

Memorandum



DATE January 20, 2023

CITY OF DALLAS

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 **Upcoming Agenda Item: Amendment to Dallas Homebuyer Assistance Program**

SUMMARY

An agenda item for the Department of Housing & Neighborhood Revitalization (Housing) will be considered by the City Council on February 22, 2023. This item will authorize an amendment to the City of Dallas Comprehensive Housing Policy (CHP) to amend the Dallas Homebuyer Assistance Program (DHAP) to expand and include a third program, the Dallas Anti-Displacement Homebuyer Assistance Program (DHAP 10) that will serve low-and-moderate income families who currently live in the City of Dallas, with a residency of 10 years or more cumulative who are in search of affordable housing and to retain them in the City limits. Household incomes must be between 50%-120% of the Area Median Income (AMI) and provide up to \$50,000 in homebuyer assistance. This amendment will also amend the current DHAP program and the Targeted Homebuyer Incentive Program to adjust the underwriting criteria from 32% to 35% and increase the amount of funding for non-high opportunity areas to up to \$50,000 per household.

BACKGROUND

On November 28, 2018, City Council authorized amendments to the CHP to make technical changes to the DHAP Program by Resolution No. 18-1680 that included; changing the minimum eligible income for an applicant from 40% Area Median Family Income to 60% Area Median Family Income; required that an applicant have cash reserves; align the credit standards with other City programs; and modified the terms under which the heir(s) of an applicant who received DHAP funding may repay the loan.

Additional amendments were approved on June 26, 2019 by Resolution No. 19-1041 and August 26, 2020 by Resolution No. 20-1220, with the last amendment approved on October 13, 2021 by Resolution No. 21-1656 that amended; a change the citizenship definition for applicants to meet the guidelines set forth by the U.S. Department of Housing and Urban Development (HUD); removed the minimum income requirement of 60% of the AMI; removed the minimum 26% front-end loan to income ratio requirement; and modified the Targeted Homebuyer Incentive Program to remove federal requirements when assistance is provided to homebuyers using nonfederal funds.

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Feedback from program lending partners stated difficulties in qualifying mortgage loans with the program's underwriting criteria due to the rise in interest rates, making mortgage loans more expensive for low to moderate income buyers. It was recommended that the housing payment ratio be reasonably increased for easier qualification while maintaining affordability.

Establishing the Anti-Displacement Homebuyer Assistance Program (DHAP 10), increasing the assistance amount across all DHAP programs and adjusting the underwriting criteria would support the City Manager's goal of the Racial Equity Plan which reflects the intentional process by City departments to identify existing disparities in outcomes across various indicators, develop strategies, and target investments to improve success for Dallas residents.

ISSUE

Dallas Residents are seeking housing and homeownership opportunities outside of the City limits. The average monthly rent in Dallas for a one bedroom 848 sq. ft. apartment is \$1,568 compared to average monthly rentals under \$1,450 in Mesquite, Arlington, Garland, Forney, Fort Worth, and Desoto. The average 3-bedroom single family home rental is \$2,702 and would require a monthly income of \$8,445. The average sales price in Dallas is \$341,000. Whereas in Kaufman County, one of the fastest growing counties in North Texas, the average sales price is \$335,000.

With the current housing market of increased home prices and interest rates, low to moderate homebuyers have less buying power. For example, a single homebuyer at 80% AMI with a current interest rate of 6.00% is estimated to afford a maximum mortgage amount of \$177,000, compared to last year's average interest rate of 3.00% with a maximum mortgage of \$252,000. Using this example, increasing the housing expense ratio from 32% to 35% with a current interest rate of 6.00% would allow more of a mortgage loan of up to \$200,000.

DHAP currently provides homebuyer assistance of up to \$40,000 for non-high opportunity areas, up to \$60,000 for purchase properties in high opportunity areas, and requires no more than 32% of their monthly gross income as a housing payment. An individual at 80% AMI or monthly gross income of \$4,545 can only afford \$1,454 as a housing payment. By increasing the housing expense ratio to 35% and with the increase in subsidy to \$50,000, a single homebuyer with a maximum affordable mortgage loan of \$200,000 could purchase at a price of up to \$250,000.

STAFF RECOMMENDATION

To serve potential homebuyers with affordable homeownership opportunities in Dallas, Housing has the following amendments:

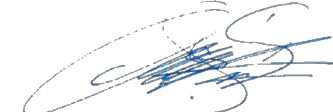
1. Establish the Anti-Displacement Homebuyer Assistance Program.

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2. Increase the assistance to \$50,000 for non-high opportunity areas and the Targeted Homebuyer Assistance Program.
3. Amend the underwriting criteria across all DHAP programs by increasing the housing payment ratio from 32% to 35%.

These amendments will allow for the program to address the affordable homeownership opportunities for current and new Dallas Residents by reducing barriers for mortgage loan qualification and program eligibility. Since the last amendment, the program has provided homebuyer assistance to 19 families.

Should you have any questions please contact David Noguera, Director of Housing & Neighborhood Revitalization at (214) 670-5988 or david.noguera@dallas.gov.



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