

Memorandum



CITY OF DALLAS

DATE January 20, 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, January 23, 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 24 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, Muleshoe Properties, Inc. for the purchase of five (5) Land Transfer Program lots. This memorandum provides an overview of the application submitted by Muleshoe Properties, Inc. 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 September 2022, a qualified participating developer, Muleshoe Properties, Inc. submitted an application (proposal) to purchase a total of five (5) 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

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met the eligibility standards to be deemed a “Qualified Participating Developer” and underwriting the proposal. The application was determined to be “complete” and met minimum scoring to be eligible. 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 five (5) lots is Muleshoe Properties, Inc., based in Dallas, Texas. The Developer is a for-profit domestic corporation formed in Texas in 1997 and is licensed with the City of Dallas as a General Contractor and is Minority/Women-Owned Business Enterprise (M/WBE) certified. The company has six (6) years of home building experience and twenty (20) years of commercial development experience, specifically medical and office. The company does have experience constructing and selling in southern Dallas to homebuyers in the income range as the Land Transfer Program. To date, the applicant has constructed and sold approximately nineteen (19) market rate homes and affordable housing units in southern Dallas. The applicant has a current line of credit to support this project 1.6 times. The Managing Partner of the company is Dr. Michelle Morgan.

The proposal indicates the construction of five (5) single-family units ranging from 1,572 square feet to 1,700 square feet with a minimum of three bedrooms and two baths. The price range of the proposed units will be \$210,000.00 - \$246,000.00 targeting homebuyers in an income range of 60% - 120% of the Area Median Income (AMI). Three (3) units will be used to target homebuyers in an income range of 80% – 120% AMI and two (2) 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:** Three (3) units will target homebuyers in an income range of 80% - 120% AMI, and two (2) 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

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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 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 \$5,542.25. 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 \$31,925.38 annually. In addition, Exhibit A details the Estimated Foregone Revenues from the release of non-tax City liens: \$58,773.04. The City of Dallas will also collect recording fees at closing to ensure property legal documents are properly recorded in the amount of \$750.00.

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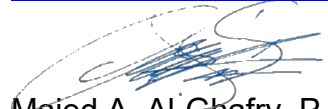
Staff Recommendation

Staff recommends that the Housing and Homelessness Solutions Committee move this item forward to City Council so that it may consider and approve 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 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
Muleshoe Properties, Inc.

Lot #	Street #	Street Name	Neighborhood	CD	Area (SF)	Purchase Price	Type	Proposed Homebuyer AMI	Non- Tax Lien Amount
1	4902	COLONIAL AVE	Ideal	7	5000	\$ 1,000.00	tax foreclosed	60-120%	\$ -
2	1713	PEAR ST	Ideal	7	7500	\$ 1,000.00	tax foreclosed	60-120%	\$ 21,150.00
3	3417	WENDELKIN ST	Ideal	7	11552	\$ 1,538.92	tax foreclosed	60-120%	\$ 15,851.70
4	3613	COLONIAL AVE	Ideal	7	6100	\$ 1,000.00	tax foreclosed	60-120%	\$ -
5	2913	HOLMES ST	Ideal	7	7525	\$ 1,003.33	tax foreclosed	60-120%	\$ 21,771.34
Total Purchase Price¹						\$ 5,542.25	Total Non-Tax Lien Amount²		\$ 58,773.04
Total Recording Fees						\$ 750.00			
Total Purchase Price and Recording Fees						\$ 6,292.25			

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

Land Transfer Lots Requested by Developer Muleshoe Properties Inc

