least 50 units for which the Owner must enter into an MOU with the lead entity of the Continuum of Care by which the project will prioritize at least 20% of units for tenants referred from the Continuum of Care Housing Priority List.

Scoring Factors for Other 9% HTC Applications

For 9% HTC Applications that do not qualify as a Priority Housing Needs Development, the application must achieve a minimum score of 50 within this section, **Scoring Factors for Other 9% HTC Applications**, to be recommended by City staff for a Resolution of Support and \$500.00 funding commitment to City Council, if City staff has determined, in its sole discretion, that the threshold requirements have been met and the application scores a minimum of 50 points under this section.

Mixed-Income Projects (Maximum of 20 points)

Proposals including market rate units (i.e. those without income/rent restrictions) as follows:

Percentage of Market-Rate Units	Points
At least 5% but less than 10% market rate units	5
At least 10% but less than 15% market rate units	10
At least 15% but less than 20% market rate units	15
At least 20% market rate units	20

Qualified Nonprofit or Historically Underutilized Business on Development Team (5 points)

To receive these points, the development team must include a Qualified Nonprofit Organization or Historically Underutilized Business (“HUB”) that has a controlling interest in the development. If ownership is a limited partnership, the Qualified Nonprofit Organization/HUB must be the Managing General Partner with greater than 50% ownership in the General Partner. If ownership is a limited liability company, the Qualified Nonprofit Organization/HUB must be the controlling Managing Member with greater than 50% ownership in the Managing member. Additionally, the Qualified Nonprofit Organization/HUB or its affiliate or subsidiary must be the developer or a codeveloper of the Development.

Proximity of Amenities to Development Site (Maximum of 25 points)

The following matrix shall be used in scoring the Development under this category:

Amenity	1/4 mile or less	>1/4 mile and < 1/2 Mile	1/2 mile and up to 1 mile
High Frequency Transit	5	3	1
Public Park	5	3	1
Full Scale Grocery Store	5	3	1
Community/Senior Center or Library	5	3	1
Licensed Day Care	5	3	1
Amenity	1/2 mile or less	>1/2 mile and < 1 mile	1 mile and up to 2 miles
Qualifying Medical Clinic or Hospital	5	2	1
Amenity	20 minutes or less	>20 min. and < 40 min.	More than 40 min.
Transit time to Major Employment Center	5	2	0

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Resident Services (Maximum of 25 points)

Note: The list of potential resident services is derived from, but not identical to, the QAP, as amended. The services outlined in the table below are shorthand descriptions, but the City will use the same definitions and requirements for each service as outlined in the QAP, as amended. For purposes of this section, however, the City will use its own scoring criteria to award points. In some cases, the points available may vary from those awarded under the QAP, as amended. Additionally, the total points available are not capped in the City’s scoring rubric in the same manner as they are for the QAP, as amended. City Manager or designee may amend the service descriptions categories and point allocations on an annual basis based on the annually updated QAP. The maximum points allocated to Resident Services will remain the same (25 points).

Service Description	Reference within the 2019 QAP §11.101(b)(7)	Points for City Scoring
Transportation Services		
Min. 3x/week shuttle to grocery/pharmacy or big-box retail; OR daily shuttle during school year to nearby schools not served by school bus system	(A)(i)	3.5
Monthly transportation to community/social events	(A)(ii)	1
Children Services		
High quality PreK program with dedicated space on-site	(B)(i)	4
Min. 12 hours/week organized on-site K-12 programming (e.g. tutoring, after school and summer care, etc.)	(B)(ii)	3.5
Adult Services		
Min. 4 hours/week organized onsite classes for adults (e.g. GED, ESL, financial literacy, etc.)	(C)(i)	3.5
Annual income tax preparation	(C)(ii)	1
Contracted career training and placement partnerships with local employers	(C)(iii)	2
Weekly substance abuse meetings at project site	(C)(iv)	1
Health Services		
Food pantry accessible to residents (on site or via on-request transportation)	(D)(i)	2
Annual health fair	(D)(ii)	1
Weekly exercise classes	(D)(iii)	2
Contracted on-site occupational or physical therapy for elderly or disabled tenants	(D)(iv)	2
Community Services		
Partnership with local law enforcement to provide quarterly activities with tenants	(E)(i)	2
Notary services for tenants	(E)(ii)	1
Min 2x/month arts, crafts, or other recreational activities (e.g. book club)	(E)(iii)	1
Min 2x/month on-site social events (e.g. potlucks, holiday celebrations, etc.)	(E)(iv)	1
Case management for elderly, disabled, or special needs tenants	(E)(v)	3
Weekly home chore and quarterly preventative maintenance for elderly or disabled tenants	(E)(vi)	2
Social Security Act Title IV-A programming	(E)(vii)	1
Part-time resident services coordinator (min. 15 hours/week) or contract for same through local provider	(E)(viii)	2
Education/tuition savings match or scholarship program for residents	(E)(ix)	2

