

City of Dallas

Mayor's Task Force on
Affordable Workforce
Housing

FINAL REPORT

August 2002

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Table of Contents

Executive Summary	3
Background and Context.....	5
The Case for Affordable Workforce Housing	7
<i>Affordable housing is a major issue.....</i>	7
<i>Benefits of affordable housing</i>	9
<i>Strategic issues facing Dallas</i>	11
<i>Dallas' challenges in addressing the strategic issues</i>	18
<i>The City's role in addressing affordable housing challenges</i>	19
Recommended Actions.....	21
<i>Improve the private development process for all types of development</i>	22
<i>Remove barriers to land assembly and land use for affordable housing</i>	25
<i>Support housing in the context of community building to revitalize distressed neighborhoods.....</i>	30
<i>Approach affordable housing effort holistically.....</i>	36
<i>Restructure and increase impact of current housing programs</i>	39
<i>Commit to affordable housing as a priority.....</i>	54
Funding Strategy.....	55
<i>Dallas Housing Department Funding context</i>	55
<i>Utilizing available funding.....</i>	58
<i>General obligation bond</i>	59
<i>Section 108 loans</i>	60
Accountability and Implementation.....	61

Appendix 63
Overview of Task Force Process 64
Interview List..... 65
Definition of Terms 66
Special consideration: Cadillac Heights 69
List of Exhibits..... 73
Summary of recommendations 75

Executive Summary

In May of 2002, a Task Force was formed at the request of Dallas Mayor Laura Miller to provide recommendations regarding the City's affordable workforce housing efforts. Over an 8-week period, working closely with the staff of the Housing Department, a review of the current housing programs, budget and outcomes was conducted and compared with other cities frequently seen as being competitive with Dallas and with cities known to have strong affordable housing programs. Additionally, nearly 100 interviews were conducted to gain a richer understanding of the status and challenges of Dallas' affordable housing efforts.

Issues: from this work, three primary strategic issues associated with affordable housing emerged as priorities:

1. Competition from surrounding cities – neighboring suburbs are producing affordable workforce housing at a rate that is three times greater than the rate in Dallas.
2. Presence of distressed neighborhoods – several communities have large concentrations of low-income residents, deteriorated physical conditions, poor environmental factors such as high crime, and an illiquid marketplace for real estate, commerce and jobs.
3. Shortage in affordable housing – lower home ownership rates than benchmarks, limited vacancies, and several other indicators suggest a shortage of affordable housing of approximately 30,000 units.

Challenges: the Task Force, along with a substantial majority of interviewees, believes that the City of Dallas and the Housing Department have made progress in improving the performance and effectiveness of Dallas housing programs. However, Dallas still has a number of challenges that will require focused

attention to achieve significant improvement in the three issue areas mentioned above:

- Poorly functioning private development process at the City for all types of development
- Significant barriers to land assembly for affordable housing
- Under-performing CHDO industry relative to other cities
- Housing programs (mortgage assistance and repair) that impact too few people and frequently over-subsidize
- A sub-optimal process for addressing code and criminal violations in distressed neighborhoods
- City government processes, policies, and procedures that inhibit private sector involvement in affordable housing development
- Lack of political leadership among City Council members that resulted in an historic low priority on affordable housing development.

Recommended actions: the actions recommended by the Task Force are geared toward addressing these challenges. They fall into six broad areas:

- Improve the development process for all types of development
- Remove barriers to land assembly and use for affordable housing
- Support housing in the context of community building to revitalize distressed neighborhoods
- Approach housing effort holistically

- Restructure and increase impact of current housing programs
- Commit to affordable housing as a priority.

Funding strategy: a comparison of housing-related funding shows that Dallas Housing Department's funds are in line with other cities' funding. At this time, the Task Force recommends maintaining the current level of funding from CDBG, HOME, and general funds until such time as improved affordable housing outcomes can be demonstrated. At that time,

funding should be increased to support successful strategies.

Accountability and implementation: a core group of the Task Force will remain engaged with the City to support implementation efforts and increase accountability. Although many of the recommendations detailed in this report are quite specific, the Task Force suggests the City maintain the appropriate level of flexibility to achieve the desired outcomes. Therefore, increased transparency is needed on macro-level affordable housing metrics in addition to detailed progress on specific recommendations.

Background and Context

In April 2002, Dallas' Mayor Laura Miller asked J. McDonald "Don" Williams, Chairman Emeritus of the Trammell Crow Company, to chair a task force to evaluate the housing-related policies and operations of the City of Dallas and its Housing Department. The Mayor and members of the City Council announced the formation of the Mayor's Task Force on Affordable Workforce Housing during a press conference on May 13, 2002. The Task Force

convened for its first meeting following the press conference and concluded its work on July 1, 2002 with the ratification of the contents of this report.

Task Force members include a diverse cross-section of leaders from neighborhood groups, lenders, developers, affordable housing service providers, and other businesses.

Exhibit 1

TASK FORCE MEMBERS

J. McDonald Williams Chairman Emeritus Trammell Crow Company	Gregory J. Hettrick Sr. Vice President – Community Development Banking Bank of America	Henry T. Lawson Executive Director SouthFair Community Development Corporation	Daniel Prescott President Voice of Hope Ministry
F. William Barnett Director McKinsey & Company, Inc.	Carlos Herrera President El Dorado Development	Lorenzo Littles Executive Director Enterprise Foundation	Sherman Roberts Executive Director Operation Relief Community Development Corporation
Jonathon E. Edmonds Executive Director Foundation for Community Empowerment	Laurence E. Hirsch Chairman & Chief Executive Officer Centex Corporation	Ann Lott President & Chief Executive Officer Dallas Housing Authority	Joe Samford Senior Vice President Bank One
Ron W. Haddock Chairman Trinity S Ventures	Walter J. Humann President WJH Corporation	Linda S. McMahon Senior Vice President JP Morgan Chase	
Michael T. Hernandez Vice President – Housing & Community Development Fannie Mae	Richard Knight, Jr. President & CEO Knightco Oil, Inc.	Brian Potashnik President Southwest Housing Management	

With the pro bono support of McKinsey & Company and Cecilia Edwards of Business Bridges, Inc., the Task Force conducted the following series of activities to formulate its recommendations:

- Four 2-hour meetings and 2 half-day working sessions
- Various quantitative and qualitative analyses to better understand the housing challenge in Dallas
- Almost 100 interviews with civic, community, and business leaders, as well as citizens, developers, and other cities employees.

See Appendix for meeting schedule, overview of analysis and interview list.

The Case for Affordable Workforce Housing

AFFORDABLE HOUSING IS A MAJOR ISSUE

Being able to find an affordable home is a significant enough concern that local governments that are working to address the problem appear to be lifting people's hopes for the future of their communities.

– Fannie Mae Foundation Survey, 2002

Although not receiving much local coverage, a national study recently performed by the Fannie Mae Foundation reveals that affordable workforce housing is a major concern for Americans.

"Americans see a lack of affordable homes for low- and moderate-income working families as being as much of a problem in their communities (37 percent say it is a very or fairly big problem) as are job loss and unemployment, an even bigger problem than crime (23 percent) and a polluted environment (21 percent), and second only to a lack of affordable health care (43 percent)."

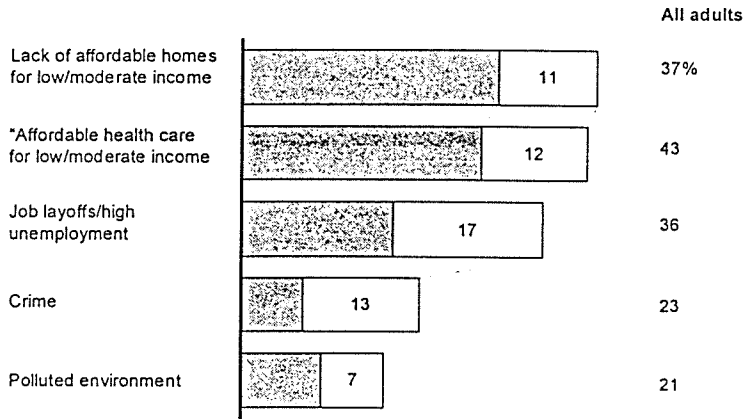
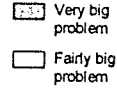
– Fannie Mae Foundation Survey, 2002

It is viewed as an even larger problem among working families.

Exhibit 2

WORKING FAMILY PERCEPTIONS OF MAJOR PROBLEMS

Percent



Source: Fannie Mae Foundation Survey, 2002

BENEFITS OF AFFORDABLE HOUSING

First, housing matters. It represents the single largest expenditure for most American families and the single largest source of wealth for most homeowners. The development of housing has a major impact on the national economy and the economic growth and health of regions and communities. Housing is inextricably linked to access to jobs and healthy communities and the social behavior of the families who occupy it. The failure to achieve adequate housing leads to significant societal costs.

– Millennium Housing Commission Report, 2002

Affordable housing is often viewed as merely a desire to help all to achieve the American dream. In reality, fit and affordable housing is an issue at the core of the economic and social health of our society.

The development of new homes is a major contributor to economic development. Based upon HUD formulae, the impact of affordable housing development is considerable:

- For every 1,500 single family units:
 - 3,672 full-time jobs in construction and construction-related industries are created
 - \$119.1 million in wages are earned

- \$63.75 million in combined federal, state, and local tax revenues and fees are created.

- For every 1,500 multifamily units:

- 1,545 full-time jobs in construction and construction related industries are created

- \$59.25 million in wages are earned

- \$26.7 million in combined federal, state, and local tax revenues and fees are created.

Families lacking the means to pay for good-quality housing may have to make frequent moves in search of appropriate accommodations. Two studies have found that disruptive moves during childhood and adolescence have a strong negative impact on school performance. In addition, struggles to provide daily needs also interfere with both school and job performance.

– Millennium Housing Commission Report, 2002

Home ownership has some very real benefits for communities. It is widely believed to:

- Stabilize neighborhoods
- Improve education through reduced mobility

- Reduce crime rates
- Improve citizenship.

Although home ownership is the American Dream, many families will never be able to realize that dream. Mobility rates for families experiencing housing affordability problems are often extremely high, as the search for a fit and safe environment perpetuates frequent moves. For these families, high-quality rental housing is extremely important. It is known to:

- Reduce the frequency of moves, thereby reducing school mobility
- Provide a stepping stone to homeownership

- Reduce psychological distress, thereby reducing health care costs and increasing employee productivity.

Affordable housing is a major part of the foundation for economic development in a city. Employers must be able to draw an employee base that can easily commute to work locations. Although suburban locations often provide the needed housing, urban sprawl patterns indicate that a tolerance for long commutes is temporary. Once housing markets are established, companies often turn to those suburbs to provide business locations as well.

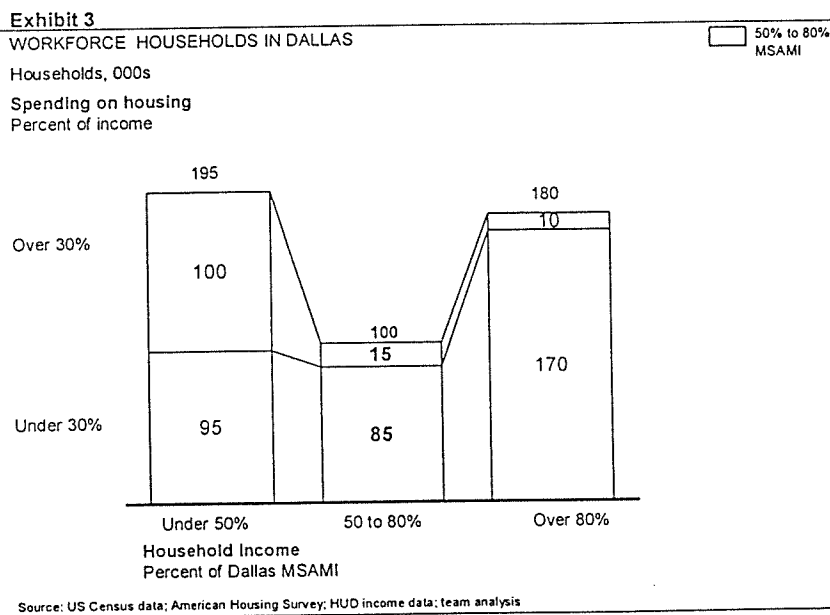
STRATEGIC ISSUES FACING DALLAS

The City should have a goal to be more attractive to working families ranging across all income levels. Most City Council members prefer to have middle and upper income housing in their districts. However, if Dallas fails to provide housing for its lower income working families, we will jeopardize our current and future employment base and it will perpetuate the conditions of our most distressed neighborhoods. This Task Force focused its efforts primarily on workforce families and other current homeowners in affordable and lower income neighborhoods.

The Department of Housing and Urban Development (HUD) defines affordability based

on the relationship of family income to the area's median family income (AMFI) and the percentage of income spent on housing. Families earning less than 80 percent of AMFI (\$48,640 in Dallas) and spending more than 30 percent of their gross income on housing are considered cost-burdened. Those spending less than 30 percent are by definition affordably housed, but may be occupying unfit units.

The Task Force specifically addresses families in the 50 to 80 percent AMFI range (\$30,400 – 48,640 in Dallas) – workforce households. They represent over 20 percent (100,000) of the households living within the City of Dallas. Of that group, 15% are spending more than 30% of their gross income on housing costs.



Dallas has three strategic affordable housing issues:

1. Competition from surrounding cities
2. Presence of distressed neighborhoods
3. Shortage of affordable housing.

Issue 1: Dallas is competing poorly with surrounding cities for workforce households

Although workforce households represent 21 percent of all households in Dallas, indications are that the figure should be significantly higher. Much attention has been paid to getting businesses to locate to Dallas – an equally important area of focus should be getting the employees of those businesses to live within the city limits.

Employees of both the private sector and the City of Dallas must live within the city limits in order for Dallas to derive maximum benefit from their tax base. If those employed in the city are not living in the city, their property, school, and sales taxes are being lost to other cities. This is

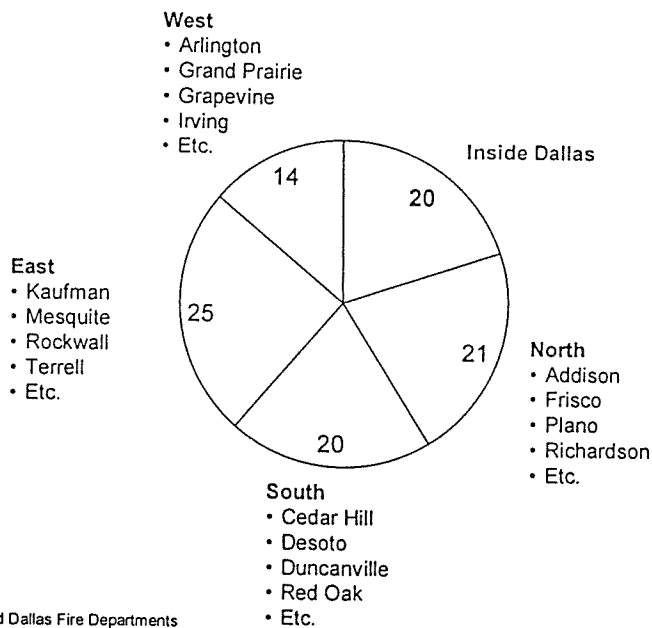
especially troubling for City employees because dollars being paid to them in salary and benefits are not being recycled back into the City.

Some cities require residency as a condition of employment. Others offer financial incentives for employees to live within the city limits. The Task Force does not recommend such policies for Dallas but believes the City is best served by making housing available and attractive to its employees, the employees of the School District and other major employers.

A review of a subset of City employees reveals a majority do not live within the city limits. Approximately 80% of the uniformed employees live in the Dallas suburbs. It is further estimated that 30 – 40% of the remaining City employees do not live in Dallas.

Exhibit 4

DALLAS UNIFORMED WORKFORCE HOUSEHOLD LOCATION*



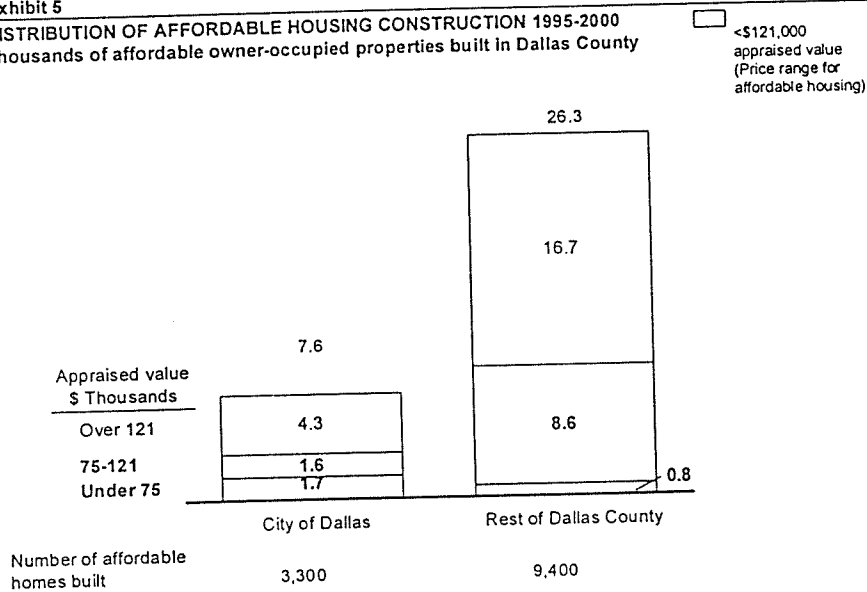
* Dallas Police and Dallas Fire Departments
Source: City of Dallas; team analysis

Further evidence of Dallas' competitiveness with surrounding areas can be seen in a review of the historical development rates. The affordable housing market is growing at a much faster rate in

outlying communities than within the City of Dallas. For each affordable house built in Dallas, almost three were built in the Dallas County suburbs.

Exhibit 5

DISTRIBUTION OF AFFORDABLE HOUSING CONSTRUCTION 1995-2000
Thousands of affordable owner-occupied properties built in Dallas County



Source: DCAD, U.S. Census data, team analysis

Market research suggests that workforce families value good schools and safety. Dallas lags behind other cities on these measures. Dropout rates are

higher and graduation rates are lower in Dallas than in surrounding cities.

Similarly, it has much higher crime rates for both total and violent crimes than other cities in the area.

