

Local Tools for Affordable Housing

It is not uncommon for an affordable housing project, whether new construction or preservation, to rely on private market financing from Fannie Mae and public support from a state or local jurisdiction, and in many cases, federal programs. When a project leverages each of these resources, the project becomes more complicated. Fannie Mae's Multifamily affordable program was designed with that complexity in mind and with flexible features such as Special Public Purpose that are able to support each community's specific priorities. "Local Tools for Affordable Housing" presents a handful of examples of how States and Localities are addressing affordable housing issues and incorporating economic diversity and workforce housing into those programs.

Case Study

Dallas, Texas: Leverage Federal HOME Funds

The HOME Investment Partnerships Program (HOME) provides formula grants to States and Localities that communities use – often in partnership with local nonprofit groups – to fund a wide range of activities including building, buying, and/or rehabilitating affordable housing for rent or homeownership or providing direct rental assistance to low-income people. HOME is the largest Federal block grant to state and local governments designed exclusively to create affordable housing for low-income households.

While a federal program, the program's flexibility allows States and local governments to use HOME funds for grants, direct loans, loan guarantees or other forms of credit enhancements, or rental assistance or security deposits, and requires a 25% match from local sources. In recent years, the city of Dallas has received between \$4 and \$5 million annually for HOME programs, depending on congressional appropriations. With these funds, Dallas has prioritized multifamily affordable housing through capital and operating subsidy programs, tenant rental assistance, and down payment assistance for low-income homeowners. ¹



Heroes House in Dallas, part of the HOME Investment Partnership Program. Source: heroeshousetx.com

Case Study: Heroes House, Dallas

Abandoned, looted, and fire-ravaged, the blighted property now known as Heroes House was considered a nuisance by the time it was purchased from the city of Dallas in 2016. After a multi-million-dollar renovation managed by the nonprofit owner, NP Community Development Corporation, the 67-unit affordable property now serves veterans of the U.S.

Military and women and families who had been experiencing homelessness. Residents are referred to the property by either the Dallas Housing Crisis Center or the VA Hospital. Fannie Mae's Multifamily Affordable Special Public Purpose financing program was utilized to

provide a mortgage of nearly \$4,000,000 to help refinance the property. The property joins another Heroes House, owned and operated by the same entity, which provides formerly homeless Dallas residents with 30 units of affordable housing for 15 years through a combination of HOME funding and private capital.

All of Heroes House residents experienced homelessness prior to moving into the renovated property and benefit not only from an affordable roof over their head, but also case management and services aimed at preventing future homelessness. In addition to housing referrals, the Dallas Housing Crisis Center (HCC), a 501(c)3 nonprofit organization, provides supportive case management and services to help participants address the issues that contributed to them becoming homeless, and empower them to solve their own housing problems in the future. Twice a month, HCC also hosts a free legal clinic where eligible participants can learn more about Texas housing laws and meet with an attorney to discuss specific tenant related concerns. HCC's legal program has been cited by the State Bar of Texas for outstanding service.

<https://www.hudexchange.info/programs/home/>



In addition to the services offered by HCC, Heroes House is located only half a mile from the Dallas VA Hospital, a critical service for the veteran population the property serves. Residents of the 60,000 square foot property receive a full array of case management services offered by the U.S. Department of Veterans Affairs, VA North Texas Health Care System, and other community partners. These services include job counseling, substance abuse counseling, educational, technical, health, and wellness training. Additionally, Heroes House residents receive subsidies through HUD-Veterans Affairs Supportive Housing program vouchers.

In a city like Dallas, where homelessness increased by 9% between 2018 and 2019², the services provided by Heroes House, the HCC, and the VA Hospital are especially critical. Even for those fortunate enough to have a home, rent burdens in the Dallas-Fort Worth-Arlington MSA is extremely high, with nearly half of renters who earn between 51% and 80% of the area median income experiencing rent burden.

Heroes House received a conditional grant from the city of Dallas' HOME allocation, requiring 51% of units be set aside for households with an annual income at or below 80% the area median income (AMI), which is roughly \$73,400 for a family of four. The affordability restrictions are enforced through deed restrictions, which began in 2017 (after the completion of renovations and take up of occupancy) and run for a period of 5 years. Although the restrictions only stipulate that 34 of the 67 units must meet affordability requirements, 100% of Heroes House apartments are currently rented to those earning at or below 80% AMI. As of December 2017, 18 Heroes House apartments were occupied by residents receiving tenant-based Section 8 assistance and 45 were occupied by tenants receiving assistance from the Dallas Housing Crisis Center.

Rent Burden in the Dallas-Fort Worth-Arlington MSA (2017)³

	% of renter households with cost burden	% of renter households with severe cost burden
Extremely Low Income (ELI)	93%	79%
ELI – 50% AMI	83%	30%
51% - 80% AMI	46%	6%
81% - 100% AMI	16%	1%

Renter households spending more than 30% of their income on housing costs and utilities are cost burdened; those spending more than half of their income are severely cost burdened.

Fannie Mae Financing

This project utilized Fannie Mae's Multifamily Affordable Housing Special Public Purpose pricing discount. The loan is 10-year fixed rate mortgage with 30-year amortization.

² Metro Dallas Homeless Alliance 2019 Point in Time Homeless Count

³ National Low Income Housing Coalition, <https://reports.nlihc.org/gap/2016/tx>