Proposed Amendment to the City of Dallas Comprehensive Housing Policy to Adopt a New Low Income Housing Tax Credit Policy

**Economic Development &
Housing Committee
May 20, 2019**

**David Noguera, Director
Maureen Milligan, Assistant Director
Dionne Roberts, Consultant
Housing and Neighborhood Revitalization
City of Dallas**



Presentation Overview

- Background/History
- Program Overview
- Recent Activities
- Areas of Concern
 - Timing
 - Criteria
 - Fair Housing
- Fiscal Impact
- Next Steps



Background/History

- The City of Dallas has authority to provide Resolutions of No Objection and Resolutions of Support to development proposals seeking LIHTC funding from the State.
- With the adoption of the Comprehensive Housing Policy on May 9, 2018, City Council adopted a policy to guide decisions on what proposals should receive City support.
- In October 2018, Council provided direction to City staff to review this policy and bring back recommendations that would better align the housing policy priorities with the competitive process.

Program Overview

Low-Income Housing Tax Credit (LIHTC)

Created by Tax Reform Act of 1986

- Governed by Section 42 of the Internal Revenue Code

In return for investment in qualified affordable rental housing

- Investors receive credits against income tax owed
- And additional tax benefits from passive losses (depreciation)

Primary funding mechanism for affordable rental housing

- 90% of newly built affordable rental housing includes LIHTC
- Through 2017, has produced +/- 2.3M units nationally

Federal credit, but administered at state level

- Allocated by the Texas Department of Housing and Community Affairs
- Qualified Allocation Plan outlines rules of the road

9% credit	4% credit
Each state receives \$2.76 per capita in credit “ceiling”	Comes “automatically” with tax-exempt private activity bond financing
QAP defines competitive criteria and provides for various geographic pools	Must meet threshold requirements of QAP but not competitive per se



Program Overview

Financial Implications

	4%	9%
■ Depreciable Basis	■ \$10M times	■ \$10M times
■ Applicable Fraction (% affordable)	■ 100%	■ 100%
■ Eligible Basis (sometimes “boosted”)	■ = \$10M	■ = \$10M
■ Credit Rate (“9%” vs “4%”)	■ 4% =	■ 9% =
■ Annual Credits	■ \$400K	■ \$900K
■ For 10 years	■ times 10	■ times 10
■ Investor Ownership Percentage	■ times 99.99%	■ times 99.99%
■ Pricing (per \$1.00 of credit)	■ times \$0.90	■ times \$0.90
■ Yields Equity	■ \$3,599,640	■ \$8,099,190