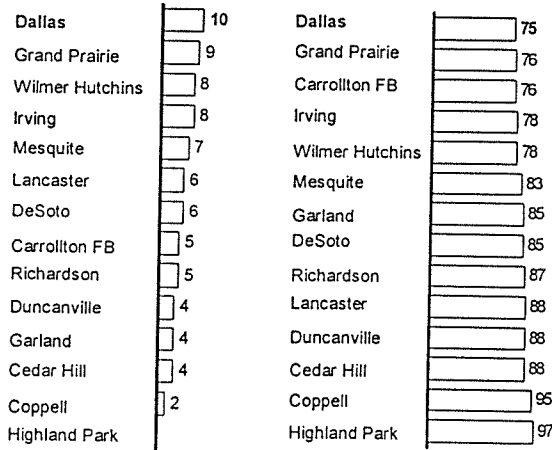
Exhibit 6

DALLAS AREA DROP-OUT AND GRADUATION RATES

Percent

4-year drop-out rate

Graduation rate



10.1 % of the class of 1999 dropped out of high school during the 4-year period. Of the remaining 89.1%, 74.6% graduated

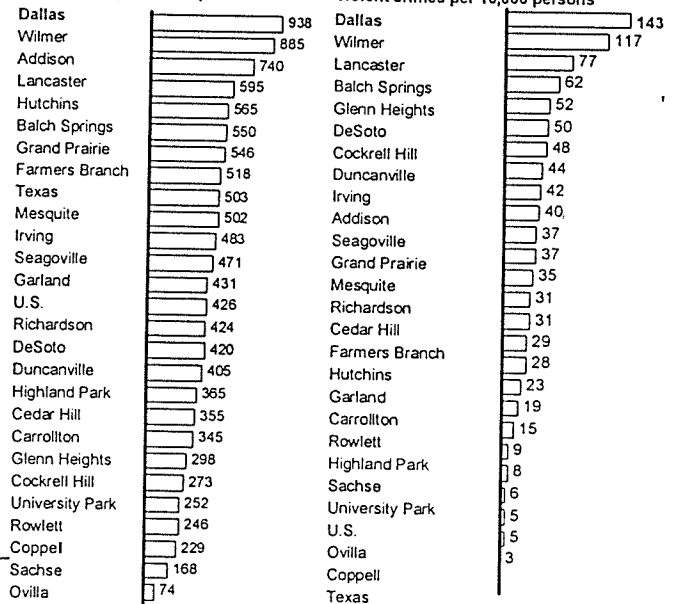
Source: Texas Education Agency – Snapshot 2000

Exhibit 7

CRIME RATE IN DALLAS VS. SURROUNDING CITIES

Total crimes per 10,000 persons

Violent crimes per 10,000 persons



Source: Texas Department of Public Safety – uniform crime reporting “Crime in Texas” 2000

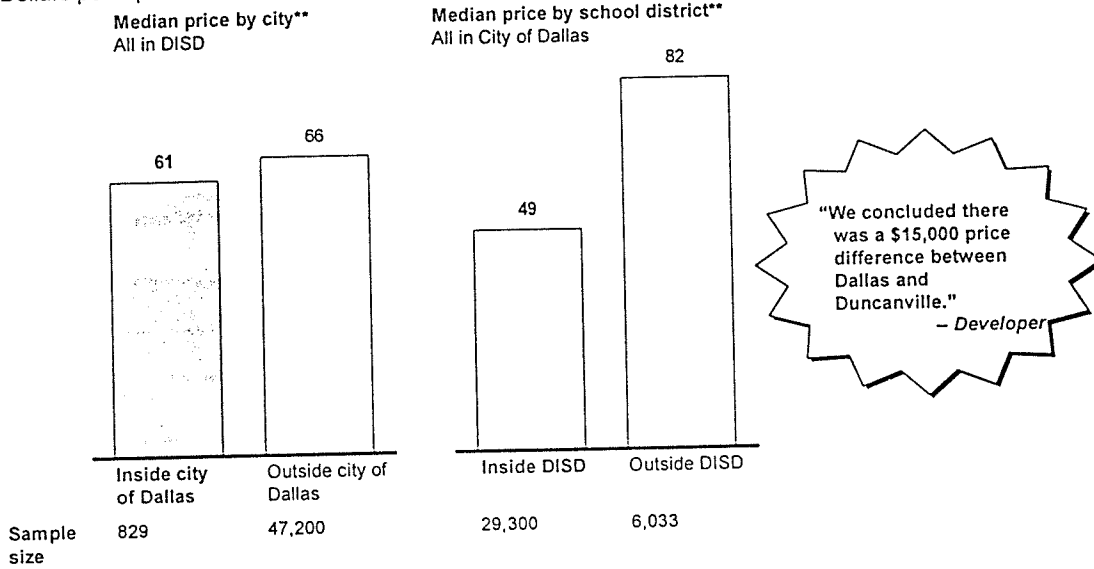
Homebuyers' concerns about these criteria are reflected in the substantial price premiums they pay to live outside the city and DISD. A comparison of median home prices shows that comparable affordable homes outside the city

limits are prices approximately \$5 per square foot higher than those within the city. Of the homes compared within the city, those outside the Dallas Independent School District (DISD) receive a \$33 per square foot premium.

Exhibit 8

PRICE PREMIUM RESIDENTS PAY TO LIVE OUTSIDE DALLAS AND DISD

Dollars per square foot*



* Land and improvements divided by living area
 ** For a typical, single-family workforce house which includes 2 bathrooms, 2-car garage house, public water connection, sewer, composition roof, brick veneer, no pool
 Note: A portion of the price per square foot decline is likely due to developer product tailoring (i.e., building lower-quality and finish-level homes within Dallas/DISD) within the sample criteria*
 Source: DCAD; interviews; team analysis

Improving Dallas' school achievement and reducing its crime rate are complex, long-term challenges that fall beyond the purview of the Task Force's scope. However, the Task Force

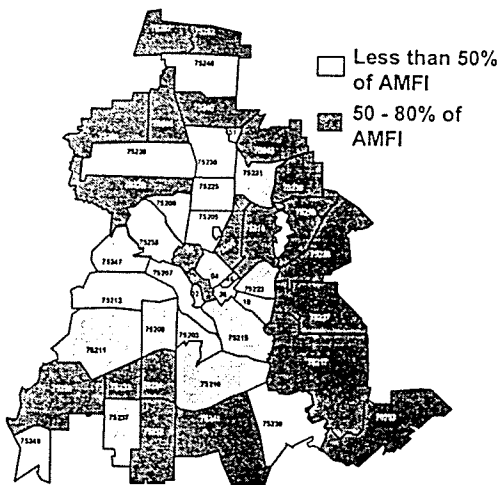
recognizes that to make progress in affordable housing, the ongoing efforts of the City and the School District to improve in these areas are critical.

Issue 2: Many residents of Dallas are living in distressed neighborhoods

A second related and critical issue the City must address is the revitalization of distressed neighborhoods. Economic segregation has caused significant challenges for cities. As families whose income levels increase move to higher-income portions of the City or to the suburbs, they leave behind larger concentrations of low-income families. New families do not move into the area, leaving large numbers of vacant and abandoned properties and no market forces to support economic development.

There are 16 zip codes in the City of Dallas where the median income level is less than 50 percent of the AMFI, averaging only 35 percent of AMFI. This represents over 100,000 households, more than one fifth of the households in the City of Dallas.

Exhibit 9
MEDIAN INCOME DISTRIBUTION



Source: Team analysis

Several of these Dallas neighborhoods have serious problems, including deteriorated physical conditions, poor environmental factors such as high crime, and an illiquid marketplace for real estate, commerce, and jobs. Stabilizing and revitalizing these neighborhoods are critical for the overall health of the City.

Any revitalization effort done in these areas must take into consideration the current residents of the area. Many low income areas, locally and nationally, have undergone revitalization efforts that have priced current residents out of the market. Although multi-level income neighborhoods are proven to be more stable than those with large concentrations of low-income residents, gentrification (the displacement of the existing lower-income residents) is not the goal and should not be supported in these areas.

Exhibit 10
QUOTES REGARDING DALLAS' DISTRESSED NEIGHBORHOODS

"There appears to be near universal agreement that Dallas needs neighborhood revitalization."
- Real Estate Council's 1997 Neighborhood Revitalization Task Force

"There are over 4,000 parcels of vacant land in my district."
- City Council member

"The existence of distressed neighborhoods is proof [that] Dallas has not done well in facilitating affordable housing."
- Community leader

Source: Team interviews

Issue 3: Dallas has an affordable housing gap of 20,000 to 30,000 units

Direct calculations of the size of the affordable housing gap are difficult to perform. The need to assess and quantify the fitness of the existing housing stock and to determine the latent demand for housing from existing and potential residents contributes to the complexity of the task. However, the Task Force believes, based upon several indicators, a gap on the order of 20,000 to 30,000 units, or approximately 5.5 percent, exists within the City of Dallas:

- In 1994, the Dallas Affordable Housing Coalition performed a study that estimated there to be a 30,000-unit gap. This estimate has been widely cited by many within Dallas.


- Dallas's home ownership rate of 43 percent is lower than the U.S. average (67 percent), the average for the South (69 percent), the average for metropolitan areas (66 percent), and the average for central cities (52 percent). It has the lowest ownership rate

of all the cities evaluated in the course of this study (average of 50 percent). Were Dallas to target a citywide home ownership rate comparable to the most conservative of these figures, approximately 32,000 more homes would have to be purchased.

Exhibit 11

OWNER- VS. RENTER-OCCUPIED HOUSING

	Owner-occupied	Renter-occupied	Thousands of units	Vacancy rate (%)
Dallas	43	57	451	6.7
Atlanta	44	56	168	10.0
Austin	45	55	265	4.0
Houston	46	54	717	8.2
Baltimore	50	50	257	14.1
Denver	52	48	239	4.9
San Antonio	58	42	405	6.4
Indianapolis	59	41	320	9.2
U.S.	67	33		
South	69	31		
Central Cities	52	48		



Dallas has the lowest owner-occupied rate of all comparables Dallas has lower than average vacancy rate

Source: 2000 U.S. Census

- There are current not enough vacant homes available in Dallas to support the incremental purchase of 32,000. Dallas' vacancy rate of 6.7 percent is 1.3 percentage points lower than the average of the comparable cities evaluated, 2.7 percentage points lower than the Texas average of 9.4%, and 2.3 percentage points lower than the U.S. average of 9%. Only 2,752 units were available for sale as of the 2000 census.
- In addition to demand from current residents, there is potential demand from suburban residents. Were Dallas to require its uniformed employees to live within the city limits, there would be an additional demand for 4,485 affordable units.
- Demolition of unfit homes, although supported by this Task Force, has reduced the net impact of affordable housing production in recent years. Between 1995 and 2000, only 3,300 new homes priced less than \$121,000 were built in Dallas.

Between 1997 and 2002, more than 2,300 homes were demolished. The average size of the demolished homes was 1,425 square feet – a size common for affordable housing.

The presence of affordable workforce housing in Dallas is critical to the long-term economic health of the City. Workers prefer to live near their jobs, if they can afford to do so. If the City fails to stimulate the production of workforce housing in the City, it risks the migration of businesses to the suburbs.

The direct financial impact of workforce housing to the City's revenue base is significant. Were an additional 30,000 affordable workforce homes built within Dallas, an additional \$12 – 16M per year could be collected in property taxes alone.

The Task Force believes attracting and retaining workforce families should be a major priority of the City.

DALLAS' CHALLENGES IN ADDRESSING THE STRATEGIC ISSUES

Dallas has six challenges that require focused attention to improve in the three issue areas:

- Poorly functioning private development process at the City for all types of development
- Significant barriers to land assembly for affordable housing
- Under-performing CHDO industry relative to other cities
- Housing programs (mortgage assistance and repair) that impact too few people and frequently over-subsidize
- A sub-optimal process for addressing code and criminal violations in distressed neighborhoods
- City government processes, policies, and procedures that inhibit private sector involvement in affordable housing development
- Lack of political leadership among City Council members that resulted in an historic low priority on affordable housing development.

THE CITY'S ROLE IN ADDRESSING AFFORDABLE HOUSING CHALLENGES

The majority of Americans are in favor of local housing situation. government action to improve the affordable

"There is little opposition to the involvement of local governments [in affordable housing efforts]. Among those who say that their local government is doing something right or could be doing more to address the problem are 60 percent of those with household incomes over \$75,000."

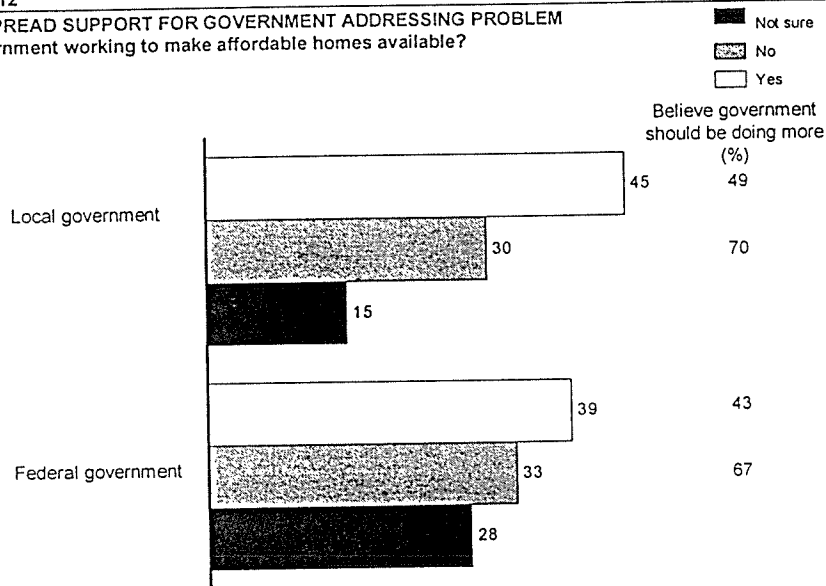
- Fannie Mae Foundation Survey, 2002

Exhibit 12

WIDESPREAD SUPPORT FOR GOVERNMENT ADDRESSING PROBLEM

Is government working to make affordable homes available?

Percent



Source: Fannie Mae Foundation Survey, 2002

Recognizing both the severity and the complexity of the issue, most Americans understand that a joint effort among public, nonprofit, and private sectors is necessary. They are also supportive of

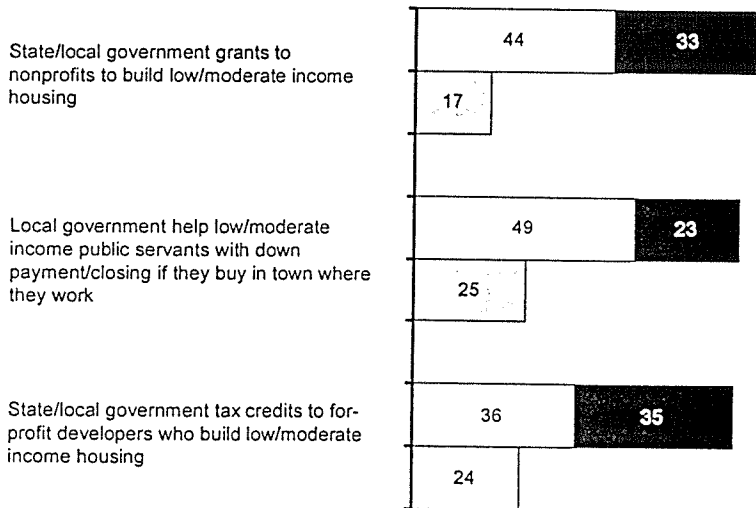
state and local governments leveraging multiple vehicles to increase the availability of affordable homes.

Exhibit 13

PUBLIC SUPPORTS A VARIETY OF POLICY MEASURES

Percent

Support strongly
 Support somewhat
 Oppose



Source: Fannie Mae Foundation Survey, 2002

The Task Force, along with the substantial majority of interviewees, believes that the City of Dallas and the Housing Department have made progress in improving the performance and effectiveness of Dallas housing programs. The recent appointment of a private sector professional as director of the Housing Department is highly encouraging. With this foundation in place, the Task Force believes the Housing Department has the opportunity to achieve greater leverage and impact from its major programs by restructuring the policies and priorities of the Mortgage

Assistance Program (MAP), the Home Repair Program, and the CHDO support program.

When the public, private, and nonprofit sectors work together, major change can and will occur. Based upon the individual experience of the Task Force members and the information gathered during the course of this study, it is apparent that the nonprofit and private sectors are poised to make major strides in addressing the affordable housing and community building efforts needed within Dallas. If the City of Dallas chooses to make this a real priority, major changes will occur.

Recommended Actions

The actions recommended by the Task Force are geared toward addressing the challenges the City of Dallas faces in affordable housing. They fall into six broad areas:

- Improve the development process for all types of development
- Remove barriers to land assembly and use for affordable housing
- Support housing in the context of community building to revitalize distressed neighborhoods
- Approach housing effort holistically
- Restructure and increase impact of current housing programs
- Commit to affordable housing as a priority.

The City of Dallas Housing Department offers a variety of programs to assist Dallas residents and strengthen communities. The Department's goals are to: increase home ownership opportunities, especially for low income families; preserve existing owner-occupied and rental housing stock; increase availability of affordable housing opportunities; and support neighborhood and community based preservation and revitalization efforts.

- City of Dallas Web site

The Housing Department is only one component of the City's overall housing effort. With an annual budget of just over \$18M, the Housing Department's focus is primarily on supporting the maintenance and development of affordable housing units. The development process spans several departments including; Public Works and Transportation, Planning and Development, and

Property Management. Code Compliance, the City Attorney and Street Services are all involved in supporting neighborhood and community based preservation and revitalization efforts. While focusing primarily on the Housing Department's efforts, several of the Task Force recommendations will touch upon functions of other City departments.

IMPROVE THE PRIVATE DEVELOPMENT PROCESS FOR ALL TYPES OF DEVELOPMENT

Improve the development process in general

Dallas' uncompetitive development approval/review process is driving affordable housing and other residential developers to the suburbs.

Developers regard most cities as difficult to deal with, but Dallas is described as both difficult and unpredictable. They cite second and third document reviews in which new issues are raised that were never mentioned in the first review. They experience difficulty in reaching decision makers that can answer their questions, finding relief only after Council member intervention. They find the City fails to prioritize projects to compensate for work delays attributable to upstream departments.

There is also evidence of poor interdepartmental coordination. Developers describe driving to City Hall to hand carry paperwork from one department to the next. City departments have lost paperwork multiple times. Developers describe how suburban municipalities do a better job of internally coordinating their activities and require less "shepherding" on the part of developers.

The redundancy in the Public Works Department review process was cited as a specific problem area. Developers are required to submit engineering plans typically completed by licensed third party engineers contracted by the developer. Upon their submittal to the City, the plans are reviewed by the Public Works Department. Developers relate that the Public Works Department almost always requires changes not identified by the contracted engineer. This review process adds additional time and cost to developers – their subcontractors price engineering work 30 percent higher in Dallas than in the suburbs to cover these increased costs. Similarly, developers estimated their total incremental costs to be 7 to 10 percent more with Dallas than in the suburbs. Interviews indicate Dallas takes 6 to 8 weeks for engineering plan approval versus 2 to 3 weeks in surrounding municipalities. The Department's goal is 15 days for initial review and 10 days for each subsequent review. The Department reports 85 percent performance against these goals, but 100 percent of the Task Force's developer interviews cited problems.

Exhibit 14

DEVELOPER CONCERNS WITH DALLAS' DEVELOPMENT PROCESS

"We sent our paperwork to the city 5 times. The last 2 times it was hand delivered before they moved it through for approval."
– Affordable housing developer

"I believe the city is understaffed [in development-related departments]
– Affordable housing developer

"It costs us more time and money [to do business with the city] than with anyone else."
– Affordable housing developer

"I try to call to get a status on my plans and no one can answer my question."
– Affordable housing developer

"I had to walk my paperwork from one department across the hall to another."
– Affordable housing developer

"What takes 30 days in other cities takes 90 days in Dallas."
– Affordable housing developer

Source: Developer interviews

The Task Force applauds the City Manager's e-Team initiative to improve the City's operations and interactions with private developers and supports the findings of the e-Team's June draft report. Task Force interviews corroborate the e-

Team's findings and detailed recommendations and recommend the Mayor and City Council support, monitor and hold the City Manager and staff accountable for the changes.

RECOMMENDATIONS

1. General development

1.1 Increase the predictability/transparency of the development cycle

The City should publish standard timelines and flowcharts for development review and associated performance metrics and put in place processes to coordinate and track projects as they flow through City departments.

The City should implement the June e-Team recommendations regarding private development process improvement and further should retain a consultant to assist in process redesign and implementation.

1.2. Utilize a workflow tracking tool and single points of contact to coordinate hand-offs between departments

The City should implement a workflow tracking tool that will assist staff in providing a higher level of service to developers. An example solution might be a web-based system that provides developers real-time access to the status of their paperwork within and across departments.

The City should assign lead engineers to be responsible for moving developers' paperwork across departments in the City and to serve as the developer's single point of contact. A similar process should be instituted with inspectors during the construction phase (the Public Works Department indicates this would require additional staffing). Some form of incentive should be provided for cooperation across departments.

1.3. Improve the Public Works Department processes

The City should eliminate the duplication of work between its own Public Works engineering team and the required third-party engineers contracted by developers that perform plan development and reviews. Two possible options include bringing the process in-house by eliminating the requirement for an outside engineering review or accepting the third-party evaluation without revision by the City.

