

# Memorandum



CITY OF DALLAS

DATE March 17, 2023

HONORABLE MEMBERS OF THE CITY COUNCIL HOUSING AND HOMELESSNESS SOLUTIONS  
TO COMMITTEE: Casey Thomas II (Chair), Jesse Moreno (Vice Chair), Carolyn King Arnold,  
Paula Blackmon, Cara Mendelsohn, Paul Ridley, Jaynie Schultz

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

On Tuesday, March 21, 2023, the Housing and Homelessness Solutions (HHS) Committee will be briefed 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 21 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, Hedgestone Investments, LLC for the purchase of ten (10) Land Transfer Program lots. This memorandum provides an overview of the application submitted by Hedgestone Investments, LLC 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 February 2023, an eligible developer, Hedgestone Investments, LLC submitted an application (proposal) to purchase a total of ten (10) 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 the Qualified Participating Developer regarding the terms of sale of the vacant lots 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 10 lots is Hedgestone Investments LLC. The Developer is a domestic limited liability company formed in Texas in 2011 and is based in Dallas. The Developer has over 20 years of market rate and affordable home building experience. The Developer is also licensed with the City of Dallas as a General Contractor and is Minority/Women Business Enterprise (M/WBE) certified. In addition, the Developer has previously participated in the City’s Land Bank Program and successfully completed the lot acquisition, development, and sale of twenty-six (26) homes to income-qualified homebuyers on Land Bank lots. Past performance strongly suggests that the Developer will continue to construct quality affordable housing units on the lots while meeting the requirements of the Land Transfer Program. The applicant has a current line of credit to support this project. The managing member of the company is David Shy Anderson.

The proposal indicates the construction of ten (10) single family units ranging from 1,551 square feet to 1,728 square feet with a minimum of three bedrooms and two baths. The price range of the proposed units will be \$204,500.00 - \$260,500.00 targeting homebuyers in an income range of 60% - 120% Area Median Income (AMI), of which six (6) units will be used to target homebuyers in an income range of 80% – 120% AMI and four (4) units will be used to target homebuyers in an income range of 60% - 80% AMI. The developer intends to market the City of Dallas Homebuyer Assistance Program to those homebuyers categorized in the 60% - 80% AMI range.

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 U.S. Department of Housing and Urban Development (HUD) HOME Investment Partnership Program (HOME) homeownership sales price for the Dallas, Texas HUD Metro Fair Market Rent (FMR) Area and must be affordable based on the income of the targeted homebuyer.
- **Targeted Income of Homebuyer:** Six (6) units will target homebuyers in an income range of 80% - 120% AMI, and four (4) units will target homebuyers in an income range of 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 two (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 & 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 (5) 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 of Dallas if Developer has 1) failed to take possession of the land within 90 calendar days after receiving the deed to the parcels of real property; 2) failed to complete construction of all required housing units or other required development on the real property, or failed to ensure occupancy by eligible households within the development timeframe set forth in the development agreement; 3) incurred a lien on the property because of violations of City ordinances and failed to fully pay off the lien within 180 days of the City's recording of the lien; or 4) sold, conveyed, or transferred the land without the consent of the City.

### **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 ten (10) vacant lots to the Qualified Participating Developer, the City will be required to continue expending funds to maintain the unsold inventory.

### **Fiscal Impact**

The City of Dallas will receive revenue from the sale of the lots, see attached Exhibit A, in the amount of \$10,256.69. 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 ten (10) housing units the expected property tax revenue is to be approximately \$64,522.12 annually. In addition, Exhibit A details the Estimated Foregone Revenues from the release of non-tax City liens: \$31,137.43. The City of Dallas will also collect recording fees at closing to ensure property legal documents are properly recorded in the amount of \$1,500.00.

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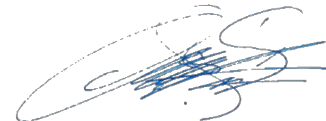
### **Staff Recommendation**

Staff recommends that the Housing and Homelessness Solutions Committee move this item forward to City Council so that it may be considered and approved of the sale of ten (10) vacant lots held by the City to the Qualified Participating Developer pursuant to the terms of development set forth in this memorandum.

### **Next Steps**

Upon receiving 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 David Noguera, Director, Department of Housing & Neighborhood Revitalization at [David.Noguera@Dallas.gov](mailto:David.Noguera@Dallas.gov) or 214-670-3619.



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

### **[Attachment: Project Map]**

c: T.C. Broadnax, City Manager  
Tammy Palomino, Interim City Attorney  
Mark Swann, City Auditor  
Biliera Johnson, City Secretary  
Preston Robinson, Administrative Judge  
Kimberly Bizer Tolbert, Deputy City Manager  
Jon Fortune, Deputy City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager  
Dr. Robert Perez, Assistant City Manager  
Carl Simpson, Assistant City Manager  
Jack Ireland, Chief Financial Officer  
Genesis D. Gavino, Chief of Staff to the City Manager  
Directors and Assistant Directors

**Exhibit A  
Hedgestone Investments, LLC**

Lot #	Street #	Street Name	Neighborhood	CD	Area (SF)	Purchase Price	Type	Proposed Homebuyer AMI	Non- Tax Lien Amount
1	2700	LAWRENCE ST	Ideal	7	5262	\$ 1,000.00	tax foreclosed	60-120%	\$ -
2	2227	LAWRENCE ST	Ideal	7	7049	\$ 1,000.00	tax foreclosed	60-120%	\$ -
3	2218	LAWRENCE ST	Ideal	7	5000	\$ 1,000.00	tax foreclosed	60-120%	\$ -
4	2318	LAWRENCE ST	Ideal	7	6375	\$ 1,000.00	tax foreclosed	60-120%	\$13,492.49
5	2410	LAWRENCE ST	Ideal	7	6303	\$ 1,000.00	tax foreclosed	60-120%	\$ -
6	2530	LAWRENCE ST	Ideal	7	6908	\$ 1,000.00	tax foreclosed	60-120%	\$ 5,464.93
7	5238	BEEMAN AVE	Jubilee	2	9430	\$ 1,256.69	tax foreclosed	60-120%	\$ 2,794.35
8	1610	KINMORE ST	Jubilee	2	7234	\$ 1,000.00	tax foreclosed	60-120%	\$ 8,285.11
9	1632	KINMORE ST	Jubilee	2	7221	\$ 1,000.00	tax foreclosed	60-120%	\$ 1,100.55
10	3239	REYNOLDS AVE	Jubilee	2	6824	\$ 1,000.00	tax foreclosed	60-120%	\$ -
<b>Total Purchase Price<sup>1</sup></b>						<b>\$10,256.69</b>	<b>Total Non-Tax Lien Amount<sup>2</sup></b>		<b>\$31,137.43</b>
<b>Total Recording Fees</b>						<b>\$ 1,500.00</b>			
<b>Total Purchase Price and Recording Fees</b>						<b>\$11,756.69</b>			

<sup>1</sup> Dallas City Code Section 2-26.9  
<sup>2</sup> DWU Revenue and Business Systems Division

# Land Transfer Lots Requested by Developer Hedgestone, LLC

