

Memorandum



CITY OF DALLAS

DATE January 9, 2020

TO The Honorable Members of the Housing and Homelessness Solutions Committee:
Chad West, Chair, Casey Thomas, Vice-Chair, Carolyn King Arnold, Lee M. Kleinman,
Paula Blackmon, Cara Mendelsohn, Jaime Resendez

SUBJECT **Consideration and Recommendation of City Council Approval of an Award of Funding and Authorization to Enter into a Development Agreement with Notre Dame Place, Inc. to Develop Affordable Housing Units as Part of the 2019 Single Family Notice of Funding Availability (NOFA)**

Summary

On January 14, 2020, the Housing and Homelessness Solutions Committee will consider whether to recommend that the City Council authorize an award of funding to Notre Dame Place, Inc. (Developer) as part of the 2019 Single Family Notice of Funding Availability (NOFA) and authorize staff to enter into a development agreement setting forth the terms of the development of affordable housing units.

Background

On July 5, 2019, Notre Dame Place, Inc. submitted a NOFA proposal for the construction of up to ninety-nine (99) single-family homes on the Land Transfer lots identified as Five Mile Clusters 1 through 6 in Southern Dallas. Bill Hall is the Executive Director of Notre Dame Place, Inc. and Joe Dingman is the Treasurer. The proposed project provides housing options for households between 60-120% of the Area Median Income (AMI). The proposal received 106.00 points out of a possible 140 points from the NOFA evaluation committee—thus making it eligible for underwriting and consideration for funding. Department staff subsequently worked with a third-party underwriter to confirm development assumptions submitted in the proposal.

The proposed development site is located less than two miles from several areas where the City has made a financial investment for community development and public safety purposes, including: (1) the University Hills Sub-District of the University Tax Increment Financing (TIF) District, consisting of approximately 297 acres adjacent to the University of North Texas at Dallas, generally located north of Interstate Highway 20 (Lyndon B. Johnson Freeway), west of Lancaster Road, and south of the DART rail line and (2) the Dallas Police Department South Central Patrol Station located at 1999 East Camp Wisdom Road. The proposed development site is also located approximately 1.5 miles from the University of North Texas at Dallas campus located at 7300 University Hills

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Boulevard and 1.4 miles from the Camp Wisdom Dallas Area Rapid Transit (DART) Light Rail Station.

Due to the scope of the proposed project, and in order to mitigate risks related to non-performance, construction of the project will occur in five phases. In the first phase of the project, the City will provide Developer an option to purchase up to 20 Land Transfer lots. Thereafter, following successful completion of each preceding phase, the City will provide Developer an option to purchase up to an additional 20 Land Transfer lots, with up to 99 total lots purchased. For purposes of exercising the purchase option, Developer must have sold or be under contract to sell at least 60% of the homes in the preceding phase.

As underwritten, the proposed development consists of forty (40) HOME-assisted units to be sold to households in the 60-80% AMI income band and up to fifty-nine (59) units to be sold to households earning up to 120% of the AMI. As proposed, the project includes seven (7) distinct model types, with and without garages, that are offered at three different price points. Each model offers a minimum of 3 bedrooms and 2 baths. Larger models include 5 bedrooms and 3 baths. Homes will range from 1,400 square feet to 2,336 square feet. Price points will range from \$175,000.00 to \$220,000.00 with an average sales price of \$190,664.00. All units will remain affordable for a minimum of five years. HOME-assisted units will remain affordable for a minimum of 15 years.

Developer seeks \$1,600,000.00 in HOME funds for the construction of the forty (40) units targeted at households between 60-80% of the AMI. This represents a subsidy of \$40,000.00 per HOME-assisted unit and will be used either as a developer subsidy or as a homebuyer subsidy to bring the home into congruence with the affordability standards for each homebuyer. Provision of HOME funds allows for high-quality housing to be purchased by households between 60-80% of the AMI.

