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**CITY OF DALLAS HOUSING FINANCE CORPORATION  
BOARD OF DIRECTORS MEETING**

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CITY SECRETARY  
DALLAS, TEXAS

**Tuesday, February 13, 2018 at 12:00 Noon  
City Hall (Green Elevators) – LIEN, Conference Room D  
1500 Marilla St., Dallas, Texas 75201**

**AGENDA**

1. Approval of the Minutes for the January 9, 2018 Meeting. **Sherman Roberts, President**
2. Discussion and possible approval on the audited financial statements for the DHFC for the period ending December 31, 2016. **Matt Stille, Audit Manager, CohnReznick**
3. Update from subcommittees: DHFC Organization and Providence at Mockingbird. **Clint Nolen, Subcommittee Chairman and Vice President**
4. Update on construction closing of Flora Lofts Project. **Phill Geheb, Attorney, Munsch Hardt Kopf & Harr, P.C.**
5. Update on Market Value Analysis (MVA). **David Noguera, Director, Housing and Neighborhood Revitalization**
6. Adjourn.

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

- 1) Contemplated or pending litigation or matters where legal advice is requested of the City Attorney. Section 551.071 of the Texas Open Meeting Act.
- 2) The purchase, exchange, lease or value of real property, if the deliberation in any open meeting would have a detrimental effect on the position of the city in negotiations with a third person. Section 551.072 of the Texas Open Meetings Act.
- 3) A contract for a prospective gift or donation to the City, if the deliberation in an open meeting would have a detrimental effect on the position of the City in negotiations with a third person. Section 551.073 of the Texas Open Meetings Act.
- 4) Personnel matters involving the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee or to hear a complaint against an officer or employee. Section 551.074 of the Texas Open Meetings Act.
- 5) The deployment, or specific occasions for implementation of security personnel or devices. Section 551.076 of the Texas Open Meetings Act.
- 6) Deliberations regarding Economic Development negotiations. Section 551.087 of the Texas Open Meetings Act.
- 7) Deliberations of security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. Section 551.089 of the Texas Open Meetings Act.

**City of Dallas Housing Finance Corporation  
(A Component Unit of the City of Dallas, Texas)**

**Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**December 31, 2016**

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**COHN  REZNICK**  
ACCOUNTING • TAX • ADVISORY

## City of Dallas Housing Finance Corporation

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Independent Auditor's Report

To the Board of Directors  
City of Dallas Housing Finance Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Dallas Housing Finance Corporation, which comprise the statement of net position as of December 31, 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Unicom Crest Development, LP and Bruton Apartments, Ltd., which represent 56 percent, 48 percent, and 22 percent, respectively, of the assets, net position, and revenues of the discrete component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Unicom Crest Development, LP and Bruton Apartments, Ltd., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the City of Dallas Housing Finance Corporation as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 36 and 37 is presented for purposes of additional analysis and is not a required part of the financial statements.

The accompanying supplementary information on pages 36 and 37 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures described above, and the report of the other auditors, the accompanying supplementary information on pages 36 and 37 is fairly stated, in all material respects, in relation to the financial statements as a whole.

## *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2017, on our consideration of the City of Dallas Housing Finance Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Dallas Housing Finance Corporation's internal control over financial reporting and compliance.



Austin, Texas  
December 22, 2017

## City of Dallas Housing Finance Corporation

### Management's Discussion and Analysis December 31, 2016

The City of Dallas Housing Finance Corporation (DHFC) is proud to provide this narrative overview and analysis of the DHFC's financial activities for the year ended December 31, 2016. It is designed to identify changes in the DHFC's financial position as well as individual fund issues or concerns. It should be read in conjunction with the Financial Statements following this Management Discussion and Analysis (MD&A), and the Notes to Financial Statements.

The MD&A is presented in conformance with Governmental Accounting Standards Board (GASB) financial reporting model as set forth in GASB Statement No. 34, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments: Omnibus*, GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, GASB Statement No. 44, *Economic Condition Reporting: The Statistical Section*, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These financial reporting standards require the inclusion of three basic financial statements, namely, the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows.

This MD&A covers the total primary government only.

#### Financial Highlights

- Assets of the DHFC exceeded liabilities at December 31, 2016 by \$6,952,204 (net position). This amount represents an increase of \$244,595 from the balance at December 31, 2015. This increase is due to a net income by the DHFC of \$244,595.
- The DHFC's cash and cash equivalents and investment balances as of December 31, 2016 totaled \$1,639,773 representing an increase of \$252,782 from December 31, 2015. This increase was due to investment earnings, increased revenue during the current year.
- The DHFC had total revenues of \$703,164 and total expenses of \$475,119 for the year ended December 31, 2016. The total revenues decreased by \$210,324 and total expenses decreased by \$133,086. The unfavorable change in revenues was due to decreased ground lease fees collected. The favorable change in expenses was due to decreased contributions paid in the current year.

#### Overview of the Financial Statements

Our analysis of the DHFC's financial information as a whole follows with the most important question, "Has the DHFC's financial health improved or worsened as a result of the year's activities?" The following analysis of entity-wide net position, revenues, and expenses is provided to assist with answering this question. This analysis includes all assets and liabilities using the accrual method of accounting, which recognized revenue when earned and expenses when incurred regardless of when cash is received or paid.

#### Statement of Net Position

The Statement of Net Position presents information about the DHFC's assets and liabilities and is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the DHFC. The statement is presented in the format where assets, minus liabilities, equal "Net Position," formerly known as equity. Assets and liabilities are presented in order of liquidity.

## City of Dallas Housing Finance Corporation

### Management's Discussion and Analysis December 31, 2016

Increases or decreases in net position will serve as a useful indicator of whether the financial position of the DHFC is improving or deteriorating. Total assets of the DHFC amounted to \$7,980,518, total liabilities amounted to \$1,028,314, and net position amounted to \$6,952,204 at December 31, 2016.

#### Statement of Revenues, Expenses, and Changes in Net Position

The purpose of the Statement of Revenues, Expenses, and Changes in Net Position is to present the revenues earned and the expenses incurred, both operating and non-operating and any other revenues, expenses, gains, and losses received or spent by the DHFC. Generally, operating revenues are amounts received for providing housing to the residents of the JubileeSeniors property or from other properties for which the DHFC has assisted in obtaining financing. Operating expenses are those paid to maintain the housing units for JubileeSeniors and provide other services for the residents, as well as expenses associated with the DHFC, such as salaries and charitable contributions. Non-operating revenues are funds received for which goods and services are not provided. For the year ended December 31, 2016, total revenues amounted to \$703,164; total operating expenses amounted to \$475,119, resulting in operating income of \$228,045. Other income and (expense) totaled \$16,550, making the change in net position for the year an increase of \$244,595.

#### Statement of Cash Flows

The final required financial statement is the Statement of Cash Flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, and investing and financing activities. The statement provides answers to such questions as "where did the cash come from, and what was the cash used for, and what was the change in the cash balance during the reporting period?"

#### Capital Assets

The summary below shows the capital asset balances by line item as of December 31, 2016 and 2015.

	2016	2015
Land	\$ 1,270,335	\$ 332,392
Land improvements	176,201	176,201
Buildings and improvements	1,957,768	1,957,768
Furniture and fixtures	98,391	98,391
Subtotal	<u>3,502,695</u>	<u>2,564,752</u>
Accumulated depreciation	<u>(361,660)</u>	<u>(281,291)</u>
Total capital assets, net	<u>\$ 3,141,035</u>	<u>\$ 2,283,461</u>

Additional details for activities affecting capital assets are presented in Note 4 of the Notes to Financial Statements included in this report.

#### Economic Factors

The need for affordable housing in Dallas, particularly in the inner city, continues to grow, providing more opportunities for the DHFC to acquire housing projects and assist other housing projects with obtaining financing. These opportunities will help the DHFC grow its operating revenues and net position through the operations of the various acquired projects and financing fees to projects seeking financing.

**City of Dallas Housing Finance Corporation**

**Management's Discussion and Analysis  
December 31, 2016**

**Request for Information**

This financial report is designed to provide a general overview of the City of Dallas Housing Finance Corporation's finances for interested parties. Questions concerning any of the information presented in this report or requests for additional information should be addressed to:

Manager  
City of Dallas Housing Finance Corporation  
1500 Marilla, Rm. 5CS  
Dallas, TX 75201



**City of Dallas Housing Finance Corporation**

**Statement of Net Position  
December 31, 2016**

	Component Units				
	Total Primary Government	Hines 68, LP	Bruton Apartments, Ltd.	Unicom Crest Development, LP	Riverside CCF/CB Partners, LP
<b>Assets</b>					
Cash	\$ 735,991	\$ 176,736	\$ 168,794	\$ 32,528	\$ 198,351
Security deposits held in trust	3,188	-	107,350	14,894	71,635
Investments	900,594	-	-	-	-
Prepaid expenses	6,323	59,803	62,960	2,296	4,855
Accounts receivable - tenants	-	23,904	30,461	3,083	-
Interest receivable - Hines 68, LP	62,500	-	-	-	-
Accounts receivable - other	4,000	-	57	252	302
Prepaid ground lease	-	-	900,093	536,116	-
Escrow deposits	-	50,709	-	-	-
Reserve for replacements	-	26,167	-	-	-
Other reserves	-	717,567	1,361,337	1,427,471	-
	<u>1,712,596</u>	<u>1,054,286</u>	<u>2,631,052</u>	<u>2,016,640</u>	<u>275,143</u>
Construction in progress	-	-	-	1,529,665	-
Land and improvements	1,446,536	4,256,358	3,346,613	836,213	2,591,193
Buildings and improvements	1,957,768	16,416,557	27,554,763	9,591,192	17,195,422
Equipment	-	104,566	-	-	-
Furniture and fixtures	98,391	1,153,825	1,220,464	452,060	1,756,000
	<u>3,502,695</u>	<u>21,931,306</u>	<u>32,121,840</u>	<u>12,409,130</u>	<u>21,542,615</u>
Less accumulated depreciation	<u>(361,660)</u>	<u>(5,681,776)</u>	<u>(1,340,432)</u>	<u>(103,111)</u>	<u>(1,155,139)</u>
	<u>3,141,035</u>	<u>16,249,530</u>	<u>30,781,408</u>	<u>12,306,019</u>	<u>20,387,476</u>
Loan Receivable - Hines 68, LP	625,000	-	-	-	-
Investments - Entity	2,501,887	-	-	-	-
Tax credit monitoring, net	-	12,880	58,288	21,012	37,134
Other assets	-	10,923	-	-	-
	<u>3,126,887</u>	<u>23,803</u>	<u>58,288</u>	<u>21,012</u>	<u>37,134</u>
<b>Total assets</b>	<u>\$ 7,980,518</u>	<u>\$ 17,327,619</u>	<u>\$ 33,470,748</u>	<u>\$ 14,343,671</u>	<u>\$ 20,699,753</u>

City of Dallas Housing Finance Corporation

Statement of Net Position  
December 31, 2016

	Total Primary Government	Component Units			
		Hines 68, LP	Bruton Apartments, Ltd.	Unicom Crest Development, LP	Riverside CCF/CB Partners, LP
<b>Liabilities and net position</b>					
<b>Liabilities</b>					
Accounts payable - operations	\$ 45,379	\$ -	\$ 7,704	\$ 5,579	\$ 79,167
Other accrued expenses	5,438	45,234	28,258	1,065	208,620
Accrued local administrative fee payable	-	55,000	-	-	-
Accrued asset management fee payable	-	-	7,500	-	15,000
Accrued mortgage interest payable	-	49,401	90,725	27,083	-
Accrued interest payable	-	62,500	-	-	61,971
Due to DHFC	100	-	-	-	-
Due to NRP	-	-	607,659	-	-
Tenants' security deposits liability	3,188	26,324	104,800	14,894	70,285
Deferred revenue - ground lease	974,209	-	-	-	-
Prepaid revenue	-	22,299	1,445	1,902	16,026
Construction contract payable	-	-	45,225	996,432	-
Construction loan payable	-	-	7,717,672	9,605,796	12,402,627
First mortgage payable	-	10,164,730	17,494,025	1,849,990	3,941,640
Loan payable	-	625,000	500,000	225,000	-
Developers' fee payable	-	3,721,753	3,987,798	817,256	2,419,199
<b>Total liabilities</b>	<b>1,028,314</b>	<b>14,772,241</b>	<b>30,592,811</b>	<b>13,544,997</b>	<b>19,252,335</b>
<b>Net position</b>					
Unrestricted (deficit)	3,811,169	(526,387)	477,362	(628,797)	(177,942)
Restricted	-	718,718	1,363,887	1,427,471	1,350
Net investment in capital assets	3,141,035	2,363,047	1,036,688	-	1,624,010
<b>Total net position</b>	<b>6,952,204</b>	<b>2,555,378</b>	<b>2,877,937</b>	<b>798,674</b>	<b>1,447,418</b>
<b>Total liabilities and net position</b>	<b>\$ 7,980,518</b>	<b>\$ 17,327,619</b>	<b>\$ 33,470,748</b>	<b>\$ 14,343,671</b>	<b>\$ 20,699,753</b>

See Notes to Financial Statements.