Recent Activities – Consultation with Stakeholders

1. Consultation with HUD

2. LIHTC 101 Training

3. Housing Policy Taskforce - Neighborhood Quality of Life Committee

4. TDA Consulting (LIHTC Experience)

5. Housing Policy Taskforce LIHTC Working Group

6. TDHCA

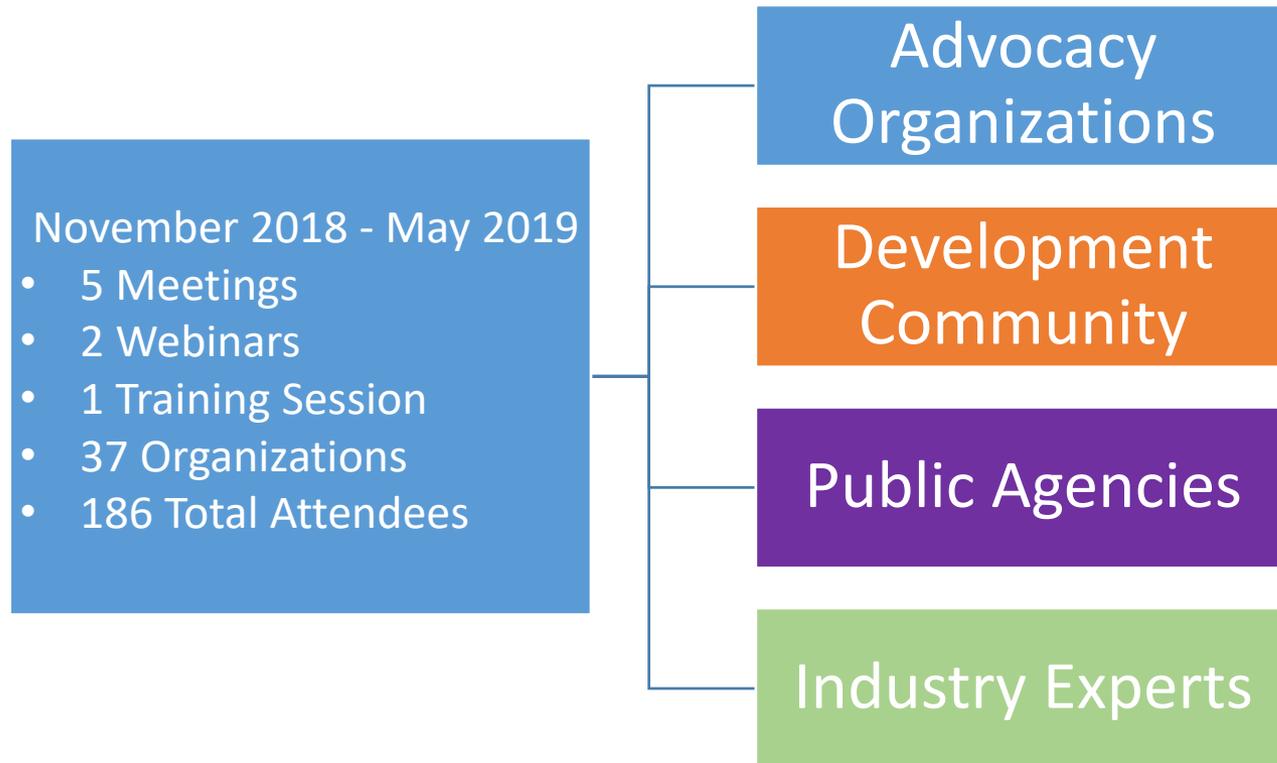
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“Economic Vibrancy”



City of Dallas

Recent Activities – Consultation with Stakeholders



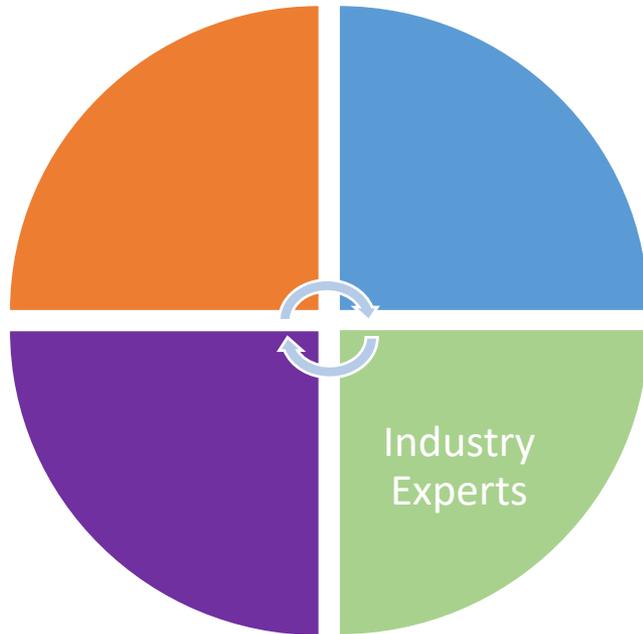
Recent Activities – Consultation with Stakeholders



