

Memorandum



DATE June 22, 2020

CITY OF DALLAS

TO Members of the Housing and Homelessness Solutions Committee: Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman, Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder, Omar Narvaez

SUBJECT **Consideration and Approval of a Second Amendment to KH Solutions Development Agreement**

On Monday, June 22, 2020, the Housing and Homelessness Solutions Committee will be briefed on the proposed amendment to the KH Solutions development plan.

Summary

The Dallas Urban Land Bank Demonstration Program (Land Bank), which is managed by the Dallas Housing Acquisition and Development Corporation (DHADC), currently has a development agreement with KH Solutions for the construction and sale of affordable housing.

Recently, the DHADC Board of Directors approved a second amendment to the KH Solutions development agreement. This memorandum provides an overview of the request for the amendment and past DHADC and Council approvals to the current development agreement.

Background

On June 18, 2003, Governor Perry signed the Urban Land Bank Demonstration Program Act. The Act allows the governing body of a municipality to adopt an Urban Land Bank Demonstration Program in which the officer charged with selling real property ordered sold pursuant to foreclosure of a tax lien may sell certain eligible real property by private sale to a land bank for the purpose of affordable housing development. The City Council designated the DHADC as its land bank for the purpose of acquiring, holding and transferring unimproved real property under Subtitle A, Title 12, Local Government Code, Chapter 379C on January 28, 2004.

On February 10, 2016, City Council approved the development plan and sale of 1 lot from DHADC to KH Solutions, Inc. by Resolution No. 16-0275 to construct 1 affordable unit at approximately 1,200 square feet with a sales price of approximately \$105,000 - \$115,00 to an eligible homebuyer in the income band of 81-115% AML.

On August 10, 2016, City Council approved the amended development plan for the sale of 1 lot from DHADC to KH Solutions, Inc. by Resolution No. 16-1190 to increase the size the unit from approximately 1,200 square feet to approximately 1,200 – 1,700 square feet and increase the price of the unit to approximately \$140,000 - \$175,000.

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On June 22, 2017, City Plan Commission approved the re-platting application and recorded it on March 11, 2019, re-platting the development site from 1 lot into 3 lots.

In March 2019, KH Solutions, Inc. ("Developer") submitted a proposal to amend the current development agreement to the Dallas Housing Acquisition and Development Corporation ("DHADC"). The amendment authorizes the re-platting of the previously acquired lot, 2615 Crossman, into 3 lots, allowing the Developer to construct 3 affordable units instead of 1. In addition, the Developer proposes to increase the square footage of each unit from approximately 1,200 - 1,700 square feet to approximately 1,820 - 2,020 square feet and increase number of baths from 2 to 2.5 in each unit. In addition, the designated income band for the previously acquired lot is 81-115% area median income ("AMI"). With the development of 3 units, the new income bands will be: 1 lot at 81-115% AMI, 1 lot at 61-80% AMI and 1 lot at 60% or below AMI. All lots will have a right of reverter and affordability periods.

The new addresses for the 3 lots are as follows:

1. 1228 Duluth St.
2. 1220 Duluth St.
3. 2619 Crossman Ave.

The DHADC Board of Directors approved the amended development plan on March 21, 2019, subject to City Council approval. This item will authorize City Council approval of the amended development plan submitted by KH Solutions, Inc. to DHADC to 1) increase the number of affordable homes to be constructed on the lot from one to three, 2) increase the square footage range of each home from 1,200 - 1,700 square feet to 1,820 - 2,020 square feet, 3) increase the number of baths in each home from 2 to 2.5, 4) designate the target income bands for each home to be sold by Developer to a qualified purchaser, 5) designate the sales price range for each home as \$140,000 - \$175,000, and 6) execute and/or amend all necessary documents.

Next Steps

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

Issues

The Land Bank has supported this project in creating additional affordable housing units. If the Committee does not approve moving this request forward to the City Council the developer will be limited to constructing 1 unit. In addition, the developer has completed the first affordable unit and is ready to proceed with the construction of the additional units, delaying the approval process will add to the construction timeline with associated financing and security costs.

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Fiscal Impact

The City Council has allocated \$1.5 million in bond funding to support the acquisition and disposition of unimproved tax foreclosed properties by the Land Bank. There is no additional fiscal impact.

Departments/Committee Coordination

The DHADC Board of Directors considered and approved the sale of Land Bank lots on October 17, 2019 and November 21, 2019.

Staff Recommendation

Staff recommends that the Housing and Homelessness Solutions Committee move this item forward to the City Council so that it may consider and approve of the amendment to the KH Solutions development agreement pursuant to the terms of development set forth in this memorandum and as further described on Exhibit A.



