

Memorandum



CITY OF DALLAS

DATE April 12, 2019

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

SUBJECT **Dallas Housing Rehabilitation Program Overview**

On Monday, April 1, 2019, the Economic Development and Housing Committee will be briefed on proposed changes to the comprehensive housing policy related to the Home Improvement and Preservation Program (HIPP).

Summary

On May 9, 2018, via Resolution 180704, the Dallas City Council adopted a comprehensive housing policy (Policy). The Policy created or amended program statements for the Dallas Homebuyer Assistance Program, the Home Improvement and Preservation Program and the New Development and Substantial Rehabilitation Program and set forth underwriting standards for reviewing both homeowner and rental housing development project proposals. These program statements contain detailed information related to applicant eligibility, terms of assistance, and credit standards, among other items.

On November 28, 2019, the Dallas City Council adopted amendments to the Policy that resolved inconsistencies in program requirements, corrected items that were inadvertently included in or omitted from the Policy and modified requirements that had created programmatic constraints.

This memorandum serves to provide an overview of the proposed changes to the comprehensive housing policy related to the Home Improvement and Preservation Program (HIPP).

Background

As it is currently designed, the HIPP provides an all-inclusive repair and rehabilitation program for single-family owner-occupied housing units and single family (1-4) rental units. Under HIPP, homeowners with incomes up to 120% of AMFI may apply for a loan to finance home improvements that address health, safety, accessibility modification, reconstruction and structural/deferred maintenance deficiencies. The terms of assistance for homeowners vary between a deferred 0% interest loan for the lowest-income eligible homeowners, to a 3% interest loan with monthly payments for the highest income eligible homeowners. Landlords who participate in the program may also apply for a loan and, after the repairs are completed, must lease the unit to a household with an annual gross income at or below eighty percent (80%) of the Area Median Family Income (AMFI) during the term of

affordability. The terms of assistance for the eligible landlords are a 3% interest loan with monthly repayments.

Proposed Terms of the Minor Home Repair Grant Program

- Grant assistance of up to \$10,000 (city contributes \$5,000)
- Partner with non-profit providers to conduct rehabilitation work
- Partners are required to provide 1:1 match of funds
- Repair health and safety hazards
- Accessibility repairs for disabled

Proposed Terms of the Home Improvement and Preservation Program

- Loan of up to \$40,000
- 85% loan to value; 80% loan to assessed building value
- Loan funds used for construction and soft costs
- Adoption of “eligible improvements” list

Proposed Terms of Housing Reconstruction Program

- Maximum loan of \$160,000
- 85% loan to value
- Loan funds used for construction and soft costs

Issues

If the Committee does not support the proposed changes to the HIPP, the department will continue to operate in accordance with the existing HIPP program statement. However, as discussed above, HIPP solved one problem by increasing the amount of assistance available, but it created others, including:

- **Lack of contractor participation:** Small contractors cannot afford to meet the insurance requirements, while large contractors are not interested in the low volume;
- **Rehabilitation caps:** Assistance provided has no relationship to value of home
- **Loan to Value:** Current assistance creates potential for homeowners to end up upside-down in their homes as a result of participating in the program; and
- **Financing Flexibility:** Value of HIPP repairs requires assistance to be provided on a loan basis; no grant options.

Fiscal

There is no cost consideration to the City. H&NR proposes to allocate \$1 million in CDBG funds to each of the following proposed programs: Minor Home Repair Grant Program and the Home Improvement and Preservation Program. H&NR proposes to allocate \$1 million in CDBG/HOME funds to the proposed Housing Reconstruction Program. Non-federal funds will be used to assist homeowners between 81%-120% of AMFI.

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Staff Recommendation

The Housing and Neighborhood Revitalization Department recommends that the Committee forward the proposed changes to the full City Council for approval.

Should you have any questions, please contact me at (214) 670-3619.



David Noguera
Director
Housing and Neighborhood Revitalization

c: Chris Caso, City Attorney (Interim)
Carol A. Smith, City Auditor (Interim)
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
M. Elizabeth Reich, Chief Financial Officer
Laila Alequresh, Chief Innovation Officer
Directors and Assistant Directors

Department of Housing & Neighborhood Revitalization

Dallas Housing Rehabilitation Program Overview April 15, 2019

David Noguera, Director
Housing and Neighborhood Revitalization
City of Dallas



Presentation Overview

- Background/History
- Issues
- Proposed Program Changes
- Fiscal Impact
- Next Steps



Background/History

- Dallas adopted the Comprehensive Housing Policy in May 2018 which created the Home Improvement and Preservation Program (HIPP).
- HIPP was intended to address minor and major repairs as well as full reconstruction.
- Community input combined with operational experience resulted in a re-evaluation of HIPP to enhance the program's success.