Address affordable housing-related development issues

Other cities that have well-defined affordable housing strategies provide special considerations to developers in order to facilitate more workforce housing. Streamlining the development approval

process, modifying the tree mitigation policies and increasing the availability of funding support for infrastructure are three key areas the City can address to foster more workforce housing development.

RECOMMENDATIONS

2. Affordable housing-specific recommendations

2.1. Adopt a “fast-track policy” for affordable housing

The City should adopt a fast-track policy that makes it easier to build affordable housing in Dallas. Austin has developed a SMART housing policy that clearly defines the process and parameters for affordable housing developers. Qualified developers receive accelerated processing from City departments and waived fees.

2.2. Modify tree mitigation for affordable housing developments

Dallas has a stringent tree mitigation policy that makes some affordable workforce housing deals economically infeasible. The City should modify, or waive under certain circumstances, its tree mitigation policy to facilitate the production of more affordable workforce housing.

2.3. Make both infrastructure grants and loans available for large-tract affordable housing development

Many large tracts of land that could be sub-divided and used for affordable housing development do not have existing infrastructure in place. The cost to the initial developer is often a cost barrier to affordable housing development.

REMOVE BARRIERS TO LAND ASSEMBLY AND LAND USE FOR AFFORDABLE HOUSING

Land assembly

A large amount of vacant land with delinquent property taxes and City liens exists in many lower-income neighborhoods of Dallas; however, it is not easy for CHDOs or other affordable housing developers to quickly acquire and assemble this land. In Dallas, land is acquired in one of three ways: purchased directly from the owner, donated by the owner, or obtained from the county at

Sheriff's auction or from the City if not sold at the auction. It is the latter method that falls under the influence of the City. Many long-term unproductive properties in Dallas are eligible for foreclosure. Over 4,500 properties were identified using the following criteria: median income for the zip code less than 50 percent of the AMFI; at least 6 years of back taxes.

Exhibit 15

UNPRODUCTIVE PROPERTIES IN LOWER-INCOME AREAS OF DALLAS

Zip code	No. of properties	Tax balance \$ Thousands	Lien balance \$ Thousands	Average age Years
75203	505	\$284	\$688	13
75206	30	6	92	10
75207	1	0	3	15
75208	99	51	304	11
75210	385	189	616	12
75211	220	48	422	11
75212	805	280	817	12
75215	833	331	1,409	12
75216	1,407	542	2,837	12
75223	202	93	402	12
75231	49	6	185	9
75237	17	10	21	10
Total	<u>4,553</u>			

Source: Dallas County Tax Assessor

The process to foreclose is principally designed to support the generation of revenue for the City

through the collection of back taxes.

Exhibit 16

TAX FORECLOSURE PROCESS

	Attempts to collect taxes	Foreclose	Attempts to sell foreclosed properties	Attempts to sell struck-off properties	Properties conveyed to CHDO	Property ready for development
County	Routine responsibility for collecting taxes for all taxing units		Seizes property; hold public auction to sell properties			
Private law firm	Attempts to collect taxes after county not able to	Submits cases to the court for judgment				
Court		Hears cases and rules on judgment on the property				
City of Dallas Housing Department			Properties not sold at county auction are struck off to the city (not purchased)	City notifies CHDOs and other public entities of availability of properties; holds or sets to public	Submits request to City Council to sell	
Other taxing units				Sends request to City of Dallas to hold properties of interest	Approves use of property for public good; receive share of purchase price	
CHDO				Sends request to City of Dallas to hold properties of interest	Provides citizens participation plan; ensures all taxes are current; purchases property for ~\$1K	Clear title on property; redemption period begins; submit request to DCAD to waive taxes; must build in 2-3 yrs
City Council					Approves sale of property to CHDO	

Source: Team analysis

Given the limited revenue generated from foreclosing on most of the properties used for affordable housing, little attention has been paid to establishing a tailored process. First, properties of interest for affordable housing have lower priority than higher-value properties. The City's representative counsel for tax foreclosures is compensated based upon the amount of revenue they are able to generate from the tax foreclosure process, and the court limits the number of cases pending (5,000 at any given time, hearing approximately 150 per week). They therefore prioritize the properties of higher value and/or more recent delinquency first. The City must request, usually based upon a request from a CHDO or other non-profit, the foreclosure of less-desirable properties. Once requested, properties designated for affordable housing receive equal priority. As a result, very few properties of highest interest for affordable housing go through the foreclosure process without proactive measures

on the part of the CHDO and non-profit community.

Second, all properties are currently sent through the Sheriff's auction. This creates two problems for affordable housing efforts. There is a risk of the properties being purchased by other parties at higher prices than a CHDO can afford on speculation that development will happen in the area. Since CHDO production is typically a precursor to private investment, development in the area becomes stalled when CHDOs cannot afford to purchase land and no development takes place on these lots at all. Additionally, the process is time consuming. Once a judgment is received, a request must be made to have the properties auctioned. Again, there is a capacity issue at the Sheriff's auction and the volume is limited to approximately 70 properties per month. As a result of this portion of the process, the CHDO - requested property must often wait until there is capacity at the auction for properties to be auctioned. In the end, if they are purchased at the auction, the CHDO may not acquire properties at all.

Given such a large volume of unproductive properties in many parts of the City, a coordinated effort to assemble land for affordable housing is warranted. The 2-year redemption period on many of the properties makes it appropriate to begin amassing land now while CHDOs work to increase their production capacity over the next several years. Such an effort would be facilitated by the development of a citywide land bank. The land bank will serve as a single point of contact for CHDOs and other affordable housing developers seeking to acquire individual lots or assemble contiguous parcels.

The primary expense associated with a coordinated land assembly effort is the court costs that will not be recovered from the sale of the property. The court costs associated with 4,500 properties is estimated to be \$3.4M.

The on-going expenses associated with the land bank are property maintenance and administration. Most of the properties with delinquent taxes also have City liens, principally mowing liens. The City currently spends close to \$900 per year to mow properties in violation of City codes. Estimates gained in interviews suggest a potential cost savings of \$400 per year per property for mowing that is done on a maintenance schedule versus as a corrective measure. Depending upon the size of the effort, interviews also suggest that up to six people may be needed to administer the land bank.

In order to address the lack of liquidity in the distressed neighborhood land market, the Task Force makes the following recommendations:

RECOMMENDATIONS

3. Establish processes supportive of affordable housing land accumulation efforts

3.1. Develop an urban redevelopment plan and an affordable housing policy

For the purpose of returning deteriorated or unproductive properties to the tax rolls, enhancing the value of ownership to the surrounding properties, and improving the safety and quality of life in deteriorating neighborhoods, the City should enter into an interlocal agreement with the other taxing entities of Dallas County (DISD, the County, et. al.), as specified by Texas Tax Law, Chapter 34.051. The interlocal agreement would allow for properties within a specific geography to be sold for less than the market value specified in the judgment of foreclosure or less than the total amount of the judgments against the property. The geographic areas included in the plan should be consistent with the targeted areas of concentration. This will facilitate the land assembly process and create flexibility for greater leveraging of private sector capacity for affordable housing development.

3.2. Allow properties identified for affordable housing use to be purchased prior to a Sheriff's sale

The City should allow properties compliant with the urban redevelopment plan or affordable housing policy to be sold expressly for that use directly to qualified parties without the property first being put up for auction at a Sheriff's sale. Qualified parties would be required to have a current community participation plan, as is now required by City Council, and the deed of conveyance of the property must refer to or set forth the applicable terms of the urban redevelopment plan or affordable housing policy. This will eliminate the risk of property identified for affordable housing uses being purchased by parties not intending to use it for such. Additionally, since the number of properties auctioned is limited by the capacity of the Sheriff's Department, it will reduce the amount of time it takes for a property to be conveyed once identified for foreclosure. (State legislative authorization likely required)

RECOMMENDATIONS (CONT.)

3.3. Form a third-party nonprofit land bank

The City should form a public/private partnership to own, maintain, and administer the properties in Dallas' land bank. This land bank would support the efforts of CHDOs, non-profits, DHA, and private builders with approved community participation plans for affordable housing and/or economic development. Land would be sold to affordable housing developers for \$1. The land bank can hold most properties until the redemption period expires (6 to 24 months) and provide secure development funds for properties at low risk of being redeemed by the original owner. The City should also grant exemptions or other relief from ad valorem taxes on property held in the land bank for the purpose of encouraging development or redevelopment and improvement of the property.

4. Engage in a large-scale, one-time land accumulation effort

4.1. Identify unproductive properties in targeted geographic areas

The City should engage in an effort to identify and convey to the land bank, through the foreclosure process, all unproductive properties in Dallas' distressed areas, with a particular focus on targeted areas of concentration, for the use of affordable housing and other redevelopment purposes. Large-scale land accumulation efforts are a best practice used by other cities (the Bronx, NY being one notable example) to achieve major redevelopment of distressed areas. This process would avoid the cost and time of engaging in the effort to determine which properties are usable for redevelopment and has the further benefit of having all the usable land assembled under one owner.

4.2. Foreclose on identified properties

The City should leverage pro bono legal support for the foreclosure process. Understanding that there is currently a visiting judge in the District Court hearing only tax foreclosure cases with an extremely full load, the City should request and fund an additional temporary visiting judge to handle the increased volume associated with this effort in a timely manner.

4.3. Demolish unsalvageable properties

The City should also continue to support the demolition efforts of unfit properties through the Urban Rehabilitation and Municipal Court docket processes, and subsequently seize the properties when appropriate.

Address zoning policies and practices that are at odds with affordable housing development

Private sector involvement in the production of affordable housing must increase.

– Millennium Housing Commission Report, 2002

The cost of developed land is going up in Dallas and can in part be attributed to the increased cost developers must bear to prepare land for construction. During the nineties, land purchased from the Resolution Trust Corporation, and large parcels of undeveloped land in South and West Dallas, provided a relatively abundant supply of reasonably priced land. Over the last 5 years, developers used this land for several affordable housing subdivisions, including Las Haciendas, Pulte's Everglades, and Tea Gardens, all of which enjoyed brisk sales. Today, the relatively inexpensive land has been "cherry picked," forcing developers to look at parcels that require a greater investment to prepare for construction, such as

water and sewer lines, collection pools and retaining walls. Developers pass on this land expense to the homebuyer. Typically, developers need land costs to be less than \$10,000 to profitably build a \$75,000 home.

Developers also report the City often pursues restrictive zoning. In those parts of Dallas where large parcels of land are available, current zoning effectively establishes minimum R7.5 lots and 1,550-square-foot houses. Others report that the Planning Commission will not consider R5 zoning. These constraints drive up the cost of homes. Dallas' zoning behavior is not internally consistent with the goal of promoting affordable housing.

RECOMMENDATIONS

5. Conduct a comprehensive review of zoning practices and building codes, define their impact on affordable housing, and modify them to support affordably priced development

The City should review its zoning practices and building codes and identify opportunities to support affordably priced developments. As an example, it should authorize 5 to 10 projects over the next 2 years that utilize innovative zoning approaches (e.g., zero-lot-line, 35 X 50 lots, duplexes, four-plexes) and it should also zone 40 to 50 percent of the available residential land for affordable lots (e.g., R5).

SUPPORT HOUSING IN THE CONTEXT OF COMMUNITY BUILDING TO REVITALIZE DISTRESSED NEIGHBORHOODS

Both theory and empirical evidence suggest that when several owners fail to maintain their properties, others nearby follow suit because their neighbors' inaction undermines property values. Rundown and abandoned properties can have a contagious effect that accelerates neighborhood decline.

Replacing or upgrading distressed properties is therefore a precondition for neighborhood revitalization. Indeed, public investment in housing often triggers private investment that ultimately lifts property values.

– Millennium Housing Commission Report, 2002

Based upon Task Force experience, the converse of the Millennium Housing Commission finding is also true. When several owners invest in the repair, maintenance or remodeling of their

properties, others nearby follow suit and work to improve their properties. Concentrated investment in neighborhoods can have a contagious effect that accelerates neighborhood revitalization.

Support the development of a mature CDC industry

The most effective neighborhood revitalization comes from communities that develop strong, homegrown leadership that builds on the capacity of local neighborhoods. As John Kretzmann and John McKnight point out in *Building Communities from the Inside Out*, “All historic evidence indicates that significant community development only takes place when local community people are

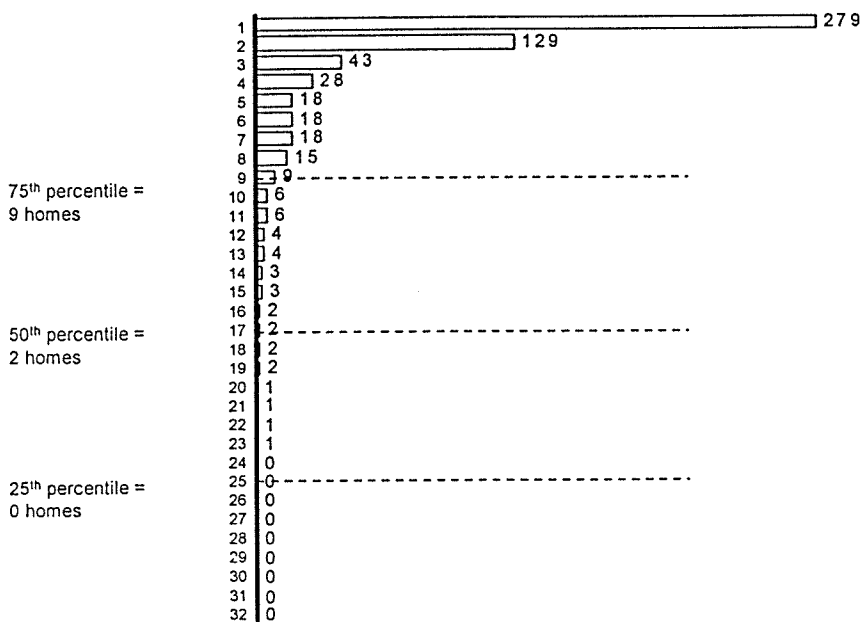
committed to investing themselves and their resources in the effort.” Community Development Corporations (CDCs), many of which are registered Certified Housing Development Organizations (CHDOs), are doing the hard work of activating the latent capacity within Dallas’ neighborhoods to affect deep and lasting change.

Despite the annual investments the City and private benefactors make in CHDOs, their productive capacity remains low. Exhibit 16 shows that the significant majority of local CHDOs are subscale in housing production. The

median annual housing production level over the past seven years has been 2 homes. The top three CHDOs have built over 75% of the new affordable housing units.

Exhibit 17

CHDO PRODUCTION 1993-00 – AVERAGE ANNUAL HOUSING UNITS PRODUCED BY DALLAS CHDOS



Source: Enterprise Foundation; Fannie Mae Foundation

The City awards CHDOs operating funds once they are deemed qualified; these funds are linked to project-specific goals, but not broader production goals. The Task Force consensus is that it will take the concentration of funds and productivity-based incentive programs to help CHDOs reach effective scale. By necessity, concentration will likely require trade-offs between funding some but not all existing CHDOs. This will entail difficult decisions that have been hard to make in the past, but to drive truly effective community development the Task Force believes that a strong commitment in favor of more concentrated, productivity-based CHDO funding is required.

CHDOs can be a critical delivery channel for City funds; however, the Task Force believes most Dallas' CHDOs have not evolved to this point. The Task Force's recommendations assume a set

of high-performing CHDOs will be functioning within the next 2 years.

There are a number of functions that are critical to the success of CHDO efforts, such as credit counseling, property management, and repair management. Although their importance is acknowledged, it is the Task Force's sense that these are not ideal roles for the CHDOs and that some other resource should be leveraged to provide them. A more ideal role for mature CHDOs is to engage in comprehensive community building, to include commercial, industrial and retail property development, that leads to the greatest level of economic development in a community.

The Task Force recommends the City alter its current CHDO strategy to support the following elements.

RECOMMENDATIONS

6. *Support the Community Development Partnership financially and operationally*

The Community Development Partnership is being formed by banks, foundations, and other funders to build the capacity of Dallas' CHDOs by providing operating support and linking it to CHDO production. The City should provide 25 percent of its CHDO operating assistance funds to be allocated to CHDOs by the Partnership. These funds will provide operating and technical assistance support, as well as capacity building for approximately 12 to 17 CHDOs that meet a set of productivity metrics developed by the Partnership and agreed to by the CHDOs. The City's monitoring requirements of these funds should not exceed the standards already established by the Partnership. The Housing Department should also look to form a collaborative operating relationship with the Partnership to enhance CHDO capacity. If restrictions on the funding prevent the execution of this recommendation, the funds could go in pari passu with Partnership funds.

The remaining 75 percent should continue to be administered independently by the Dallas Housing Department. At least 50 percent of remaining city-allocated funds should be distributed based on the same productivity metrics used by the Partnership related to production of properties. A portion of the remaining funds should be allocated to other qualified CHDOs, especially new CHDOs that serve neighborhoods where other CHDOs do not exist.

The City should focus as much of its CHDO funding dollars (from HOME and other sources) as possible in the area of operating support for the purpose of build CHDO capacity over the next 2 years. After that capacity is built, the monies should then be diverted from capacity-building back to project-related funding. This approach will ensure that high-capacity CHDOs are in place to build Dallas' neighborhoods over the long-term.

7. *Facilitate improved interactions between the City and CHDOs*

The Housing Department should dedicate staff members to assist in resolving issues CHDOs have when interfacing with the City. Designated ombudsmen should serve as single points of contact. Similarly, these staff members should coordinate requests for action against criminal and code violations occurring in their target neighborhoods.

Concentrate resources on fewer neighborhoods

With the exception of the Neighborhood Renaissance Program and Walker Target Neighborhoods, the City has pursued a policy of dispersing housing funds rather than focusing them

in a few neighborhoods. Focusing housing resources with sufficient support from other City resources is a compelling alternative strategy.

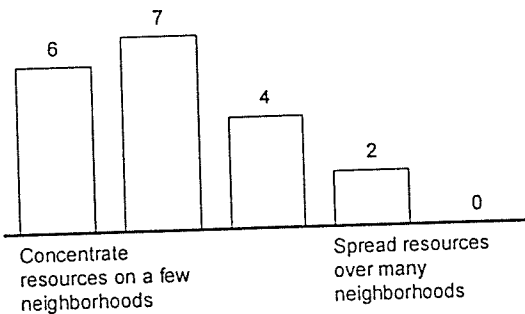
Exhibit 18

SUPPORT FOR CONCENTRATING CITY RESOURCES

Survey of Dallas Affordable Housing Coalition

"To what degree should Dallas concentrate resources on neighborhoods?"

Number of respondents



Quotes

"The city needs to rethink its distribution of CDBG funds . . . targeting a few neighborhoods with big dollars."
– Council member

"The city can concentrate efforts in key neighborhoods and build off institutional stakeholders like hospitals and businesses."
– Lender

"[The Neighborhood Renaissance Program] never dedicated enough resources to coordination and never realized its potential."
– Council member

Source: Survey; interviews; team analysis

Given the criticality of strong community leadership, a two-tiered approach to selecting targets is warranted. First, the City should establish the criteria for identifying broad areas within the city that qualify for targeting. Second, requests for proposals from community groups should be made to determine the specific "projects" to be supported within the targeted areas. Projects should be of sufficient scale as to

have an impact on the community, addressing a 4- to 12-block area.

In many areas, CHDOs or other community groups are already playing the leadership role in the community. In those areas that do not have the existing leadership capacity but have a great need, efforts should be made to build the necessary capacity before resources are targeted for the area.

