



City of Dallas

Housing Policy Task Force

**Dallas Homebuyer
Assistance Program
September 20, 2021**

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Agenda



- Dallas Homebuyer Assistance Program (DHAP)
 - Background
 - Purpose
 - Issues
 - Proposed Actions

- Next Steps



Background



- DHAP currently provides assistance to families earning between 60% area median income (AMI) and 120% AMI.
- Funds may be used towards:
 - Principle reduction
 - Down Payment
 - Closing Costs
- Targeted Homebuyer Assistance
 - Education, Healthcare, and Protective Services Occupations
 - Requiring Area Median Income limits between 81% to 120% of the Area Median Income



Background continued



- An applicant can receive up to \$60,000 in high-opportunity areas; up to \$40,000 in all other areas
- Assistance provided in the form of a deferred, forgivable loan
- Affordability period based on level of assistance:

Amount of Funds	Required Affordability
Less than \$15,000	5 years
\$15,000 to \$40,000	10 years
Over \$40,000	15 years



Purpose



- DHAP provides homeownership opportunities to low- and moderate-income homebuyers when purchasing a home within the City of Dallas.
- Currently homebuyers are competing in a market that has seen sales price increases every quarter since 2019.
- As a result, low- and moderate-income families across Dallas increasingly lack the necessary funds to purchase an affordable home.



Purpose continued



- The Land Bank/Land Transfer Program as well as New Construction & Substantial Rehabilitation Program utilize the DHAP program
- These Housing programs currently allow for Households to be served below the 60% AMI thresholds
- The goal is to maximize the production of mixed income communities throughout the City



Issues: Current Market Challenges



- Increased Housing Values
- Properties closing within weeks
- Cash buyers, resulting in quick closings
- Sales Price exceeds the Appraised Value



Proposed Action #1: Amend Applicant Definition



- **Current Policy:** Applicant must be a U.S. Citizen or legal resident
- **Proposed Policy:** Applicant includes (1) *Citizens*; or (2) *Noncitizens* who have eligible immigration status
 - Noncitizens/Non-Permanent Resident Aliens, are eligible provided the property will be the borrower's principal residence, they have a valid social security number, and the borrower is eligible to work in the United States.
- **Rationale:** The amendment will ensure all qualified applicants are being served.



Proposed Action #2: Amend Area Median Income Limits



- **Current Policy:** Household projected annual income must be no less than 60% of Area Median Income, but not exceed 80% of the Area Median Income
- **Proposed Policy:** Household projected annual income must not exceed 80% of Area Median Income and remove the 60% floor
- **Rationale:** The amendment will provide more equitable access for low to moderate income families, and opportunities for homeownership within the City of Dallas. Applicants are still required to meet the underwriting guidelines to ensure they are not purchasing more house than they can afford.



Income Challenge - Example



- Applicant A
 - Has a household size of 6
 - Earns \$52,085/year, with \$641 of monthly debt
 - The bank pre-approved a loan at 3.25% for \$172,000
- The Area Median Income (AMI) for this household is **50.42%**.
- With \$40,000 of DHAP Assistance, the buyer would have the ability to purchase a home up to \$212,000



Proposed Action #2: Amend Area Median Income Limits



- Fort Worth, Austin, Houston, and San Antonio do not have minimum AMI requirements
- The goal is to allow families that earn below 60% AMI to meet all other underwriting guidelines and qualify for DHAP Assistance:
 - 15+ families have been denied for AMI below 60%
 - Lenders/Realtors have also confirmed with Staff that they do not present families based on guidelines
- Families will have the opportunity to stack funding sources with other down payment programs (TSHAC, Bank of America, Wells Fargo, SETH)



Proposed Action #3: Amend the Front-End Ratio



- **Current Policy:** First mortgage amount must have a front-end ratio of 26%-32%
- **Proposed Policy:** First mortgage amount must have a front-end ratio up to 32% and remove the 26% floor
- **Rationale:** The amendment will avoid penalizing homebuyers who do not have debt. Many first-time homebuyers have paid off debt to prepare for homeownership, the 26% floor precludes them from utilizing DHAP.



Proposed Action #4: Targeted Homebuyer Incentive Program



- **Current Policy:** This program offers financial assistance for those in educational instruction and library occupations; healthcare practitioners and technical occupations; healthcare support occupations; and protective service occupations, including but not limited to fire fighters and police officers, who purchase a property in the City of Dallas. Applicants with an income up to 120% AMI who qualify for this program may receive down payment assistance funds up to \$45,000. All other DHAP terms, as stated above, shall apply to this program.
- **Operational Concern:** Current Policy includes federal requirements when federal funds are not used resulting in unnecessary costs and delays.
- **Proposed Policy Changes:**
 - Removing federal Environmental Review requirements when federal funds are not used
 - Removing HOME Value Limits when federal funds are not used



Recommendations



- Amend the definition of Applicant to include Citizens and Non-Citizens who have eligible status'
- Amend the Area Median Income limits to not exceed 80% of the Area Median Income
- Remove the front-end ratio floor of 26% and adjust to a max of 32%
- Updating the Targeted Homebuyer Incentive Program





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**New Construction
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Agenda



- New Construction and Substantial Rehabilitation Program
 - Background
 - Issue
 - Recommendations



Background



- The New Construction and Substantial Rehabilitation Program (Program) goal is to:
 - Provide financial assistance to new developments and substantial rehabilitation of existing property
 - Appropriately incentivize private investment for the development of high quality, sustainable housing that is affordable to the residents of the City
 - All new development and substantial rehabilitation projects must apply through the standing NOFA application
 - Must include at least 5 for sale residential units or 5 multifamily units
 - Many other program requirements are outlined in the CHP



Issue



- To ensure Developer performance and loan repayment, the City places liens on projects that are awarded City funding
- The Program only allows the City to subordinate its soft/gap financing to a private lender's superior lien in a greater amount
 - For instance, if the City was investing \$1,000,000 in a new rental development, it could only subordinate its financing to a loan of at least \$1,000,001
- Many small and non-profit developers do not have access to private financing in amounts greater than the City's funding, yet private sector lenders still require the City to subordinate its lien on the property
- A recent third-party underwrite of a NOFA application identified and confirmed a financial gap for an affordable multifamily community in West Dallas
- The City's investment is about \$400,000 more than what the non-profit developer could access in the market
- Amending the CHP is required to move forward with this important development



Recommendation



- Staff recommend amending the New Construction and Substantial Rehabilitation Program to remove the requirement that the City may only subordinate its lien on a property to a private financial institution's superior lien for a loan in a greater amount
- This will allow the City to support small, community-based and non-profit developers and build their capacity to produce additional affordable housing in the future
- This amendment will also provide the City with greater flexibility in awarding NOFA funds while still adhering to the rest of the Program's rules and underwriting requirements





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