

Memorandum



CITY OF DALLAS

DATE December 3, 2021

TO Honorable Mayor and City Council

SUBJECT **Amendment to Conditional Grant Agreement – St Jude, Inc.**

This memorandum is to provide the Department of Housing & Neighborhood Revitalization's response to questions from the Housing and Homelessness Solutions Committee (HHSC) regarding a proposed amendment to the conditional grant agreement with St. Jude, Inc. to modify the income restrictions of the St. Jude Center – Park Central, a permanent supportive housing development located at 8102 LBJ Freeway, Dallas, Texas 75251 (Project). The HHSC specifically questioned 1) why the income restrictions need to be increased and 2) if the development was economically feasible with lower income restrictions. The conditional grant agreement currently requires that all 180 units be reserved for residents earning at or below 30% Area Median Income (AMI). The resolution authorizing an amendment to the conditional grant agreement increases the affordability mix to 60% of the units for residents earning at or below 50% AMI and 40% of the units for residents earning at or below 80% AMI.

There are several reasons why the Project's income restrictions need to be increased. First and foremost, the Project was never intended to serve only residents earning at or below 30% AMI. On November 11, 2020, City Council authorized an interlocal agreement with Dallas County for the Project by Resolution 20-1789 that required 60% of the units be reserved for residents earning at or below 50% AMI and 40% of the units for residents earning at or below 80% AMI. The executed interlocal agreement for the Project between Dallas County and St. Jude, Inc. includes these rent restrictions. St. Jude Inc.'s subsequent Notice of Funding Availability (NOFA) application and the required third-party underwriting of the Project contemplated reserving 60% of the units for residents earning at or below 50% AMI and 40% of the units for residents earning at or below 80% AMI. The 30% AMI restrictions in the resolution authorizing the NOFA award was an error and the proposed amendment to the conditional grant agreement will bring the affordability mix in line with Resolution 20-1789, the interlocal agreement, NOFA application, and underwriting report.

St. Jude, Inc.'s experience in similar projects such as their St. Jude Center – Forest Lane property shows that it takes their previously homeless clients one to three years to stabilize and function independently without supportive services. During this time frame, many residents gain employment as part of the stabilization process. However, requiring all units be reserved for residents earning at or below 30% AMI means that any resident must make less than \$8.90 per hour (\$18,690 annually). As residents stabilize, gain employment and increase their income, it is likely that they would be evicted from the property before they are ready to find their own housing.

DATE December 3, 2021

SUBJECT **Amendment to Conditional Grant Agreement – St Jude, Inc.**

Based on St. Jude, Inc.'s experience, it is unlikely that these residents will find suitable replacement housing that will accept these residents due to:

- Backgrounds
- Criminal records
- Voucher acceptance
- Overall lack of affordable housing

Even at 50% AMI (\$14.97/hour or \$31,150/year) and 60% AMI (\$17.97/hour or \$37,380/year), St. Jude, Inc. has found that their previously homeless residents may still require supportive services and an eviction could destabilize and re-traumatize their clients causing them to once again experience homelessness.

In addition, St. Jude, Inc. has found that setting income restrictions too low creates a negative incentive for residents to accept better paying jobs. Residents may be reluctant to accept employment or a pay increase that would push them over \$14.97/hour or \$17.97/hour since this would cause them to lose their home.

With regards to the economic feasibility of the Project, restricting all residents to rents at or below 30% AMI is not economically feasible. It was also apparent in reviewing with the underwriter that a diversity of incomes and allowing residents earning up to 80% AMI not only stabilizes formerly homeless residents, but also the financials of the Project. Financial margins in the affordable housing sector are extremely thin and it is recommended the Project serve residents earning up to 80% AMI to provide for a diversity of incomes and residents at the property.

Staff Recommendation

Staff recommends City Council approval of the item as recommended to the Housing & Homelessness Solutions Committee. The amendment will allow the Project to serve a broader population of persons experiencing homelessness in need of permanent supportive housing.

Should you have any questions or require any additional information, please contact me or David Noguera, Director, Department of Housing & Neighborhood Revitalization at David.Noguera@DallasCityHall.com or 214-670-3619.



Dr. Eric Anthony Johnson
Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
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
M. Elizabeth Reich, Chief Financial Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors