

Memorandum



CITY OF DALLAS

DATE January 27, 2025

TO City Manager Kimberly Bizer Tolbert

SUBJECT **DHFC and DPFC Review Next Steps**

This memorandum constitutes a summary of the comments I plan on sharing at the January 28, 2025 Special Called Housing and Homelessness Solutions (HHS) meeting.

On October 28, 2024, during a special called meeting of HHS, Housing and Community Development (HCD) staff initiated a discussion of the Dallas Housing Finance Corporation (HFC) and the Dallas Public Facilities Corporation (PFC), the two most important programs the City of Dallas has to increase the supply of quality, low income and workforce housing. Background information on the two corporations was presented by HCD staff and a number important issues and questions were raised by both staff and Council Members. At the conclusion of the meeting HHS Committee members were asked by HCD staff to provide responses to a series of 13 questions by the end of November concerning:

- the Corporations' use of excess revenue
- location of future development projects
- project approval process
- corporate control

Additionally, HCD staff was asked by Council Members to provide its own recommendations for needed changes at the January 28, 2025 HHS Committee meeting after briefing the corporation boards in December.

Staff has submitted its recommendations to the HHS Committee in Assistant City Manager Robin Bentley's January 28, 2025 memorandum (Item E). Unfortunately, the promised December HFC and PFC Board briefings by staff did not occur. The corporation board chairs were only briefed in recent days and have expressed numerous questions and concerns to me and other HHS Committee members over HCD staff's recommendations. Industry groups and individual developers have also expressed concerns to me. Therefore, I consider the Corporations' review process far from complete with much work left to be done. I propose the following actions to achieve review results satisfactory to all stakeholders.

I. Administrative and operating procedures - Some of HCD's recommendations require Council Policy guidance. However, the majority of the recommendations relate to administrative procedures that can be guided by existing City Policies, the legislative intent behind the creation of the HFC and PFC and the fiduciary responsibilities of their boards of directors. Therefore, HCD staff needs to meet with the HFC and PFC boards and work collaboratively to reach a consensus on administrative procedure recommendations that are acceptable to both. Input from industry groups and developers should be documented and considered in this collaborative process. For those recommendations where a consensus cannot be reached, the HHS Committee will be the final arbiter. But this should only occur after staff demonstrates they have made a good faith effort to reach consensus with the corporation boards. Consideration should be given to utilizing an independent subject matter expert such as Attorney Derra Purnell at BBK Law to facilitate consensus building if needed.

II. Council policy guidance - with input from HCD staff, corporation boards, industry groups and developers, Council needs to take the lead in providing guidance with respect to the following Policy issues:

Governance: The City Attorney's Office should be requested to brief the HHS Committee on the nature and degree of oversight of the two corporations that is the responsibility of the City versus the oversight responsibilities of the two corporations, and the autonomy that was intended for the corporations to have by the enabling state legislation authorizing their formation. This briefing should include the advisability and extent of HCD ex-officio representation on the two corporation boards.

Project location strategies: The HHS Committee needs more data to make an informed decision on a location strategy for the corporations' affordable housing projects. In this regard, I have been contacted by frequent Dallas City Government advisor Cullum Clark, Economist and Director, George W. Bush Institute, with an offer of assistance. Mr. Clark has done extensive research on Dallas affordable housing including the impacts of current and past project location strategies and his data informed analysis and insights would be of great value to the HHS Committee in setting project location policies for the future.

Project Deal Points: The HHS Committee should consider the need for policy directives related to project deal points to ensure projects meet the priority affordable housing needs of Dallas residents in a manner that prudently invests forgone property tax revenues. Deal points deserving of examination include:

- a. criteria for investing in existing multifamily properties versus new construction
- b. guidelines for project unit AMI affordability levels
- c. minimum project affordability indices

Excess Revenues: HHS should provide policy parameters for HFC and PFC investment of excess revenues.

Control: HCD staff and corporation boards need to submit control and risk management procedures put in place and their agreed upon method of conducting periodic financial, operational and control audits.

Reporting: HHS should determine the nature and frequency of the reporting it wishes to receive from the two corporations.

Limits on corporation investments: The HFC and PFC offer numerous benefits toward the achievement of private affordable housing in Dallas and they account for the majority of affordable rental units generated by HCD Housing Policy tools. However, their project investments come at considerable cost in the form of forgone property tax revenue that is not offset by project lease fees and related project revenues. No policy limit has currently been placed on the amount the HFC and PFC can invest. The HHS Committee should make a determination as to whether it should remain this way or if investment level targets should be determined periodically based on demand and the growing financial impact of these very long-term investments of forgone taxes. It may be prudent to request the City's Chief Financial Officer to analyze the long-term financial impact on City Government of continuing to invest in projects at current and increased levels.

As the Council review of the HFC and PFC continues forward, it is my hope that Council, HCD staff, and corporation board members will embrace collaboration and respect the roles and responsibilities each has, and that the review will result in enhanced relationships through improved communication, support and shared commitments.

Thank you for your consideration.



Chad West
Councilmember
District 1

cc: Honorable Mayor
Honorable City Council
Robin Bentley, Assistant City Manager
Cynthia Rogers-Ellickson, Director of Housing and Community Development Department
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