The following are provided below: (1) a chart summarizing the proposed unit types, price-points, and the minimum affordability period, (2) a neighborhood-level map that displays the locations of the proposed homes, (3) a map that displays the locations of the proposed homes and includes the Market Value Analysis (MVA) and Racially and Ethnically Concentrated Areas of Poverty (R/ECAP) data layers, and (4) the proposed elevations:

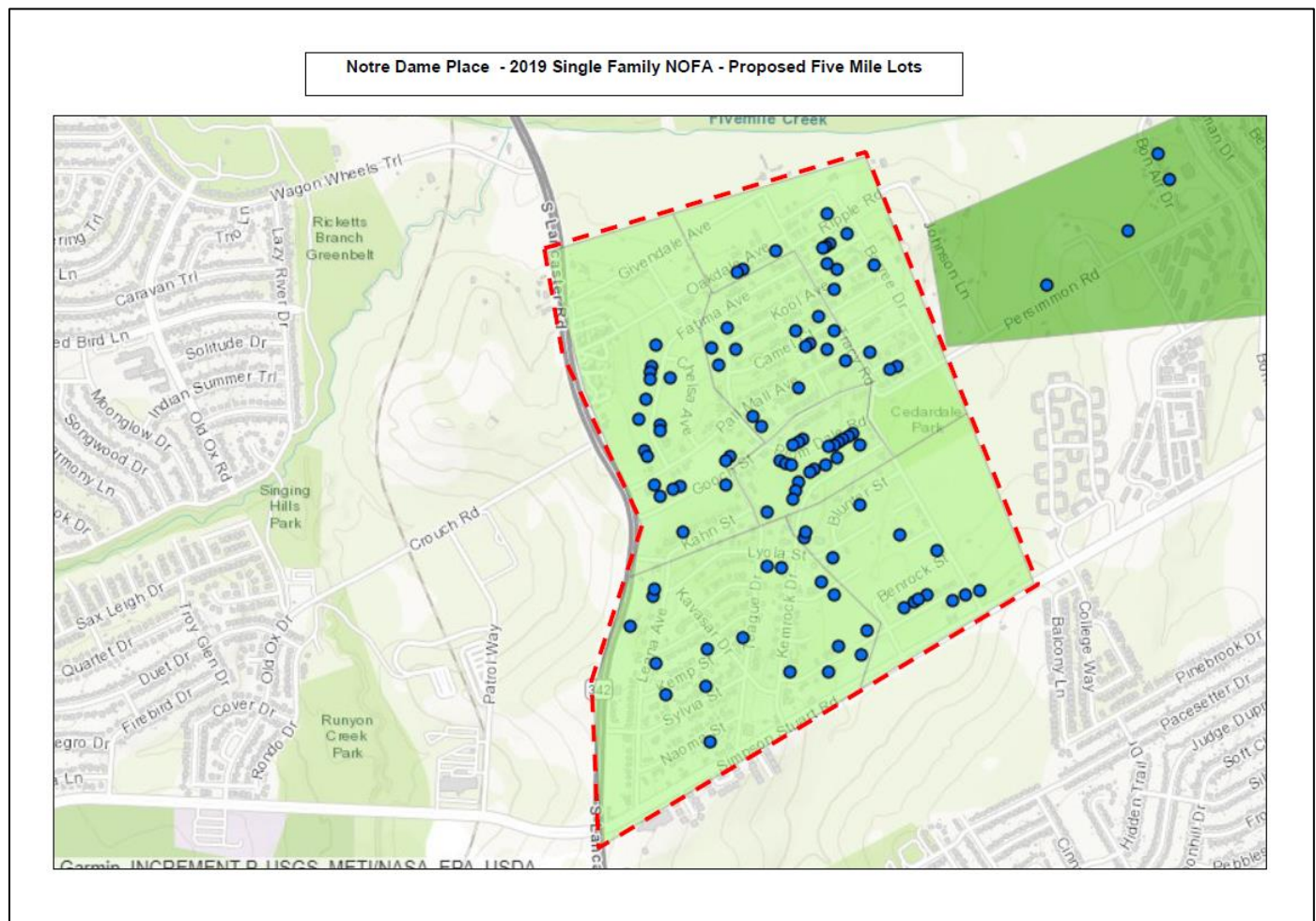
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Project Summary

Sq. Ft.	Beds	Baths	Sales Price	AMI Target	Minimum Affordability Period
1470	3	2	\$ 175,000.00	60%-120%	5 Years
1500	3	2	\$ 190,000.00	60%-120%	5 Years
2336	5	3	\$ 220,000.00	60%-120%	5 Years