- Inclusive Communities Project
- Texas Tenants Union
- Legal Aid of Northwest Texas

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Recent Activities – Consultation with Stakeholders

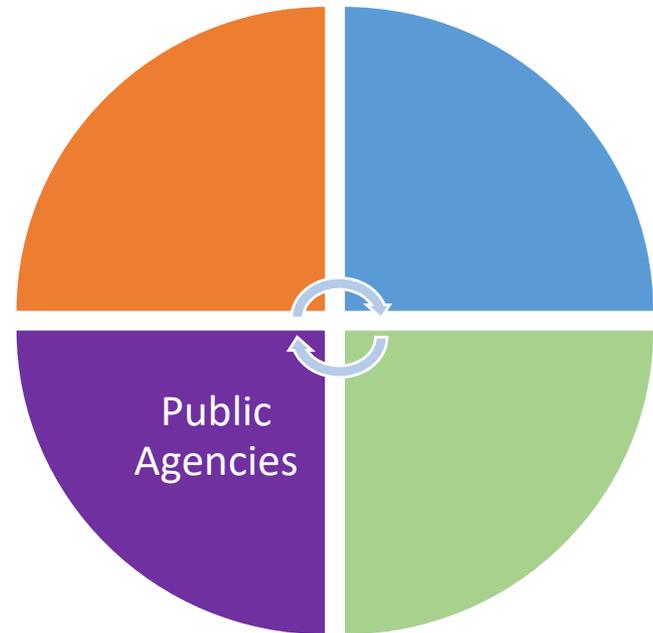


- Woodforest National Bank
- Texas Real Estate Council
- Coats-Rose PLC
- Dallas Afterschool
- Hensley Lamkin Rachel (HLR Inc.) Architecture and Planning
- Portfolio Resident Services
- Marque Real Estate Consultants (MREC)
- Simon Engineering
- Liberty Multifamily
- Merrill Lynch
- Alpha Barnes Real Estate Services
- Slagel Management
- Mt. Tabor MBC

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Recent Activities – Consultation with Stakeholders

- City of Dallas Housing Department
- City of Dallas Office of Welcoming Communities & Immigrant Affairs
- City of Dallas Equity and Human Rights Office
- City of Dallas Transportation Department
- Dallas Housing Authority
- Dallas Housing Finance Corporation
- TDHCA



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Recent Activities – Consultation with Stakeholders

- City Wide CDC
- Rebuilding Together
- Dominion Acquisition
- South Fair CDC
- Builders of Hope CDC
- Dallas Habitat
- Inner-City CDC(ICDC)
- East Dallas Community Organization
- Southern Dallas Progress CDC
- Brompton CHDC
- Atlantic Housing
- City Build / Bonton
- Camden Homes
- Matthew Southwest (MSW)



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Areas of Concern

- Timing
 - Feedback from stakeholders and applicants was that the timing of the application process did not align to the TDHCA calendar and as a result developers could not meet the TDHCA deadlines.
- Criteria
 - Feedback from stakeholders and applicants was that the criteria disadvantaged certain types of projects and was not clear enough to allow developers to self-score.
- Fair Housing
 - There was no specific fair housing requirement. While the review to assess if projects affirmatively further fair housing is a city-wide requirement that needs to be broadly applicable, there were specific opportunities that were seen to promote opportunity within the policy itself.