RECOMMENDATIONS

8. Concentrate 60 to 80 percent of the affordable housing resources in neighborhoods with the greatest opportunity

The City should establish criteria and identify areas of Dallas eligible for targeting of resources. These areas may be defined as zip codes, council districts, weed and seed areas, Enterprise zones, etc. Criteria include:

- A clearly identifiable need must exist (e.g., income levels; population demographics; quantity, quality, and condition of housing stock).
- The objective of the targeting must be to encourage all sectors of the community, public, nonprofit, and private, to coordinate resources to address the identified need.
- Strong community leadership must exist and be involved in, supportive of, and integrated into the efforts to improve the area.
- Target areas must be small enough for an impact to be visible. (Large area size negatively impacted the City's Neighborhood Renaissance Program.)
- Sufficient development capability is essential for results to be possible.
- Current efforts and organizations that are obtaining results should be supported to build upon their synergy.
- The broadest mix of resources in and adjacent to the community should be leveraged in the effort.

A process should be established to allow community groups within the targeted areas to submit proposals to obtain resources for concentrated efforts in 4- to 12-block areas of sufficient scale to have an impact on the neighborhood.

Increase effectiveness of code compliance, nonconforming use establishment removal, and crime reduction efforts

The Task Force recognizes and applauds recent City code and criminal enforcement efforts, such as the SAFE team, establishment of the Municipal Housing Docket, and the development of the Community Prosecutor Program. The City should expand these efforts, which root out slumlords and illegal businesses. Traditional inspector/citation-

focused code enforcement is appropriate to stave off deterioration, but by itself can and has been ineffective and sometimes counterproductive in the most egregious cases. Focused, civil action allows for discovery, has a lower burden of proof, and can be easily targeted at areas or specific landlords.

RECOMMENDATIONS

9. Increase support levels to the City Attorney's Office to bring to bear the full spectrum of legal tools available to address code and criminal violations

Increase attorney and legal assistant capacity in the City Attorney's office to maximize the effectiveness of the City's efforts to address code and criminal violations. Pairing attorney capacity with code and storm-water inspectors, for example, will allow the use of both criminal and civil procedures to address violations and increase the number of cases that can be handled. The City should shift resources to provide for the addition of two lawyers, one legal assistant, two code inspectors, and one storm-water inspector to the City Attorney's Code Enforcement Section. The City should implement a policy of not selling additional foreclosed properties to routine code violators.

APPROACH AFFORDABLE HOUSING EFFORT HOLISTICALLY

Continue priority on single-family housing

The Task Force acknowledges the benefits to communities from home ownership and supports the long-term goal of maximizing home ownership rates for the city.

Improve quality of affordable multifamily housing stock

The evidence is therefore mounting that stable, affordable rental housing plays an important role in helping families find and hold jobs.

– Millennium Housing Commission Report, 2002

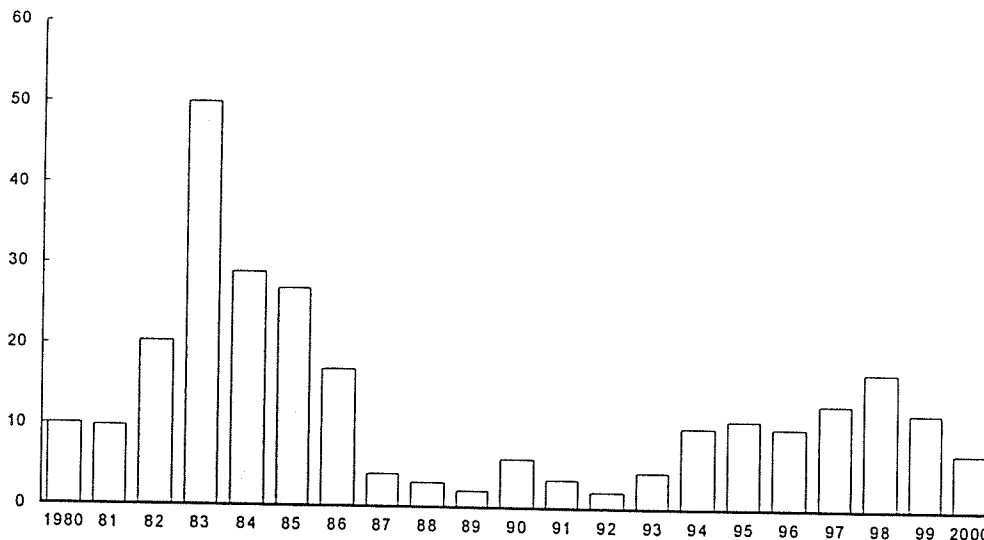
The Task Force believes a comprehensive housing strategy should include a multi-family, and more broadly, rental component. Permitting data shows

the multifamily boom that occurred in the eighties. Many of these properties will need to be refurbished or replaced in the coming years.

Exhibit 19

DALLAS MULTIFAMILY HOUSING CONSTRUCTION Dallas MSA multifamily housing building permits

Thousands of units



Source: Texas Real Estate Center

A rehabilitation and replacement strategy can improve the quality of multifamily stock and maintain affordability, while limiting growth of rental-occupied housing. Furthermore, new multifamily housing plays a positive role in revitalizing some neighborhoods where residents

with the lowest incomes may never be able to afford to own a home (e.g., Eban Village's role in improving conditions in Fair Park). These same types of developments may not be needed in other locations of the city, but a broad moratorium is overly restrictive in the Task Force's view.

RECOMMENDATIONS

10. Support fitness improvement of Dallas' multifamily housing stock

10.1 Amend the Dallas Housing Finance Corporation by-laws to allow issuance of any type of multifamily private allocation bonds

The City Council should amend DHFC by-laws to allow it to issue any type of multifamily bond. The DHFC and City Council will still retain the power to authorize individual projects. However, the Task Force does not believe a one-size-fits-all policy that bans issuance of these bonds is best for Dallas, in particular its low-income citizens that might benefit from high-quality multifamily rehab or construction.

10.2 Focus the City's multifamily policy to support construction for new senior developments, new construction in targeted distressed neighborhoods, CHDO-initiated projects, and rehabilitation and replacement

The City should pursue all available multifamily funds in order to pursue a broader multi-family policy. This includes supporting limited, targeted new construction where it is appropriate. It also includes rehabilitation and replacement of Dallas' older stock of multi-family units. Dallas' aging multifamily stock will require significant investment to maintain and improve its quality.

Work in partnership with the Dallas Housing Authority

The Dallas Housing Authority was established by the City of Dallas as a separately governed entity to administer its public housing. It is the largest property manager of affordable housing units in the city with approximately 5,500 units. In addition to providing low-income housing, it also administers HUD's Section 108 voucher program, which provides rental subsidies for low-income families. More recently, DHA has expanded its efforts to develop new multi- and single-family housing. They currently provide housing opportunities to over 47,000 people with a waiting list usually 17,000 names long.

Interviews identified that the city can do more to recognize and assist DHA in its unique housing role in Dallas. Some interviewees indicated the City views DHA as another developer and does not provide it special consideration. Because of the close alignment of missions, the recent expansion into single-family housing development, and the potential for DHA assisted residents to migrate to workforce family status, the Task Force's recommendations provide a more balanced approach for how the City and DHA should work together.

RECOMMENDATIONS

11. Establish a stronger relationship between the City and DHA

11.1. Provide financial support to DHA necessary to leverage HUD funding

Provide funding of up to \$500,000 a year in the form of CDBG or HOME funds or land to DHA to provide necessary City support to leverage state and HUD affordable housing funding (HOPE VI and tax credits).

11.2. Provide equal access for DHA as CHDOs for the execution of City affordable housing programs

As long as the plans are consistent with the City's overall affordable housing strategy, and DHA qualifies under federal regulations, provide DHA full access to all housing programs available to CHDOs.

11.3. Waive or rebate City fees for DHA as appropriate

Honor existing HUD inspection process and eliminate annual City code inspection fee (and \$10,000 to \$25,000 annual fee) charged to DHA. Waive or rebate building permitting fees for DHA as is done for CHDOs.

RESTRUCTURE AND INCREASE IMPACT OF CURRENT HOUSING PROGRAMS

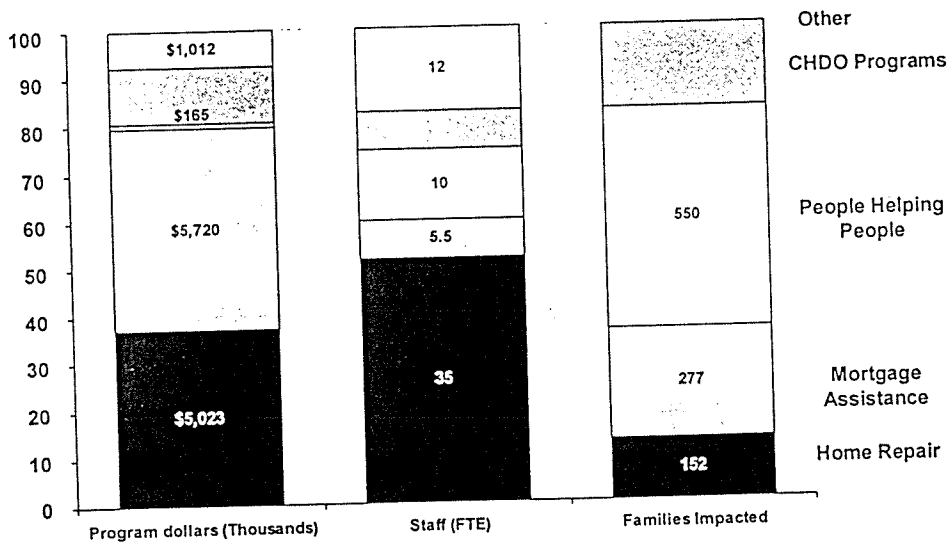
Most of the nation's very low-income households earn enough to cover utilities and other operating costs for many units, but not enough to support the cost of new construction or of the major repair or rehabilitation of distressed properties.

– Millennium Housing Commission Report, 2002

Two programs, Mortgage Assistance Program (MAP) and the Home Repair Program represent 60% of the Housing Department's annual budget, 57% of its staff, and 30% of the impact (as measured by the number of recipients assisted.)

Given the relative size of these two programs as compared to the other programs within the Housing Department, the Task Force focused its efforts on ways to maximize the benefit realized from these two efforts.

Exhibit 20
CURRENT DISTRIBUTION OF HOUSING DEPARTMENT RESOURCES AND IMPACT*



* Excludes overhead
Source: City of Dallas Housing Department

The Task Force believes the City should continue to subsidize low-income households for home-

ownership, maintenance and repair, but should materially restructure its programs.

Restructure the mortgage assistance program

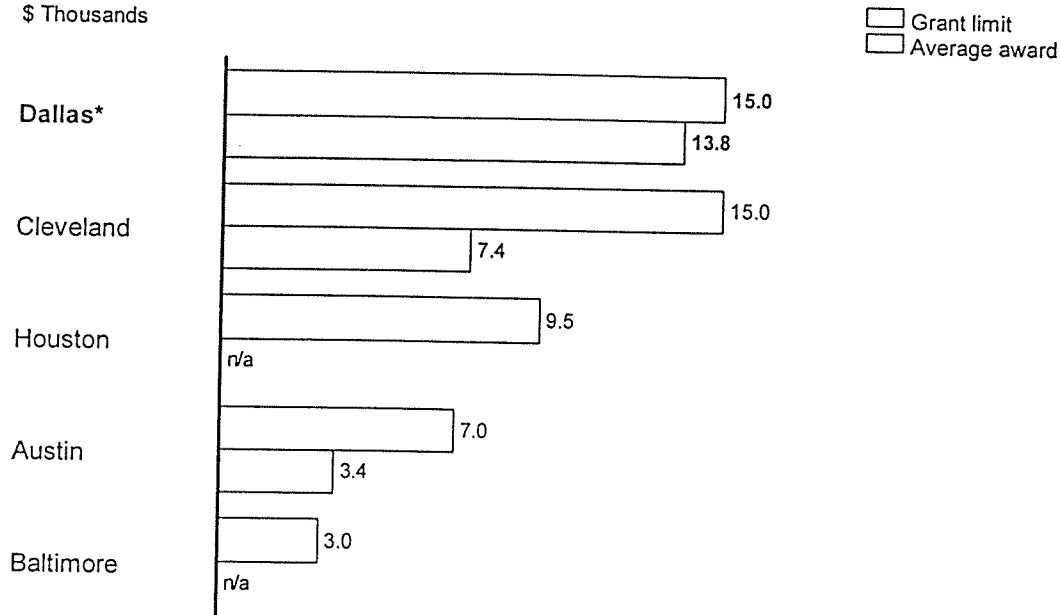
The MAP, or Mortgage Assistance Program, is the City's major form of homebuyer subsidy and consumes roughly half of the identified funds. Assistance is effectively in grant form, as the loans are forgiven over time, and is comparatively high

both in maximum limits and average actual award level. Among the cities assessed, Dallas' grant limit was comparable only to the limit in Cleveland. However, the average award is almost twice that of Cleveland and three times the average for Austin.

Exhibit 21

MORTGAGE ASSISTANCE PROGRAM LIMITS AND AVERAGE AWARDS

\$ Thousands



* Based on income scale; reduced from \$18,000 in FY 00
Source: City interviews; city web sites

This one-size-fits-all approach is simple to administer, but effectively bases policy on the most costly scenario, the very low-income homebuyer, although actual recipients have varying circumstances such as home purchase price and capacity to repay. There are several important ramifications:

- Over-subsidy limits the number of recipients. Task Force interviews and analysis suggest that MAP is over-subsidizing up to a quarter of its recipients and that a higher-volume, lower-unit-cost offering would be appropriate for many recipients and reduce the oversubscription which occurs in the current program.

Exhibit 22

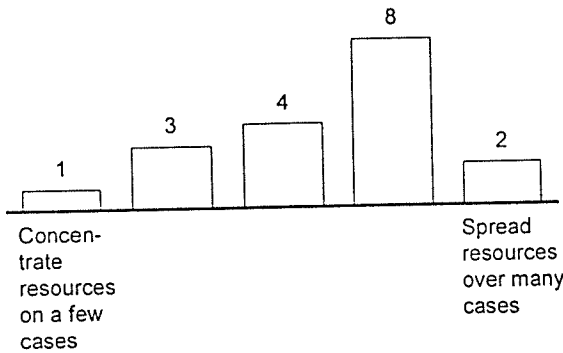
MORTGAGE ASSISTANCE PROGRAM FUND CONCENTRATION

Survey of Dallas Affordable Housing Coalition

Quotes

"To what degree should Dallas concentrate resources for mortgage assistance?"

Number of respondents



"Nearly all of my buyers use MAP . . . but when MAP money runs out, they keep buying."
 - CHDO director

"The realtors . . . are bum-rushing the MAP program."
 - Nonprofit director

"The average MAP assistance level really surprised me."
 - Developer

"[Dallas] should keep turning the screws on its MAP program - they are closing [second liens] on done deals."
 - Nonprofit director

Source: Survey data; interviews; team analysis

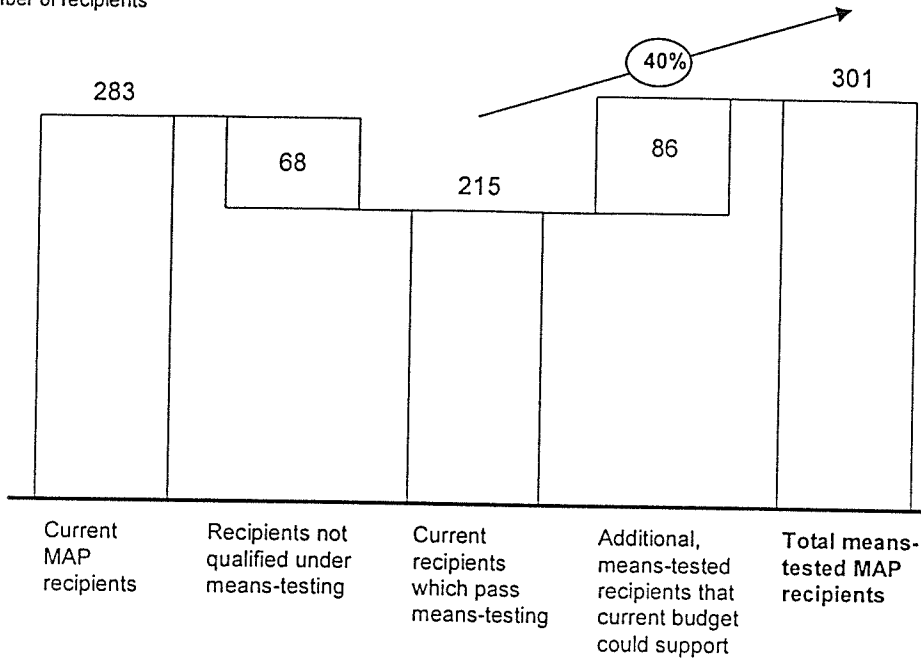
- **More aggressive means testing to increase assisted families.** Using the current MAP program, more aggressive means testing alone would increase the number of qualified families assisted by 40% (from 215 to 301). Of the 283 recipient who received MAP funding last

year, 68 appear to have had sufficient resources to acquire a fit, affordable home without assistance. The funds freed up by not supporting those 68 families and also adjusting the funding levels overall to that needed by each family, an additional 86 families could have been assisted.

Exhibit 23

EFFECT OF MEANS-TESTING ON MAP RECIPIENT VOLUME

Number of recipients



Source: DHD; Enterprise Foundation; team analysis

- **Grant funds cannot be leveraged because there is no returning cash flow to borrow against.** Other cities (e.g., St. Louis) are utilizing leveraging techniques such as loan guarantees to expand their funding capacity. This, of course, is dependent upon a repayment stream, which the Task Force believes many current recipients are capable of producing. In St.

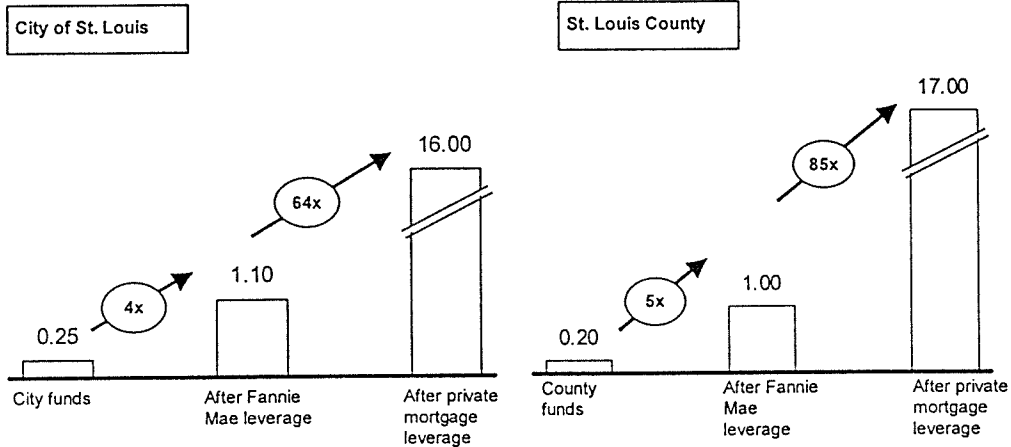
Louis, the City and County use their funds to provide access to Fannie Mae funding. The combined resources from the local governments and Fannie Mae can then be used to secure a mortgage through private sources. By leveraging Fannie Mae dollars, the City's funds can have four times the impact they would otherwise have were they to have been given in the form of direct grants to recipients.

Exhibit 24

MORTGAGE ASSISTANCE LEVERAGING

MAP leverage examples

\$ Millions



Source: Fannie Mae; team analysis

- **Grants do not revolve.** Other cities (e.g., Denver) keep second liens in force on properties to provide some program income in the event of subsequent sale.

RECOMMENDATIONS

12. Replace MAP with three programs, each targeted at different homebuyer segments

Although multiple programs are more complex to manage, the benefits of leveraging or revolving funds can expand the overall reach of homebuyer programs, while freeing up funds for other housing uses. The following reduce the funding level by over 35% while expanding the number of households assisted by more than 250%:

- The down-payment/closing-cost program provides a \$5,000 amortizing low-interest loan tailored for moderate-income households (<80 percent AMFI).
- The principal reduction program provides a larger (~\$13,000) non-amortizing loan with a hard lien, tailored for lower-income households (40 to 50 percent AMFI) and means-tested by family size, income, and home size.
- The lease-to-own program funds, on an experimental basis, a program tailored for lower-income households with credit problems.