City of Dallas Housing Finance Corporation

Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended December 31, 2016

	Component Units				
	Total Primary Government	Hines 68, LP	Bruton Apartments, Ltd.	Unicom Crest Development, LP	Riverside CCF/CB Partners, LP
<b>Revenue</b>					
Rental revenue	\$ 117,300	\$ 2,259,117	\$ 2,794,657	\$ 315,376	\$ 1,705,499
Tenant assistance payments	-	-	-	-	603,805
Vacancies and concessions	(3,316)	(124,819)	(1,588,274)	(275,775)	(156,275)
Laundry and vending	-	5,195	545	-	283
Tenant charges	-	-	-	-	59,146
Miscellaneous rent revenue	-	51,155	43,507	2,170	60,170
Cable contract revenue	-	-	-	-	8,666
Service fees revenue	589,180	29,662	9,172	-	350
<b>Total revenue</b>	<b>703,164</b>	<b>2,220,310</b>	<b>1,259,607</b>	<b>41,771</b>	<b>2,281,644</b>
<b>Expenses</b>					
Salaries and employees benefits	150,911	395,022	378,132	26,880	311,343
Repairs and maintenance	37,512	285,411	106,288	3,034	480,778
Utilities	8,591	262,318	140,001	2,233	222,315
Property management fee	20,400	93,006	122,829	6,364	111,684
Property insurance and taxes	12,632	91,637	63,377	-	75,536
Miscellaneous operating expenses	70,450	90,012	203,735	13,604	104,529
Interest expense	-	773,945	1,648,545	63,388	895,149
Bad debt expense	-	-	14,680	-	71,521
Legal expense	-	14,004	4,317	-	9,930
Audit expense	-	3,300	11,500	-	15,600
Accounting expense	10,225	8,500	-	-	25,968
GP supervisory management fee	-	101,116	-	-	-
Miscellaneous taxes, licenses, and insurance	-	25,223	-	-	5,098
Local administrative fee	-	5,000	-	-	-
Other related party fees	-	-	7,500	-	15,000
Ground lease expense	-	-	22,363	884	-
Other expenses	84,029	37,598	22,656	-	76,191
Depreciation	80,369	528,742	1,340,432	103,111	726,382
Amortization	-	3,219	3,794	-	2,825
<b>Total expenses</b>	<b>475,119</b>	<b>2,718,053</b>	<b>4,090,149</b>	<b>219,498</b>	<b>3,149,849</b>
<b>Operating Income (loss)</b>	<b>228,045</b>	<b>(497,743)</b>	<b>(2,830,542)</b>	<b>(177,727)</b>	<b>(868,205)</b>
<b>Other income (expense)</b>					
Gain/(loss) on investment in subsidiaries	(438)	-	-	-	-
Interest income	16,988	-	1,488	778	-
<b>Total other income/(expense)</b>	<b>16,550</b>	<b>-</b>	<b>1,488</b>	<b>778</b>	<b>-</b>
<b>Income (loss) before capital contributions</b>	<b>244,595</b>	<b>(497,743)</b>	<b>(2,829,054)</b>	<b>(176,949.00)</b>	<b>(868,205)</b>
Capital contributions from limited partners	-	-	-	100	1,683,360
<b>Change in net position</b>	<b>244,595</b>	<b>(497,743)</b>	<b>(2,829,054)</b>	<b>(176,849)</b>	<b>815,155</b>
Net position at beginning of year	6,707,609	3,053,121	5,706,991	975,523	632,263
<b>Net position at end of year</b>	<b>\$ 6,952,204</b>	<b>\$ 2,555,378</b>	<b>\$ 2,877,937</b>	<b>\$ 798,674</b>	<b>\$ 1,447,418</b>

See Notes to Financial Statements.

**City of Dallas Housing Finance Corporation**

**Statement of Cash Flows  
Year Ended December 31, 2016**

	<u>Total Primary Government</u>
Cash flows from operating activities	
Rental receipts	\$ 113,984
Service fees receipts	<u>581,728</u>
Total receipts	<u>695,712</u>
Salaries and employee benefits paid	181,171
Repairs and maintenance expenses paid	37,512
Utilities paid	8,591
Property management fees paid	20,400
Property insurance expenses paid	11,947
Miscellaneous operating expenses paid	95,272
Accounting expenses paid	10,225
Other expenses paid	<u>84,029</u>
Total disbursements	<u>449,147</u>
Net cash provided by operating activities	<u>246,565</u>
Cash flows from investing activities	
Advances to affiliates	4,000
Interest receipts	1,274
Purchases of investments	(147)
Dividend receipts	<u>89</u>
Net cash provided by investing activities	<u>5,216</u>
Net increase (decrease) in cash	251,781
Cash, beginning	<u>484,210</u>
Cash, end	<u>\$ 735,991</u>
Supplemental schedule of non-cash activities	
Land	\$ 937,943
Deferred revenue - ground lease	<u>(937,943)</u>
	<u>\$ -</u>

See Notes to Financial Statements.

**City of Dallas Housing Finance Corporation**

**Statement of Cash Flows  
Year Ended December 31, 2016**

	<u>Total Primary Government</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 228,045
Adjustments to reconcile change in net position to net cash provided by operating activities	
Depreciation	80,369
Changes in asset and liability accounts	
(Increase) decrease in assets	
Prepaid expenses	585
Deferred revenue - ground lease	(38,734)
Accounts receivable - other	(400)
Other accrued expenses	5,438
GP supervisory fees receivable - Hines 68, LP	31,682
Increase (decrease) in liabilities	
Accounts payable - operations	(60,520)
Miscellaneous current liabilities	<u>100</u>
<b>Total adjustments</b>	<u>18,520</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 246,565</u></u>

See Notes to Financial Statements.

## City of Dallas Housing Finance Corporation

### Notes to Financial Statements December 31, 2016

#### Note 1 - Nature of operation

##### Organization

The Dallas City Council created the City of Dallas Housing Finance Corporation (the DHFC) in 1984 to provide financing for affordable single family ownership and multifamily rehabilitation and development within the city. On June 28, 2000, the City Council approved the adoption by the DHFC of Multifamily Program policy revisions to further define project eligibility, establish degree of rehabilitation and/or percentage of Walker units required, required social services for project residents and provide for the use of ad valorem tax savings received by Community Housing Development Organizations. On June 27, 2001, the City Council approved the authorization for the DHFC to amend its program policy to permit mortgage revenue bond financing for development of new multifamily units to serve low and moderate income populations with special needs, such as senior citizen independent and assisted living developments and housing for persons with household members with AIDS or other disabilities, located within the City of Dallas. As of December 31, 2016, the DHFC had \$141,715,128 of conduit debt outstanding.

On October 8, 2003, the City Council amended the DHFC Multifamily Mortgage Revenue Bond Program for an exception to the policy for the funding for projects other than seniors or those with disabilities, AIDS and the homeless.

On March 28, 2005, the board of DHFC amended its program policy to delete all references to the Walker Consent Decree after the City was released from the decree.

On February 27, 2007, the Dallas City Council amended Section 1.2 of the DHFC's Bylaws to allow the DHFC Board of Directors, to purchase, lease, own, hold title to, or otherwise acquire an interest in a residential development, directly or indirectly through a subsidiary of the DHFC. Provided that the City Council, by resolution, prior to the transaction being consummated by the DHFC, (1) finds and determines that such transaction should be undertaken; (2) approves the form of the transaction; and (3) authorizes such purchase, lease, or ownership of holding of title to, or acquisition of the interest in the residential development — no cost consideration to the City is required for the financing.

##### Reporting entity

The DHFC is a legally separate entity that is fiscally independent of other governments. There are no other entities that are to be reported as component units of the DHFC which are not included in this report. The DHFC is reported as a component unit in the City of Dallas financial report.

##### Component units/business activities

The DHFC's financial statements also include rental activities. The financial statements of DHFC Jubilee Seniors, LLC are presented on a blended basis and are included in the financial statements due to the 100% ownership of the project by the DHFC. Additionally, the business activities of Hines 68, LP, Bruton Apartments, Ltd., Unicom Crest Development, LP and Riverside CCF/CB Partners, LP are reported as discretely presented component units due to the control the DHFC has over the operations of the partnerships as general partner, despite only having a 0.01% ownership share.

The DHFC owns general partnership interests in the following developments which are included in the DHFC's reporting entity as discretely presented component units due to the influence the DHFC has on management decisions:

City of Dallas Housing Finance Corporation

Notes to Financial Statements  
December 31, 2016

**Hines 68, LP**

Hines 68, LP (Hines 68) was recognized by the State of Texas as a limited partnership on September 20, 2004. Hines 68's purpose is to invest in real estate and the construction and operation of Hines 68's property. Hines 68 property consists of a 251-unit apartment complex known as Providence Mockingbird Apartments (Providence) located in Dallas, Texas. On October 1, 2012 the original general partner sold its partnership interest to DHFC Providence at Mockingbird, LLC, which has DHFC as its sole member. The DHFC assumed ownership of the land under Hines 68, and leased the land back under a prepaid lease agreement. This transaction does not qualify for accounting as a sale, therefore the land remains presented on the balance sheet of Hines 68. The investor limited partner is Centerline Enhanced Partners, LP - Series C and the special limited partner is RCC Credit Enhanced SLP, LLC - Series C.

Each building of Providence has been allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42, which regulates the use of Providence as to occupant eligibility and unit gross rent, among other requirements. Each building of Providence must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits.

**Bruton Apartments, Ltd.**

Bruton Apartments, Ltd. (Bruton) was recognized by the State of Texas as a limited partnership on August 1, 2014. Bruton's purpose is to invest in real estate and the construction and operation of Bruton's property. Bruton's property consists of a 264-unit apartment complex known as Bruton Apartments located in Dallas, Texas. The DHFC assumed ownership of the land under Bruton, and leased the land back under a prepaid lease agreement. This transaction does not qualify for accounting as a sale, therefore the land remains presented on the balance sheet of Bruton. The investor limited partner is Bank of America, N.A, the class B limited partner is NRP Bruton Apartments SLP LLC, and the special limited partner is Banc of America CDC Special Holding Company, Inc.

Each building of Bruton has been allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42, which regulates the use of Bruton as to occupant eligibility and unit gross rent, among other requirements. Each building of Bruton must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits.

**Riverside CCF/CB Partners, LP**

Riverside CCF/CB Partners, LP (Riverside) was formed as a limited partnership under the laws of the State of Texas on November 1, 2012. Riverside's purpose is to acquire, construct and operate a low-income rental housing project. The project consists of a 280 residential units in an apartment complex known as Park at Cliff Creek Apartments located in Dallas, Texas.

The General Partner is PCC280, LLC, a Texas limited liability company whose sole member is the DHFC; the Limited Partner is NEF Assignment Corporation, an Illinois not-for-profit corporation; and the Special Limited Partner is Riverside Housing Development, LLC, a Texas limited liability company.

Each building of Riverside has been allocated low-income housing tax credits pursuant to Internal Revenue Service Code Section 42 which regulates the use of the project as to occupant eligibility and unit gross rent, among other requirements. Each building of Riverside must meet the provisions of these regulations during each of fifteen consecutive years in order to remain qualified to receive the tax credits. The credit allocation will be allowed for ten years if the

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project remains in compliance. In addition, Riverside has executed an extended use agreement which requires utilization of the project pursuant to Section 42 for a minimum of 30 years, even if Riverside disposes of the project.

**Unicom Crest Development, LP**

Unicom Crest Development, LP (Unicom) is a limited partnership between Unicom Crest Development GP, LLC (the "General Partner"), whose sole member is the DHFC, DAC's Martha's Vineyard, LLC (the "Class B Limited Partner"), USA Institutional Tax Credit Fund XCVIII LP (the "Limited Partner"), and The Richman Group Capital Corporation (the "Special Limited Partner"). Unicom was formed for the purpose of developing and operating a 100-unit project located in Dallas, Texas known as Martha's Vineyard Place. The project qualifies for the federal low-income housing tax credit program as described in Internal Revenue Code Section 42.

The DHFC owns and maintains the following development which is included in the DHFC's reporting entity as a blended component unit in the Primary Government column.

**DHFC JubileeSeniors, LLC**

DHFC JubileeSeniors, LLC (Jubilee Seniors) was formed as a limited liability company under the laws of the State of Texas on April 5, 2012, for the purpose of acquiring, constructing, and operating a 24-unit low-income residential housing project located in Dallas, Texas, called Jubilee Senior Housing Apartments. Net profits and net losses are allocated to DHFC, the sole member. The sole member of the Company is the DHFC.