Issues

HIPP solved one problem by increasing the amount of assistance available per unit, but it created others including a lack of

- **Contractor Participation:** Small contractors cannot afford to meet the insurance requirements, while large contractors are not interested in the low volume.
- **Rehabilitation Caps:** Assistance provided has no relationship with value of home.
- **Financing Flexibility:** Value of HIPP repairs requires assistance to be provided on a loan basis, no grant options.

Proposed Program Changes

Summary of Housing Rehabilitation Programs:

Minor Home Repair Grant Program (NEW)	Home Improvement and Preservation Program	Housing Reconstruction Program
\$1,000,000 CDBG	CDBG	HOME/CDBG
Grant assistance of up to \$10,000 (\$5,000 City portion)	Loan of up to \$40,000	Maximum loan of \$160,000
Partner w/non-profit providers to conduct rehab work	85% Loan to Value 80% Loan to Assessed Building Value	85% Loan to Value
Partners required to provide 1:1 match of funds	Loan funds used for construction and soft costs	Loan funds used for construction and soft costs
Repair health and safety hazards and accessibility repairs for disabled	Adoption of Eligible Improvements List	Loan to assessed building value

Proposed Program Changes (cont.)

The Minor Home Repair Grant Program represents a new program designed to:

- Assist in repair or elimination of health and safety hazards and accessibility modifications for elderly and disabled
- City will budget \$1 Million/year in CDBG funds for program
- Grant assistance of up to \$5,000, with 1:1 matching grant provided by non-profit partner (up to \$10,000 total)

Proposed Program Changes (cont.)

Property Eligibility:

- Must be single-family (1 unit) within the City of Dallas City Limits

Applicant Eligibility:

- Must be the owner of the property to be rehabilitated
- Must have household income at or below 80% of AMI, adjusted for household size
- Priority provided to applicants who have not previously participated in Minor Home Repair or HIPP Program

Proposed Program Changes (cont.)

Program Administration - City

- City to conduct applicant intake to determine applicant and property eligibility and monitor for compliance
- Coordinate assignment of applicant to appropriate program.

Program Implementation – Non-profit Partners

- City will utilize non-profit partners experienced in rehabilitation of housing to conduct rehabilitation
 - Provide an open program for non-profits partners to apply for funds throughout the year
 - Funding available on a rolling basis until program funds are exhausted

8

Proposed Program Changes (cont.)

Other Elements of the Program :

- Divide City into “Service Areas” whereby non-profits partners provide services in assigned area of City;
- Incorporate M/WBE requirements for evaluating non-profits and contractors in coordination with the City Office of Business Diversity;

Proposed Program Changes (cont.)

The Minor Home Repair Grant Program provides for repairs such as:

- Roofing (patching leaky roofs);
- Entry Doors and Windows;
- Heating and Cooling Systems;
- Plumbing and Gas System;
- Electrical;
- Accessibility Repairs (ramps, handrails, walkway repairs); and
- Other items approved by the screening committee.

Proposed Program Changes (cont.)

Changes proposed for the Home Improvement and Preservation Program (single family and rental) are summarized as follows:

	Existing	Recommended
Maximum Assistance	Loan of up to 47.5% of the HUD HOME Value Limits	Loan of up to \$40,000
Loan to Value	No LTV Standard	85%
Loan to Assessed Building Value	No Prior Standard	80%

Proposed Program Changes (cont.)

Changes proposed for the Home Improvement and Preservation Program (HIPP) are as follows:

	Existing	Recommended
Limitation on use of Loan Funds	Not previously addressed	Construction Costs only
Project Soft Costs		Covered by delivery costs
Re-Application Priority		Priority to applicants that have not previously participated in HIPP or Minor Repair

Proposed Program Changes (cont.)

Examples of eligible repairs under HIPP:

- Correction of code violations and health and safety items
- Incipient Building Code violations
- Cost effective energy conservation
- Testing/treatment of lead based paint/asbestos
- Handicapped improvements and removal of barriers to handicapped
- Roofing
- Plumbing, Mechanical, Electrical
- Windows and Insulation
- Foundation and structural repairs (limited)

13

Proposed Program Changes (cont.)

Changes proposed for the Housing Reconstruction Program are summarized as follows:

	Existing	Recommended
Maximum Assistance	Loan of up to 75% of the HUD HOME Value Limits for New Construction	Loan of up to \$160,000
Loan to Value	No LTV Standard	85%
Limitation on use of Loan Funds	Not previously addressed	Construction Costs only

Proposed Program Changes (cont.)

Changes proposed for the Housing Reconstruction Program are summarized as follows:

	Existing	Recommended
Project Soft Costs	Not previously addressed	Covered by delivery costs
Re-application Priority	Not previously addressed	One lifetime loan per property

Fiscal Impact

- No fiscal impacts will result from the adoption of the proposed changes.

Next Steps

- April 24, 2019 – Call the Public Hearing for Substantial Amendment to the Action Plan
- June 12, 2019 – Hold the public hearing and Council approval of the program changes
- 90-day preparation period for implementation
- September 16, 2019 – Implementation Target Date

Department of Housing & Neighborhood Revitalization

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