1. Down-payment/closing-cost loan program

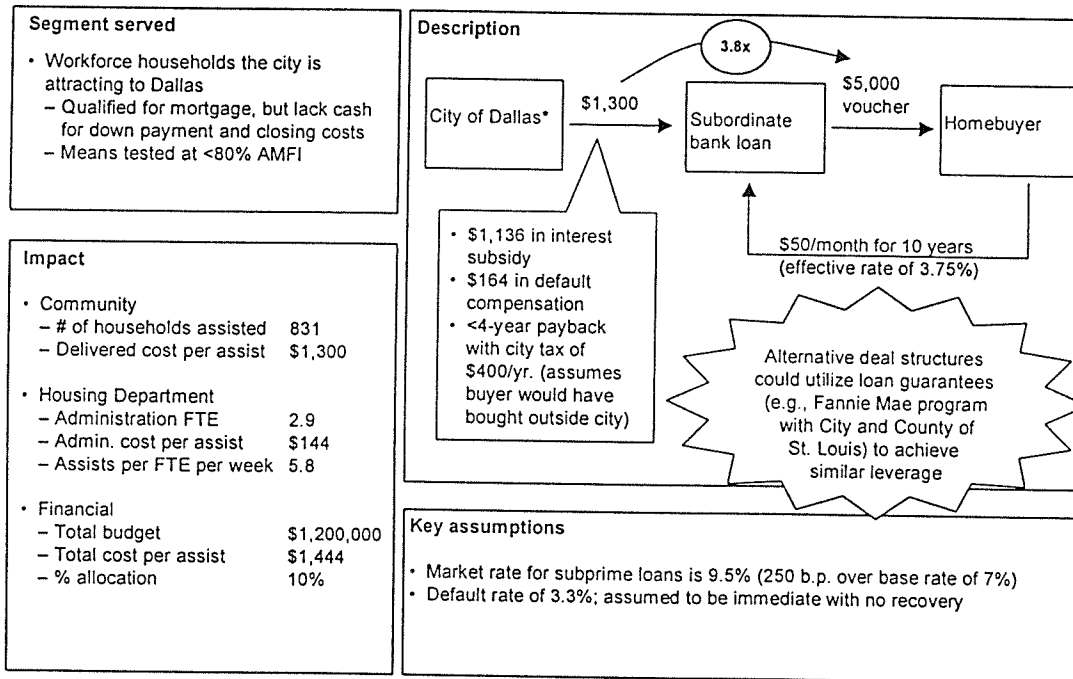
Many households lack the cash to purchase a home despite having adequate income to service a small loan in addition to the principle, interest, tax, and insurance (PITI) payments associated with a mortgage. The down-payment/closing-cost loan program would provide \$5,000 in subordinate debt to <80 percent AMFI households in return for \$50 per month for 10 years (3.75 percent effective interest rate). The program would be available citywide for either new or existing home purchases.

Two possible leveraging options have been identified and should be pursued. The simplest involves the City paying a participating lender \$1,300 to make and service the loan, \$1,136 of which buys down the interest rate from 9.5 percent and \$164 of which pays in advance an estimated default rate of 3.3 percent. Alternatively, the City could provide loan guarantee funds to achieve similar (nearly 4:1) leverage.

A \$1.2 million, or 10 percent, allocation would fund over 800 loans, inclusive of an estimated 10 percent administration expense.

Exhibit 25

DOWNPAYMENT/CLOSING COST ASSISTANCE PROGRAM SUMMARY



* Or designated subcontractor

Source: Team analysis

2. Principle reduction program

Principle reduction is a significant, non-amortizing loan targeted at low-income homebuyers. Although the Task Force believes the program should initially be available citywide, it is recommended that a primary use of the funds will be to prevent the displacement of indigenous residents of revitalizing neighborhoods.

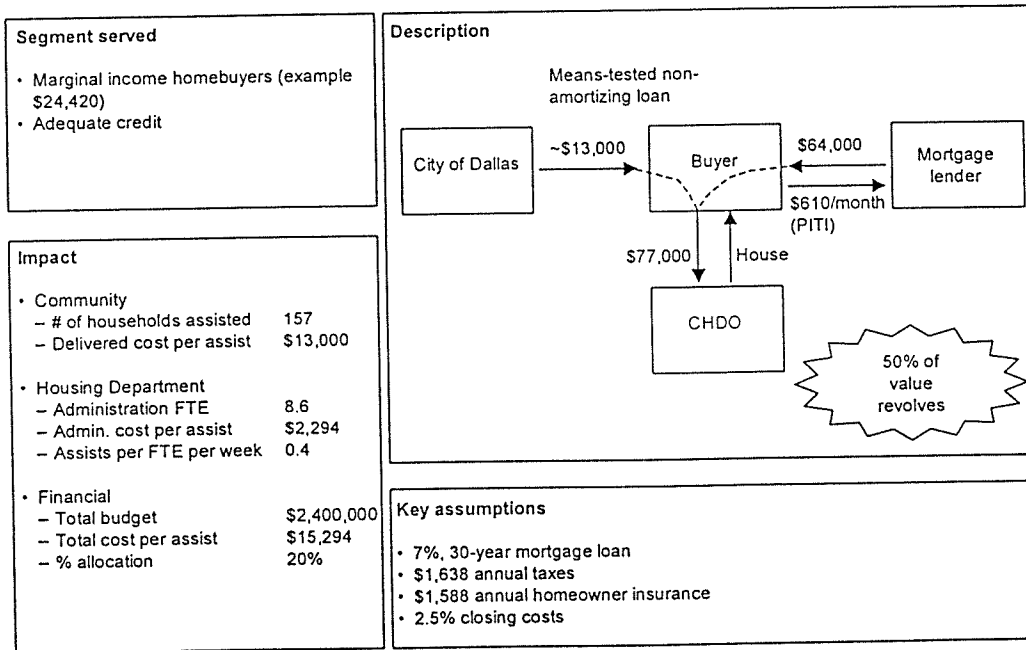
The program should be aggressively means-tested on both income (40 to 50 percent AMFI) and home value to ensure funds are used to support those families who would otherwise be unable to purchase a fit home. Every effort should be made to minimize the use of the funds for "buying-up", i.e. a family buying a more expensive home than would otherwise be possible.

A lien for the full amount of assistance should remain on the property until it is sold. Although the present value of income from lien payoff is not considered for budgeting, it is estimated to be 50 percent of the original loan value when discounting an 80 percent recovery of funds recaptured 12 years later at 4 percent interest.

For the purpose of quantifying the potential budget impact, the following example was used: a \$2.4 million, or 20 percent, allocation would fund approximately 150 loans, inclusive of an estimated 15 percent administration expense. The \$13,000 average subsidy would allow households with incomes of \$25,000 to purchase a \$75,000 home.

Exhibit 26

PRINCIPAL REDUCTION PROGRAM SUMMARY



Source: Team analysis

3. Lease-to-own program

The City should begin experimenting with single-family, lease-to-own arrangements to assist potential homebuyers who have sufficient income to borrow but have credit issues. This program should be limited to target neighborhoods to stimulate CHDO production and prevent displacement.

The City would pay a participating lender \$5,000 to loan an average \$21,000 for 2 years at 0 percent interest to a CHDO developer. This payment buys down the interest rate from 9.5 percent (\$3,500) and pays in advance an estimated default rate of 7 percent (\$1,500).

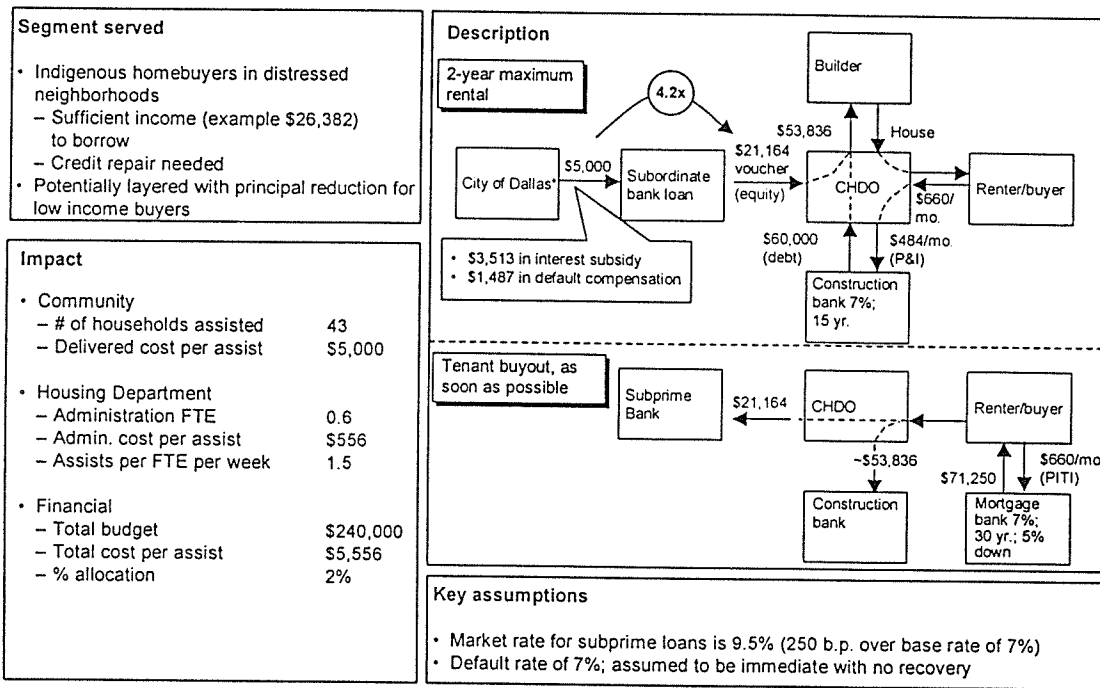
The CHDO would use these funds as equity in securing a \$54,000 loan to build a \$75,000 home, and would lease it at cost to a carefully selected recipient for a maximum of 2 years at \$660 per month (30 percent of a \$26,000 income).

After 2 years of intensive credit counseling (included in the rent), the lessee would buy the property for \$75,000 with the same \$660 per month in PITI.

For the purpose of quantifying the potential budget impact, the following example was used: a \$240 thousand, or 2 percent, allocation would fund approximately 50 loans, inclusive of an estimated 10 percent administration expense.

Exhibit 27

LEASE-TO-OWN PROGRAM SUMMARY



* On designated subcontractor
Source: Team analysis

Restructure the home repair program

The physical condition of housing makes a difference for families as well. Better-quality housing is related to lower levels of psychological distress, which in turn reduce health care costs and improve productivity.

– Millennium Housing Commission Report, 2002

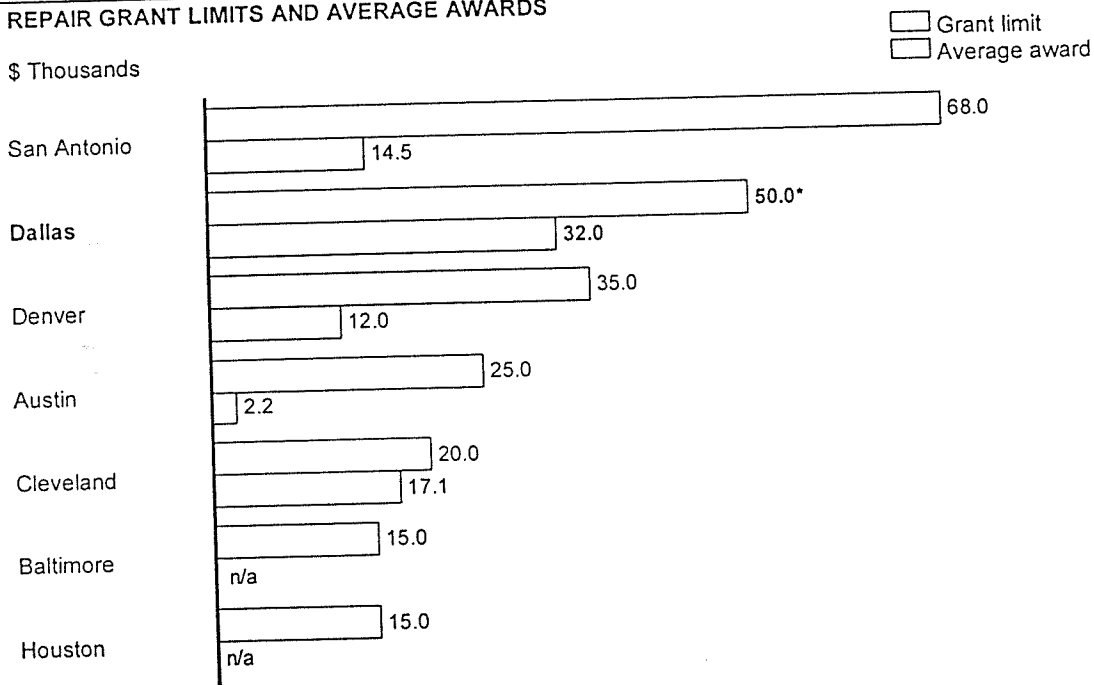
The Home Repair Program is the City’s major homeowner subsidy and consumes roughly half of the identified funds and just over half of the Housing Department staff. This program targets households with incomes below 50% of AMFI and serves 120 – 130 families per year. Like MAP,

assistance is effectively in grant form and is comparatively high both in maximum limits and average actual award level. Dallas has the second highest grant limit but an average award of more than twice that seen in other cities.

Exhibit 28

REPAIR GRANT LIMITS AND AVERAGE AWARDS

\$ Thousands



* 6/26/02 Dallas City Council to consider reduction to \$20,000 plus lead-based paint costs (average \$14,000) effective 1/10/2002

Source: City interviews; city web sites

Also like MAP, the program is designed for the most costly scenario, and in practice awardees “load up” the repair list to the maximum limit. Three issues impact the program’s effectiveness:

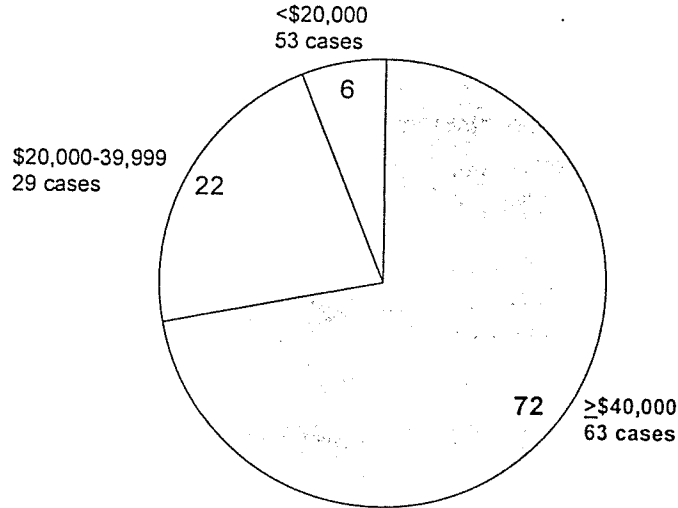
- **High unit cost limits the number of recipients.** The majority of repair funds go

to a small number of cases. Staff estimates that with a “triage” process in-place, focused on the six basic systems (gas, electric, water/wastewater, HVAC, foundation, and roof), 70 percent of repairs could be completed for under \$20,000, and 90 percent for under \$25,000.

Exhibit 29

REPAIR GRANT DISTRIBUTION
Percent repair grant distribution by size

100% = \$4.2 million*



* Excludes warranty cases and overhead costs
Source: Dallas Repair Program

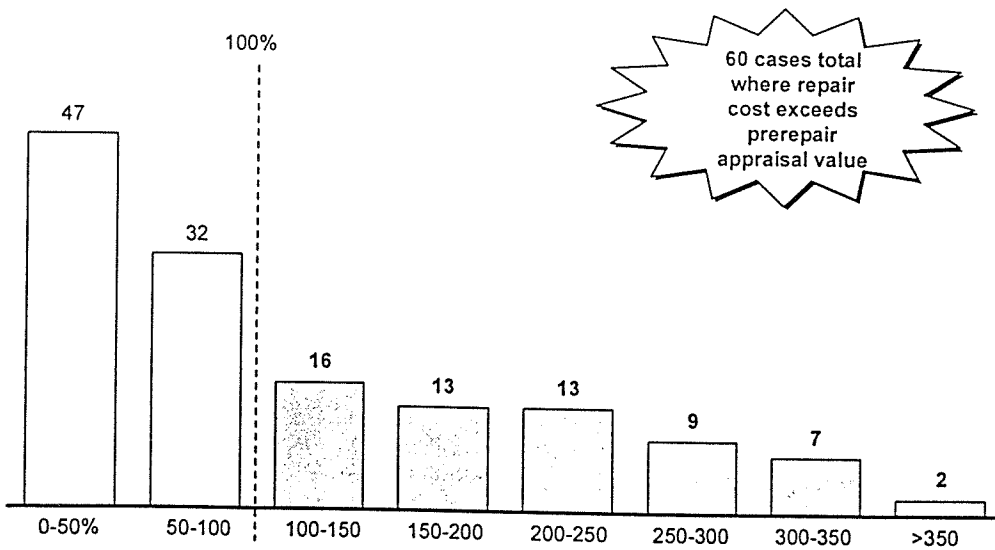
- **Uneconomic repairs are performed.** Many repairs cost more than the pre-repair appraisal of the property, and for the most costly repairs, the post-repair value does

not reflect the delivered cost. Additional cost in lead-based paint abatement will further exacerbate this issue.

Exhibit 30

REPAIR COST AS A PERCENTAGE OF APPRAISED PRIOR VALUE

Number of cases



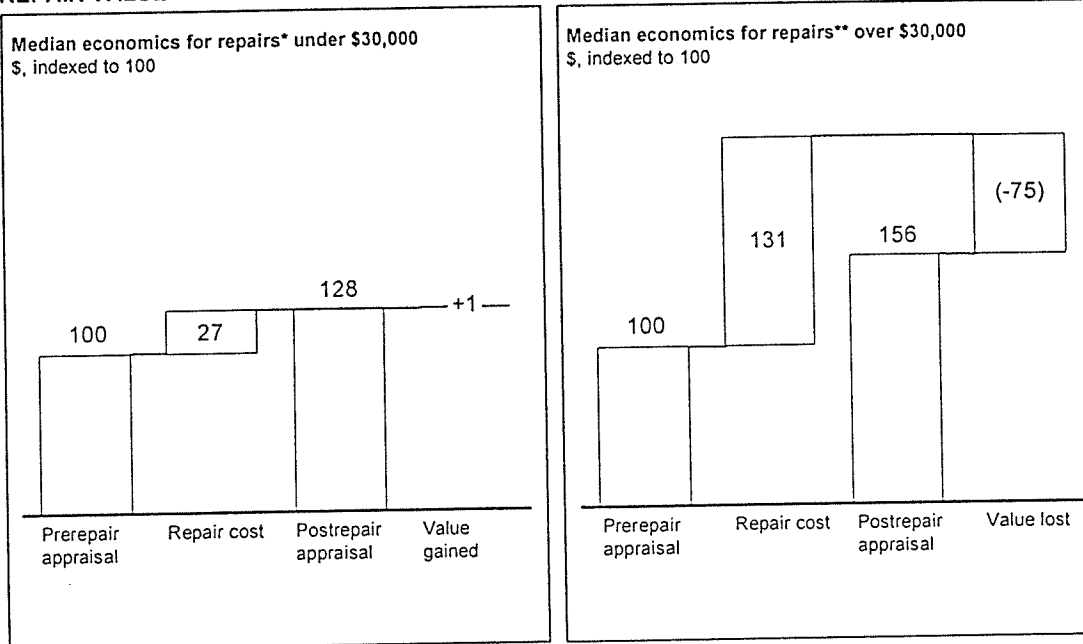
Source: DCRAD, DHD, team analysis

In total, the home repair program appears to be generating value. The appraised value of the properties after the repairs is equal to the pre-repair appraisal plus the cost of the repair. However, such is not the case for the high dollar value repairs. For homes that received repairs in

excess of \$30,000, the increased value of the home was less than 70% of the sum of the pre-repair value and the cost of the repair. In other words, lower cost repairs create value while value is lost in high dollar repairs.

