

Memorandum




DATE November 14, 2008

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dr. Elba Garcia, Vonciel Jones Hill, Angela Hunt, Linda Koop, Pauline Medrano

SUBJECT Housing Development Fund Corporation Recommendations

On Monday, November 17, 2008, you will be briefed on Housing Development Fund Corporation Recommendations. A copy of the briefing is attached.

Please let me know if you have any questions.


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
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jerry Killingsworth, Housing Director
Jeanne Chipperfield, Budget Director, Office of Financial Services
Helena Stevens-Thompson, Assistant to the City Manager

HOUSING DEVELOPMENT FUND CORPORATION RECOMMENDATIONS

Briefing to the
Housing Committee

Housing Department
November 17, 2008



PURPOSE

To provide recommendations for creating a nonprofit corporation to provide input on the use of current and future Housing Department program funding and to make recommendations for projects for using the Housing Department funding.

BACKGROUND

- **In February 2008, in a briefing on Housing Trust Fund, input from the Mayor's Work Group, Community Partners, and CHDOs was used to recommend sources and uses for Housing Trust Funds**
- **In March 2008, City Council approved designations of funding for the Housing Trust Fund and all funds used as required by the funding sources**

NEW FUNDING DESIGNATIONS

SOURCES

- \$2.0M from 2006 Proposition 8 GO Bond Funds (with \$500K set-aside for CHDOs)
- \$825K CDBG
- \$1.5M Section 108 Loan Repayment Funds

- \$3.9M from 2003 GO Bond sale
- \$1.0M HOME

\$9.225M TOTAL

USES

- Planning, Designing, Acquisition, Demolition, Infrastructure, and Gap Financing for Economic Development (Mixed Use and Residential Projects)
- Single Family Residential Lot Acquisition
- Planning, Designing, Acquisition, Demolition, Infrastructure, and Construction of Housing, Economic Development and Mixed Use Projects
- Infrastructure supporting development of single family lots
- Set Aside for Home Purchase Subsidies

NEED FOR SEPARATE NONPROFIT

- **The number and variety of sources for housing development and development of mixed-use projects with a combination of housing, commercial and retail has grown**
 - CDBG, HOME and General Fund budget of \$17.7M in FY 2001-02 to the FY 2008-09 budget of \$24M with the FY 01-02 sources and Section 108 loan repayment funds, General Obligation Bond funds and Certificates of Obligation funds
 - The budget is anticipated to increase in the future with the possibility of more bond funding, CDBG Section 108 loan funding and funding from foundation sources
- **The Housing Department is involved in more than the standard home repair, mortgage subsidy and nonprofit development programs of the past**
 - NIP
 - Bexar Street
 - Frazier Scyene
 - Lancaster Corridor

NEED FOR SEPARATE NONPROFIT (cont.)

- **There is an increased need to have an organization with varied expertise review the input from a variety of internal and external sources**
 - **Organizational membership**
 - Nonprofit development
 - Banking and for profit development
 - Executive level experience with City and Federally funded housing and mixed-use development
 - For profit rental and residential construction
 - **Examples of Sources of Input**
 - Mayor's Task Force
 - North Texas Housing Coalition
 - Neighborhood Associations
 - Citizens

ESTABLISHMENT OF NONPROFIT

THE NEXT STEP IS TO ESTABLISH A NONPROFIT CORPORATION TO BE NAMED THE HOUSING DEVELOPMENT FUND CORPORATION (HDFC)

- **Using the term “Housing Trust Fund” has been confusing for discussions with possible private loan and grant sources**
 - Trust fund is usually associated with an original deposit of funds, with the gain on the fund available for expenditure and no or only limited withdrawal from the original deposit of funds
- **Naming the new nonprofit corporation HDFC, to help coordinate available funding sources and assist with recommendations for expenditures of funds, would eliminate this confusion**

PURPOSES FOR THE HFDC

THE HFDC WOULD BE ESTABLISHED TO:

- **Provide input to Housing Department staff, City Manager's Office, and City Council on use of Housing Department program funding**
- **Review proposals and applications for Housing Department program funding**
- **Recommend development of new programs or uses for Housing Department program funding**
- **Oversee use of new sources of funding where there is a state or federal statutory need for a nonprofit established by the City to do so**

HDFC'S KEY RESPONSIBILITIES

- **Evaluate housing needs and priorities to recommend Housing Development Fund policy**
- **Recommend policies and procedures for disbursing funds**
- **Develop responsibilities for reporting to the public and to elected officials**
- **Recommend policies for coordination of the Housing Development Fund with other available funds**
- **Seek additional funds to support Housing Development Fund activities**

INPUT AND RECOMMENDATION CONSIDERATIONS FOR FUND USE AND PROGRAM DESIGN

- **Estimated revenue**
- **Targeted beneficiaries of the fund**
- **Existing capacity of fund grantees and borrowers to use available funds**
- **Local challenges and opportunities**
- **Coordination of funds from various fund sources**

CONSIDERATIONS FOR RECOMMENDING HOW FUNDS WILL BE DISTRIBUTED

- **Depending on funding sources and subject to restrictions on funding sources, form of awards can include grants, loans, forgivable or deferred loans, lines of credit, etc. and are typically used to fill in the financial gap when other sources of funding are maxed out**
- **Distribution method for funds must be selected and can include competitive application process or through existing programs**
- **Requirements for eligible recipients must be determined**
- **Coordinating the development fund with other available funds will be required**

RECOMMENDATIONS

Housing Development Fund Corporation created pursuant to City Council Resolution under the Texas Non-profit Corporation Act:

- **Nonprofit made up of 9 board members:**
 - **4 members appointed by the City Manager: 2 nonprofit members from City eligible CHDOs, a banker and a for-profit developer**
 - **3 City executives: Directors of Housing, Economic Development and Budget Services**
 - **2 housing professionals: one each from Apartment Association of Greater Dallas and the Home Builders Association of Greater Dallas**
- **Provide recommendations to staff, CMO and City Council on use of housing funding or development of new housing programs**
- **Review project proposals and applications for use of housing funding for approval by City Council**
- **Oversee use of new sources of funding as needed by federal or state statute**

NEXT STEPS

- January 14, 2008 Council Action
 - Finding of best interests of city to create the HDFC
 - Approval of Articles of Incorporation and By-laws of Housing Development Fund Corporation (HDFC)
- After formation, HDFC to meet with all stakeholders to:
 - Review programs recommended by Council and Mayor's Work Group to make proposal to Council about choice of programs
 - Formulate recommendation to Council regarding methods of fund distribution and fund eligibility requirements
- Future Housing Committee briefing to discuss Housing Development Fund Corporation recommendations
- Future Council Agenda Items to approve recommendations for use of housing funding and individual project selections