

Memorandum



CITY OF DALLAS

DATE March 25, 2024

TO Honorable Members of the City Council Housing and Homelessness Solutions Committee: Jesse Moreno (Chair), Cara Mendelsohn (Vice Chair), Zarin Gracey, Chad West, Gay Donnell Willis

SUBJECT Consideration and Approval of the Sale of Land Transfer Program Lots to a Qualified Participating Developer

The purpose of this memorandum is to brief the Housing and Homelessness Solutions Committee on the proposed sale of Land Transfer Program lots to a qualified participating developer.

Summary

The City of Dallas Land Transfer Program, which was established by City Council in 2019 and is administered by the Department of Housing & Neighborhood Revitalization (Housing), currently has an inventory of two (2) lots that are offered for sale.

Lots in the Land Transfer Program are sold to eligible developers via an application process for the purpose of constructing affordable housing units and sale to income eligible homebuyers. Recently, staff received and reviewed an application from an eligible developer, SouthFair Community Development Corporation for the purchase of (eleven) 11 Land Transfer Program lot. This memorandum provides an overview of the application submitted by SouthFair Community Development Corporation for HHS Committee consideration.

Background

On May 22, 2019, City Council adopted the Land Transfer Program by Resolution No. 19-0824, as amended, for the purpose of incentivizing: (1) the development of quality, sustainable housing that is affordable to the residents of the City and (2) the development of other uses that complement the City's Comprehensive Housing Policy, Economic Development Policy, or redevelopment policy. Specifically, the Land Transfer Program authorizes the City to sell qualifying City-owned real property and resell tax-foreclosed real property to for-profit, non-profit and/or religious organizations, as applicable, in a direct sale at less than fair market value of the land, consistent with the authorizing state statute or City ordinance. The tax foreclosed lots are being sold pursuant to 34.051 of the Texas Property Tax Code.

In November 2021, an eligible developer, submitted an application (proposal) to purchase a total of eleven (11) Land Transfer Program lots. Housing staff evaluated the application pursuant to the standards set forth in the Land Transfer Program guidelines, which included determining whether the developer met the eligibility standards to be deemed a “Qualified Participating Developer” and underwriting the proposal. The application was determined to be “complete” and was assigned a score. Housing staff collaborated with Qualified Participating Developer regarding the terms of sale of the vacant lot(s) as well as the terms related to the construction and subsequent sale of single-family housing units to income eligible homebuyers.

The Developer being considered for the sale of one (1) lot is SouthFair Community Development Corporation. The Developer is a domestic 501(C)(3) nonprofit corporation established in 1991, incorporated in 1993, and is based in Dallas. SouthFair has been a nonprofit developer in the area for 30 years.

The lot at 2614 Merlin will be incorporated into the current Merlin Townhomes development due to its proximity to SouthFair’s already owned property. The lot will be replatted to be developed into 2-3 townhomes bringing the total number of townhomes on Merlin to 14-16. These townhomes on this lot will be geared towards those families that fall into the 60-80% AMI. The developer is expected to apply for a certification to become Community Housing Development Organization (CHDO) and request CHDO funding that will allow these 3-4 bedroom, 2-car garage, 1300-1600 square feet houses to sell for \$180,000 - \$228,000.

The development terms applicable to each lot are as follows:

- **Vacant Lot Sales Price:** Attached as Exhibit A.
- **Single-Family Home Sales Price:** The sales price of the home cannot exceed the current HUD HOME homeownership sales price for the Dallas, TX HUD Metro FMR Area and must be affordable based on the income of the targeted homebuyer.
- **Targeted Income of Homebuyer:** 60-80% AMI
- **Construction Timeframe:** Developer must apply for a construction permit and close on any construction financing within 60 days of purchase from the City. In addition, Developer should complete construction and sale of each affordable housing unit to an income eligible homebuyer within 2 years of the date of acquisition of the vacant lot utilized for construction of the unit.
- **Restrictive Covenants:** Developer must: (1) sell each lot to an income eligible household and (2) prior to the sale, must provide to Department of Housing and Neighborhood Revitalization staff written documentation of the income of the proposed purchaser and the sales price. After sale of the home, the property must be occupied as an income eligible household’s principal residence during the entire term of the affordability period.

- **Affordability Period:** Once the property is sold to an income eligible household, it must be occupied as the household's principal place of residence for at least five years. If the original purchaser re-sells the property during the affordability period, the property may only be sold to another income eligible household.
- **Right of Reverter:** Title to the property may revert to the City if Developer does not apply for a construction permit and close on any construction financing within 60 days of purchase from the City or does not complete the construction and sale of the affordable housing unit to an income eligible homebuyer within 2 years.

Issues

The City incurs costs related to maintaining lots in its inventory. If the Committee does not approve forwarding the proposed development to City Council to consider for approval of the sale of the vacant lot to the Qualified Participating Developer, the City will be required to continue expending funds to maintain the unsold inventory. Based on a review of the application, including financials and proposed plans for the parcel, staff is confident that SouthFair CDC will be able to complete construction of affordable housing on the land within 2 years of the date of acquisition.

Fiscal Impact

The City of Dallas will receive revenue from the sale of the lots, see attached Exhibit A, in the amount of \$1,972.28. The sales price for each lot is a minimum of \$1,000.00 for lots up to 7,500 square feet and an additional \$0.133 per square foot for lots which exceed 7,500 square feet. Upon completion of the proposed two (2) to three (3) housing units the expected property tax revenue is expected to be approximately \$4,680.42 annually. In addition, Exhibit A details the Estimated Foregone Revenues from the release of non-tax City liens: \$507.49. The City of Dallas will also collect recording fees at closing to ensure property legal documents are properly recorded in the amount of \$30.

Staff Recommendation

Staff recommends that the Housing and Homelessness Solutions Committee move this item forward to City Council so that it may consider and approve of the sale of one (1) vacant lot held by the City to the Qualified Participating Developer pursuant to the terms of development set forth in this memorandum.

Next Steps

Upon receiving HHS Committee approval, staff will place this item on the next available City Council agenda.

Should you have any questions or require any additional information, please contact me or Cynthia Rogers-Ellickson, Director, Department of Housing & Neighborhood Revitalization at Cynthia.Rogersellic@dallas.gov or 214-670-3601.



Majed A. Al-Ghafry, P.E.
Assistant City Manager

[Attachment: Project Map]

cc:

T.C. Broadnax, City Manager	M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Tammy Palomino, City Attorney	Dr. Robert Perez, Assistant City Manager
Mark Swann, City Auditor	Jack Ireland, Chief Financial Officer
Biliera Johnson, City Secretary	Genesis D. Gavino, Chief of Staff to the City Manager
Preston Robinson, Administrative Judge	Directors and Assistant Directors
Kimberly Bizer Tolbert, Deputy City Manager	
Jon Fortune, Deputy City Manager	

Exhibit A

SOUTHAIR COMMUNITY DEVELOPMENT CORPORATION

Lot #	Street #	Street Name	Neighborhood	CD	Area (SF)	Purchase Price	Type	Proposed Homebuyer AMI	Non- Tax Lien Amount
1	2614	Merlin	Jeffries-Meyers			\$ 1,972.28	tax foreclosed	60-80%	\$507.49
Total Purchase Price ¹						\$ 1,972.28	Total Non-Tax Lien Amount ²	\$ 507.49	
Total Recording Fees						\$ 30.00			
Total Purchase Price and Recording Fees						\$ 2002.28			

¹ Dallas City Code Section 2-26.9

² DWU Revenue and Business Systems Division