Exhibit 31

REPAIR VALUE LOST



* 42 repairs with at least 30% impact on historical appreciation rate

** 33 repairs with at least 30% impact on historical appreciation rate

Source: DCAD; DHD; team analysis

- **Funds do not revolve.** Other cities (e.g., Austin) keep second liens in force on properties to provide prevent recipients

from receiving an unintended financial windfall from the sale or inheritance of the property.

RECOMMENDATIONS

13. Reconfigure the Home Repair Program with three separate programs, each targeted at different needs

The following uses increase funding for homeowner programs by approximately one third while increasing the number of households assisted more than 350%. Largely tailored for low-income seniors (<50 percent AMFI):

- Preservation program funds outsourced health and safety repair grants of <\$5,000 (e.g., 75 percent of Austin's programs are roof leaks).
- Repair program provides non-amortizing loan with a hard lien for repairs up to \$20,000, plus lead-based paint costs.
- Replacement program provides a replacement home funded by a \$55,000 non-amortizing loan with a hard lien.

4. Preservation program

Dallas should create a preservation program and model it upon Austin's very successful Emergency Repair Program. Grant-based with a \$5,000 limit, this program leverages a local nonprofit (the Austin Area Urban League) to manage a rotating group of contractors who perform critical repairs when a threat to occupants or the structure such as broken

water, wastewater, or gas lines and roof leaks (which alone comprise 75 percent of the cases) exists.

For the purpose of quantifying the potential budget impact, the following example was used: a \$1.2 million, or 10 percent, allocation would fund over 500 repairs with an average cost of \$2,000, inclusive of an estimated 10 percent administration expense.

Exhibit 32

PRESERVATION MAINTENANCE PROGRAM SUMMARY

<p>Segment served</p> <ul style="list-style-type: none"> Senior homeowners with <50% AMFI in CDBG neighborhoods 	<p>Description</p> <ul style="list-style-type: none"> Modeled on Austin's Emergency Repair Program Leverages non-profit to manage subcontractor base; or city can bid for business \$5,000 limit; \$2,000 average case Completes critical repairs that threaten occupants or structures (e.g., plumbing and roof leaks)
<p>Impact</p> <ul style="list-style-type: none"> Community <ul style="list-style-type: none"> # of households assisted 540 Delivered cost per assist \$2000 Housing Department <ul style="list-style-type: none"> Administration FTE 2.9 Admin cost per assist \$222 Assists per FTE per week 3.8 Financial <ul style="list-style-type: none"> Total budget \$1,200,000 Total cost per assist \$2222 % allocation 10% 	
<p>Key assumptions</p> <ul style="list-style-type: none"> None 	

Source: Team analysis

5. Repair program

The Housing Department Staff recently recommended to the City Council modifications to the Repair Program, principally lowering the limit to \$20,000 (\$25,000 with manager discretion) before lead abatement costs are factored in and limiting repairs to basic systems. The Task Force concurs with that recommendation with the addition of a lien on the property.

A non-amortizing lien for the full amount of assistance should remain on the property until it is sold. Although the present value of

income from lien payoff is not considered for budgeting, it is estimated to be 33 percent of the original loan value when discounting a 50 percent recovery of funds recaptured 12 years later at 4 percent interest.

For the purpose of quantifying the potential budget impact, the following example was used: a \$4.2 million, or 35 percent, allocation would fund approximately 130 repairs (the current rate), inclusive of an estimated 8 percent administration expense. Substantial process reengineering of the repair program will be required to reach this overhead target, which itself falls short of benchmark levels by 20 percent.

Exhibit 33

REPAIR PROGRAM SUMMARY

<p>Segment served</p> <ul style="list-style-type: none"> • Senior, indigenous homeowners in distressed neighborhoods <ul style="list-style-type: none"> - Means tested <50% AMFI 	<p>Description</p> <ul style="list-style-type: none"> • Similar to current repair program, but <ul style="list-style-type: none"> - Maximum limit, including lead abatement, lowered to \$20,000 (\$25,000 with manager approval) plus lead-based paint cost - Repairs limited to basic systems - Nonamortizing loan; lien remains on title for recapture - Purchasing done by volume T&M contract; city selects vendors and manages performance (vs. recipient) <div data-bbox="885 1165 1117 1312" style="text-align: center;"> <p>33% of value revolves</p> </div>
<p>Impact</p> <ul style="list-style-type: none"> • Community <ul style="list-style-type: none"> - # of households assisted 129 - Delivered cost per assist \$30,000 • Housing Department <ul style="list-style-type: none"> - Administration FTE 8 - Admin. cost per assist \$2,609 - Assists per FTE per week 0.3 • Financial <ul style="list-style-type: none"> - Total budget \$4,200,000 - Total cost per assist \$32,609 - % allocation 35% 	
<p>Key assumptions</p> <ul style="list-style-type: none"> • None 	

Source: Team analysis

6. Replacement housing program

For situations where properties are “too far gone” to be economically repaired, replacement should be performed. The City should establish objective criteria for this determination, such as loan-to-value and/or a maximum number of systems to be repaired. The City should also raise the replacement fee to \$55,000, the amount recommended by the Housing Department Staff.

A non-amortizing lien for the full replacement cost should remain on the property until it is

sold. Although the present value of income from lien payoff is not considered for budgeting, it is estimated to be 50 percent of the original loan value when discounting an 80 percent recovery of funds recaptured 12 years later at 4 percent interest.

For the purpose of quantifying the potential budget impact, the following example was used: a \$2.75 million, or 23 percent, allocation would fund approximately 48 replacements, inclusive of an estimated 5 percent administration expense.

Exhibit 34

REPLACEMENT HOUSING PROGRAM SUMMARY

<p>Segment served</p> <ul style="list-style-type: none"> • Indigenous elderly who own and occupy unsalvageable properties • Means-tested <50% AMFI 	<p>Description</p> <ul style="list-style-type: none"> • In lieu of major repair of severely dilapidated structures <ul style="list-style-type: none"> – Value tested via LTV or maximum number of systems • Nonamortizing loan; lien remains on title for recapture <div data-bbox="899 1062 1123 1201" style="text-align: center;"> <p>50% of value revolves</p> </div>
<p>Impact</p> <ul style="list-style-type: none"> • Community <ul style="list-style-type: none"> – # of households assisted 48 – Delivered cost per assist \$55,000 • Housing Department <ul style="list-style-type: none"> – Administration FTE 3.3 – Admin cost per assist \$2,896 – Assists per FTE per week 0.3 • Financial <ul style="list-style-type: none"> – Total budget \$2,760,000 – Total cost per assist \$57,895 – % allocation 23% 	
<p>Key assumptions</p> <ul style="list-style-type: none"> • None 	

Source: Team analysis

COMMIT TO AFFORDABLE HOUSING AS A PRIORITY

Demonstrating a commitment to affordable housing as priority for the City of Dallas requires a willingness to try innovative

programs, evaluate the impact of those programs, and make the necessary adjustments to deliver the desired results.

RECOMMENDATIONS

14. Experiment and measure the results of new programs and modify or cancel them based on program performance

The City should adopt an innovative mindset for housing program development. Programs should be evaluated for their effectiveness. Successful programs should be given additional funds to achieve maximum impact. Poorly performing programs should be canceled. For example:

- Create a rent-to-own program using Low Income Housing Tax Credits, similar to Cleveland's program.
- Aggressively pursue the recently proposed single-family housing tax credits.
- Fund credit counseling services e.g., Homeowner Training and Counseling Collaborative, which includes Fannie Mae, Enterprise Foundation, Foundation for Community Empowerment, and the Dallas Real Estate Council.
- Abate incremental property taxes in neighborhoods targeted for revitalization.
- Offer deeply subsidized senior housing in exchange for property donations in the case of severely dilapidated structures.
- Explore partnership opportunities with the Dallas Housing Authority, for instance combining Section 8 vouchers and Individual Development Accounts (IDAs) with aforementioned programs e.g., lease-to-own program.

Funding Strategy

DALLAS HOUSING DEPARTMENT FUNDING CONTEXT

A comparison of housing-related funding shows that Dallas Housing Department's funds are in line with other cities' funding. Across the board, most City-administered funds for housing come from HUD's Community Development and HOME

block grant programs. These funds are supplemented by allocations from general tax revenue, one-time funding sources, and, to a lesser extent, general obligation bonds.

Exhibit 35

HOUSING-RELATED FUNDING

Dollars per capita FY 01

	HOME	CDBG	Other	
Denver*	7	7	7	21
Austin	7	10	2	19
Cleveland	7	6	5	18
Dallas	6	6	5	17
Houston	6	6	2	14
San Antonio	6	4	1	11

- Dallas' funding is comparable to other cities'
- Austin and Denver's high CDBG numbers reflect their allocation decisions
- Houston allocates no current city funds, but does allocate \$2 million per year in G.O. bonds for affordable housing (multifamily and transitional)

* FY 02 data
Source: Dallas Housing Department; city interviews; team analysis

RECOMMENDATIONS

15. Maintain existing Housing Department funding levels in the short term; increase funding levels over the long term

The City should maintain current Housing Department funding levels over the short term. The Department's focus should be on demonstrating increased productivity and community impact at the same funding levels. Once this increased ability to perform is demonstrated, funding should be increased over the long term.

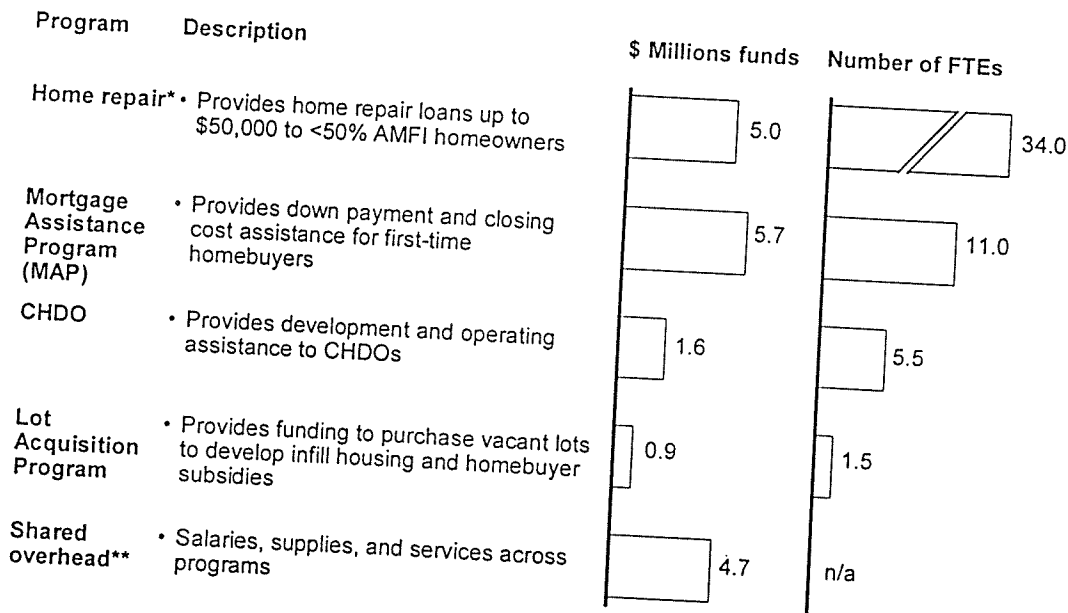
Any marginal revenues from revolving funds should be programmed for the Housing Department rather than returning it to citywide accounts. The City should explore utilizing other sources of funds for affordable housing (e.g., bonds, TIFs, transaction fees).

Dallas' Housing Department resources are concentrated on the MAP and Home Repair

programs, with additional funds and resources supporting several smaller programs.

Exhibit 36

HOUSING PROGRAMS FUNDED BY CDBG AND HOME



* Excludes People Helping People Program

** Overhead costs include City General Funds

Source: FY 00-01 data, Dallas Housing Department; interviews; team analysis

The *pro forma* below compares the current MAP and Home Repair budget with the proposed changes. The Task Force believes the numbers used to develop this summary and the more detailed program summaries are directionally

correct and should be considered as a general guide for final budget allocations. As proposed, the funding for MAP would be reduced by 37% while increasing the households affected by 272% and the funding for Home Repair would increase by 36% while

increasing the number of households affected by 372%. The net effect is the same budget with a 300% increase in affected households.

Exhibit 37

PARTIAL BUDGET SUMMARY

\$ Thousands

		Homebuyer				Homeowner				
		Funding*	Households assisted	Delivered cost per assist	Revolving value/ Leverage		Funding*	Households Assisted	Delivered cost per assist	Revolving value/ Leverage
Current	MAP	\$6,100	277	20.6	n/a	Repair	\$5,900	152	33.0	n/a
		▼								
Recommended	Down-payment	\$1,200	831	1.3	Leveraged 3.8x	Preservation	\$1,200	540	2.0	n/a
	Principal reduction	2,400	157	13.0	Revolves 50%	Repair	\$4,200	129	30.0	Revolves 33%
	Lease to own	240	43	5.0	Leveraged 4.2x	Replacement	\$2,760	48	55.0	Revolves 50%
	Total	\$3,840	1,031			Total	\$8,160	717		
	% change	-37%	+272%				+38%	+372%		

* Contains administrative costs
Source: City of Dallas, team analysis

UTILIZING AVAILABLE FUNDING

Provide fundraising and advocacy

There are numerous funding sources that can be utilized by developers and CHDOs for affordable housing. The general awareness and the complexity associated with accessing these sources can be a barrier to their use. For example, very few 501(c)(3) bonds have been issued by the Dallas Housing Finance Corporation due to

complexity and cost. By providing a dedicated resource to the task of understanding the qualifications, logistics and overall requirement of the various funding sources, the City can ensure that Dallas' affordable housing community has adequate access to all available funds for affordable housing uses.

RECOMMENDATIONS

16. Establish a fundraising and advocacy function within the Housing Department

A dedicated resource should be committed to the Housing Department, separate from the grantsmanship efforts of the Office of Intergovernmental Affairs, to ensure the Dallas affordable housing community maximizes access to all available funding sources.

17. Pursue all available housing related funds for Dallas affordable workforce housing projects

The Housing Department should dedicate one individual to serve as an expert in the sources of funds for affordable housing development. This individual will:

- Be aware of all sources of local, state, federal, and private sources of funds that can be used in affordable housing financing.
- Coordinate advocacy activities on behalf of affordable housing developments such as obtaining letters of recommendation for projects and lobbying funding sources to improve the chances of Dallas projects receiving funding.
- Ultimately, the Housing Department should gain the reputation in the affordable housing developer community as a reliable source for securing assistance to obtain competitive or discretionary funds.

Pursue multifamily funding and development

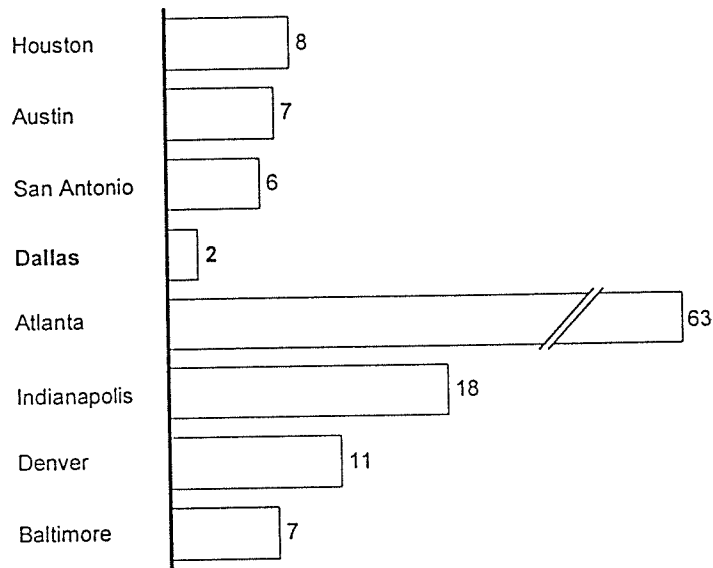
The Task Force's findings indicate some funds have been underutilized historically. For example,

Dallas multifamily private allocation bond use greatly lags other cities.

Exhibit 38

MULTIFAMILY HOUSING PRIVATE ACTIVITY BONDS

\$ per capita, 1993-2002 annualized



Source: Dallas Housing Department; Texas Bond Review Board; team analysis

This lag is attributable to the City Council's lack of support for bond issuances for new production of multifamily housing in Dallas. Several Council members have cited the poor quality and excess supply of multifamily stock as reasons for not

opposing new construction. Although benefits of homeownership over renting are recognized and accepted by the Task Force, fit and affordable multifamily housing is needed.

GENERAL OBLIGATION BOND

Given the current discussion of a potential 2002 General Obligation Bond Campaign, the Mayor asked the Task Force to consider this issue and make a recommendation.

As outlined, this program would create very significant leverage for the allocated funds: for

example, an allocation of \$15 million should enable the acquisition of 4,500 properties dedicated for affordable housing uses and the construction of up to 1,300 new homes, thereby creating new housing opportunities for the Dallas workforce within city limits and creating an expanded property and sales tax base for the city.

RECOMMENDATIONS

18. Include a 5.8 percent affordable housing component for any size bond program

Based upon the three different bond proposals, the affordable housing component should range from \$15 million to \$35 million to be paid out equally over the 3 years. Bond funding should be used for two purposes:

- Fund a land bank for affordable housing purposes as described earlier in this document:
 1. Acquiring properties
 2. Incremental cost of legal fees and court costs of foreclosing on properties
- Support the development of new home construction for affordable housing in targeted areas:
 1. Provide infrastructure financing up to 50 percent of hard infrastructure costs.
 2. Percentage of bond financing determined by % of deed-restricted lots (i.e., 30 percent deed restriction = 30 percent bond financing of infrastructure hard costs). Deed restrictions apply to families @ less than 80 percent of AMFI.
 3. Dollars go in pari passu so it can work as equity.
 4. 50-lot minimum on subdivisions and 25 lot minimum on infill (½-mile radius).
 5. Must be in Community Development Block Grant Area (12 council districts).

SECTION 108 LOANS

In the nineties, the City utilized HUD's Section 108 loan guarantee program to secure gap financing to stimulate development of downtown Dallas residential housing. The "Intown" program

successfully facilitated the creation of numerous loft and multifamily developments. A significant portion of CDBG funds is allocated to servicing this debt.

RECOMMENDATIONS

19. Sell the portfolio of Section 108 loans

The City should sell its interest in existing Section 108 properties as presented to the Housing and Neighborhood Development Committee. The Task Force believes the City's appropriate role is to stimulate new housing production, not to be a long-term real estate investor. The City should liquidate its positions once the market has been established. This will free up CDBG funding used for debt service and allow those funds to be used for affordable workforce housing purposes.

Accountability and Implementation

The Task Force wishes to ensure the City responds to its recommendations. For example, it supports the detailed proposals to improve the development process put forth by the e-Team; however, it is concerned that these and the Task Force's recommendations may experience difficulty in implementation.

The Task Force also recognizes the City's obligations under the Walker Consent Decree, its obligation to affirmatively further fair housing, and the requirement to comply with federal, state and local laws and regulations. Nothing in this report is intended to adversely affect the City's ability to fulfill its obligations or comply with current laws and regulations.

It is the desire of the Task Force, that should specific recommendations, as written, conflict with existing obligations, laws or regulations, every attempt be made to determine an appropriate alternative that meets the overall intent of the original recommendation.

Accordingly, the Task Force is making recommendations to ensure accountability and implementation.