On July 2, 2012, DHFC assumed ownership of the land underlying JubileeSeniors Apartments. DHFC is the landlord and has a ground lease with Jubilee Seniors, LLC for the improvements. That entity was created by and is wholly owned by DHFC. The land balance as of December 31, 2016 is \$332,392 and is included in land and improvements of the primary government on the accompanying statement of net position.

**Note 2 - Summary of significant accounting policies**

**Accounting method**

The financial statements have been prepared on the accrual basis of accounting. Accordingly, income is recognized as earned and expenses as incurred, regardless of the timing of payments.

**Basis of presentation**

The financial statements of the DHFC are presented from a fund perspective. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain DHFC functions. The fund is a separate accounting entity with a self-balancing set of accounts. The accounting and financial reporting method applied by a fund is determined by the fund's measurement focus. The accounting objectives are a determination of net income, financial position, and cash flows. The DHFC uses the following fund type:

**Enterprise fund**

This type of fund is reported using an economic resources measurement focus. Additionally, it is used to account for operations that are financed and operated in a manner similar to private businesses where a fee is charged to external users for services provided.



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**Revenues and expenses**

Revenues and expenses are recognized in essentially the same manner as used in commercial accounting. Revenues relating to the DHFC's operating activities, including rental-related income, interest income and other sources of revenues are recognized in the accounting period in which they are earned.

Operating revenues and expenses consist of revenues earned and expenses incurred as a result of the principal operations of the Corporation. Operating revenue results from exchange transactions associated with providing financing for affordable single family ownership and multifamily rehabilitation and development, as well as providing housing and related services. Non-operating revenue includes interest revenue, gain (loss) on investments in subsidiaries and other revenues not meeting the definition of operating. Operating expenses consist of all expenses incurred to provide financing for affordable single family ownership and multifamily rehabilitation and development, as well as to provide housing and related services.

**Cash**

For purposes of the statement of cash flows, the DHFC considers all highly liquid investment with an initial maturity of six months or less to be cash equivalents. This would include savings and checking accounts, certificates of deposit and money market mutual funds.

For the primary government, cash and cash equivalents consist of the following at December 31, 2016:

	Reported on the DHFC's Financial Statements	Deposited with the Financial Institution	FDIC Insurance	Uninsured Amount (Fully Collateralized)
Demand deposits	\$ 739,179	\$ 737,849	\$ 447,111	\$ 290,738
Collateralized public funds	900,594	900,594	500,000	400,594
	<u>\$ 1,639,773</u>	<u>\$ 1,638,443</u>	<u>\$ 947,111</u>	<u>\$ 691,332</u>

**Risks**

**Custodial credit risk** - Custodial credit risk is the risk that in the event of a bank failure, the Corporation's deposits and investments may not be returned to it. The Corporation places its temporary cash investments with high credit quality financial institutions. At times, the account balances may exceed the institutions' federally insured limits. The Corporation has not experienced any losses in such accounts. The Corporation currently has all of its funds in three institutions, Wells Fargo Bank, Bank of America, and the City Credit Union, and of the total monies invested, the balance deposited in Wells Fargo Bank and Bank of America, and City Credit Union exceeds current FDIC insurance limitations however the accounts were collateralized with securities held by the pledging financial institution.

**Interest rate risk** - Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. The Corporation's investments consist of temporary cash investments collateralized with securities held by the pledging financial institution, with maturity dates ranging from November 1, 2026 to July 1, 2045.

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Credit risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The ratings of the Corporation's investments are generally not applicable to the types of investments held.

**Accounts receivable and bad debts**

Tenant receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**Rental property**

Rental property is recorded at cost. Depreciation of rental property is computed primarily using the straight-line method over the estimated useful lives of the assets as follows:

	<u>Method</u>	<u>Estimated useful</u>
Buildings and improvements	Straight-line	40 years
Land improvements	Straight-line	15 years
Equipment	Straight-line	10 years
Furniture and fixtures	Straight-line	5-7 years

**Impairment of long-lived assets**

The management of DHFC reviews their rental property for impairment whenever events or changes in circumstances suggest that the service utility of the assets may have significantly and unexpectedly declined. Management then tests the assets for impairment when such events or circumstances occur by determining (i) whether the magnitude of the decline in service utility is significant and (ii) whether the decline in service utility is unexpected. When an impairment is determined to have occurred, management measures the impairment using the method described below that most appropriately reflects the decline in service utility of the asset:

**Restoration cost approach**

Under this approach, the amount of impairment is derived from the estimated costs to restore the utility of the asset. The restoration cost is then converted to historical cost using a cost index or by applying a ratio of the estimated restoration cost over estimated replacement cost to the carrying value of the asset.

**Service units' approach**

This approach isolates the historical cost of the service utility of the asset that cannot be used due to the impairment event or change in circumstances. The amount of impairment is determined by evaluating the service provided by the asset before and after the event or change in circumstance.

**Deflated depreciated replacement cost approach**

This approach replicates the historical cost of the service produced. A current cost for an asset to replace the current level of service is estimated, depreciated to reflect that the asset is not new, and deflated to convert it to historical cost.

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### Notes to Financial Statements December 31, 2016

#### **Rental income**

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between JubileeSeniors, Hines 68, Riverside, Bruton and Unicom and tenants of the respective properties are operating leases.

#### **Income taxes**

JubileeSeniors, Hines 68, Riverside, Unicom and Bruton have elected to be treated as pass-through entities for income tax purposes and, as such, are not subject to income taxes. Rather, all items of taxable income, deductions and tax credits are passed through to and are reported by their owners on their respective income tax returns. The federal tax statuses of JubileeSeniors, Hines 68, Riverside, Unicom and Bruton as pass-through entities are based on their legal statuses as a limited liability company and partnership, respectively. Accordingly, these entities are not required to take any tax positions in order to qualify as a pass-through entity. The entities are required to file and do file tax returns with the Internal Revenue Service and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the entities have no other tax positions which must be considered for disclosure. Income tax returns filed by the entities are subject to examination by the Internal Revenue Service for a period of three years. While no income tax returns are currently being examined by the Internal Revenue Service, tax years since 2013, as applicable, remain open.

The DHFC is exempt from federal income tax under section 501(c)(3) of the Internal Revenue Code, and is classified as a public charity as described in section 509(a)(2) of the Internal Revenue Code.

#### **Use of estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results may differ from those estimates.

#### **Debt issuance costs**

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage note payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

#### **Advertising costs**

The DHFC's policy is to expense advertising costs when incurred.

#### **Prepaid ground lease - Unicom**

The Partnership accounts for the ground lease as an operating lease and records expense based on the average minimum yearly base lease accrual calculated over the term of the lease. The cumulative difference between the annual expense and the actual base lease amount will be recorded as "Prepaid ground lease" on the accompanying statement of net position.

#### **Note 3 - Conduit debt**

DHFC has issued Multifamily Housing Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of residential facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments

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received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither DHFC nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

At year end there were 11 series of conduit debt outstanding. The aggregate principal amount payable for the 11 series was \$141,715,128.

**Note 4 - Capital assets**

The following is a summary of changes in capital assets of the primary government during the year ended December 31, 2016:

	Balance, December 31, 2015	Transfers and Additions	Transfers and Deletions	Balance, December 31, 2016
Land	\$ 332,392	\$ 937,943	\$ -	\$ 1,270,335
Land improvements	176,201	-	-	176,201
Buildings and improvements	1,957,768	-	-	1,957,768
Furniture and fixtures	98,391	-	-	98,391
Subtotal	<u>2,564,752</u>	<u>937,943</u>	<u>-</u>	<u>3,502,695</u>
Accumulated depreciation	<u>(281,291)</u>	<u>(80,369)</u>	<u>-</u>	<u>(361,660)</u>
Total capital assets, net	<u>\$ 2,283,461</u>	<u>\$ 857,574</u>	<u>\$ -</u>	<u>\$ 3,141,035</u>

**Note 5 - Escrow deposits and restricted balances**

**Replacement reserve - Hines 68**

Hines 68 is required to make monthly deposits to a reserve for replacements account for use in funding future maintenance and replacement costs. Monthly payments are required based on annual amounts of \$230 per unit. As of December 31, 2016, the replacement reserve balance is \$26,167.

Balance, January 1	\$ 66
Deposits	67,355
Interest earnings	36
Withdrawals	(41,290)
Balance, December 31	<u>\$ 26,167</u>

The Trustee has the right to invest the funds in approved investments, as defined. As of December 31, 2016, in accordance with the trust indenture, the trustee has invested substantially all of the funds held in trust with Wilmington Trust, N.A. The agreement provides for withdrawals of invested amounts as required under the mortgage and the underlying bonds. The cost value of these investments approximates their fair market value. The funds invested with Wilmington Trust, N.A. are not insured by the Federal Deposit Insurance Corporation (FDIC).

**Replacement reserve - Riverside**

In accordance with the terms of the partnership agreement, Riverside is required to fund a reserve fund for replacements, in the amount of \$42,000, upon receipt of the third installment of project equity. Following the initial funding, Riverside is required to make monthly deposits of \$7,000 for use in funding future maintenance and replacement costs. The amount of the required monthly

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reserve deposits shall be increased by 3% annually. As of December 31, 2016, the replacement reserve had not yet been established.

**Replacement reserve - Bruton**

Pursuant to the Partnership Agreement, the Partnership will fund the reserve annually from cash flow in the amount equal to the greater of (i) \$250 per residential unit per year, increasing at 3% per year, or (ii) the amount required by the lender. Funds in the reserve account will only be utilized to pay for working capital needs, improvements, replacements and any other contingencies of the Partnership. As of December 31, 2016, the replacement reserve had not been funded.

**Operating reserve - Hines 68**

In accordance with the terms of the partnership agreement, Hines 68 is required to establish and maintain an operating reserve. As of December 31, 2016, the balance of the operating reserve was \$625,000 and is included in other reserves on the accompanying statement of net position.

**Operating Reserve - Riverside**

In accordance with the terms of the partnership agreement, Riverside is required to establish and maintain an operating reserve using proceeds from the third installment of project equity, with initial funding in the amount of \$1,014,669. As of December 31, 2016, the operating reserve had not yet been established.

**Operating reserve - Bruton**

Pursuant to the Partnership Agreement, the Partnership is required to fund an operating reserve in the amount of \$754,567 from proceeds of the fourth capital contribution. Funds held in the operating reserve are available to fund operating deficits. As of December 31, 2016, the operating reserve had not been funded.

**Bond trustee reserves - Hines 68**

In connection with the mortgage loan, Hines 68 was required to deposit the proceeds with the trustee. The trustee maintains five funds; the replacement reserve fund, the tax and insurance fund, the revenue fund, the construction fund and the rebate fund. The replacement reserve fund is for use in paying for repairs and replacements to the project. The tax and insurance fund is for use in paying real estate taxes and annual insurance premiums. The revenue fund is for use in paying principal and the redemption price of the interest on the bonds. The construction fund comprises the loan account, the cost of issuance account, the insurance and condemnation proceeds account, the equity account and the capitalized interest account. As of December 31, 2016, the balance in the mortgage escrows held by the trustee was \$50,709.

As of December 31, 2016, the balances in the bond trustee reserves totaled \$ \$92,567, which is included in other reserves on the accompanying statement of net position.

Trustee - revenue fund	\$ 73,912
Trustee - other trustee funds	<u>18,655</u>
	<u>\$ 92,567</u>

The Trustee has the right to invest the funds in approved investments, as defined. As of December 31, 2016, in accordance with the trust indenture, the trustee has invested substantially all of the funds held in trust with C-III Asset Management. The agreement provides for withdrawals of invested amounts as required under the mortgage and the underlying bonds. The cost value of

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these investments approximates their fair market value. The funds invested with C-III Asset Management are not insured by the Federal Deposit Insurance Corporation (FDIC).

**Bond trustee reserves - Riverside**

In connection with the mortgage loan, Riverside was required to deposit the proceeds with the trustee. The trustee maintains seven funds; the project fund, the revenue fund, the bond fund, the rebate fund, the mortgage recovery fund, the servicing fund and the cost of issuance fund. The project funds used to pay interest on the bonds issued prior to the completion date. The revenue fund is used to pay principal and the redemption price of the interest on the bonds. The bond fund is comprised of the interest, principal and redemption accounts, through which bond payments are made. The rebate fund is to be funded in accordance with instructions from the rebate analyst, and maintained to the extent required to pay arbitrage to the United States of America. The mortgage recovery fund is used to reimburse the borrower in case of damage, destruction or condemnation of the project, or in the event of foreclosure, to redeem the bonds, make payments of principal and interest, or pay additional charges.

The servicing fund is comprised of the real estate tax and insurance reserve, replacement reserve, operating reserve and lease-up reserve accounts. The real estate tax and insurance fund is used to pay insurance premiums and real estate taxes and other governmental charges. The replacement reserve is used to pay for repairs and replacements to the project. The operating reserve is used to fund operating deficits incurred by the Partnership. The cost of issuance fund is used to reimburse the borrower for costs of issuing the bonds.

