

Memorandum



CITY OF DALLAS

DATE May 19, 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 Monday, May 22, 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, Mill City Community Builders, LLC for the purchase of three (3) Land Transfer Program lots. This memorandum provides an overview of the application submitted by Mill City Community Builders, 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 March 2023, an eligible developer, Mill City Community Builders, LLC in partnership with Muse Family Foundation and Tekton Residential submitted an application (proposal) to purchase a total of three (3) 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 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 3 lots is Mill City Community Builders LLC, formed by the Mill City Community Association. The Developer is a domestic limited liability corporation formed in Texas in 2022 and is based in Dallas. The Developer will be partnering with Tekton Residential, a non-profit subsidiary of Mathews Southwest, as the Builder for the project. Tekton Residential has been building affordable residential housing since 2018. In addition, the Developer is also partnering with the Muse Family Foundation which will be providing funding for land acquisition costs and pre-construction costs and assist with securing construction financing. Working in collaboration, Mill City Community Builders, Tekton Residential and Muse Family Foundation will be constructing 16 single-family homes to be developed on a total of 11 lots creating a “pocket community” facing a communal greenspace and clubhouse. To date, Mill City Community Builders Association and its partners control 6 of the 11 lots. The approval of the sale of three (3) Land Transfer Program lots to the Developer will bring the new total to 9 of the 11 lots. The Developer is working with the other 2 property owners to acquire the remaining 2 lots.

Two (2) lots, 4907 S. Pacific and 4923 S. Pacific will have one (1) affordable housing unit constructed on each. The third lot, 2806 Troy, is an oversized lot and can accommodate the construction of three (3) affordable housing units. The Developer proposes to re-plot the oversized lot to accommodate the construction of the three (3) units. Therefore, the proposal indicates the construction of five (5) single-family units ranging from approximately 1,300 square feet (SF) to 1,500 SF with a minimum of 2 bedrooms and 2 baths each. The price range of the proposed units will have a maximum sales price of \$215,000 for those units targeting homebuyers at an area median income (AMI) of 61% - 80% and \$255,000 for those units targeting homebuyers at an AMI of 81% - 120%. Three units will target homebuyers in the 81% - 120% AMI range and two units will target homebuyers in the 61% - 80% AMI range. The developer intends to market the City of Dallas Homebuyer Assistance Program to those homebuyers categorized in the 61% - 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, TX HUD Metro Fair Market Rent (FMR) Area and must be affordable based on the income of the targeted homebuyer.

- **Targeted Income of Homebuyer:** 120% AMI 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 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 & 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 three (3) 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 \$5,964.84. 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 five (5) housing units the expected property tax revenue is expected to be approximately \$33,060.48 annually. In addition, Exhibit A details the Estimated Foregone Revenues from the release of non-tax City liens:

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\$537.76. The City of Dallas will also collect recording fees at closing to ensure property legal documents are properly recorded in the amount of \$450.00.

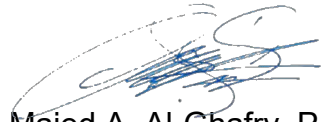
Staff Recommendation

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 three (3) 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 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 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
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

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Exhibit A
Mill City Community Builders, LLC

Lot #	Street #	Street Name	Neighborhood	CD	Area (SF)	Purchase Price	Type	Proposed Homebuyer AMI	Non- Tax Lien Amount
1	4907	S PACIFIC AVE	Mill City	7	5,815	\$ 1,000.00	tax foreclosed	60-120%	\$ 0.00
2	4923	S PACIFIC AVE	Mill City	7	3,029	\$ 1,000.00	tax foreclosed	60-120%	\$ 0.00
3	2806	TROY ST	Mill City	7	29,792	\$ 3,964.84	tax foreclosed	60-120%	\$ 537.76
Total Purchase Price¹						\$ 5,964.84	Total Non-Tax Lien Amount²		\$ 537.76
Total Recording Fees						\$ 450.00			
Total Purchase Price and Recording Fees						\$ 6,414.84			

¹ Dallas City Code Section 2-26.9
² DWU Revenue and Business Systems Division

Land Transfer Lots Requested by Developer Mill City Community Builders LLC