RECOMMENDATIONS

20. Institute an Implementation Committee to monitor the City's progress against Task Force recommendations

The City should work with the Task Force to form a committee that will meet quarterly to evaluate the status of implementation of its recommendations. The committee should be composed of the directors of those departments affected by Task Force recommendations and members from the Task Force and development communities. The City should achieve the Task Force's recommended timeline and milestones.

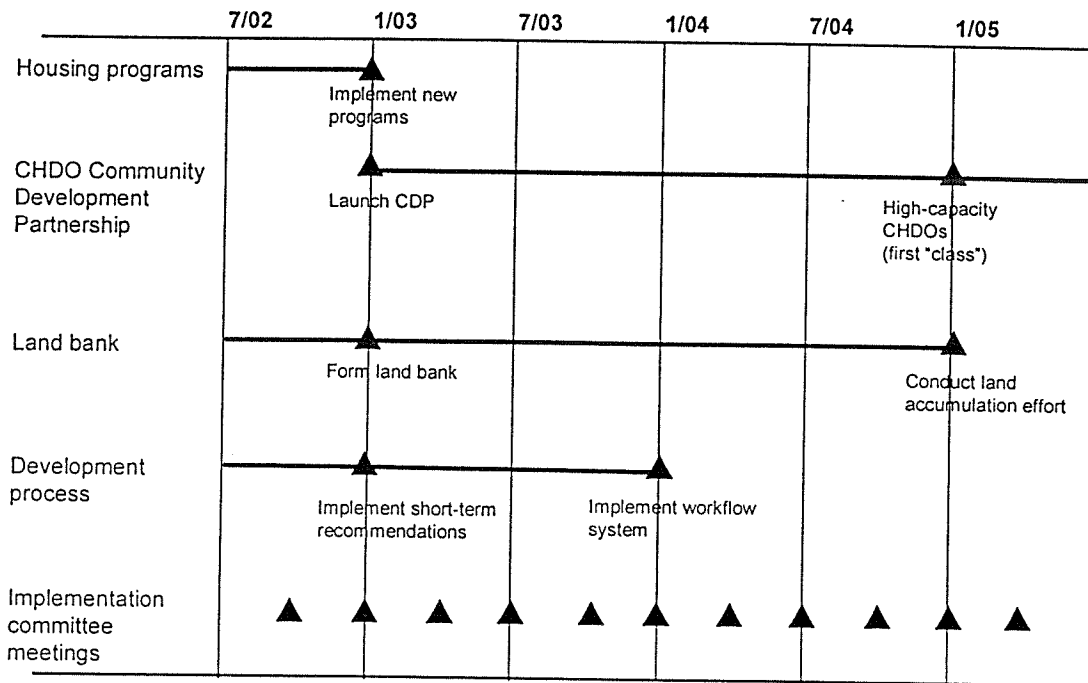
21. Implement measures to track implementation of the Task Forces' recommendations

The goal of the Task Force's recommendations is to increase the amount of affordable housing stock in the city. Therefore the City should begin to track and publish the following data annually to measure the effectiveness of its work to promote more workforce housing:

- Dallas' homeownership rate (owner-occupied households/total households)
- CHDO unit production (broken out by single and multifamily)
- Affordable workforce house unit production (broken out by single and multifamily).

Exhibit 39

RECOMMENDED TIMELINE AND MAJOR MILESTONES



Source: Team analysis

Appendix

OVERVIEW OF TASK FORCE PROCESS

Exhibit 40

MEETINGS AND ANALYSES OVERVIEW

Meetings

5/13	Kick-off meeting
5/20	Preliminary briefing
6/10	Initial findings
6/24	Working session
6/25	Working session
7/1	Final report ratification

In addition to these task force meetings, subgroups met to formulate their recommendations

Analyses

- Dallas housing-related spending
- Housing affordability
- Affordable housing construction trends
- City of Dallas employee home buyer patterns
- Inside/outside Dallas & DISD price comparisons
- Other city comparisons/interviews
 - Sources and uses of funds
 - Bond issuances
 - Programs
- Dallas Mortgage Assistance and Home Repair Program evaluation
- Proposed program models

INTERVIEW LIST

Exhibit 41

<u>Task force members</u>	<u>City Hall</u>	<u>Other interviewees</u>	<u>Other cities</u>
Don Williams	Elba Garcia, District 1	Peter Werwath, Enterprise Foundation	Atlanta
Bill Barnett	John Loza, District 2	Steve Brown, Carl Franklin Homes	– Phil Smith
Jon Edmonds	Mark Housewright, District 3	Mark Weinheimer, NCDI	– Jim Polk
Ron Haddock	Don Hill, District 5	Lee Stevens, DAHC	Austin
Mike Hernandez	Leo Cheney, District 7	Dean Vanderbilt, Remax	– Paul Hilgers
Carlos Herrera	Alan Walne, District 10	Monique Allen, Maple Avenue Development Corp	– Martin Gonzalez
Greg Hettrick	Lois Finkelman, District 11	Ed deShields, Marketpoint	Baltimore
Larry Hirsch	Vaeletta Forsythe Lill, District 14	Karen Brooks Crosby, Dallas City Homes	– Joann Copes
Walter Humann	Ted Benavides, City Manger	Mike Maybury, McGuire, Craddock & Hale	– Peter Engel
Richard Knight	Mary Suhm, First Assistant City Manager	Jan Hart Black, Dallas Chamber	– Pat Sylvester
Hank Lawson	Ryan Evans, Assistant City Manager	Pamela Johnson, Linebarger, Blair, Pena, Sampson, LLP	– Reggie Sanfield
Lorenzo Littles	Madeline Johnson, City Attorney	John Wilson, Oak Cliff Developer	Cleveland
Ann Lott	Chris Wittmayer, City Attorney	Diane Ragsdale, ICDC	– William Resseger
Linda McMahon	Gwen Satterthwaite, City Attorney	Bill Sechrest, Real Estate Council	– Doug Garver
Daniel Prescott/ Norman Henry	Frances Peters, City Attorney	Phil Warnick et al, Centex	– Dick Everhart
Brian Potashnik	Bonnie Meeder, eTeam	Bill White, Developer	– Bob Connell
Sherman Roberts	Terry Williams, Property Management	St. Philips Neighborhood Development	Denver
Joe Samford	Jerry Killingsworth, Housing	Monte Montemeyor, Nathan Meier Engineers	– Jim Mercado
	Doug Dykman, Housing	30 mortgage assistance recipients	– Mark Welch
	Cobbie Ransom, Housing	13 Home Repair clients	– Steve Gordon
	Charles Gulley, Housing		Houston
	Etoria Anderson, Housing		– Doug McKinna
			– Sharon Reid
			– Jennifer Taft
			Indianapolis
			– Kimberly Green
			– Cindy Pierson
			San Antonio
			– Drew Cameron

DEFINITION OF TERMS

Term	Definition
501(c)(3)	IRS code that defines criteria for organizations eligible for nonprofit status. The term "501(c)(3)" is often used synonymously for nonprofit.
Affordable workforce housing	Housing costs, including either rent or PITI, that are <30 percent of a family's gross income for those making <80 percent AMFI. The Task Force adopted the 50 to 80 percent AMFI definition for affordable workforce housing, which translates into monthly housing costs ranging from \$750 to \$1,200.
AMFI	Area Mean Family Income is the average income for a family within a given area. AMFI is used to gage eligibility for many housing-programs (e.g., a participant must have income <50 percent AMFI).
CDBG	Community Development Block Grants are federal block grants to localities to fund neighborhood redevelopment, economic development, and community services. CDBG funds are a key income source for Dallas Housing Department programs.
CDC	Community Development Corporations are nonprofits dedicated to revitalizing neighborhoods on a state, local, or neighborhood level. CDCs can be certified to become CHDOs, but are not required to do so.
CHDO	Community Housing Development Organizations are locality-certified community groups, usually CDCs, eligible to receive HOME funds. Certification requires groups to be nonprofit organizations with a demonstrated capacity for carrying out housing development activities assisted by HOME funds. Dallas has about 30 CHDOs.
DHA	Dallas Housing Authority is Dallas' public housing administrator. DHA is not funded or controlled by the City of Dallas.
General obligation bonds	Bonds issued and backed by municipal governments.
HOME	HOME investment partnerships are federal block grants to localities to expand the supply of affordable houses. Uses include acquisition, rehabilitation, and new construction of rental units; development of homeownership units; direct assistance to homebuyers; and tenant-based rental assistance. HOME funds are a key income source for Dallas Housing Department programs.

Term	Definition
Hope VI	Housing and Urban Development's Revitalization Grant program. Hope VI gives project-specific grants to public housing authorities to demolish, rehabilitate or replace distressed public housing units while promoting mixed income communities. Units may be privately owned or managed. Some units may be market rate rentals or provide affordable homeownership opportunities.
HUD	U.S. Department of Housing and Urban Development is a federal government agency whose mission is to promote "a decent, safe, and sanitary home and suitable living environment for every American." HUD issues and monitors large amounts of affordable housing-related funding, including CDGB and HOME grants.
IDA	Individual Development Accounts are matched savings accounts designed to help low-income and low-wealth families accumulate a few thousand dollars for long-term, high-return investments in education or job training, homeownership and home improvements, and small business enterprises
Land Bank	A land bank is a municipal organization or public/private partnership that acquires, assembles, holds, and sells land. Typically, cities have formed land banks to accelerate redevelopment efforts where large parcels of abandoned land are present.
LIHTC	Low Income Housing Tax Credits are federal income tax credits awarded to private developers that acquire, build or rehabilitate low-income rental units. Developers can sell tax credits to raise cash for their projects.
MAP	Mortgage Assistance Program is the Dallas' Housing Department program to help first-time homebuyers cover closing costs and reduce principal costs.
Means test	Means testing assesses the resources of an individual to qualify them for financial assistance and/or to determine the level of assistance. Examples of means testing include evaluating applicants by income and family size.
MSA	Metropolitan statistical area
Multi-family housing	Housing developments that contain more than four units.
PITI	Principal, interest, taxes and insurance
Private activity bonds	Tax-exempt bond issuances from the state that have a public benefit but can be used by private individuals. A per-capita allocation is provided to each state. Uses include single and multifamily housing, manufacturing facilities, student loans, transportation, and municipal services.
R5 or R7.5	50 X 100 or 75 X 100 feet-zoned residential lots, respectively.

Term	Definition
Section 108 Loan Guarantees	A Section 108 Loan Guarantee is a mechanism that HUD uses to pledge the full faith and credit of the Department and the Federal Government to secure a loan between the private sector and the eligible applicant. HUD is not the lender, but is the guarantor of this loan.
Section 8 Vouchers	Vouchers that pay property owners the difference between 30 percent of the tenant's income and the lower of the unit rent or a payment standard. Recipients are chosen from local public housing authority waiting lists.
Subordinate debt	Debt over which senior debt takes priority. In the event of bankruptcy or default, subordinated debt holders receive payment only after senior debt is paid off.
TIF	Tax increment financing is a redevelopment tool municipalities use to raise funds to revitalize distressed communities. Typically, a municipality will designate an area as a TIF district for a given term. Incremental taxes collected in the district above a given baseline are used to fund projects to make improvements. Distribution of tax revenues return to its previous state once the term of the TIF district expires.

SPECIAL CONSIDERATION: CADILLAC HEIGHTS

The Task Force was asked specifically to look at the issue of the proposed buyout of Cadillac Heights. Given that the scope of the Task Force was to address affordable workforce housing issues it did not engage in a lengthy analysis of the best use of the land or the most economical way for the City to develop a new police academy. The Task Force did address the issue from a purely housing-centric viewpoint.

Government has the responsibility to address the environmental concerns in the area and must address them for any use of the property other than permanent greenfield. Three major environmental issues have been identified: lead, bad odors, and flooding:

- Lead: according to the Dallas Plan, during the periods of 1982 to 1998, cleanup measures were enacted to remove all lead contamination from the area. There are currently no private properties in Cadillac Heights identified as contaminated by lead. Blood tests and morbidity rates for the area do not show

any pattern that is significantly different from the Dallas population as a whole.

- Bad odors: the wastewater treatment plant emits some foul odors in and around the Cadillac Heights neighborhood. Efforts are funded underway to install a biofilter to reduce odors by up to 80 percent.
- Flooding: as part of the \$25 million Dallas Floodway Extension for the Trinity River, a \$9 million levee is planned to provide flood protection to 287 structures in and around Cadillac Heights.

From the housing vantage point, relocation is an alternative to the described remedial actions to address the three major problem areas. The Task Force's assessment is that unless these remedial steps are halted or fail sufficiently to address these problems, City-facilitated relocation should be considered as a fallback option.

RECOMMENDATIONS

22. Do not buy-out Cadillac Heights; Support community development efforts

22.1. Focus on flood protection of Cadillac Heights

The City should focus its attention on raising the funds to build the necessary levees to provide flood protection to the Cadillac Heights neighborhood. Also the pollution issues should be adequately assessed by appropriate parties and any issues of lead abatement and others found in the assessment be given priority for cleanup.

22.2. Support the community plan identified by the Dallas Plan

The Dallas Plan engaged in an effort in 2000, with the community residents, to create a plan for the Cadillac Heights neighborhood. It appears from the mission statement developed by the residents that a clean, safe neighborhood is an acceptable alternative to a buyout. Specifically, there were a number of items for improvement of the community for which the City is responsible or can assist. Those items include: repairs to streets, sidewalks, sewers, stop signs, light posts, and transformers.

22.3. Prioritize current remedial efforts over City-sponsored relocation

Prioritize the coordinated efforts of the City and others to address the environmental issues and the City/residents to address the community-related issues; consider City-sponsored relocation only if and when these efforts fail to achieve the desired remedies.

However, should the City decide, based upon other considerations outside the scope of this Task Force, to execute a buyout of the area, the effort should be supportive and coordinated with the broader affordable workforce housing agenda.

Since the City's current relocation process is dependent upon the available housing stock, it would likely face difficulty in assisting over 150

families due to the current shortage of affordable workforce housing in the lower price ranges. Since there is a desire to revitalize some of the city's distressed neighborhoods, a major emphasis should be placed on building new homes for as many of the families who are interested.

Exhibit 42

OPTIONS FOR CADILLAC HEIGHTS RESIDENTS

New development effort takes place to provide homes for current Cadillac Heights residents			
Homeowners find their own houses	City maintains ownership of the land	Land sold to private builder	Land sold to CHDOs
<p>Homeowners use the regular relocation process</p> <ul style="list-style-type: none"> Receive money for the purchase of their current property Receive assistance from the city to find a new house or apartment <ul style="list-style-type: none"> Can purchase existing home Can rent Can build new home contracting directly with builder Once new home is inspected, received funds from relocation assistance If property is a house in the City of Dallas, homeowner can apply also receive MAP money to purchase home 	<p>City identifies possible sources of land</p> <ul style="list-style-type: none"> Current city inventory Undeveloped land previously conveyed to CHDOs <p>City seeks consent of other taxing units (DISD, county, etc.) to use inventoried land for public use</p> <ul style="list-style-type: none"> Pays other units their fair share <p>City works to clear title to all the properties</p> <p>City contracts directly with builder through bidding process</p> <ul style="list-style-type: none"> City develops specs for homes Lowest bidder wins contract 	<p>City identifies possible sources of land</p> <ul style="list-style-type: none"> Current city inventory Undeveloped land previously conveyed to CHDOs <p>City sets land to builder for lesser of fair market value of taxes owed</p> <p>Builder works to clear title to all the properties</p> <p>Builder finances construction</p> <p>Homeowners purchase home from the builder using relocation assistance and MAP money after the house is inspected</p>	<p>City and CHDOs work together to identify possible sources of land</p> <ul style="list-style-type: none"> Current city inventory Undeveloped land previously conveyed to CHDOs <p>City seeks consent of other taxing units (DISD, county, etc.) to use inventoried land for public use</p> <ul style="list-style-type: none"> Pays other units their fair share Conveys land to CHDO (~\$1,000 per lot) <p>CHDO works to clear title to all the properties</p> <p>CHDO contract with builder to build houses</p> <p>Homeowners work with CHDO to purchase home</p>
<p>Homeowners purchase home from the city</p> <p>Pros</p> <ul style="list-style-type: none"> Existing process Does not require any new development 	<p>Homeowners purchase home from the city</p> <p>Pros</p> <ul style="list-style-type: none"> Creates economies of scale Increases stock of affordable workforce housing Reduces amount of undeveloped land 	<p>Homeowners purchase home from the city</p> <p>Pros</p> <ul style="list-style-type: none"> Creates economies of scale Increases stock of affordable workforce housing Reduces amount of undeveloped land Fast process 	<p>Homeowners purchase home from the city</p> <p>Pros</p> <ul style="list-style-type: none"> CHDOs use undeveloped land already conveyed CHDO able to find other buyers should homeowners decide to move elsewhere
<p>Cons</p> <ul style="list-style-type: none"> Will significantly overtax current system No economies of scale, each case must be handled individually Not sure sufficient number of good options exist Likely to be a very long process 	<p>Cons</p> <ul style="list-style-type: none"> May need to take land back from CHDOs Either city must use other funds to finance building or builder must finance building City is reimbursed with relocation assistance and MAP funds after home is inspected City left owning property should resident decide to move somewhere else 	<p>Cons</p> <ul style="list-style-type: none"> Builders not likely to want to pay market value for land May need to take land back from CHDOs Builder left owning property should resident decide to move somewhere else; little ability to find owners 	<p>Cons</p> <ul style="list-style-type: none"> Insufficient CHDO capacity to execute currently

Source: Team analysis

RECOMMENDATIONS

23. If buyout is executed, support the rapid development of new homes for relocated Cadillac Heights residents

Identify neighborhoods that can support an additional ~150 new homes that are ideally near enough to Cadillac Heights to minimize changes for transportation to and from work and school changes for children; maintain as much a sense of community as possible by relocating majority of the neighborhood nearby at the option of the residents. Those residents who choose not to relocate to the new homes are free to use the City's normal relocation processes.

Find/create CDCs and other community-based nonprofits to facilitate the relocation and development of the identified areas to work closely with the residents to ensure their desires/needs are met throughout the process and provide continued advocacy for other economic development and social service needs of the residents. Also, the CDCs and nonprofits can work to find other families to purchase the homes should a sufficient number of Cadillac Heights residents choose other options.

Find a for-profit developer(s) interested in affordable housing development to work with the CDCs and nonprofits to develop the areas in the shortest time possible to serve as a model for other City, nonprofit, private partnerships in affordable housing in Dallas.

Provide adequate financing to put families in similar financial position (cash flow) as prior to move that considers equity position in the home and income level for homeowner/occupants. Determine whether renters qualify for any homebuyer programs.