As of December 31, 2016, the balance in the mortgage escrows held by the trustee was \$0. As of December 31, 2016, the balance in the bond trustee other reserves was \$0.

The trustee has the right to invest the funds in approved investments, as defined. As of December 31, 2016, in accordance with the trust indenture, the trustee has invested substantially all of the funds held in trust with Community Bank of Texas. The agreement provides for withdrawals of invested amounts as required under the mortgage and the underlying bonds. The cost value of these investments approximates their fair market value. The funds invested with Community Bank of Texas are not insured by the Federal Deposit Insurance Corporation (FDIC).

**Bond trustee reserves - Bruton**

In connection with the mortgage loan, Bruton was required to deposit the proceeds with the trustee. The trustee maintains three funds; the bond proceeds fund, the interest fund, and the credit facility fund. The bond proceeds fund contains proceeds from the bonds for use in development, the interest fund is used for paying bond interest, and the credit facility fund is used to pay fees on construction draws.

As of December 31, 2016, the balances in the bond trustee reserves totaled \$12,650 which is included in other reserves on the accompanying statement of net position.

The trustee has the right to invest the funds in approved investments, as defined. As of December 31, 2016, in accordance with the trust indenture, the trustee has invested substantially all of the funds held in trust with Wilmington Trust, N.A. The agreement provides for withdrawals of invested amounts as required under the mortgage and the underlying bonds. The cost value of these investments approximates their fair market value. The funds invested with C-III Asset Management are not insured by the Federal Deposit Insurance Corporation (FDIC).

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**Bond trustee reserves - Unicom**

Pursuant to the trust indenture, the Partnership was required to deposit proceeds from the tax-exempt bonds with Wilmington Trust, N.A. (the "Trustee"). The amounts deposited with the Trustee are restricted as to use. As of December 31, 2016, the balance was \$1,427,471 and is included in "Restricted cash" on the accompanying statement of net position.

**Equity reserve - Bruton**

During the year ended December 31, 2016, Bruton established a separate equity reserve held by Bank of America, N.A. As of December 31, 2016, the balance of the equity reserve was \$1,348,687 and is included in other reserves on the accompanying statement of net position.

**Note 6 - Related party fees**

**Annual local administrative fee - Hines 68**

Hines 68 provides for the payment of an annual local administrative fee in the amount of \$5,000 per annum to the special limited partner for its services in monitoring the operations of Hines 68. The fee is payable beginning in the year during which the admission date occurs. If sufficient cash funds are not available, then the fee shall accrue and be payable out of available cash flow in subsequent years, or from sale or refinancing proceeds. For the year ended December 31, 2016, \$5,000 was expensed and \$55,000 is payable.

**Incentive supervisory management fee - Hines 68**

The partnership agreement for Hines 68 provides for payment to the Withdrawing General Partner of a non-cumulative incentive supervisory management Fee of up to 50 percent of cash flow for management supervisory services. The incentive supervisory management fee is paid from cash flow, as defined in the partnership agreement. As of December 31, 2016, no fee has been incurred.

**Lease-up fee - Hines 68**

The partnership agreement for Hines 68 provides for payment to the Withdrawing General Partner of a non-cumulative lease-up fee in an amount equal to the excess of Cash Receipts from operations in excess of Cash Expenditures from operations until the Break-Even Date to the extent such excess is greater than the amount of Cash Flow from operations that is set forth in the development budget, as defined. As of December 31, 2016, no fee has been incurred. Break-even occurred during 2012 and, as such, no fee will be incurred going forward.

**GP supervisory management fee - Hines 68**

The partnership agreement for Hines 68 provides for payment to DHFC of a supervisory management fee for assuming the responsibility of managing the Property and supervising the performance of the Management Agent. The fee totaled \$101,116 for the year ended December 31, 2016, of which \$0 remained payable as of December 31, 2016.

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The GP Supervisory Management Fee is non-cumulative and payable out of available Cash Flow, as defined, based on the following schedule for the years ended December 31:

Year	Fee
2017	\$ 200,000
2018	200,000
2019	200,000
2020	200,000
2021	200,000

**Partnership management fee - Bruton**

Pursuant to the Partnership Agreement, the Partnership pays an annual partnership management fee to the General Partner and Class B Limited Partner in an amount equal to \$7,500. The fee is payable out of gross cash receipts, as further defined in the Partnership Agreement. For the year ended December 31, 2016, partnership management fee charged to operations was \$7,500. As of December 31, 2016, fees of \$7,500 remained payable.

**Partnership management fee - Unicom**

Pursuant to the partnership management agreement, the General Partner will receive a noncumulative partnership management fee of \$2,250 per annum, increasing annually thereafter by the percentage change in the Consumer Price Index. The fee will commence upon the funding of the permanent loan. The fee is payable from net cash flow as further defined in the Partnership Agreement. For the year ended December 31, 2016, no partnership management fees were incurred or paid.

**Asset management fee - Riverside**

Riverside is to pay a cumulative, annual asset management fee to an affiliate of the Limited Partner equal to \$15,000, increasing by 3% annually, to the extent of Net Cash Flow, as defined in the partnership agreement for Riverside, commencing in 2016. During the year ended December 31, 2016, asset management fees charged to operations totaled \$15,000. As of December 31, 2016, fees of \$15,000 remained payable.

**Asset management fee - Bruton**

Pursuant to the Partnership Agreement, the Special Limited Partner is entitled to an annual asset management fee of \$7,500, increasing 3% per year commencing in the year in which stabilization occurs as defined in the Partnership Agreement, which has not occurred. The fee is payable out of gross cash receipts, as further defined in the Partnership Agreement.

**Incentive management fee - Riverside**

The partnership agreement for Riverside provides for payment of a non-cumulative incentive partnership management fee of up to 5 percent of gross cash receipts to the General Partner and Special Limited Partner, until the third year following the compliance period, for managing the project. The incentive partnership management fee is paid from cash flow, as defined in the partnership agreement for Riverside. During the year ended December 31, 2016, no fee was incurred.

**Partnership administration fee - Unicom**

Pursuant to the partnership administration agreement, the Class B Limited Partner will receive a non-cumulative partnership administration fee of \$12,750 per annum, increasing annually thereafter by the percentage change in the Consumer Price Index. The fee will commence upon the funding of the permanent loan. The fee is payable from net cash flow as further defined in the Partnership



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Agreement. For the year ended December 31, 2016, no partnership management fees were incurred or paid.

**Incentive management fee - Bruton**

Pursuant to the Partnership Agreement, the General Partner and Class B Limited Partner are entitled to a non-cumulative incentive management fee to be paid solely from gross cash receipts.

**Development fee payable - Hines 68**

Providence Mockingbird Apartments was developed by Provident Realty Development, L.P. pursuant to a development agreement which provides for a development fee of up to \$2,342,408. During 2012, the development fee was assigned to Centerline Financial Holdings, LLC. As of December 31, 2016, development fee payable is \$2,342,408. Interest expense for the year ended December 31, 2016 was \$177,901. Accrued interest on the developer fee as of December 31, 2016 was \$1,379,345. The unpaid balance bears interest at 5.02 percent, the "long term applicable federal rate" in effect on the placed-in-service date, and is repayable out of remaining available development proceeds, if any, and then out of distributable cash flow, as defined. The development fee is required to be paid by the fifteenth year of the compliance period. Any remaining unpaid development fee as of the maturity date is guaranteed by the general partner and must be funded with a capital contribution.

**Development fee payable - Bruton**

NRP Lone Star Development LLC and City of Dallas Housing Finance Corporation, (collectively, the "Developer"), a related party of the Class B Limited Partner and the General Partner, respectively, earned a fee of \$4,114,539 for services rendered in connection with the development and construction of the Project. Payments of the development fee are made from designated proceeds and the remaining amount of \$3,914,539 ("Deferred Development Fee") constitutes a loan from the Developers to the Partnership. The Partnership is obligated to pay any outstanding balance of the Deferred Development Fee on the earlier to occur of the thirteenth anniversary of the completion of construction or the date of liquidation of the Partnership. The Deferred Development Fee is payable from capital contributions and gross cash receipts, in accordance with the Partnership Agreement. The development fee will be paid pro rata 80% to NRP Lone Star Development LLC and 20% to City of Dallas Housing Finance Corporation. The Deferred Development Fee bears interest at 2.33%, the long term applicable federal rate, commencing upon the date on which construction is completed. During the year ended December 31, 2016, interest expense of \$73,259 was incurred. As of December 31, 2016, developer fee principal and accrued interest outstanding was \$3,914,539 and \$73,259, respectively.

**Development fee payable - Riverside**

Riverside entered into a development agreement with Rufino Contreras Affordable Housing Corp., Inc., a related party of the Special Limited Partner, to develop the project, which provides for a development fee of up to \$2,563,001. On June 9, 2015, Rufino Contreras Affordable Housing Corp., Inc. assigned all of its right, title, and interest in the development agreement to Cesar Chavez Foundation. As of December 31, 2016, \$2,563,001 of the development fee has been incurred and capitalized. As of December 31, 2016, \$2,302,989 remains payable. During the year ended December 31, 2016, interest on the developer fee principal was \$116,210. As of December 31, 2016, accrued interest on the developer fee was \$116,210. The unpaid balance bears interest at 5.00 percent beginning on the date the project places in service and is repayable out of remaining available development proceeds, if any, and then out of distributable cash flow, as defined. The development fee is required to be paid by the fourteenth year of the compliance period. Any

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remaining unpaid development fee as of the maturity date is guaranteed by the General Partner and must be funded with a capital contribution.

**Development fee payable - Unicom**

The Partnership entered into an agreement with Deaf Action Center ("DAC"), a related party of the Class B Limited Partner, and Carleton Development, Ltd. in the amount of \$1,371,200 for services rendered to the Partnership for overseeing the construction of the Project. The development fee is payable from capital contributions and Net Cash Flow, as defined in the Partnership Agreement. The portion of the development fee that is not paid from capital contributions bears interest at 5.0% compounded annually. Any balance of the development fee that is outstanding six months before the thirteenth year of the tax credit period is required to be paid with proceeds of a capital contribution by the Class B Limited Partner, so that the development fee is paid in full prior to the thirteenth year of the tax credit period. As of December 31, 2016, \$1,096,960, or 80%, of the development fee was incurred. As of December 31, 2016, the development fee payable and accrued interest were \$817,256 and \$0, respectively.

**Due to related party - Hines 68**

Hines 68, LP has been advanced funds from DHFC. These advances bear interest at the lesser of (a) a rate equal to the Prime Rate, as defined, minus one-percent or (b) the highest rate permitted by applicable law. The entire principal and interest due and owing shall be due and payable upon the earlier of (a) a Sale or Refinancing Transaction, as defined, or (b) September 1, 2041. During the year ended December 31, 2016, interest expense of \$15,625 was charged to operations. As of December 31, 2016, the loan balance was \$625,000 and interest payable was \$62,500.

**Due to related party - Bruton**

During the current and prior years, NRP Holdings, LLC, a related party of the Class B Limited Partner, paid for development costs related to the construction of the Project. These payments constitute a Development Loan that will not bear interest. As of December 31, 2016, \$601,932 remained outstanding to NRP Holdings, LLC.

**Operating advances - Bruton**

During the year ended December 31, 2016, NRP Management, LLC and NRP Holdings, LLC, related parties of the Class B Limited Partner, paid for operating expenses on behalf of the Partnership. The Partnership has agreed to reimburse for such expenses. As of December 31, 2016, \$5,727 remained outstanding to NRP Management, LLC.

**Ground lease agreement - JubileeSeniors**

On July 2, 2012, JubileeSeniors entered into a ground lease with DHFC. The lease agreement requires annual payments of \$100 during the lease term, which is from 2012 through 2062. Upon expiration of the lease, all improvements to the property revert to the owner. JubileeSeniors is responsible for all real estate taxes and maintenance of any improvements during the term of the lease. As of December 31, 2016, \$100 of the ground lease remains payable.

**Ground lease agreement - Unicom**

The Partnership entered into a ground lease with the Dallas Housing Finance Corporation, a related party of the General Partner, whereby the Partnership acquired a leasehold interest in the land for a period of 99 years. The ground lease provides for rent in an amount equal to \$75,000, all of which was paid in full by the Partnership at initial closing on October 1, 2015. The balance of the prepaid ground lease at December 31, 2016 was \$74,116, which has been included in "Prepaid ground lease" on the accompanying statement of net position. The Partnership also incurred leasehold

## City of Dallas Housing Finance Corporation

### Notes to Financial Statements December 31, 2016

improvements of \$462,000, which have been included in "Prepaid ground lease" on the accompanying statement of net position.

DHFC has recognized the prepaid amount as deferred revenue as of December 31, 2016, which will be recognized as income over the lease term. As of December 31, 2016, deferred ground lease revenue was \$74,116. During the year ended December 31, 2016, ground lease revenue of \$884 was recognized, which is included in services income on the accompanying statement of revenues, expenses and changes in net position.