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Recommendations Overview

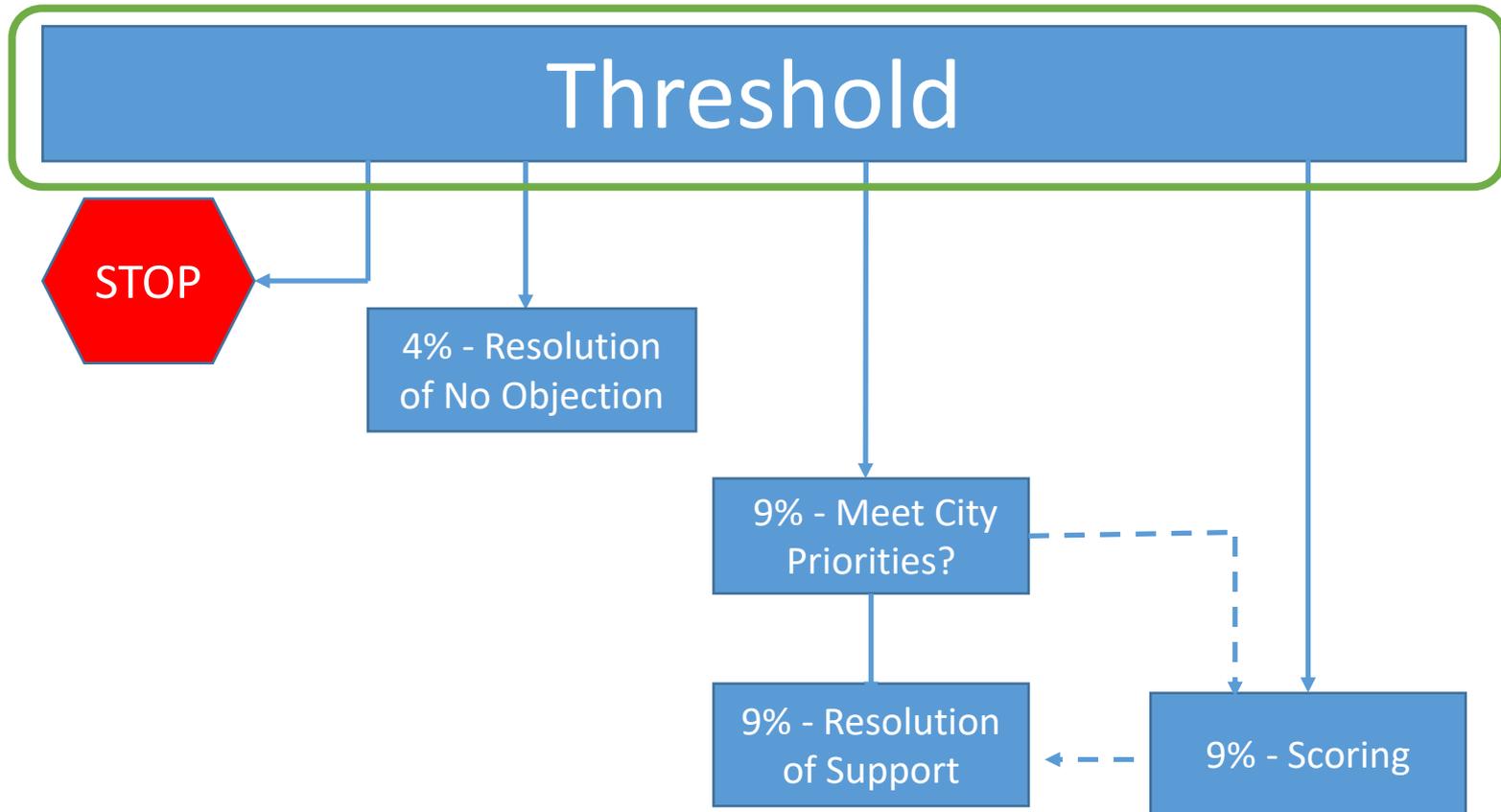
1. Timing
2. Criteria
 - Threshold
 - Priorities
 - Scoring
3. Fair Housing

Recommendation #1 –Timing

- Build a calendar that offers flexibility for proposal reviews.
- Dates should be published at the beginning of the year.
- Dates should coincide with TDHCA calendar.
- Developers will be encouraged to meet with staff early in the project planning process to identify potential disqualifying factors.

Type	Application deadline	City Council Consideration
4% and 9%	January 11, 2019	February
4%	April 12, 2019	May
4%	July 12, 2019	August
4%	October 11, 2019	November

Recommendation #2 – Criteria (Threshold)



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Recommendation #2 –Criteria (Threshold)

- Establish a baseline for all proposals considered for a resolution.
- Offer clear factors to guide the development of proposals.
- Distinguish roles and responsibilities between staff and City Council.



