

Memorandum



CITY OF DALLAS

DATE January 29, 2010

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dwaine Caraway, Angela Hunt, Ann Margolin, Pauline Medrano

SUBJECT 2010 Low Income Housing Tax Credit Program

On Monday, February 1, 2010, you will be briefed on 2010 Low Income Housing Tax Credit Program. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez', written over a circular stamp or mark.

A.C. Gonzalez, Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
C. Victor Lander, Administrative Judge, Municipal Court
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jerry Killingsworth, Housing/Community Services Director
Jeanne Chipperfield, Director, Financial Services
Helena Stevens-Thompson, Assistant to the City Manager

2010 Low Income Housing Tax Credit Program

A Briefing to the
Housing Committee

Housing/Community Services Department
February 1, 2010



Key Focus Area: Economic Vibrancy

Purpose

- To provide information regarding the Texas Department of Housing & Community Affairs Low Income Housing Tax Credit Program for 2010
- Provide information on current applications
- To recommend changes to the policy & procedures for developers requesting approvals from the City of Dallas

Texas Department of Housing & Community Affairs (TDHCA) Low Income Housing Tax Credit (LIHTC) Program

- The Housing Tax Credit (HTC) Program was created by the Tax Reform Act of 1986. Section 42 of the Internal Revenue Code of 1986, as amended (the Code), is the federal law that governs the HTC program.
- Section 42 authorizes tax credits in the amount of \$1.75 per capita for each state as adjusted for inflation. For 2010, that inflation adjusted amount generated approximately \$43 million in annual tax credit availability.
- The Texas Department of Housing and Community Affairs (TDHCA) is the only entity in the state of Texas with the authority to allocate tax credits under this program.

LIHTC Program

- The tax credit program is one of the primary means of directing private capital toward the creation of affordable rental housing.
- The tax credits provide investors of affordable rental housing with a benefit that is used to offset a portion of their federal tax liability in exchange for the production of affordable rental housing.
- The value associated with the tax credits allows residences in HTC developments to be leased to qualified families at below market rate rents.

LIHTC Program Description

- To qualify for tax credits, the proposed development must involve new construction or substantial rehabilitation of existing residential units.
- The amount of tax credits that may be applied for depends on:
 - the amount and type of additional funding sources
 - the total amount of qualified development costs to be incurred
 - the percentage of rent restricted units set aside in the development for eligible tenants
 - location in communities designated as Difficult Development Areas and Qualified Census Tracts
- Each qualified tax credit development must include a minimum percentage of rent restricted units to be set aside for eligible tenants.

LIHTC Program Description (continued)

- TDHCA develops an annual plan for the selection of eligible developments; this plan is known as the Qualified Allocation Plan and Rules (QAP)
- The criteria utilized to realize this goal includes a point based scoring system and an evaluation of other non-point based factors that may include each application's:
 - cost and financial feasibility
 - geographic location within the state as compared to other developments applying for tax credits
 - impact on the concentration of existing tax credit developments and other affordable housing developments within specific markets and sub-markets
 - site conditions
 - development team experience
 - consistency with the goal of awarding credits to as many different applicants as possible

LIHTC Program Description (continued)

- Those applications which are deemed to have a high priority in their regional area based on the review criteria, are subject to an underwriting and portfolio management review which evaluates the development's projected construction costs and financial feasibility, and the applicant's past performance.
- Applications which pass the underwriting process and are determined to have the highest priority will be presented to TDHCA's Board of Directors for consideration by July 31 each year.
- It is the goal of TDHCA to encourage diversity through broad geographic allocation of tax credits within the state, and to promote maximum utilization of the available tax credit amount.
- In 2010, TDHCA will provide approximately \$43M in tax credits and approximately \$10M for the North Texas Region including Dallas, Denton, Collin, Tarrant and Grayson Counties.