#### **Ground lease agreement - Bruton**

On August 7, 2014, the Partnership entered into a 99-year ground lease agreement (the "Ground Lease") with the City of Dallas Housing Finance Corporation, a related party of the General Partner. The Partnership is bound by the responsibilities and obligations of the Ground Lease. The term of the Ground Lease is from August 7, 2014 through September 1, 2113. At the expiration of this lease, the Partnership will surrender the possession of the leased premises to City of Dallas Housing Finance Corporation. An initial one-time payment in the amount of \$910,000 was made at closing and is expensed over the term of the lease. Under the terms of the ground lease, annual rental payments in the amount of \$100 are due commencing September 1, 2014 through September 1, 2113. Annual rental payments are to be paid solely from net cash flow, as defined in the Ground Lease Agreement. As of December 31, 2016, prepaid ground lease was \$900,093. During the year ended December 31, 2016, ground lease expense of \$22,363 was incurred.

DHFC has recognized the prepaid amount as deferred revenue as of December 31, 2016, which will be recognized over the lease term. As of December 31, 2016, deferred ground lease revenue was \$900,093. During the year ended December 31, 2016, ground lease revenue of \$22,363 was recognized, which is included in services income on the accompanying statement of revenues, expenses and changes in net position.

#### **Ground lease agreement - Riverside**

On March 27, 2014 and February 1, 2015 the Partnership entered into a purchase and sale agreement and a land lease agreement, respectively, with respect to the land under the project with the Dallas Housing Finance Corporation, sole member of the General Partner, in order to qualify for property tax exemption. This transaction does not qualify for recognition as a sale due to the lack of sales proceeds and significant continuing involvement of the Partnership with the land. The land is recorded on the accompanying statement of net position.

#### **Bruton - construction contract**

The Partnership entered into a construction contract with City of Dallas Housing Finance Corporation, a related party of the General Partner, for the construction of the Project. The contractor subcontracted with NRP Contractors, LLC, a related party of the Class B Limited Partner. As of December 31, 2016, contractor payable of \$45,225 was outstanding.

The DHFC has concluded that, while it is the contractor of record, 100% of the contract has been subcontracted to NRP Contractors, LLC. As such, the substance of the transaction is with NRP Contractors, LLC, and the offsetting revenues and expenses have not been recorded, as the net effect to the financial statements would be \$0.

#### **Unicom - construction contract**

The Partnership entered into a contract with Deaf Action Center ("DAC") for services performed in connection with the construction of the Project. Payment of the contract payables will be made from remaining construction loan proceeds, capital contributions and available cash flows from the

**City of Dallas Housing Finance Corporation**

**Notes to Financial Statements  
December 31, 2016**

Project. As of December 31, 2016, contract and retainage payable balances were \$270,589 and \$725,843, respectively.

**Bruton - City loan**

The Partnership obtained a loan from the City of Dallas, a related party of the General Partner, in the amount of \$500,000 for the acquisition and construction of the Project. The loan is secured by a Leasehold Deed of Trust Security Agreement and bears interest of 1% per annum. The loan is repayable from available cash flows over 20 years. Principal and interest payments are based on a 30-year amortization schedule. Principal and interest are due and payable in equal annual installments beginning on April 15, 2017 and continuing annually until April 15, 2037 (the "Maturity Date"). All balloon payment of \$202,872 will be due on the Maturity Date. As of December 31, 2016, the outstanding principal balance was \$500,000.

Future minimum principal payment requirements over the next five years and thereafter are as follows:

As of year ending December 31,		
2017	\$	14,374
2018		14,518
2019		14,663
2020		14,810
2021		14,958
Thereafter		426,677
Total	\$	<u>500,000</u>

**Note 7 - Construction loan payable**

**Bruton**

In September 2014, the Partnership obtained a loan in the amount of \$8,000,000 from Bank of America, N.A (the "Lender"). The loan accrues interest at a rate of 6%. The loan is expected to convert to permanent term on April 1, 2017. The permanent term maturity date is August 1, 2054. The loan is collateralized by the Project. Interest was due in monthly installments commencing on September 1, 2014. The principal balance and any accrued and unpaid interest will be due on April 1, 2017. As of December 31, 2016, the total outstanding balance was \$7,894,154.

Construction loan payable consists of the following:

Principal balance	\$	7,894,154
Unamortized debt issuance costs		(93,862)
Unamortized letter of credit fees		<u>(82,620)</u>
Mortgages payable, net of unamortized debt issuance costs	\$	<u>7,717,672</u>
Accrued interest	\$	<u>-</u>

Subsequent to year end, the construction loan payable converted to a permanent loan.

**City of Dallas Housing Finance Corporation**

**Notes to Financial Statements  
December 31, 2016**

**Riverside**

Riverside has a construction loan with Community Bank of Texas in the amount of \$13,500,000. The loan was funded with proceeds from the issuance of \$13,500,000 Texas Department of Housing and Community Affairs Multifamily Housing Mortgage Revenue Bonds. The proceeds were specifically intended for funding development of the project. The loan is collateralized with a first mortgage on the property and an assignment of rents. The terms of the loan provide for monthly payments of interest only at a rate of 4.00 percent beginning March 2015 until the loan is converted to the permanent term provided certain provisions are met in accordance with the loan agreements. Conversion to the permanent loan is expected to occur by February 1, 2018. The permanent loan will bear interest at a rate of 4.00 percent and will mature February 1, 2033.

Construction loan payable and related activity as of and for the year ended December 31, 2016 consists of the following:

Principal balance	\$ 13,500,000
Unamortized debt issuance costs	
Mortgages payable, net of unamortized debt issuance costs	<u>\$ 13,500,000</u>
Accrued interest	<u>\$ 45,000</u>
Interest expense per note agreement	\$ 540,000
Amortization of debt issuance costs	65,727
Interest capitalized	(2,736)
Amortization capitalized	(63,046)
Total interest expense	<u>\$ 539,945</u>
Effective interest rate	<u>4.00%</u>

Future payments on the above loan payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 540,000	\$ 540,000
2018	197,454	537,056	734,511
2019	245,785	527,628	773,413
2020	255,798	517,615	773,413
2021	266,220	507,193	773,413
2022-2026	1,502,904	2,364,160	3,867,064
2027-2031	1,835,041	2,032,023	3,867,064
2032-2033	9,196,798	418,795	9,615,593
Total	13,500,000	<u>\$ 7,444,470</u>	<u>\$ 20,944,470</u>
Less current maturities	-		
Net long-term portion	<u>\$ 13,500,000</u>		

City of Dallas Housing Finance Corporation

Notes to Financial Statements  
December 31, 2016

**Unicom**

The City of Dallas Housing Finance Corporation (the "Issuer") issued multifamily housing tax-exempt revenue bonds in the amount of \$10,000,000 for the development and construction of the Project. During 2015, Community Bank of Texas, N.A. (the "Lender") entered into a purchase agreement with the Issuer whereby it agreed to purchase the bonds and lend the Partnership funds for the development and construction of the Project. The construction loan payable bears interest at 3.25% per annum and is secured by the Project. Beginning November 2, 2015, monthly interest-only payments are required until the construction loan payable converts to permanent financing, which is expected to be on April 1, 2018. During the year ended December 31, 2016, interest of \$325,000 was incurred, of which \$280,169 was capitalized to fixed assets. During the year ended December 31, 2016, amortization of debt issuance costs totaled \$156,954, of which \$138,397 was capitalized to fixed assets. As of December 31, 2016, outstanding principal and accrued interest were \$10,000,000 and \$27,083, respectively.

As of December 31, 2016, construction loan payable consisted of:

Principal balance	\$ 10,000,000
Less: unamortized debt issuance costs	(394,204)
Balance	<u>\$ 9,605,796</u>

Debt issuance costs are being amortized to interest expense of the term of the construction loan. During 2016, the effective interest rate was 4.82%. During the year ended December 31, 2016, interest expense for debt issuance costs was \$156,954, of which \$138,397 was capitalized to fixed assets.

**Note 8 - Mortgage notes payable**

**Hines 68, LP**

Hines 68 has a loan with Freddie Mac in the amount of \$14,360,000. The mortgage bears interest at rate of 6.40 percent. The mortgage was funded on August 1, 2005, with proceeds from the issuance of \$14,360,000 Texas Department of Housing and Community Affairs, Multifamily Housing Mortgage Revenue Bonds (Providence Mockingbird Apartments) Series 2005. Proceeds were specifically for funding development of the project. The bonds mature on August 1, 2045.

During the year ended December 31, 2012 as part of the transfer of General Partner interest disclosed in Note 1, Hines 68 refinanced and made a \$2,895,443 principal pay down on its existing mortgage payable. The refinanced note, bears interest at a rate of 5.40 percent annually plus the contingent rate of 1.00% per annum, due and payable from and only to the extent of Cash Flow, as defined in the supplemental trust indenture, and matures on August 1, 2040.

The loan is collateralized with a first mortgage on the property and an assignment of rents.

The liability of Hines 68 under the mortgage is limited to the underlying value of the real estate collateral improvements, easements of other interests, assignment of rents, assignment of leases, and personal property.

**City of Dallas Housing Finance Corporation**

**Notes to Financial Statements  
December 31, 2016**

Mortgage loan payable and related activity as of and for the year ended December 31, 2016 consists of the following:

Principal balance	\$ 10,620,345
Unamortized debt issuance costs	<u>(455,615)</u>
Mortgages payable, net of unamortized debt issuance costs	<u>\$ 10,164,730</u>
 Accrued interest	 <u>\$ 49,401</u>
 Interest expense per note agreement	 \$ 564,594
Amortization of debt issuance costs	<u>15,825</u>
Total interest expense	<u>\$ 580,419</u>
 Effective interest rate	 <u>5.47%</u>

Future payments on the above mortgage payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 99,811	\$ 571,493	\$ 671,304
2018	105,337	565,967	671,304
2019	111,168	560,136	671,304
2020	117,322	553,982	671,304
2021	123,816	547,488	671,304
2022-2026	729,802	2,626,717	3,356,519
2027-2031	955,436	2,401,083	3,356,519
2032-2036	1,250,829	2,105,691	3,356,520
2037-2040	<u>7,126,824</u>	<u>1,411,383</u>	<u>8,538,207</u>
Total	10,620,345	<u>\$ 11,343,940</u>	<u>\$ 21,964,285</u>
Less current maturities	<u>(99,811)</u>		
Net long-term portion	<u>\$ 10,520,534</u>		

**Bruton - Bonds**

The Partnership has entered into a financing agreement with City of Dallas Housing Finance Corporation (the "Issuer") and Wilmington Trust, National Association (the "Trustee") to use the proceeds from the issuance of tax-exempt bonds for the construction and development of the Project and payment of bond redemption. The bonds were issued in the principal amount of \$18,145,000 and are secured by a trust indenture. The bonds were issued August 1, 2014, and will mature August 1, 2054. The bonds which are collateralized by the project bear interest at 6.00%. Monthly payments of interest starting on August 15, 2014 will be due with principal payments commencing on February 15, 2017. The City of Dallas issued multifamily housing revenue bonds for the acquisition and construction of the Project. The bonds are collateralized by the Project.

**City of Dallas Housing Finance Corporation**

**Notes to Financial Statements  
December 31, 2016**

Mortgage loan payable and accrued interest as of December 31, 2016 consists of the following:

Principal balance	\$	18,145,000
Unamortized debt issuance costs		(650,975)
Mortgages payable, net of unamortized debt issuance costs		<u>\$ 17,494,025</u>
Accrued interest	\$	<u>90,725</u>

Future payments on the above mortgage payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 93,225	\$ 1,086,622	\$ 1,179,847
2018	118,293	1,079,889	1,198,182
2019	125,714	1,072,590	1,198,304
2020	133,601	1,064,832	1,198,433
2021	141,982	1,056,588	1,198,570
2022-2026	855,233	5,140,002	5,995,234
2027-2031	1,159,334	4,840,885	6,000,220
2032-2036	1,571,567	4,435,411	6,006,977
2037-2041	2,130,381	3,885,758	6,016,138
2042-2046	2,887,895	3,140,661	6,028,557
2047-2051	3,914,766	2,130,625	6,045,391
2052-2054	5,013,010	603,934	5,616,944
Total	<u>18,145,000</u>	<u>\$ 29,537,797</u>	<u>\$ 47,682,797</u>
Less current maturities	<u>(93,225)</u>		
Net long-term portion	<u>\$ 18,145,000</u>		

**Riverside**

Riverside has a taxable tail loan with Community Bank of Texas in the amount of \$5,000,000. The terms of the loan provide for monthly payments of interest only at a rate of 5.00 percent. As of December 31, 2016, \$3,941,640 has been drawn under the loan and used for construction of the project. Provided certain conditions are met, the loan will convert to a permanent loan in the amount of \$700,000, which is expected to occur by February 1, 2018. Once converted, the permanent loan will bear interest at a rate of 5.00 percent and will mature February 1, 2033.