Threshold Criteria

Requirement

1. Submission of a complete application.
2. Be an eligible applicant pursuant to TDHCA standards and City standards.
3. Site control (e.g. purchase option).
4. If not currently zoned for the intended use, the applicant must have completed a formal consultation with City Planning staff outlining the process and requirements for rezoning the site.
5. The Development must appear to meet TDHCA minimum site and development requirements and TDHCA underwriting standards.
6. The Development must contribute to the City's obligations to affirmatively further fair housing.
7. The Proposer must notify existing tenants living at the Development Site at least 45 days prior to submitting the proposal.
8. For any development that is occupied by existing tenants that is not otherwise subject to the Uniform Relocation Act (URA), the development proposal must include a City-approved relocation plan that:
 - o Minimizes permanent displacement from the project.
 - o Among other items, provides reasonable notice to affected tenants prior to any temporary relocation and covers all reasonable out of pocket costs incurred by tenants as a result of moving from one unit to another within the project or temporarily vacating their units to allow rehabilitation work to proceed.

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Threshold Criteria (continued)

Requirement

9. For any development involving rehabilitation or adaptive reuse the Proposer must submit a Plan and Cost Review.

10. For any project located in a census tract with a poverty rate of 40% or higher, the development must achieve a minimum score under Resident Services element of the Scoring Factors below of:

- 17 points for elderly developments;
- 22 points for permanent supportive housing developments;
- 23 points for family developments; or

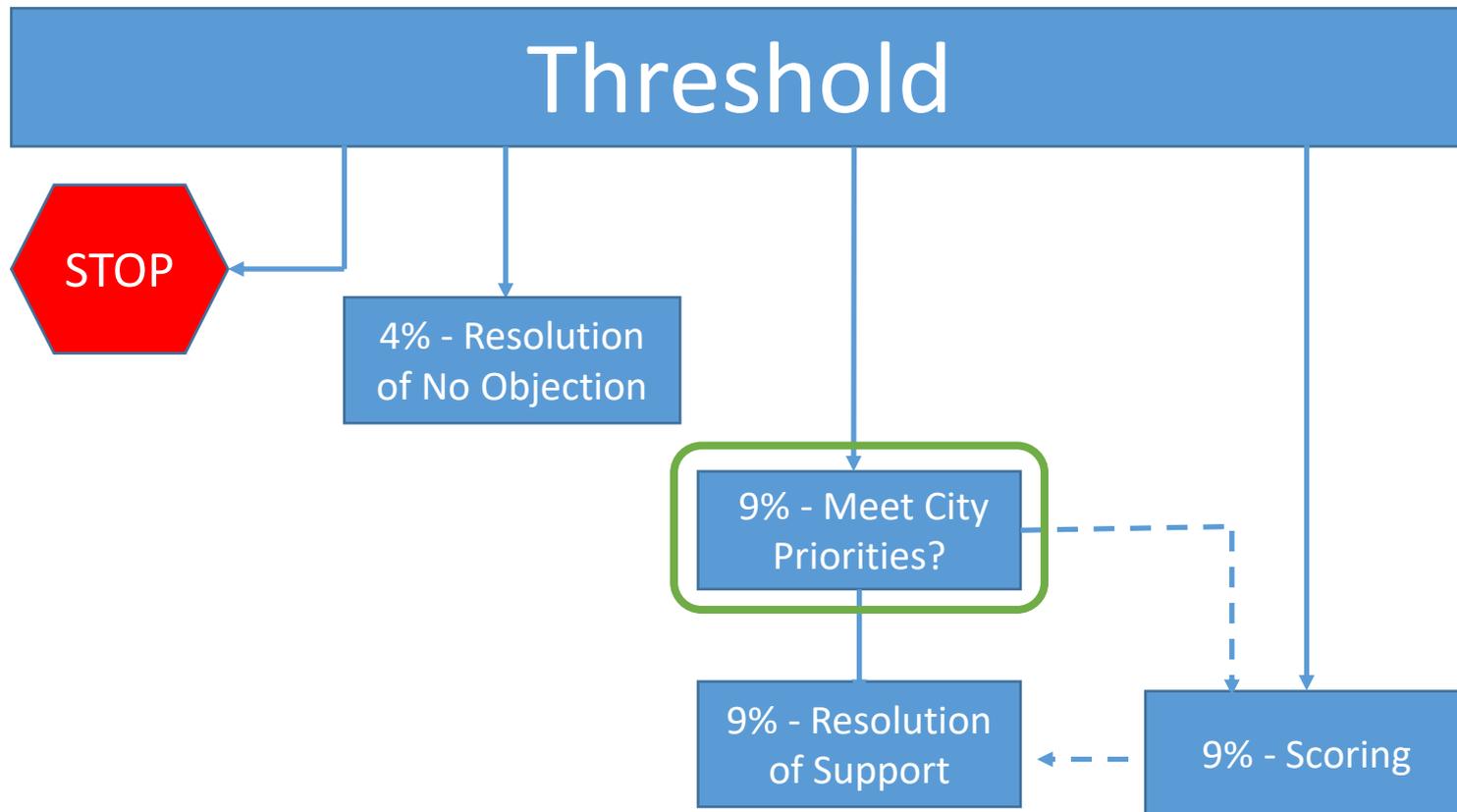
11. A Proposer is not eligible for any resolution if the Proposer i) has not met current obligations with the City as defined in Dallas City Code Section 2-36, as amended; ii) is currently in litigation with the City, either as a Defendant or Plaintiff; or iii) within the last 10 years has been found liable of violating Chapter 20A (Fair Housing) or Chapter 46 (Human Rights and Sexual Orientation).