City of Dallas Participation in LIHTC Program

- In January 2004, TDHCA established a rule regarding the number of tax credit units per capita such that the Governing Body of the appropriate municipality had to approve all LIHTC projects when the number of tax credit units approved exceed two times the state average.
- The Governing Body was also asked to approve proposals if the project was located less than a mile from another project funded within the prior 3 years and served the same type of household.
- In response, the City of Dallas adopted a policy and procedure for processing LIHTC projects in 2006. All LIHTC applicants submit:
 - a pre-application to the City of Dallas for preliminary approvals
 - a full application to the City of Dallas for full endorsement and/or City participation which was due to TDHCA by April 1

LIHTC Program Changes

- Over the years, the population of Dallas has increased resulting in a decrease in the number of tax credit units per capita to less than twice the state average
- As a result, the Governing Body no longer needs to approve all LIHTC projects; however, the TDHCA application encourages community support and financial support from the Governing Body
- Note that TDHCA still will not fund projects located within one mile of each other in a single funding year (making Governing Body support more important)

Recommended Policy/Procedure Changes

- The current policy/procedure calls for a preliminary application for a preapproval from the City Council and a final application for a final endorsement
- Recommendation:
 - If the Per Capita Rule is in effect, the process would remain the same
 - If the Per Capita Rule is not in effect, a project applicant would submit one proposal with a \$1,000 fee in exchange for City of Dallas consideration and financial support

Alternate LIHTC Application Procedure

- LIHTC applicants would submit:
 - an application to the City of Dallas no later than 2 weeks following the State of Texas Deadline
 - A \$1,000 application fee
 - Request for funding, zoning, or endorsement
- City staff will brief City Council on requests
- Endorsements and waivers will be presented at the last City Council meeting in February
- City Council funding and zoning approvals will continue through June provided the project has been endorsed in February

Applications for LIHTC Submitted to City of Dallas

Project Name	Address	Council District	# of Units	Unit Types	Developer/ Owner
Akard Plaza	1011 S. Akard	2	200	Families	Ted Hamilton
Champion Homes at Copperridge	5542 Maple Ave.	2	107	Families	Saleem Jafar
Evergreen Residences	3800 Willow	2	100	Families	Graham Greene
Greenhaus at East Side	4611 East Side Ave.	2	24	Families	Shared Housing Center
Prince of Wales	4515 Live Oak	2	63	SRO	Eric Anderson Graham Greene
Hillside West Seniors	32 Pinnacle Park	3	130	Senior	Brandon Bolin
Terrace at Founders Square	1400 Englewood (at Tilden)	3	172	Senior	Diana McIver
Wynnewood Village	1500 S.Zang	3	140	Senior	Brian Roop
Buckeye Trail Commons	6701 Bexar St	4	116	Families	Dallas Housing Authority
Hatcher Square	4600 Scyene	7	126	Families	McCormack, Baron, Salazar
Sphinx at Lawnview	4120 Lawnview	7	130	Senior	Jay Oji
Kleberg Commons	12700 Kleberg Rd.	8	200	Senior	Dale Lancaster
Atmos Plaza	300 S.Harwood/1900 Jackson	14	230	Families	Ted Hamilton
Evergreen Residences	2012 Jackson St.	14	100	Families	Graham Greene
Jackson Square	1701 Jackson St.	14	100	Families	Jim Truitt
Live Oak	3003 Live Oak	14	80	Families	Garfield Bruff