LIST OF EXHIBITS

Exhibit 1: Task Force Members	5
Exhibit 2: Working Family Perceptions of Major Problems	8
Exhibit 3: Workforce Households in Dallas.....	11
Exhibit 4: Dallas Uniformed Workforce Household Location.....	12
Exhibit 5: Distribution of Affordable Housing Construction 1995-2000.....	13
Exhibit 6: Dallas Area Drop-Out and Graduation Rates	14
Exhibit 7: Crime Rate in Dallas vs. Surrounding Cities.....	14
Exhibit 8: Price Premium Residents Pay To Live Outside Dallas and DISD.....	15
Exhibit 9: Median Income Distribution.....	16
Exhibit 10: Quotes Regarding Dallas' Distressed Neighborhoods.....	16
Exhibit 11: Owner- vs. Renter-Occupied Housing.....	17
Exhibit 12: Widespread Support for Government Addressing Problem	19
Exhibit 13: Public Supports A Variety of Policy Measures	20
Exhibit 14: Developer Concerns with Dallas' Development Process	22
Exhibit 15: Unproductive Properties in Lower-Income Areas of Dallas	25
Exhibit 16: Tax Foreclosure Process.....	26
Exhibit 17: CHDO Production 1993-00	31
Exhibit 18: Support for Concentrating City Resources.....	33
Exhibit 19: Dallas Multifamily Housing Construction.....	36
Exhibit 20: Current Distribution of Housing Department Resources and Impact.....	39
Exhibit 21: Mortgage Assistance Program Limits And Average Awards.....	40
Exhibit 22: Mortgage Assistance Program Fund Concentration	41
Exhibit 23: Mortgage Assistance Program Means-Testing	42
Exhibit 24: Mortgage Assistance Leveraging	43
Exhibit 25: Downpayment/Closing Cost Assistance Program Summary.....	44
Exhibit 26: Principal Reduction Program Summary	45

Exhibit 27: Lease-To-Own Program Summary	46
Exhibit 28: Repair Grant Limits and Average Awards	47
Exhibit 29: Repair Grant Distribution	48
Exhibit 30: Repair Cost as a Percentage of Appraised Prior Value	48
Exhibit 31: Repair Value Lost.....	49
Exhibit 32: Preservation Maintenance Program Summary	51
Exhibit 33: Repair Program Summary	52
Exhibit 34: Replacement Housing Program Summary.....	54
Exhibit 35: Housing-Related Funding.....	55
Exhibit 36: Housing Programs Funded by CDBG and HOME.....	56
Exhibit 37: Partial Budget Summary.....	57
Exhibit 38: Multifamily Housing Private Activity Bonds.....	59
Exhibit 39: Recommended Timeline and Major Milestones.....	62
Exhibit 40: Meetings and Analyses Overview	64
Exhibit 41: Interview List.....	65
Exhibit 42: Options For Cadillac Heights Residents.....	71

SUMMARY OF RECOMMENDATIONS

1. General development

1.1 Increase the predictability/transparency of the development cycle

The City should publish standard timelines and flowcharts for development review and associated performance metrics and put in place processes to coordinate and track projects as they flow through City departments.

The City should implement the June e-Team recommendations regarding private development process improvement and further should retain a consultant to assist in process redesign and implementation.

1.2. Utilize a workflow tracking tool and single points of contact to coordinate hand-offs between departments

The City should implement a workflow tracking tool that will assist staff in providing a higher level of service to developers. An example solution might be a web-based system that provides developers real-time access to the status of their paperwork within and across departments.

The City should assign lead engineers to be responsible for moving developers' paperwork across departments in the City and to serve as the developer's single point of contact. A similar process should be instituted with inspectors during the construction phase (the Public Works Department indicates this would require additional staffing). Some form of incentive should be provided for cooperation across departments.

1.3. Improve the Public Works Department processes

The City should eliminate the duplication of work between its own Public Works engineering team and the required third-party engineers contracted by developers that perform plan development and reviews. Two possible options include bringing the process in-house by eliminating the requirement for an outside engineering review or accepting the third-party evaluation without revision by the City.

2. Affordable housing-specific recommendations

2.1. Adopt a “fast-track policy” for affordable housing

The City should adopt a fast-track policy that makes it easier to build affordable housing in Dallas. Austin has developed a SMART housing policy that clearly defines the process and parameters for affordable housing developers. Qualified developers receive accelerated processing from City departments and waived fees.

2.2. Modify tree mitigation for affordable housing developments

Dallas has a stringent tree mitigation policy that makes some affordable workforce housing deals economically infeasible. The City should modify, or waive under certain circumstances, its tree mitigation policy to facilitate the production of more affordable workforce housing.

2.3. Make both infrastructure grants and loans available for large-tract affordable housing development

Many large tracts of land that could be sub-divided and used for affordable housing development do not have existing infrastructure in place. The cost to the initial developer is often a cost barrier to affordable housing development.

3. Establish processes supportive of affordable housing land accumulation efforts

3.1. Develop an urban redevelopment plan and an affordable housing policy

For the purpose of returning deteriorated or unproductive properties to the tax rolls, enhancing the value of ownership to the surrounding properties, and improving the safety and quality of life in deteriorating neighborhoods, the City should enter into an interlocal agreement with the other taxing entities of Dallas County (DISD, the County, et. al.), as specified by Texas Tax Law, Chapter 34.051. The interlocal agreement would allow for properties within a specific geography to be sold for less than the market value specified in the judgment of foreclosure or less than the total amount of the judgments against the property. The geographic areas included in the plan should be consistent with the targeted areas of concentration. This will facilitate the land assembly process and create flexibility for greater leveraging of private sector capacity for affordable housing development.

3.2. Allow properties identified for affordable housing use to be purchased prior to a Sheriff's sale

The City should allow properties compliant with the urban redevelopment plan or affordable housing policy to be sold expressly for that use directly to qualified parties without the property first being put up for auction at a Sheriff's sale. Qualified parties would be required to have a current community participation plan, as is now required by City Council, and the deed of conveyance of the property must refer to or set forth the applicable terms of the urban redevelopment plan or affordable housing policy. This will eliminate the risk of property identified for affordable housing uses being purchased by parties not intending to use it for such. Additionally, since the number of properties auctioned is limited by the capacity of the Sheriff's Department, it will reduce the amount of time it takes for a property to be conveyed once identified for foreclosure. (State legislative authorization likely required)

3.3. Form a third-party nonprofit land bank

The City should form a public/private partnership to own, maintain, and administer the properties in Dallas' land bank. This land bank would support the efforts of CHDOs, non-profits, DHA, and private builders with approved community participation plans for affordable housing and/or economic development. Land would be sold to affordable housing developers for \$1. The land bank can hold most properties until the redemption period expires (6 to 24 months) and provide secure development funds for properties at low risk of being redeemed by the original owner. The City should also grant exemptions or other relief from ad valorem taxes on property held in the land bank for the purpose of encouraging development or redevelopment and improvement of the property.

4. Engage in a large-scale, one-time land accumulation effort

4.1. Identify unproductive properties in targeted geographic areas

The City should engage in an effort to identify and convey to the land bank, through the foreclosure process, all unproductive properties in Dallas' distressed areas, with a particular focus on targeted areas of concentration, for the use of affordable housing and other redevelopment purposes. Large-scale land accumulation efforts are a best practice used by other cities (the Bronx, NY being one notable example) to achieve major redevelopment of distressed areas. This process would avoid the cost and time of engaging in the effort to determine which properties are usable for redevelopment and has the further benefit of having all the usable land assembled under one owner.

4.2. Foreclose on identified properties

The City should leverage pro bono legal support for the foreclosure process. Understanding that there is currently a visiting judge in the District Court hearing only tax foreclosure cases with an extremely full load, the City should request and fund an additional temporary visiting judge to handle the increased volume associated with this effort in a timely manner.

4.3. Demolish unsalvageable properties

The City should also continue to support the demolition efforts of unfit properties through the Urban Rehabilitation and Municipal Court docket processes, and subsequently seize the properties when appropriate.

5. Conduct a comprehensive review of zoning practices and building codes, define their impact on affordable housing, and modify them to support affordably priced development

The City should review its zoning practices and building codes and identify opportunities to support affordably priced developments. As an example, it should authorize 5 to 10 projects over the next 2 years that utilize innovative zoning approaches (e.g., zero-lot-line, 35 X 50 lots, duplexes, four-plexes) and it should also zone 40 to 50 percent of the available residential land for affordable lots (e.g., R5).

6. Support the Community Development Partnership financially and operationally

The Community Development Partnership is being formed by banks, foundations, and other funders to build the capacity of Dallas' CHDOs by providing operating support and linking it to CHDO production. The City should provide 25 percent of its CHDO operating assistance funds to be allocated to CHDOs by the Partnership. These funds will provide operating and technical assistance support, as well as capacity building for approximately 12 to 17 CHDOs that meet a set of productivity metrics developed by the Partnership and agreed to by the CHDOs. The City's monitoring requirements of these funds should not exceed the standards already established by the Partnership. The Housing Department should also look to form a collaborative operating relationship with the Partnership to enhance CHDO capacity. If restrictions on the funding prevent the execution of this recommendation, the funds could go in pari passu with Partnership funds.

The remaining 75 percent should continue to be administered independently by the Dallas Housing Department. At least 50 percent of remaining city-allocated funds should be distributed based on the same productivity metrics used by the Partnership related to production of properties. A portion of the remaining funds should be allocated to other qualified CHDOs, especially new CHDOs that serve neighborhoods where other CHDOs do not exist.

The City should focus as much of its CHDO funding dollars (from HOME and other sources) as possible in the area of operating support for the purpose of build CHDO capacity over the next 2 years. After that capacity is built, the monies should then be diverted from capacity-building back to project-related funding. This approach will ensure that high-capacity CHDOs are in place to build Dallas' neighborhoods over the long-term.

7. Facilitate improved interactions between the City and CHDOs

The Housing Department should dedicate staff members to assist in resolving issues CHDOs have when interfacing with the City. Designated ombudsmen should serve as single points of contact. Similarly, these staff members should coordinate requests for action against criminal and code violations occurring in their target neighborhoods.

8. Concentrate 60 to 80 percent of the affordable housing resources in neighborhoods with the greatest opportunity

The City should establish criteria and identify areas of Dallas eligible for targeting of resources. These areas may be defined as zip codes, council districts, weed and seed areas, Enterprise zones, etc. Criteria include:

- A clearly identifiable need must exist (e.g., income levels; population demographics; quantity, quality, and condition of housing stock).
- The objective of the targeting must be to encourage all sectors of the community, public, nonprofit, and private, to coordinate resources to address the identified need.
- Strong community leadership must exist and be involved in, supportive of, and integrated into the efforts to improve the area.
- Target areas must be small enough for an impact to be visible. (Large area size negatively impacted the City's Neighborhood Renaissance Program.)
- Sufficient development capability is essential for results to be possible.
- Current efforts and organizations that are obtaining results should be supported to build upon their synergy.

- The broadest mix of resources in and adjacent to the community should be leveraged in the effort.

A process should be established to allow community groups within the targeted areas to submit proposals to obtain resources for concentrated efforts in 4- to 12-block areas of sufficient scale to have an impact on the neighborhood.

9. Increase support levels to the City Attorney's Office to bring to bear the full spectrum of legal tools available to address code and criminal violations

Increase attorney and legal assistant capacity in the City Attorney's office to maximize the effectiveness of the City's efforts to address code and criminal violations. Pairing attorney capacity with code and storm-water inspectors, for example, will allow the use of both criminal and civil procedures to address violations and increase the number of cases that can be handled. The City should shift resources to provide for the addition of two lawyers, one legal assistant, two code inspectors, and one storm-water inspector to the City Attorney's Code Enforcement Section. The City should implement a policy of not selling additional foreclosed properties to routine code violators.

10. Support fitness improvement of Dallas' multifamily housing stock

10.1 Amend the Dallas Housing Finance Corporation by-laws to allow issuance of any type of multifamily private allocation bonds

The City Council should amend DHFC by-laws to allow it to issue any type of multifamily bond. The DHFC and City Council will still retain the power to authorize individual projects. However, the Task Force does not believe a one-size-fits-all policy that bans issuance of these bonds is best for Dallas, in particular its low-income citizens that might benefit from high-quality multifamily rehab or construction.

10.2 Focus the City's multifamily policy to support construction for new senior developments, new construction in targeted distressed neighborhoods, CHDO-initiated projects, and rehabilitation and replacement

The City should pursue all available multifamily funds in order to pursue a broader multifamily policy. This includes supporting limited, targeted new construction where it is appropriate. It also includes rehabilitation and replacement of Dallas' older stock of multifamily units. Dallas' aging multifamily stock will require significant investment to maintain and improve its quality.

11. Establish a stronger relationship between the City and DHA

11.1. Provide financial support to DHA necessary to leverage HUD funding

Provide funding of up to \$500,000 a year in the form of CDBG or HOME funds or land to DHA to provide necessary City support to leverage state and HUD affordable housing funding (HOPE VI and tax credits).

11.2. Provide equal access for DHA as CHDOs for the execution of City affordable housing programs

As long as the plans are consistent with the City's overall affordable housing strategy, and DHA qualifies under federal regulations, provide DHA full access to all housing programs available to CHDOs.

11.3. Waive or rebate City fees for DHA as appropriate

Honor existing HUD inspection process and eliminate annual City code inspection fee (and \$10,000 to \$25,000 annual fee) charged to DHA. Waive or rebate building permitting fees for DHA as is done for CHDOs.

12. Replace MAP with three programs, each targeted at different homebuyer segments

Although multiple programs are more complex to manage, the benefits of leveraging or revolving funds can expand the overall reach of homebuyer programs, while freeing up funds for other housing uses. The following reduce the funding level by over 35% while expanding the number of households assisted by more than 250%:

- The down-payment/closing-cost program provides a \$5,000 amortizing low-interest loan tailored for moderate-income households (<80 percent AMFI).
- The principal reduction program provides a larger (~\$13,000) non-amortizing loan with a hard lien, tailored for lower-income households (40 to 50 percent AMFI) and means-tested by family size, income, and home size.
- The lease-to-own program funds, on an experimental basis, a program tailored for lower-income households with credit problems.

13. Reconfigure the Home Repair Program with three separate programs, each targeted at different needs

The following uses increase homeowner program consumption of identified funds from roughly half to roughly two-thirds of the total budget for MAP and Home Repair, while expanding the number of households assisted five to six times. Largely tailored for low-income seniors (<50 percent AMFI):

- Preservation program funds outsourced health and safety repair grants of <\$5,000 (e.g., 75 percent of Austin's programs are roof leaks).
- Repair program provides non-amortizing loan with a hard lien for repairs up to \$20,000, plus lead-based paint costs.
- Replacement program provides a replacement home funded by a \$55,000 non-amortizing loan with a hard lien.

14. Experiment and measure the results of new programs and modify or cancel them based on program performance

The City should adopt an innovative mindset for housing program development. Programs should be evaluated for their effectiveness. Successful programs should be given additional funds to achieve maximum impact. Poorly performing programs should be canceled. For example:

- Create a rent-to-own program using Low Income Housing Tax Credits, similar to Cleveland's program.
- Aggressively pursue the recently proposed single-family housing tax credits.

- Fund credit counseling services e.g., Homeowner Training and Counseling Collaborative, which includes Fannie Mae, Enterprise Foundation, Foundation for Community Empowerment, and the Dallas Real Estate Council.
- Abate incremental property taxes in neighborhoods targeted for revitalization.
- Offer deeply subsidized senior housing in exchange for property donations in the case of severely dilapidated structures.
- Explore partnership opportunities with the Dallas Housing Authority, for instance combining Section 8 vouchers and Individual Development Accounts (IDAs) with aforementioned programs e.g., lease-to-own program.

15. Maintain existing Housing Department funding levels in the short term; increase funding levels over the long term

The City should maintain current Housing Department funding levels over the short term. The Department’s focus should be on demonstrating increased productivity and community impact at the same funding levels. Once this increased ability to perform is demonstrated, funding should be increased over the long term.

Any marginal revenues from revolving funds should be programmed for the Housing Department rather than returning it to citywide accounts. The City should explore utilizing other sources of funds for affordable housing (e.g., bonds, TIFs, transaction fees).

16. Establish a fundraising and advocacy function within the Housing Department

A dedicated resource should be committed to the Housing Department, separate from the grantsmanship efforts of the Office of Intergovernmental Affairs, to ensure the Dallas affordable housing community maximizes access to all available funding sources.

17. Pursue all available housing related funds for Dallas affordable workforce housing projects

The Housing Department should dedicate one individual to serve as an expert in the sources of funds for affordable housing development. This individual will:

- Be aware of all sources of local, state, federal, and private sources of funds that can be used in affordable housing financing.
- Coordinate advocacy activities on behalf of affordable housing developments such as obtaining letters of recommendation for projects and lobbying funding sources to improve the chances of Dallas projects receiving funding.
- Ultimately, the Housing Department should gain the reputation in the affordable housing developer community as a reliable source for securing assistance to obtain competitive or discretionary funds.

18. Include a 5.8 percent affordable housing component for any size bond program

Based upon the three different bond proposals, the affordable housing component should range from \$15 million to \$35 million to be paid out equally over the 3 years. Bond funding should be used for two purposes:

- Fund a land bank for affordable housing purposes as described earlier in this document:
 1. Acquiring properties

2. Incremental cost of legal fees and court costs of foreclosing on properties.
- Support the development of new home construction for affordable housing in targeted areas:
 1. Provide infrastructure financing up to 50 percent of hard infrastructure costs.
 2. Percentage of bond financing determined by % of deed-restricted lots (i.e., 30 percent deed restriction = 30 percent bond financing of infrastructure hard costs). Deed restrictions apply to families @ less than 80 percent of AMFI.
 3. Dollars go in pari passu so it can work as equity.
 4. 50-lot minimum on subdivisions and 25 lot minimum on infill (½-mile radius).
 5. Must be in Community Development Block Grant Area (12 council districts).

19. *Sell the portfolio of Section 108 loans*

The City should sell its interest in existing Section 108 properties as presented to the Housing and Neighborhood Development Committee. The Task Force believes the City's appropriate role is to stimulate new housing production, not to be a long-term real estate investor. The City should liquidate its positions once the market has been established. This will free up CDBG funding used for debt service and allow those funds to be used for affordable workforce housing purposes.

20. *Institute an Implementation Committee to monitor the City's progress against Task Force recommendations*

The City should work with the Task Force to form a committee that will meet quarterly to evaluate the status of implementation of its recommendations. The committee should be composed of the directors of those departments affected by Task Force recommendations and members from the Task Force and development communities. The City should achieve the Task Force's recommended timeline and milestones.

21. *Implement measures to track implementation of the Task Forces' recommendations*

The goal of the Task Force's recommendations is to increase the amount of affordable housing stock in the city. Therefore the City should begin to track and publish the following data annually to measure the effectiveness of its work to promote more workforce housing:

- Dallas' homeownership rate (owner-occupied households/total households)
- CHDO unit production (broken out by single and multifamily)
- Affordable workforce house unit production (broken out by single and multifamily).

22. *Do not buy out Cadillac Heights; Support community development efforts*

22.1. *Focus on flood protection of Cadillac Heights*

The City should focus its attention on raising the funds to build the necessary levees to provide flood protection to the Cadillac Heights neighborhood. Also the pollution issues should be adequately assessed by appropriate parties and any issues of lead abatement and others found in the assessment be given priority for cleanup.

22.2. *Support the community plan identified by the Dallas Plan*

The Dallas Plan engaged in an effort in 2000, with the community residents, to create a plan for the Cadillac Heights neighborhood. It appears from the mission statement developed by the residents that a clean, safe neighborhood is an acceptable alternative to a buyout. Specifically, there were a number of items for improvement of the community for which the City is responsible or can assist. Those items include: repairs to streets, sidewalks, sewers, stop signs, light posts, and transformers.

22.3. Prioritize current remedial efforts over City-sponsored relocation

Prioritize the coordinated efforts of the City and others to address the environmental issues and the City/residents to address the community-related issues; consider City-sponsored relocation only if and when these efforts fail to achieve the desired remedies.

23. If buyout is executed, support the rapid development of new homes for relocated Cadillac Heights residents

Identify neighborhoods that can support an additional ~150 new homes that are ideally near enough to Cadillac Heights to minimize changes for transportation to and from work and school changes for children; maintain as much a sense of community as possible by relocating majority of the neighborhood nearby at the option of the residents. Those residents who choose not to relocate to the new homes are free to use the City's normal relocation processes.

Find/create a CDCs and other community-based nonprofits to facilitate the relocation and development of the identified areas to work closely with the residents to ensure their desires/needs are met throughout the process and provide continued advocacy for other economic development and social service needs of the residents. Also, the CDCs and nonprofits can work to find other families to purchase the homes should a sufficient number of Cadillac Heights residents choose other options.

Find a for-profit developer(s) interested in affordable housing development to work with the CDCs and nonprofits to develop the areas in the shortest time possible to serve as a model for other City, nonprofit, private partnerships in affordable housing in Dallas.

Provide adequate financing to put families in similar financial position (cash flow) as prior to move that considers equity position in the home and income level for homeowner/occupants. Determine whether renters qualify for any homebuyer programs.