The liability of Riverside under the mortgage is limited to the underlying value of the real estate collateral improvements, easements of other interests, assignment of rents, assignment of leases, and personal property.



**City of Dallas Housing Finance Corporation**

**Notes to Financial Statements  
December 31, 2016**

Mortgage loan payable and related activity as of and for the year ended December 31, 2016 consists of the following:

Principal balance	\$ 3,941,640
Unamortized debt issuance costs	<u>-</u>
Mortgages payable, net of unamortized debt issuance costs	<u>\$ 3,941,640</u>
 Accrued interest	 <u>\$ 16,971</u>
 Interest expense per note agreement	 \$ 240,181
Amortization of debt issuance costs	-
Interest capitalized	<u>(1,187)</u>
Total interest expense	<u>\$ 238,994</u>
 Effective interest rate	 <u>6.06%</u>

Aggregate annual maturities of the mortgage payable over the ensuing five years and thereafter as of December 31, 2016 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ -	\$ -
2018	3,217,765	63,215	3,280,981
2019	11,271	35,938	47,209
2020	11,848	35,361	47,209
2021	12,454	34,755	47,209
2022-2026	72,505	163,540	236,045
2027-2031	93,050	142,995	236,045
2032-2036	119,417	116,628	236,045
2037-2041	153,255	82,790	236,045
2042-2046	196,681	39,364	236,045
2047-2048	53,394	1,684	55,077
Total	<u>\$ 3,941,640</u>	<u>\$ 716,269</u>	<u>\$ 4,657,909</u>
Less current maturities	<u>-</u>		
Net long-term portion	<u>\$ 3,941,640</u>		

**Unicom**

The Partnership entered into a promissory note with DAC in order to draw funds for the construction of the Project in an amount not to exceed \$2,640,720 (the "DAC Loan #1"). The loan is secured by a deed of trust on the fixed assets and is funded with proceeds of a grant of bond funds from the City of Dallas to DAC. The loan bears interest at 1% and the maturity date is October 1, 2045. Beginning on October 1, 2016, annual installments of accrued interest are payable from Net Cash Flow, as defined in the Partnership Agreement. As of December 31, 2016, the outstanding DAC Loan #1 was \$1,849,990 and accrued interest was \$0.

The Partnership entered into another promissory note with DAC in the amount of \$250,000 (the "DAC Loan #2"). The loan is secured by a deed of trust on the fixed assets and is funded from proceeds of (a) a grant to DAC from the Hillcrest Foundation in the amount of \$100,000, (b) a grant

## City of Dallas Housing Finance Corporation

### Notes to Financial Statements December 31, 2016

to DAC from the Hoblitzelle Foundation in the amount of \$100,000, and (c) the proceeds of a grant to DAC from Ruth and Ken Altshuler and the Ruth C. and Charles S. Sharp Foundation in the amount of \$50,000, \$25,000 of which has been withheld until 2017. The loan bears no interest unless matured. The maturity date is October 1, 2045. Matured unpaid principal will bear interest from the date of maturity until paid at the highest rate permitted by applicable law. The principal balance and any applicable accrued interest are due and payable from the proceeds of a "Capital Transaction", as defined in the Partnership Agreement. As of December 31, 2016, the outstanding balance of DAC Loan #2 was \$225,000.

#### Note 9 - Property management fee

##### Hines 68

The property is managed by Lane Company, an unrelated party of Hines 68, pursuant to a management agreement, which provides for a management fee of 4.00 percent of monthly collections, as defined, or \$3,800 per month, whichever is greater. For the year ended December 31, 2016, property management fees totaled \$93,006. As of December 31, 2016, no management fees remain payable.

##### Bruton

Pursuant to the Partnership Agreement, NRP Management, LLC, a related party of the Class B Limited Partner, received a property management fee equal to the greater of (i) 5% of gross revenues or (ii) \$35 per unit, but not less than \$2,450 per month. For the year ended December 31, 2016, property management fees of \$122,829 were charged to operations. As of December 31, 2016, no management fees remain payable.

##### JubileeSeniors

On January 1, 2015, the property entered into an agreement with Jubilee Park and Community Center Corporation, an unrelated party, in connection with the management of the rental operations of the project. Fees under this agreement are equal to \$20,400 per year, as defined. Management fees to Jubilee Park and Community Center Corporation of \$20,400 were incurred for the year ended December 31, 2016. As of December 31, 2016, no management fees remain payable.

##### Riverside

Riverside has entered into an agreement with Cesar Chavez Foundation, a related party, in connection with the management of the rental operations of the project. The property management fee is based on 5.00 percent of monthly collections, as defined. For the year ended December 31, 2016, property management fees of \$111,684 were charged to operations and paid.

##### Unicom

Pursuant to an agreement with Quest Asset Management (the "Property Manager"), a related party of the General Partner, the Property Manager receives monthly property management fees equal to the greater of \$1,000 or 5% of gross collections. During 2016, property management fees of \$6,364 were incurred. As of December 31, 2016, no property management fees were outstanding.

#### Note 10 - Property tax exemption

During 2013, Hines 68 received a 100% exemption for property taxes, retroactive to October 1, 2012. Management believes Hines 68 will continue to qualify for the 100% exemption in 2017 and forward.

City of Dallas Housing Finance Corporation

Notes to Financial Statements  
December 31, 2016

During 2013, Jubilee Seniors received a 100% exemption for property taxes, retroactive to June 29, 2012. Management believes Jubilee Seniors will continue to qualify for the 100% exemption in 2017 and forward.

During 2014, Bruton received a 100% exemption for property taxes. Management believes Bruton will continue to qualify for the 100% exemption in 2017 and forward.

During 2015, Riverside received a 100% exemption for property taxes. Management believes Riverside will continue to qualify for the 100% exemption in 2017 and forward.

**Note 11 - Contingency**

**Bruton**

The project's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest.

**Hines 68**

The project's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest.

**Jubilee Seniors**

The operating deficit guaranty requires DHFC to fund any operating deficits until rental achievement, as defined, is reached. Any funds provided by the managing member shall be in the form of subordinated loans. As of December 31, 2016, no operating deficits have been funded by DHFC.

**Unicom**

The project's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest.

**Riverside**

The project's low-income housing tax credits are contingent on its ability to maintain compliance with applicable sections of Section 42. Failure to maintain compliance with occupant eligibility, and/or unit gross rent, or to correct noncompliance within a specified time period could result in recapture of previously taken tax credits plus interest.

During the period from February 10, 2015 (Date of Acquisition) through December 31, 2015, fraudulent checks were cashed from the Partnership's operating cash account totaling \$66,696. During the year ended December 31, 2016, the Partnership recovered a portion of the fraudulent checks from the bank and received proceeds from insurance. As of December 31, 2016, the Partnership considers the matter closed.

During the year ended December 31, 2016, the project was inspected by Texas Department of Housing and Community Affairs (TDHCA) and was notified of deficiencies related to state and federal ADA requirements. The Partnership attempted to correct the deficiencies, though many

**City of Dallas Housing Finance Corporation**

**Notes to Financial Statements  
December 31, 2016**

deficiencies require reconstruction. Subsequent to year end, the Partnership provided Dykema Architects, Inc. with a demand letter related to deficient architecture plans which did not comply with state and federal ADA requirements. As of the report date, the dispute with Dykema Architects, Inc. remains unresolved.

**Note 12 - Economic dependency**

DHFC operates the properties located in Dallas, Texas. Future operations could be affected by changes in the economic or other conditions in that geographical area or the demand for such housing.

**Note 13 - Subsequent events**

Events that occur after the statement of net position date but before the financial statements were available be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of DHFC through December 22, 2017 (the date the financial statements were available to be issued) and concluded that except as disclosed in Note 7, no subsequent events have occurred that would require recognition in the financial statements or disclosures in the financial statements.

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**Supplementary Information**

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**City of Dallas Housing Finance Corporation  
Total Primary Government  
Combining Statement of Net Position**

**December 31, 2016**

	City of Dallas Housing Finance Corporation	DHFC JubileeSeniors, LLC	Elimination	Total Primary Government
<b>Assets</b>				
Cash	\$ 697,135	\$ 38,856	\$ -	\$ 735,991
Security deposits held in trust	-	3,188	-	3,188
Investments	900,594	-	-	900,594
Prepaid expenses	-	6,323	-	6,323
Interest receivable - Hines 68, LP	62,500	-	-	62,500
Accounts receivable - other	4,000	-	-	4,000
	<u>1,664,229</u>	<u>48,367</u>	<u>-</u>	<u>1,712,596</u>
Land and improvements	1,270,335	176,201	-	1,446,536
Buildings and improvements	-	1,957,768	-	1,957,768
Furniture and fixtures	-	98,391	-	98,391
	<u>1,270,335</u>	<u>2,232,360</u>	<u>-</u>	<u>3,502,695</u>
Less accumulated depreciation	-	(361,660)	-	(361,660)
	<u>1,270,335</u>	<u>1,870,700</u>	<u>-</u>	<u>3,141,035</u>
Loan Receivable - Hines 68, LP	625,000	-	-	625,000
Investments - Entity	4,411,725	-	(1,909,838)	2,501,887
	<u>5,036,725</u>	<u>-</u>	<u>(1,909,838)</u>	<u>3,126,887</u>
<b>Total assets</b>	<u><u>\$ 7,971,289</u></u>	<u><u>\$ 1,919,067</u></u>	<u><u>\$ (1,909,838)</u></u>	<u><u>\$ 7,980,518</u></u>
<b>Liabilities and net position</b>				
<b>Liabilities</b>				
Accounts payable - operations	\$ 44,876	\$ 503	\$ -	\$ 45,379
Deferred revenue - ground lease	974,209	-	-	974,209
Other accrued expenses	-	5,438	-	5,438
Miscellaneous current liabilities	-	100	-	100
Tenants' security deposits liability	-	3,188	-	3,188
<b>Total liabilities</b>	<u>1,019,085</u>	<u>9,229</u>	<u>-</u>	<u>1,028,314</u>
<b>Net position</b>				
Net position	<u>6,952,204</u>	<u>1,909,838</u>	<u>(1,909,838)</u>	<u>6,952,204</u>
<b>Total net position</b>	<u>6,952,204</u>	<u>1,909,838</u>	<u>(1,909,838)</u>	<u>6,952,204</u>
<b>Total liabilities and net position</b>	<u><u>\$ 7,971,289</u></u>	<u><u>\$ 1,919,067</u></u>	<u><u>\$ (1,909,838)</u></u>	<u><u>\$ 7,980,518</u></u>

**City of Dallas Housing Finance Corporation  
Total Primary Government  
Combining Statement of Revenues, Expenses, and Changes in Net Position**

**Year Ended December 31, 2016**

	City of Dallas Housing Finance Corporation	DHFC JubileeSeniors, LLC	Elimination	Total Primary Government
<b>Revenue</b>				
Rental revenue	\$ -	\$ 117,300	\$ -	\$ 117,300
Vacancies and concessions	-	(3,316)	-	(3,316)
Service fees revenue	589,180	-	-	589,180
<b>Total revenue</b>	<b>589,180</b>	<b>113,984</b>	<b>-</b>	<b>703,164</b>
<b>Expenses</b>				
Salaries and employees benefits	130,984	19,927	-	150,911
Repairs and maintenance	-	37,512	-	37,512
Utilities	-	8,591	-	8,591
Property management fee	-	20,400	-	20,400
Property insurance	-	12,632	-	12,632
Miscellaneous operating expenses	69,046	1,404	-	70,450
Accounting expense	-	10,225	-	10,225
Other expenses	73,176	10,853	-	84,029
Depreciation	-	80,369	-	80,369
<b>Total expenses</b>	<b>273,206</b>	<b>201,913</b>	<b>-</b>	<b>475,119</b>
<b>Operating income (loss)</b>	<b>315,974</b>	<b>(87,929)</b>	<b>-</b>	<b>228,045</b>
<b>Other income (loss)</b>				
Gain/(loss) on investment in subsidiaries	(88,367)	-	87,929	(438)
Interest income	16,988	-	-	16,988
<b>Total other income (loss)</b>	<b>(71,379)</b>	<b>-</b>	<b>87,929</b>	<b>16,550</b>
<b>Change in net position</b>	<b>244,595</b>	<b>(87,929)</b>	<b>87,929</b>	<b>244,595</b>
Net position at beginning of year	6,707,609	1,997,767	(1,997,767)	6,707,609
<b>Net position at end of year</b>	<b>\$ 6,952,204</b>	<b>\$ 1,909,838</b>	<b>\$ (1,909,838)</b>	<b>\$ 6,952,204</b>



Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit  
of Financial Statements Performed in Accordance with  
*Government Auditing Standards*