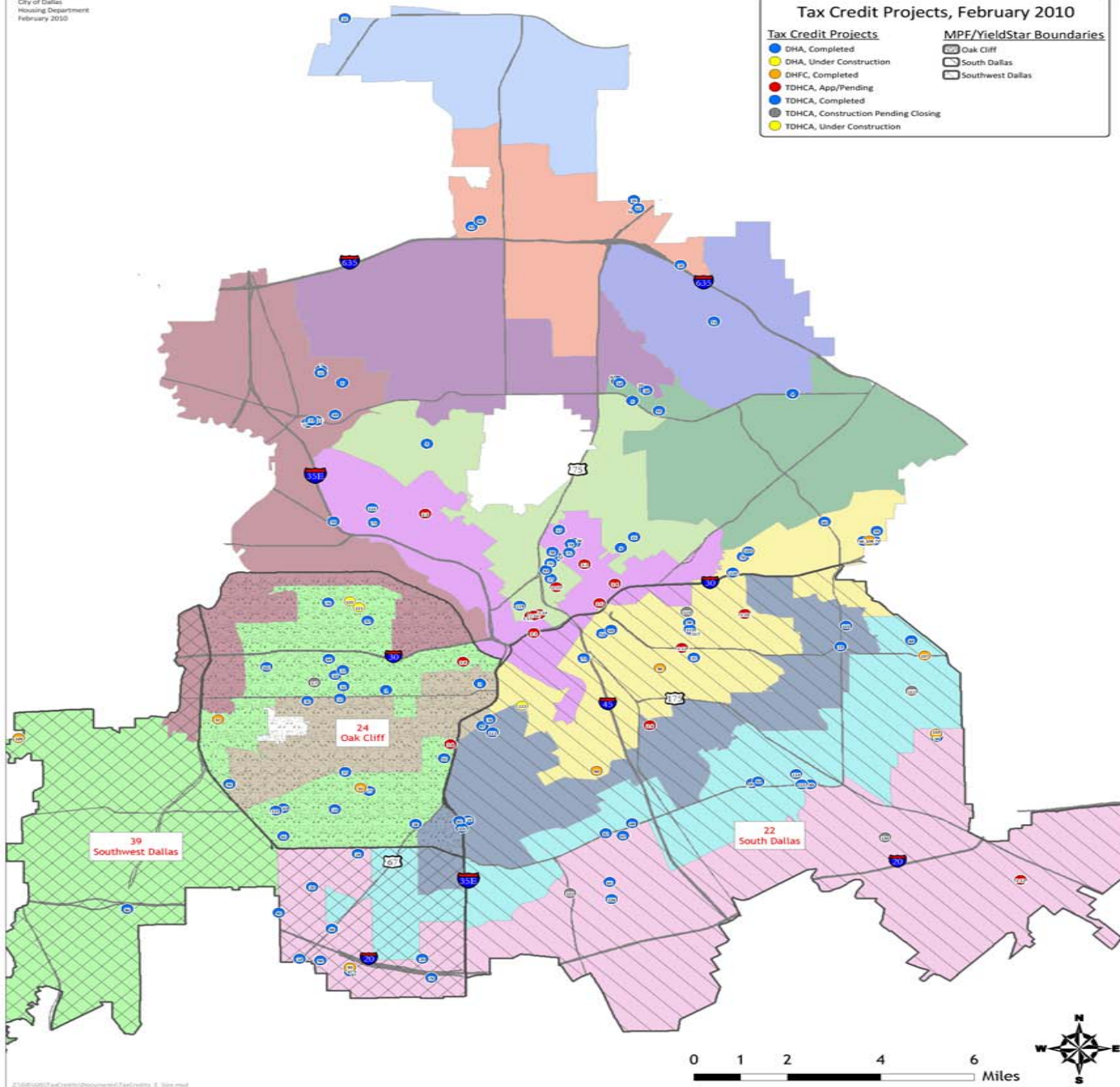
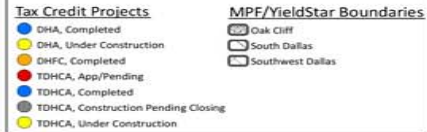
Previous Tax Credit Projects in the City of Dallas

- There are a total of 119 completed projects with a total of 21,692 Units
- Three projects with a total of 490 units are currently under construction
- One project approved in 2008 with 150 units, Carpenter's Point Senior, will be under construction by March 31, 2010
- Four projects approved in 2009 with 368 units will be under construction within the next year

Dallas Low Income Housing Tax Credit Projects

Map Produced by:
City of Dallas
Housing Department
February 2010

Tax Credit Projects, February 2010



C:\GIS\GIS\Documents\TaxCredits_02_10.mxd

Next Steps

- ❑ February 10, 2010 - City Council considers a modification to the policy/procedure for the approval of tax credit applications
- ❑ February 16, 2010 - Briefing to the Housing Committee on the LIHTC projects submitted to the City of Dallas for support
- ❑ February 24, 2010 - City Council approval for the support of the LIHTC applications
- ❑ March thru June 2010 – City funding or zoning approvals for specific applications

Attachment A

Prior Years Low Income Housing Tax Credit Projects