12. The proposed scope of work must be informed by a capital needs assessment (CNA), prepared by a qualified third-party professional that is independent from the project's architect or engineer, builder/general contractor, or other member of the development team.

- o All major systems including roof, foundation, electrical, HVAC, and plumbing;
- o Interior and exterior windows and doors;
- o The interiors of all units including the kitchen and bathroom and all major appliances;
- o The exterior of the Development, including balconies, walkways, railings, and stairs;
- o Communal facilities such as community rooms, fitness centers, business centers, etc.; and
- o Security features including gates and security cameras.
- o Accessibility

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Recommendation #2 – Criteria (Priorities)



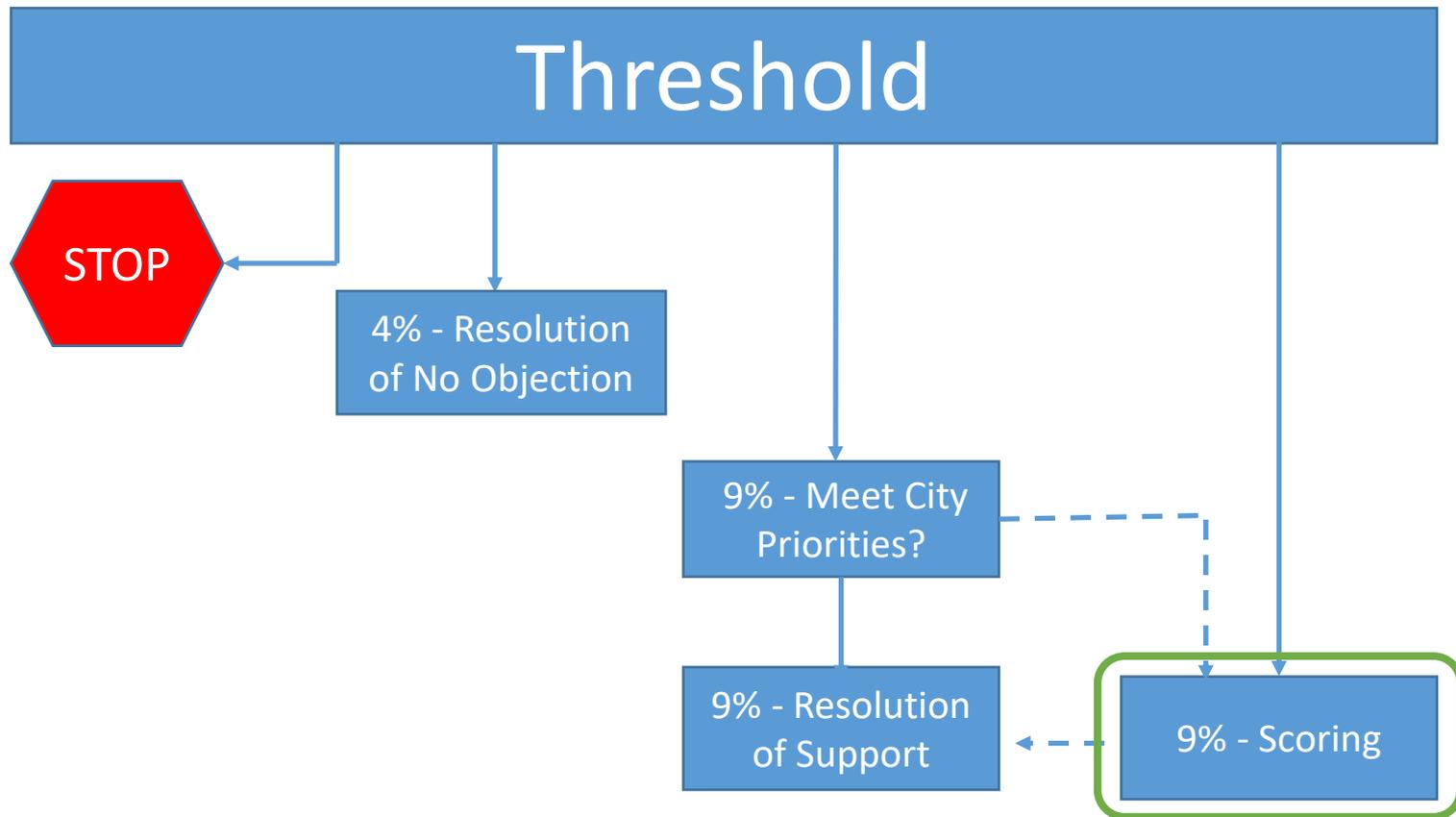
Priority Criteria

Requirement

1. Proposal has been selected within the past three years to receive City funding.
2. Proposal includes participation by the Dallas Housing Finance Corporation of City of Dallas Public Facilities Corporation (if created).
3. Proposal involves the redevelopment of public housing owned by the Dallas Housing Authority under the Choice Neighborhoods, Rental Assistance Demonstration, HOPE VI, or other similar HUD programs that may be created.
4. Development proposal is located in a census tract with a poverty rate below 20%.
5. The development proposal is within any area designated as a Redevelopment Reinvestment Strategy Area (RSA) or a Stabilization RSA.