To the Board of Directors  
City of Dallas Housing Finance Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the City of Dallas Housing Finance Corporation, which comprise the statement of net position as of December 31, 2016, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 22, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Dallas Housing Finance Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Dallas Housing Finance Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dallas Housing Finance Corporation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City of Dallas Housing Finance Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*CohnReznick LLP*

Austin, Texas  
December 22, 2017

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## Update from Subcommittees

### Committee #1: HFC Organization / Structure:

- Kickoff meeting was held on 1/22/2018. In attendance was Brad Nitschke, Trent Hughes and Clint Nolen. Many topics were discussed in relation to the DHFC, how we are organized/structured and work necessary to improve our effectiveness.
- Action items from meeting included:
  - Brad:
    - Begin preparing/assembling organizational chart for DHFC (internal and external roles & responsibilities) – Brad to coordinate with Robin
    - How do the terms of our existing projects compare to other comparable projects by other HFCs (will need require review of existing partnership agreements and assembly of a side-by-side comparison chart of deal terms for our projects plus deal terms of other HFC projects)? (Brad to coordinate with Robin)
    - Who and how are board members and city staff involved in RFPs, deal negotiation and ultimate go / no-go decisions on our projects? Does the board get to review, opine and vote on proformas and deal terms of each deal (Brad to coordinate w/ Robin & or Joe Nathan)
    - Do/should we have a group focused on key areas within the city that demands our attention and focus (i.e. an “origination” team)? Do they produce a deliverable/report that we could use to review during our monthly meetings? (Brad to coordinate question with Robin)
    - Organize a time during an upcoming board meeting to have city legal staff present to the board on standard operating procedures for our board (i.e. meeting rules & procedures) – Brad to organize with Robin
  - Trent:
    - How as a board can/should we proactively pursue future opportunities as opposed to waiting for developers to bring deals to us?
    - How/should the HFC be marketing itself to developers?
  - Clint:
    - Coordinate (via Robin and her relationships) the Fort Worth office to request a day/time that we could join the groups to share experience and intel
    - Begin preparing content for an eventual “DHFC Overview Presentation”, specifically:
      - Mission statement
      - HFC organization structure (using Brad’s deliverable)
      - Typical deal flow / timeline of an HFC project from when it gets identified to negotiated to executed to managed
      - What type of MF projects are eligible for HFC partnership/subsidy? (i.e. tax credit development, market/affordable, section 8, etc.)?
      - What type of SF projects can/should we be pursuing?
  - TBD Items (to be answered toward the end of our process):
    - Are our operating agreements consistent across deals? Should they be? Who manages the Property Manager? (HFC or development partners)? Who should manage the relationship?
    - Are there preferred developers that the board has/can identify that it would like to solicit to partner on projects? TBD to be answered at the end of our process
    - Should we have a 1/3/5 year business plan for the HFC?

## Update from Subcommittees

- If we have a business plan, should we have someone focused on forecasting/planning and reporting based on that plan?

### Committee #2: Providence at Mockingbird:

- Kickoff meeting was held on 1/23/2018. In attendance was Marcy Helfand, Eric Anderson, Ryan Garcia and Clint Nolen. The meeting was used primarily to begin identifying information needed to achieve an appropriate evaluation of rehab vs. sell.
- Action items from meeting included:
  - Marcy:
    - Obtain executed copies of operating agreement from counsel and report back to group on:
      - Terms of ROFO/ROFR
      - Terms of distributions
  - Clint
    - Coordinate meeting/call with development partner to better understand their goals/expectations going forward
  - Eric
    - Review latest financials and report back for pro forma use
  - Ryan
    - Schedule visit to project and prepare preliminary estimate for complete rehab vs rebuild

## Update on Construction Closing of Flora Lofts Project

Outline below:

1. Development Update – status of construction
2. Financing Update – status of term sheets; weekly conference call; all sources committed; Artspace Project, Inc. involvement
3. Document Update – status of document drafting
4. Timeline – Review financing timeline, with the goal to close by March 22, 2018
5. Next Steps – Council to approve on February 14th, an amendment to change the name of developer and commencement/completion dates
6. Submission of substantially final bond documents by March 2nd; Board approval by March 13<sup>th</sup>

# Memorandum



CITY OF DALLAS

DATE February 2, 2018

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

SUBJECT **Flora Lofts Project—Proposed Changes**

On your February 14, 2018, City Council agenda, there is an item that would authorize an amendment to Resolution Number 17-0534, previously approved on March 22, 2017, to (1) amend the agreement parties to reflect the owner as Flora Street Lofts, Ltd., and the developer as Artspace Projects, Inc., and (2) allow for a six-month extension to project deadlines in the future, if necessary, for the development agreement associated with previously approved TIF funding for Flora Lofts Project located at 2121 Flora Street in the Arts District.

## Summary

The change of the developer from Flora Street Lofts, Ltd. to Artspace Project, Inc. is requested to maximize post-tax benefit of the TIF funds. The project owner (Flora Street Lofts, Ltd.) desires to assign its rights to payment of the TIF funds to Artspace Project, Inc., a non-profit entity that is the 51% owner of the general partner of the project owner.

This item also allows for a six-month administrative deadline extension, if necessary, with City Center TIF District Board of Director's and Office of Economic Development Director's approval.

## Background

On March 22, 2017, City Council approved a TIF development agreement in an amount not to exceed \$4,577,916 for the affordable housing development of the Flora Lofts Project located at 2121 Flora Street in the Arts District, by Resolution 17-0534. At the same March City Council meeting, City Council also awarded 2012 Bond Funds in the amount of \$2,500,000 for the project. On September 7, 2017, TDHCA granted the Project approval for the 4% tax credits in the amount of \$6,737,560.

Section 4Q of Resolution 17-0534, approved on March 22, 2017, approving TIF funding for the Flora Lofts project, allowed the extension of project deadlines up to twelve months with the Director of Economic Development and City Center TIF District Board of Directors' approval. This administrative extension has been granted. The Housing and Neighborhood Revitalization Department has a related item on this same upcoming agenda which proposes a deadline extension to match the extensions already granted for the TIF funding portion of the project.

Flora Street Lofts is a proposed 52-unit rental apartment project located in the downtown arts district, directly across Pearl Street from the Meyerson Symphony Hall. 43 of the units (83%) will be affordable at 50% and 60% of Area Median Family Income (AMFI) for local working artists. The project will have 35 structured parking spaces dedicated for resident use and share a common

lobby area and ground floor retail space with a separately owned 364-unit market rate high rise apartment development, located on an adjoining property.

Program Update

Flora Street Lofts is scheduled to begin construction in July 2018 and be completed in March 2020. Flora Street Lofts has an estimated construction cost of \$24.9 million.

Program Issues

The developer entity change will allow the project to maximize tax benefits of the TIF funds. The additional future deadline extension is being requested in the case that there is an unforeseen circumstance that would require additional time to complete the project.

Next Steps

The next step is to execute the amendment to the Flora Street Lofts Development Agreement.

Alternatives

If no action is taken, the development agreement would remain with the owner entity, and the TIF funds would be taxable to the project. This would result in a smaller project basis, which would result in a smaller tax credit award. That ultimately would lead to a financial gap in the project's financing sources, which would likely mean that the project would not be built, or would be built as purely market-rate housing.

Fiscal Impact

This action has no fiscal impact.

Departments/Committee Coordination

OED will continue working with the Housing and Neighborhood Revitalization Department on this project.

Staff Recommendation

Staff recommends that the Economic Development and Housing Committee approve the developer name change as well as the future administrative allowance for deadline extension, if necessary, for the Flora Street Lofts project.

Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela

Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Biliera Johnson, City Secretary (Interim)  
Daniel F. Solis, Administrative Judge  
Kimberly Bizer Tolbert, Chief of Staff to the City Manager  
Majed A. Al-Ghafry, Assistant City Manager

Jo M. (Jody) Puckett, Assistant City Manager (Interim)  
Jon Fortune, Assistant City Manager  
Joey Zapata, Assistant City Manager  
M. Elizabeth Reich, Chief Financial Officer  
Nadia Chandler Hardy, Chief of Community Services  
Theresa O'Donnell, Chief of Resilience  
Directors and Assistant Directors

# Memorandum



CITY OF DALLAS

**DATE** February 2, 2018

**TO** The Honorable 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** Flora Lofts Project—Proposed Changes

## Summary

On January 5, 2018, Graham Greene, President of GREENarc Corporation on behalf of Artspace Projects, Inc. (the “Developer”) and Flora Street Lofts, Ltd. (the “owner” or “LIHTC Applicant”) requested an amendment to Resolution No. 17-0535, previously approved on March 22, 2017, for a 2012 Bond conditional grant agreement with Flora Street Lofts, Ltd. in the amount of \$2.5 million for new construction of a 52-unit multifamily project at 2121 Flora Street (the “Project”), conditioned upon 2017 4% LIHTC award to (1) amend the parties to reflect the owner/LIHTC Applicant as Flora Street Lofts, Ltd., and the developer as Artspace Projects, Inc.; (2) extend the commencement of construction and the completion date; and (3) allow for an additional six-month extension to project deadlines. These changes are consistent with the Office of Economic Development City Center TIF District Funds agreement terms.

## Background

The original 2012 Bond conditional grant agreement with Flora Street Lofts, Ltd. was drafted and circulated to all involved parties for review but never executed. In light of the unexecuted agreement, Flora Street Lofts, Ltd. desires to assign its rights of the contract to its non-profit partner in the transaction, Artspace Projects, Inc. in order to maximize post-tax benefit of the Bond funds.

The construction start of this project was delayed awaiting TDHCA’s approval of the 4% tax credits. On September 7, 2017, TDHCA granted the Project approval for the 4% tax credits in the amount of \$6,737,560. The Project will be financed through the issuance of bonds in the amount of up to \$15 million by the Dallas Housing Finance Corporation (DHFC). Additionally, the Project was awarded 2012 Bond Funds in the amount of \$2,500,000 and City Center TIF District Funds in the amount of \$4,577,916. Flora Street Lofts is a 52-unit rental apartment located in the downtown arts district, directly across Pearl Street from the Meyerson Symphony Hall. 43 of the units (83%) will be affordable at 50% and 60% of Area Median Family Income



February 2, 2018  
Page 2 of 3

(AMFI) for local working artists. The project will have 35 structured parking spaces dedicated for resident use and share a common lobby area and ground floor retail space with a separately owned 364-unit market rate high rise apartment development, located on an adjoining property. No City funds are being utilized for the separate high-rise development projects.

The anticipated construction closing for the Project with Flora Street Lofts, Ltd. is March 21, 2018. Commencement for construction is no later than July 1, 2018 with a completion date by March 1, 2020.

#### Issue

Since the original grant agreement with Flora Street Lofts, Ltd. was never executed, it is their desire to assign its rights of the contract to the developer and non-profit partner in the transaction, Artspace Projects, Inc., in order to maximize post-tax benefit of the Bond funds. Extension to the commencement date for construction will allow Developer/LIHTC applicant to close on the construction financing, start and complete the project in the approved timeline.

#### Alternatives

If no action is taken, the Developer will not be able to enter into the conditional grant agreement for gap construction financing in support of this 52-unit development and will require that the Developer identify other funding sources or risk their LIHTC allocation.

#### Fiscal Impact

There is no cost consideration to the City for this request.

#### Departments/Committee Coordination

On February 22, 2017 and March 22, 2017, the City Council approved DHFC Flora Lofts application for the issuance of tax exempt bonds by Resolution Nos. 17-0377 and 17-0533.

On March 22, 2017, the City Council approved City Center TIF funds by Resolution No. 17-0534.

On March 22, 2017, the City Council approved Bond funds by Resolution No. 17-0535.

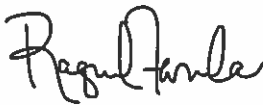
#### Staff Recommendation

February 2, 2018

Page 3 of 3

Staff recommends approval of an amendment to Resolution No. 17-0535, previously approved on March 22, 2017, to (1) amend the parties to reflect the owner/LIHTC Applicant as Flora Street Lofts, Ltd., and the developer as Artspace Projects, Inc.; (2) extend the commencement of construction and the completion date; and (3) allow for an additional six-month extension to project deadlines. This item has been placed on the City Council agenda for February 14, 2018.

Should you have any questions, please contact me at (214) 671-5257.



