

**TIF FUNDING FOR AFFORDABLE
HOUSING COST PARTICIPATION
FY 2004-05**

**A Briefing to the
HOUSING AND NEIGHBORHOOD
DEVELOPMENT COMMITTEE**

April 4, 2005

PURPOSE

To brief the Housing and Neighborhood Development Committee on 1) recommended use of \$500,000 from the City Center TIF District Fund, and 2) amending the Program Statement for the Affordable Housing Cost Participation Program to limited participation in the City's Neighborhood Investment Program areas and on Urban Land Bank properties.

BACKGROUND

- On September 22, 1999 City Council approved \$1,000,000 from the General Fund for the Developer Incentive Rebate Program (Rebate Program)
- The Rebate Program, later known as the Affordable Housing Cost Participation Program (AHCP) received two additional increments of TIF funding in the amount of \$500,000 in December 2002 and January 2004
- January 28, 2004, the AHCP received a \$500,000 HOME allocation
- AHCP funding provided developers and builders an incentive to build over 1500 new homes in the City of Dallas with construction savings from the Rebate and AHCP Programs:
 - AHCP provides an incentive of up to \$2500
 - Average incentive amount is \$1,660 per new home built

BACKGROUND (Cont'd)

- Providing AHCP incentives to Subdivision homebuilders is no longer required due to substantial single-family housing production increases in the City's Southern Sector
- There are 0 uncommitted funds available under this program

RECOMMENDATION

Recommend that City Council approve an amendment to the Program Statement for the Affordable Housing Cost Participation Program and increase funding for FY04-05 by \$500,000 from City Center TIF

- AHCP will be funded by the TIF in two phases, \$250,000 in May 2005 and a second allocation of \$250,000 in November 2005

RECOMMENDED CHANGES TO PROGRAM

AHCP will target the City's Urban Land Bank Program and Neighborhood Investment Program areas:

- AHCP funds will be used to provide an incentive to inner-city homebuilders developing lots acquired through the City's Urban Land Bank Program (Land Bank)
- AHCP incentives for homebuilders are necessary to jump-start construction of infill housing in Neighborhood Investment Program (NIP) areas
- AHCP combined with the Land Bank program encourages homebuilders to construct inner-city housing to overcome lower price points and profit margins
- The NIP and Land Bank are designed to promote development in some of the City's most impoverished and disenfranchised neighborhoods

NEXT STEPS

- April 27, 2005 - City Council consideration of TIF funding and AHCP Program Statement amendment

ATTACHMENT A

Program Statement for Affordable Housing Cost Participation

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Affordable Housing Cost Participation Program Statement Page 1

Program Purpose: Pursuant to Chapter 311 of the Texas Tax Code, the City of Dallas has heretofore established a City Center TIF District, to promote development and redevelopment in the City Center TIF District, and through the use of tax increment financing.

Particularly, section 311.010(b) of the Act provides that the governing body of the municipality that creates a reinvestment zone may enter into agreements as the governing body considers necessary or convenient to implement the Project Plan and Reinvestment Zone Financing Plan and achieve their purposes. Such an agreement may dedicate revenue from the tax increment fund to pay the costs of providing affordable housing in or out of the zone.

The City's Affordable Housing Cost Participation Program as described herein is consistent with promoting the development of new affordable housing in the City of Dallas in accordance with the purposes of the creation of the City Center TIF District, the ordinance creating such reinvestment zone adopted by the City, all applicable laws, and the Project Plan and Reinvestment Zone Financing Plan for the City Center TIF District. Funding to provide affordable housing outside the City Center TIF District is made at the discretion of the City Council and is necessary or convenient to the implementation of the City Center TIF District Project Plan and Reinvestment Zone Financing Plan because such funding will provide a mixture of housing types and pricing important to the Dallas community. Since the costs of land within the City Center TIF District is prohibitively expensive, funding affordable housing outside the TIF boundaries maximizes the public benefit created by new affordable housing in areas where land prices are less expensive.

Program Description:

In order to address the shortage of safe, decent and affordable housing within the city of Dallas and to encourage development of an adequate supply of single family homes for ownership by low and moderate income households, the City of Dallas will participate in an amount not to exceed \$2,500 in the cost of construction of a single family dwelling and related public infrastructure built and sold to a household with household income at or below 80% or area median family income as determined by the U.S. Department of Housing and Urban Development. In doing so, the City recognizes that its participation assures that the new single family home is sold to a low to moderate income family and without its participation there is no guarantee that such an affordably priced home would be built or sold to a qualifying low to moderate income family.

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Program Description (continued):

Additionally, the City will provide up to \$4,443 to Substandard Housing Assistance Repair Program (SHARE) and Replacement Housing contractors participating in the City's fixed cost Home Repair and Replacement Programs to fund costs for the construction of SHARE or Replacement homes.

Depending upon availability of funding, developers and contractors may reserve funding for up to twenty (20) addresses at one time. The reservation period for any twenty (20) addresses will last for up to 120 days from the date of the acceptance of the reservations by the City of Dallas.

Eligibility

Nonprofit agencies, developers or contractors working with nonprofit agencies can participate if they leverage 10% of the total construction costs from sources other than the City of Dallas.

Substandard Housing Assistance Repair Program (SHARE) contractors and Replacement Housing contractors are eligible to participate in this program and do not have to meet the 10% leverage requirement.

For-profit agencies/developers are also eligible to participate.

Quality

Construction must meet all applicable city codes.

Proposed Administration

The Housing Department administers this program, with assistance from the Development Services Department.

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The City of Dallas Housing Department responsibilities include:

- 1) Market the Affordable Housing Cost Participation Program to developers, contractors, lenders, realtors, CHDO's, etc, who are constructing single family housing in Neighborhood Investment Program areas and on properties acquired from the City's Urban Land Bank Program.
- 2) Prepare marketing tools such as posters, pamphlets and announcements for display and general distribution.
- 3) Schedule special presentations of program with Homebuilders, Lenders, Realtors, Developers and Contractors.
- 4) Prepare advertisements for print in professional magazines, newsletters, newspapers, and public service announcements.
- 5) Take reservations and administer verification of homebuyer qualifications.
- 6) Authorize payment to the developer and contractor, upon completion of the construction and sale of the home to an income eligible Homebuyer, or in the case of SHARE or Replacement Housing Contractors authorize payments in the third or fourth draw upon substantial completion of the home.
- 7) Provide program information, forms, etc. to the Development Services Department.
- 8) Serve as point of information for inquiries on the program.

The City of Dallas Development Services Department responsibilities include:

Distribution of cost participation forms and forwarding of completed forms to Housing Department.

Developer responsibilities include:

- 1) Submission of information for fund reservations for homes to be built in the Neighborhood Investment Program areas and properties acquired from the City's Urban Land Bank Program.
- 2) Reservation of funding only for those homes which can be completed within 120 days of the date of acceptance of the reservation.
- 3) Completion of construction according to all applicable city codes by the reservation deadline.

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Developer responsibilities include (continued):

- 4) Submission of final building inspection green tag, final mortgage closing settlement statement and homebuyer mortgage application.
- 5) Execution and submission of completed Affordable Housing Cost Participation Agreement or in the case the builder is participating as the contractor for a City Home Repair Program or SHARE Program replacement housing project, submission of documentation evidencing substantial completion of the home.
- 6) Obtain City of Dallas vendor number.

City Manager is authorized to establish guidelines and procedures to administer this program in accordance with this Program Statement and applicable Federal, State and local regulations. The City Manager is authorized to execute all necessary documents as required by the program.