6. Projects with at least 50 units for which the owner will enter into an MOU with the lead entity of the Continuum of Care by which the project will prioritize at least 20% of units for tenants referred from the Continuum of Care Housing Priority List.

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Recommendation #2 – Criteria (Scoring)



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Scoring Criteria

To qualify for consideration for a Resolution of Support, projects that do not meet one of six City priorities would have to score 50 out of a possible 75 points.



Scoring Criteria

Requirement	Points
1. Mixed Income Projects	20 Maximum
2. Qualified Nonprofit or Historically Underutilized Business on Development Team	5 Total
3. Proximity of Amenities to Development Site (High Frequency Transit, Public Park, Full Scale Grocery Store, etc.)	25 Maximum
4. Resident Services Offered on Development Site (Transportation, Children and Adult, Health, and Community)	25 Maximum
	Maximum Total 75

Fair Housing

- Prioritize projects in low poverty areas.
- Require projects in high-poverty areas to demonstrate significant commitment to services/amenities.
- Create a priority for projects providing access to those experiencing homelessness.



Fiscal Impact

- A Resolution of Support for a 9% tax credit project requires a \$500 commitment from the City.



Next Steps

- Council Briefing June 5, 2019
- Council Voting Agenda June 12, 2019



Proposed Amendment to the City of Dallas Comprehensive Housing Policy to Adopt a New Low Income Housing Tax Credit Policy

**Economic Development &
Housing Committee
May 20, 2019**

**David Noguera, Director
Maureen Milligan, Assistant Director
Dionne Roberts, Consultant
Housing and Neighborhood Revitalization
City of Dallas**