**Raquel Favela**

**Chief of Economic Development & Neighborhood Services**

c: T.C. Broadnax, City Manager  
Larry Casto, City Attorney  
Craig D. Kinton, City Auditor  
Billerae Johnson, City Secretary (Interim)  
Daniel F. Solis, Administrative Judge  
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Nadia Chandler Hardy, Chief of Community Services  
Theresa O'Donnell, Chief of Resilience  
Directors and Assistant Directors

# DALLAS HOUSING FINANCE CORPORATION BOARD MEETING

City Hall – L1EN, Conference Room D

February 13, 2018

<u>NAME</u>	<u>COMPANY</u>	<u>EMAIL</u>
Marcy Helfand ✓	<del>At</del> Board	marcy@helfandpc.com
Joe Carron ✓	Board	Carron.tx@gmail.com
Sherman Roberts ✓	City Wide CDC	Shermanlr@yahoo.com
Jessica MacKinnon ✓	Dallas Habitat	jmackinnon@dallas-habitat.org
GRAHAM GREENE ✓	METRO aris CORPORATION	ggreene@oglesbygreene.com
Phillip Geheb ✓	Munsch Hurdtt	pgeheb@munsch.com
Ryan Garcia ✓	Board	ryanjgarcia3@gmail.com
Andy Moore ✓	Board	andy.moore.4512@gmail.com
Claire Merritt ✓	Hiltop Securities	Claire.merritt@hiltopsecurities.com
George Rodriguez ✓	Bracewell LLP	g.rodriguez@utexas.edu
Robert Estrada ✓	Estrada Hinojosa	rae@ehinuri.com
JAMES ARMSTRONG ✓	DHFC	jarmstrong@buildersofhopecdc.com
Clint Nolen ✓	DHFC	
David		

DALLAS HOUSING FINANCE CORPORATION BOARD MEETING

City Hall – L1EN, Conference Room D

February 13, 2018

NAME

COMPANY

EMAIL

Matt Stilk ✓

COHARZAIK, LLP

Matt.Stilk@COHARZAIK.COM

JIM HARP ✓

DHFC

HARPiii@AOL.COM

Claine Merritt ✓

Hilltop Securities

Claine.merritt@hilltopsecurities.com

Brad Nitschke ✓

DHFC

Eric Anderson ✓

DHFC

eric@cadcousa.com

Buddy Jordan

Flora LPT

ashwoodbuddy@icloud.com

**Market Value Analysis**  
**Housing Finance Corporation**  
**February 13, 2018**

**David Noguera,**  
**Director,**  
**Housing & Neighborhood Revitalization**



**City of Dallas**

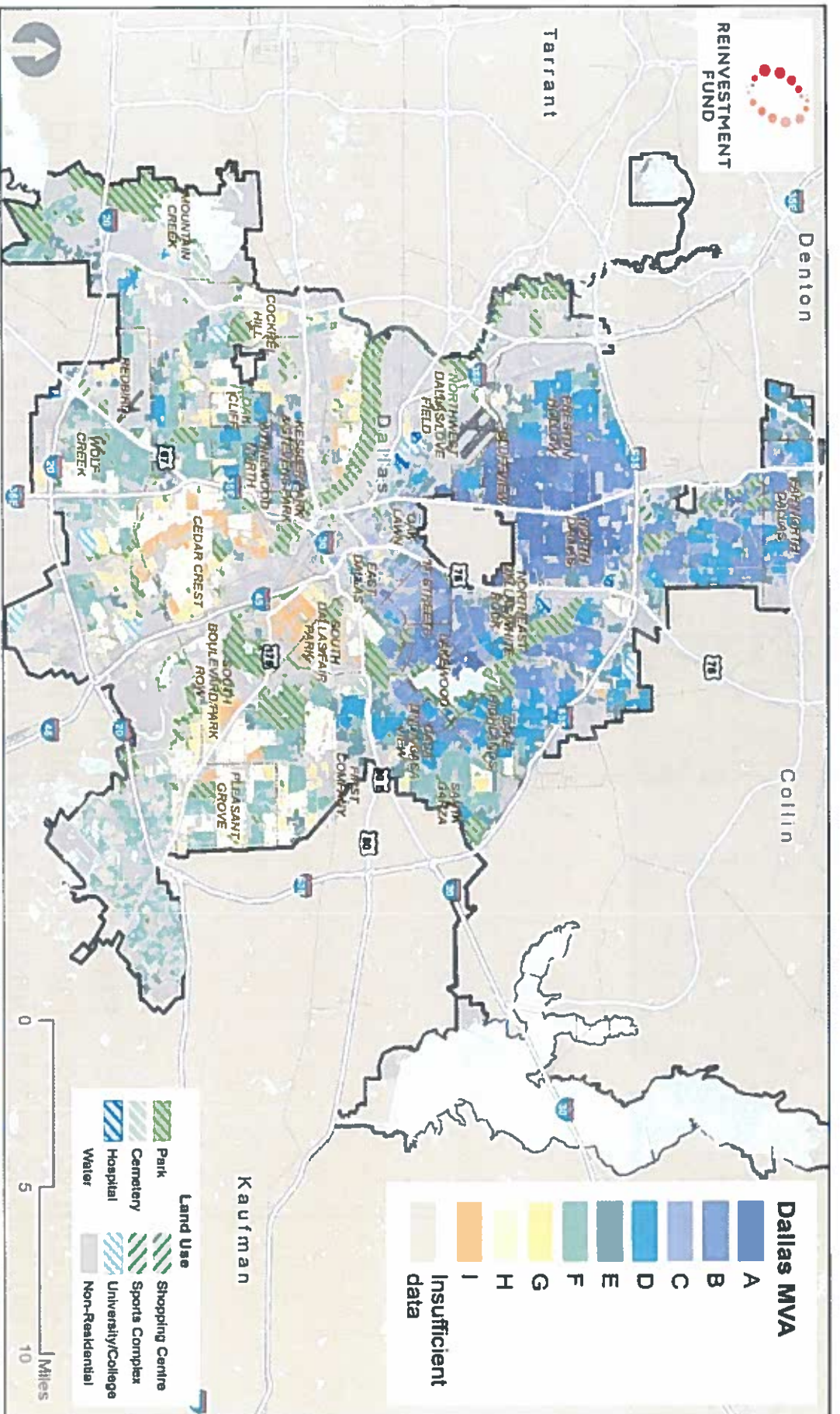
# Market Value Analysis

- The MVA was conducted by Dr. Goldstein of the Reinvestment Fund and
- Non-profit organization that focuses on building wealth and opportunity for low-wealth communities and low and moderate-income individuals through promotion of socially and environmentally responsible development.

# Market Value Analysis

- The **Market Value Analysis (MVA)** is a tool designed to assist the private market and government officials to identify and comprehend the various elements of local real estate **markets**
- Data driven decision making
- Develop a 3-year strategic rolling plan





Economic & Neighborhood Vitality

City of Dallas





# Average Characteristics for Dallas Market Types

\*Household Density was not included in the MVA model and is included here for descriptive purposes.

	Median Sales Price	Variation Sales Price	Household Density*	Percent Owner Occupied	Pct. New Construction Units	Pct. Rehab. Permits	Percent Subsidized Households	Percent Code Violations	Percent Vacant Homes	Percent Foreclosure Filings
<b>A (29)</b>	\$1,073,300	0.57	3.0	81%	2.6%	3.6%	1%	1%	2.4%	>1%
<b>B (97)</b>	\$463,900	0.48	3.7	85%	1.2%	4.4%	2%	>1%	1.2%	>1%
<b>C (87)</b>	\$390,500	0.40	8.5	31%	1.8%	1.2%	4%	1%	1.7%	1%
<b>D (99)</b>	\$267,100	0.42	4.9	69%	0.5%	2.9%	4%	1%	1.8%	>1%
<b>E (233)</b>	\$140,300	0.32	15.6	13%	1.1%	0.3%	13%	2%	2.3%	3%
<b>F (128)</b>	\$117,600	0.44	5.0	73%	0.3%	1.5%	8%	2%	1.8%	3%
<b>G (61)</b>	\$91,300	0.41	12.3	26%	0.4%	0.6%	63%	4%	3.8%	7%
<b>H (126)</b>	\$72,400	0.55	5.7	60%	0.4%	1.3%	8%	6%	3.7%	4%
<b>I (48)</b>	\$41,500	0.76	7.1	46%	0.7%	1.0%	17%	21%	7.5%	5%
<b>Avg. Dallas Block Group</b>	\$133,300	0.44	8.5	48%	0.9%	1.6%	12%	3%	2.6%	1%

Economic & Neighborhood Vitality



City of Dallas

# Sample Table of Interventions by Market Types

CITY OFFERED ACTIVITIES	Market Value Analysis Market Types								
	A	B	C	D	E	F	G	H	I
Owner- Occupied Home Repair (HIPP)									
Single-Family Rental Home Repair (HIPP)	YR 3	YR 3	YR 3	YR 2	YR 1	YR 1	YR 1	YR 2	YR 2
Infill Lot Development				YR 3	YR 2	YR 2	YR 2	YR 3	YR 3
Landbanking	YR 3	YR 3	YR 3	YR 2	YR 1	YR 1	YR 1	YR 2	YR 2
City's Second Mortgage Assistance Program (DHAP)	-	-	YR 1	YR 2	YR 1	-	YR 1	YR 2	YR 2
Multi-Family New Construction	YR 2	YR 2	YR 2	YR 3		YR 3		YR 3	
Multi-Family Rehab	YR 2	YR 2	YR 2	YR 3		YR 3		YR 3	
Code Academy									
Dallas Tomorrow Fund - Code home repair	-	-	-	-	-	-	YR 2	YR 2	YR 1
Designate Tax Increment Reinvestment Zone									
Create Neighborhood Association									
Neighborhood Beautification Projects									
<b>PROPOSED ACTIVITIES</b>									
Low Income Housing Tax Credit City support	YR 1	YR 1	YR 1	YR 2	YR 3	YR 2	-	YR 2	YR 3
Neighborhood Sweep									
Neighborhood Revitalization Strategy Area Designation									
Code Lien Foreclosures									
Opportunity Zones									
Neighborhood Empowerment Zones	YR 2	YR 1	YR 1	YR 1	YR 2	YR 2	YR 2	-	YR 3

FOR SAMPLE PURPOSES ONLY

Economic & Neighborhood Vitality



# Community Outreach Sessions

Topic	Dates	Locations
How Residential Development Gets Financed	1/27 @ 10 – 12:00 pm 1/29 @ 6 – 7:30 pm	Pleasant Grove Library City Hall Briefing Room
How to Reduce Development /Rehab Costs	1/31 @ 6 – 7:30 pm 2/3 @ 10 – 12:00 pm	City Hall Briefing Room Hampton – Illinois Branch Library
How to Increase Access to Capital	2/13 @ 4 – 6:00 pm 2/17 @ 10 – 12:00 pm	City Hall Briefing Room Latino Cultural Center
Programs, Tools and Strategies to Increase Housing Production	2/23 @ 4 – 6:00 pm 2/26 @ 4 – 6:00 pm	City Hall Briefing Room West Dallas MultiPurpose Center

[Housingpolicy@dallascityhall.com](mailto:Housingpolicy@dallascityhall.com)



City of Dallas

**HOUSING FINANCE CORPORATION BOARD**

MEETING DATES	3/1/2017	4/1/2017	5/1/2017	6/1/2017	7/11/2017	8/8/2017	9/12/2017	10/10/2017	11/14/2017	12/12/2017	1/9/2018	2/13/2018
							No Meeting			No Meeting		
RYAN GARCIA											P	P
BRAD NITSCHKE											P	P
MARCY C HELFAND						A			A		P	P
TRENT HUGHES					A			A			P	A
JAMES ALVIN ARMSTRONG III											P	P
JOE L. CARREON											P	P
JIM HARP											P	P
ERIC ANDERSON									A		P	P
SHERMAN L. ROBERTS									Replaced		P	P
CLIENT NOLEN					A						P	P
ANDREW MOORE											P	P

A= ABSENT  
R= RESIGN  
F= FORFEIT  
P= PRESENT

CITY SECRETARY  
DALLAS, TEXAS

2018 FEB 23 PM 4: 08

RECEIVED

DHFC Meeting Date	Agenda Item	Motion
November 14, 2017	4	There was no motion and vote according to my notes. This was a briefing only item by Financial Advisors on the G-42.
November 14, 2017	9	Move: Armstrong Second: Nolen Passed unanimously. Anderson and Helfand absent; Roberts not voting.
January 9, 2018	3 – President: Sherman Roberts	Move: Nitschke Second: Armstrong Abstain: Garcia
January 9, 2018	3 – Vice President: Clint Nolen	Move: Roberts Second: Nitschke Abstain: Garcia
January 9, 2018	3 – Secretary: Marcy Helfand	Move: Nitschke Second: Anderson Abstain: Garcia
January 9, 2018	3 – Treasurer (1 <sup>st</sup> Nomination): Andrew Moore	Move: Nitschke Second: Anderson Abstain: Garcia  Vote: 6 for Moore, 4 for Harp, 1 abstain
January 9, 2018	3 – Treasurer (2 <sup>nd</sup> Nomination): Jim Harp	Move: Armstrong Second: Roberts Abstain: Garcia  Vote: 6 for Moore, 4 for Harp, 1 abstain

DHFC Meeting Date	Agenda Item	Motion
January 9, 2018	4 - Approval for soliciting bid and ordering the appraisal for Providence at Mockingbird, approved costs up to \$5,000.	Move: Anderson Second: Nolen
January 9, 2018	5 - Approval for Request for Proposal for new auditor.	Move: Nitschke Second: Armstrong