David Noguera

Director, Department of Housing & Neighborhood Revitalization

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager

Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager
Dr. Eric A. Johnson, Chief of Economic Development and Neighborhood Services
M. Elizabeth Reich, Chief Financial Officer
Laila Alequresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

EXHIBIT "A"

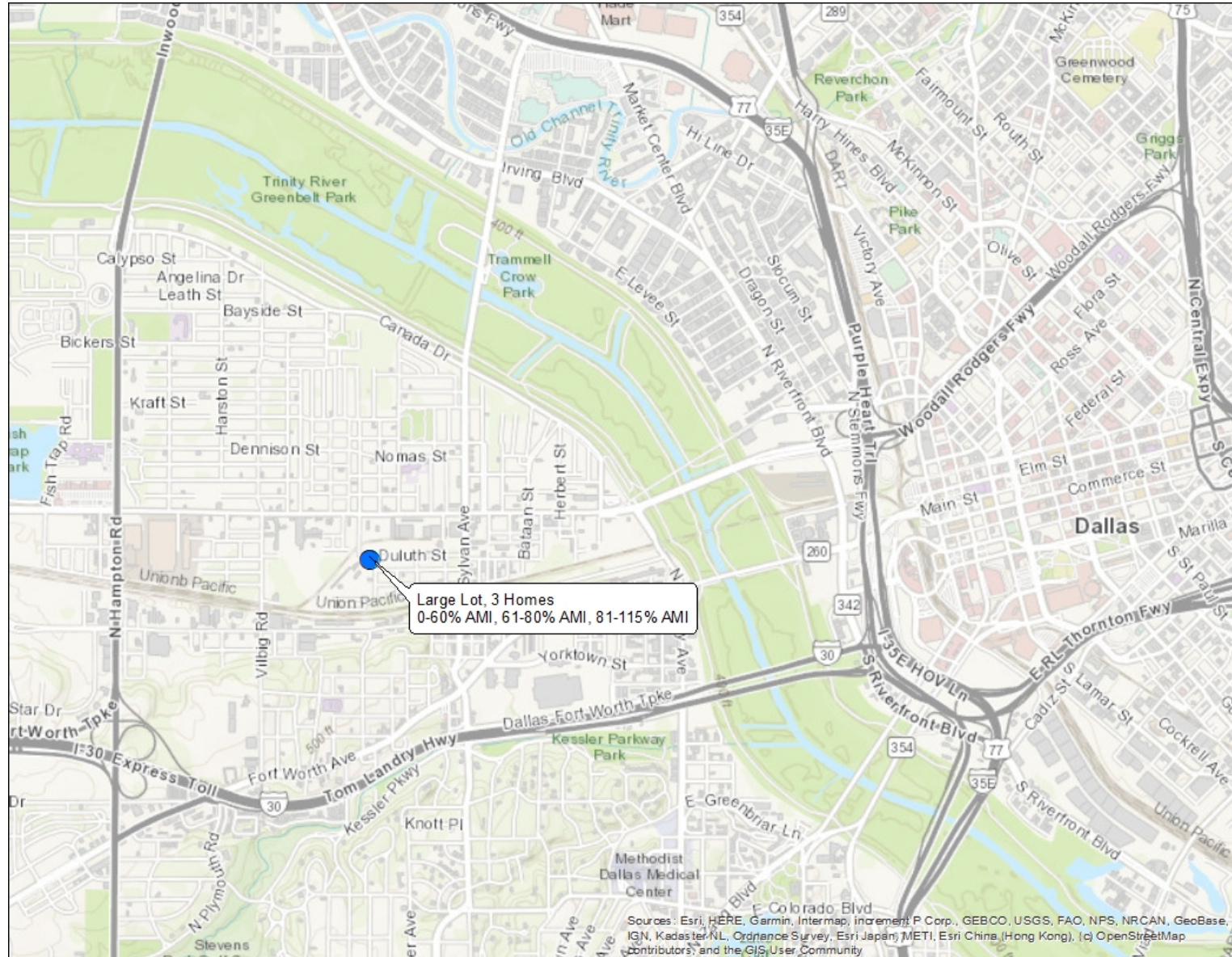
Exhibit A							
PARCEL NUMBER	STREET ADDRESS LEGAL DESCRIPTION	COUNCIL DISTRICT	QUALIFIED PURCHASER	SALE AMOUNT	AMI TARGET	BED/BATH	AMOUNT OF NON-TAX LIENS
1	1228 Duluth St. (formerly 2615 Crossman Ave.) Lot 15 & South 40 feet of Lot 16, West End Addition Block 13/7265	6	KH Solutions, Inc.	\$5,000.00	81-115%	3/2.5	\$15,380.77
2	1220 Duluth St. (formerly 2615 Crossman) Lot 15 & South 40 feet of Lot 16, West End Addition Block 13/7265	6	KH Solutions, Inc.		61-80%	3/2.5	
3	2619 Crossman Ave. (formerly 2615 Crossman) Lot 15 & South 40 feet of Lot 16, West End Addition Block 13/7265	6	KH Solutions, Inc.		60% and below	3/2.5	

KH Solutions Lot Location



City of Dallas

- 1228 Duluth St. (district 6, 81-115% AMI)
(previously 2615 Crossman Ave.)
- 1220 Duluth St. (district 6, 61-80% AMI)
(previously 2615 Crossman Ave.)
- 2619 Crossman Ave. (district 6, 60% and below AMI)
(previously 2615 Crossman Ave.)



DHADC