

Memorandum



CITY OF DALLAS

DATE October 22, 2021

TO Honorable Mayor and Members of the City Council

SUBJECT **Lien Portfolio for the Department of Housing and Neighborhood Revitalization**

This memorandum outlines how the Department of Housing and Neighborhood Revitalization (the “Housing Department”) discovered outstanding liens in place over the past 30+ years. This memorandum also outlines the process to address the outstanding liens related to single-family home loans and grants administered by Housing Department and the proposed approach to releasing the liens in accordance with the U.S. Department of Housing and Urban Development (“HUD”) guidance.

Background

For most repayable and forgivable loans/grants, the City uses liens to secure interest in properties to enable the City to further enforce the loan and/or grant agreement requirements in the event of default. Historically, the practice of releasing liens is triggered by a homeowner or title company’s request for a lien release. The lien release process typically takes 30-60 days to locate files, research historic water bills, retrieve Dallas Central Appraisal District data, execute an affidavit, review by the City Attorney’s Office, and file the lien release with Dallas County.

The Housing Department became aware of these outstanding liens that need to be addressed while undergoing an audit by HUD, unrelated to the liens. In resolving audit findings, the Housing Department switched from a paper filing system to an online project management system, Neighborly. Through this process, the Housing Department learned that the City has approximately 26,000 liens on single-family homes that needed to be reviewed for compliance and released (if eligible). Some properties have more than one lien, which is due to homeowners receiving assistance for multiple housing repairs. Council district distribution of existing liens is attached as **Exhibit A**.

Proposed Approach

On June 4, 2021, the Housing Department notified HUD of the outstanding liens and the City’s proposed approach to address the liens. HUD provided feedback regarding the City’s approach. The process referenced below complies with such guidance.

Subject to City Council approval, the process includes the following:

1. Loans/Grants Established Prior to 2006 – before releasing a lien, the City will analyze this group of activities issued during this time period by reviewing the completion dates and other records to ensure that: (a) the release of lien is appropriate for each project, (b) the City has implemented/enforced recapture and

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resale provisions (if triggered), and (c) it complies with long-term affordability requirements.

2. Loans/Grants Established 2006 – May 9, 2018 – the City will reassess loans established between 2006 – May 9, 2018 (when the Comprehensive Housing Policy (CHP) was adopted by the City Council) in the manner described below because the maximum affordability period pursuant to HUD regulations is 15 years:
 - a. for HOME Investment Partnership (HOME) loans that are subject to an ongoing affordability period, reduce the HOME affordability period to align with HUD regulations and convert loans to grants; and
 - b. convert CDBG loans, and other eligible loans, to grants and remove any ongoing affordability periods (HUD regulations do not require ongoing affordability periods).

The Housing Department intends to reassess loans and grants entered into pursuant to the CHP separately, at a later date.

Further, after receiving feedback from councilmembers, the Housing Department makes the following recommendation: (1) release liens established before 2006 after ensuring that the lien release is appropriate, as detailed above; and (2) reduce the affordability periods for loans established between 2006 – May 9, 2018 to align with HUD regulations, and convert the loans to grants.

Moving forward, the Housing Department will use Neighborly to manage the timely release of liens. The Housing Department will use Neighborly to manage project files, to proactively monitor projects for compliance, and to identify liens eligible for release, by providing annual reports for liens as they become due. The Housing Department will continue to work with Dallas County records to receive a comprehensive report of the 26,000 liens and to timely request lien releases from the City Attorney's Office.

This agenda item will be considered by the City Council on December 8, 2021.


T.C. Broadnax
City Manager

c: Chris Caso, City Attorney
Mark Swann, City Auditor
Billierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
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M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

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Exhibit A

District	#Liens	%Liens
1	2035	7.85%
2	1054	4.07%
3	3378	13.04%
4	5084	19.62%
5	2830	10.92%
6	1992	7.69%
7	3321	12.82%
8	3014	11.63%
9	939	3.62%
10	269	1.04%
11	91	0.35%
12	27	0.10%
13	150	0.58%
14	110	0.42%