

Memorandum



CITY OF DALLAS

DATE September 23, 2022

TO Honorable Members of the City Council Housing and Homelessness 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 Thursday, September 29, 2022, the Housing and Homelessness Solutions (HHS) Committee will be briefed on the proposed sale of Land Transfer 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 44 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, Citybuild Community Development Corporation for the purchase of five (5) Land Transfer Program lots. This memorandum provides an overview of the application submitted by Citybuild Community Development Corporation for HHS Committee consideration.

Background

On May 22, 2019, City Council adopted the Land Transfer Program via Resolution No. 19-0824. The purpose of the Land Transfer Program is to incentivize: 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 in a direct sale at less than fair market value of the land, consistent with the authorizing state statute or City ordinance.

In May 2022, an eligible developer, Citybuild Community Development Corporation submitted an application (proposal) to purchase a total of five (5) Land Transfer Program lots. Four (4) lots will be sold under Chapter 34.051 of Texas Tax Code and one (1) lot, which will be used for the parking portion of the development, will be sold under Chapter

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253.011 of the Texas Local Government Code (subject to a Development Agreement requiring a right of reversion in favor of the City). 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. Staff collaborated with the Qualified Participating Developer regarding the terms of the lease for the anchor tenant as well as the terms related to the subsequent leases of ancillary tenants related to the core services of the facility.

The Developer being considered for the sale of five (5) lots is Citybuild Community Development Corporation, based in Dallas, Texas, specifically the Bonton neighborhood. The Developer is a not-for-profit Community Development Corporation (CDC) formed in 2007 and is licensed with the City of Dallas as a General Contractor and is Minority/Women Business Enterprise (M/WBE) certified. The CDC is a subsidiary of Bonton Enterprises. Bonton Enterprises has worked for the past ten (10) years to address health and wellness as well as affordable housing in the Bonton neighborhood. With the development of Bonton Farms, the organization has utilized the business as a catalyst for economic development through job creation and addressing health issues in the community. The business now includes a café, market, and welcome center. Currently, Bonton Enterprises is expanding the services in the neighborhood to include affordable housing solutions and health and wellness care for the residents of the Bonton community. The project is estimated to create 12-15 jobs in the Bonton community. In addition, the applicant has financial commitments to support this project 1.64 times. The Director for Citybuild Community Development Corporation is Trey Holloway.

The proposal indicates the construction of a Health and Wellness Center estimated to be 11,070 square feet and parking lot on five (5) vacant Land Transfer Program lots and two (2) Bonton Enterprises owned lots, the Bonton Farms Health and Wellness Center. The Center will have three (3) primary tenants. The anchor tenant will be Parkland Health and Hospital System occupying approximately 36% of the facility. A secondary tenant will be Baylor Scott and White Health occupying approximately 12% of the facility. A third tenant is expected to be a network of financial institutions and non-profit financial organizations occupying approximately 12% of the facility. The remaining square footage will be occupied by Bonton Farms for office space and common space for visitors to the facility. The primary service will be health screenings along with primary care and wellness education and activities. Ancillary services will be financial education for individuals and small businesses. The facility is expected to operate Monday through Friday, 8:00 am-5:00 pm, with additional educational programming on the weekends. In addition, Parkland Health and Hospital System is projecting approximately 3,500 visitors annually to the facility. The project is financially supported by Bonton Enterprises a component fund of The Dallas Foundation.

The development terms applicable to each lot are as follows:

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- **Vacant Lot Sales Price:** Attached as **Exhibit A**.
- **Targeted Income Group:** Bonton neighborhood, 120% area median income and below.
- **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 lease with the anchor tenant within two (2) years of the date of acquisition of the vacant lots utilized for construction of the facility.
- **Additional Obligations:** Developer must: 1) execute a lease with Parkland Health and Hospital System Parkland and 2) prior to the execution of the lease, must provide to Department of Housing & Neighborhood Revitalization staff the proposed lease agreement with the lease terms.
- **Restrictive Covenants:** Once the proposed lease is executed, it must be occupied by a health and wellness service provider as the facility's anchor tenant for at least 20 years. If the original tenant vacates the property during the affordability period, the property may only be leased to another eligible tenant.
- **Right of Reverter:** Title to the property sold under Chapter 34.051 of Texas Tax Code 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 facility or other required development on the real property, or failed to ensure occupancy by the eligible tenant 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. Title to the property sold under Chapter 253.011 of the Texas Local Government Code will revert to the City of Dallas when the property no longer primarily promotes the public purpose of the municipality.

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 five (5) 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 \$5,000.00. The sales price for each lot is a minimum of \$1,000.00 for

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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 facility the expected property tax revenue for the City of Dallas is expected to be approximately \$17,530.53 annually. The City of Dallas will also collect recording fees at closing to ensure property legal documents are properly recorded. In addition, Exhibit A details the Estimated Foregone Revenues from the release of non-tax City liens: \$10,257.31.

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 five (5) 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 or 214-670-3619.



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

Attachment: Project Map

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor 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

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Exhibit A
Citybuild Community Development Corporation

Lot #	Street #	Street Name	Neighborhood	CD	Area (SF)	Purchase Price	Type	Non- Tax Lien Amount
1	6307	CARLTON GARRETT ST	Bonton	7	5000	\$ 1,000.00	tax foreclosed	\$ 10,257.31
2	6309	CARLTON GARRETT ST	Bonton	7	4998	\$ 1,000.00	tax foreclosed	\$ -
3	6302	CANAAN ST	Bonton	7	4499	\$ 1,000.00	tax foreclosed	\$ -
4	6306	CANAAN ST	Bonton	7	4499	\$ 1,000.00	tax foreclosed	\$ -
5	6310	CANAAN ST	Bonton	7	7030	\$ 1,000.00	surplus	\$ -
TTL Purchase Price						\$ 5,000.00	TTL Non-Tax Lien Amount	\$ 10,257.31

Land Transfer Lots Requested by Developer Citybuild

