

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 Bank 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 Bank Program lots to a qualified participating developer.

Summary

The City of Dallas Land Bank Program, which was established by City Council in 2004 and is administered by the Dallas Housing Acquisition and Development Corporation (DHADC), currently has an inventory of 123 lots that are offered for sale.

Lots in the Land Bank 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, Kori Homes, Inc., for the purchase of four (4) Land Bank Program lots. This memorandum provides an overview of the application submitted by Kori Homes, Inc. for HHS Committee consideration.

Background

On January 28, 2004, City Council established the DHADC as its Land Bank for the purpose of acquiring, holding, and transferring unimproved real property. The objective of the Land Bank Program is to: 1) reclaim vacant real property from tax delinquency status and 2) use such property to develop affordable housing for low-income households or for commercial purposes. The resale of such property will enable the development of new single-family homeownership or rental units to serve low-income households or the development of commercial uses that stabilize distressed communities. This Program is implemented via a statutorily authorized tax foreclosure process for properties with five or more years of delinquent property taxes. In order to achieve the public purpose of creating affordable housing for low-income households, all residential properties sold by DHADC will be deed restricted to require the development and sale, rental, or lease-purchase to low-income households, meaning households with a gross income of not greater than 115% of the Area Median Family Income (AMFI). Properties intended for commercial use that are acquired and resold by DHADC need only serve the public purpose of economic development.

In March 2023, an eligible developer, Kori Homes, Inc., submitted an application (proposal) to purchase a total of four (4) Land Bank Program lots. Housing Department staff evaluated the application pursuant to the standards set forth in the Land Bank 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 by Housing Department staff. Staff collaborated with the 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 four (4) lots is Kori Homes, Inc. The Developer is a domestic for-profit corporation formed in Texas in 2021 and is based in Dallas. The company’s managers and owners are Elias and Carolyn Khoury. The Developer has been constructing single-family homes since 2015 and is registered with the City of Dallas as a Building Contractor. The company has constructed both market rate homes as well as affordable housing units. In addition, the company has experience with townhome and warehouse construction. The company’s most recent experience comparable to the Program design is the construction of 12 housing units in South Dallas demonstrating an understanding for the target market in building affordable homes on the proposed properties. Both owners have participated in the Land Transfer Program through their affiliate company CTE Homes LLC and completed 10 affordable housing units within the dedicated timeframes and program guidelines.

The proposal indicates the construction of four (4) single-family units ranging from approximately 1,355 square feet (SF) to 1,630 SF with a minimum of 3 bedrooms and 2 baths each. The price range of the proposed units will have a maximum sales price of \$182,000 for those units targeting homebuyers at an area median income (AMI) of 60% and below, \$215,000 for those units targeting homebuyers at an AMI of 61% - 80% and \$255,000 for those units targeting homebuyers at an AMI of 81% - 115%. One unit will target homebuyers in the 81% - 115% AMI range, two units will target homebuyers in the 61% - 80% AMI range and one unit will target homebuyers in the 60% and below 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:** 115% 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 4 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 4 years.

Issues

DHADC incurs costs related to maintaining lots in its inventory. If the HHS Committee does not approve forwarding the proposed development to City Council to consider for approval of the sale of the four (4) vacant lots to the Qualified Participating Developer, DHADC will be required to continue expending funds to maintain the unsold inventory.

Fiscal Impact

DHADC will receive revenue from the sale of the lots, see attached Exhibit A, in the amount of \$54,000.00. The sales price for each lot is \$11,500 for those units targeting homebuyers at an AMI of 60% and below, \$13,500 for those units targeting homebuyers at an AMI of 61% - 80% and \$15,500 for those units targeting homebuyers at an AMI of 81% - 115%. Upon completion of the proposed four (4) housing units the expected property tax generated is expected to be approximately \$24,470.13 annually. In addition, Exhibit A details the Estimated Foregone City of Dallas Revenues from the release of non-tax City liens: \$99,095.40.

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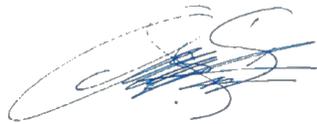
Staff Recommendation

Staff recommends that the Housing and Homelessness Solutions Committee move this item forward to City Council so that it may consider and approve the sale of four (4) vacant lots owned by DHADC 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

**Exhibit A
Kori Homes, Inc.**

Lot #	Street #	Street Name	Area (SF)	Purchase Price	CD	MVA	Proposed Homebuyer AMI	Non- Tax Lien Amount
1	4326	Copeland Ave	4,515	\$11,500.00	7	H	60% and below	\$ 22,368.30
2	1609	Pine St	7,500	\$13,500.00	7	I	61-80%	\$ 22,219.12
3	2723	Lawrence St	7,140	\$13,500.00	7	I	61-80%	\$ 21,956.02
4	2225	Jordan St	5,980	\$15,500.00	7	I	81-115%	\$ 32,551.96
Total Purchase Price				\$54,000.00	Total Non-Tax Lien Amount¹			\$ 99,095.40
Total Recording Fees				\$ 600.00				
Total Purchase Price and Recording Fees				\$54,600.00				

¹ DWU Revenue and Business Systems Division

Land Bank Lots Requested by Developer Kori Homes