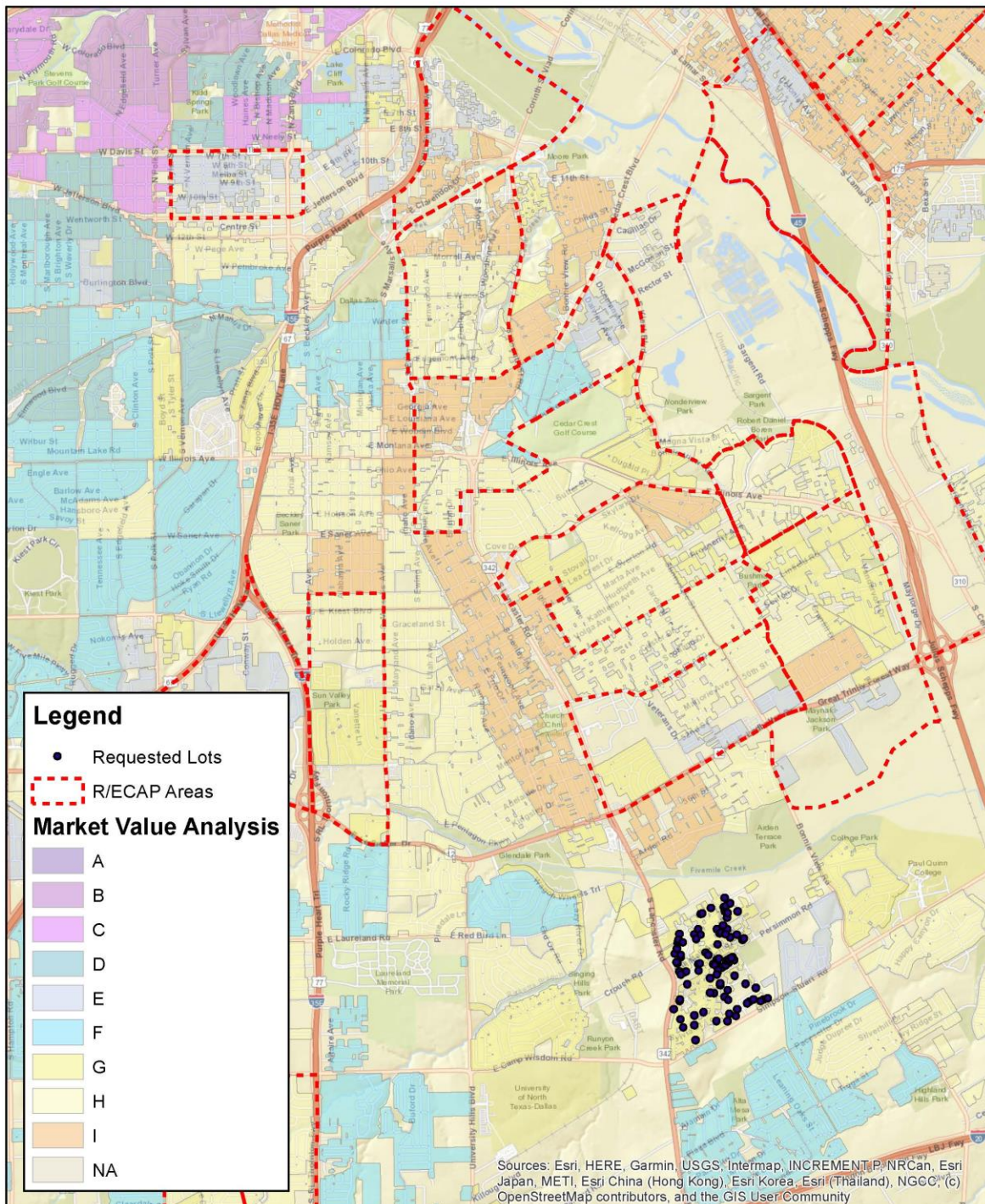
Five Mile Land Transfer Clusters 1-6



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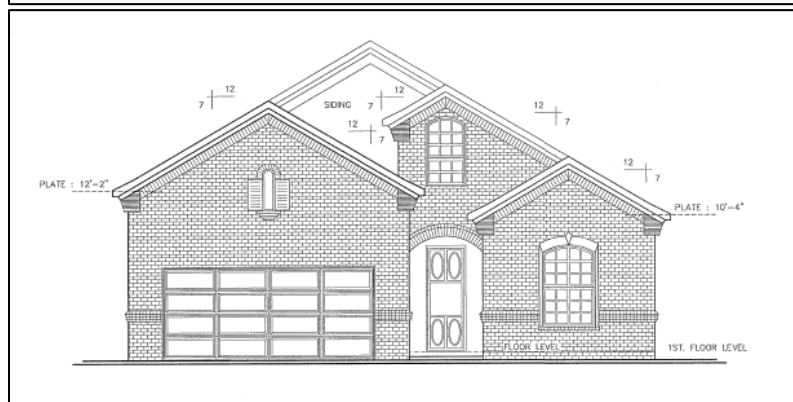
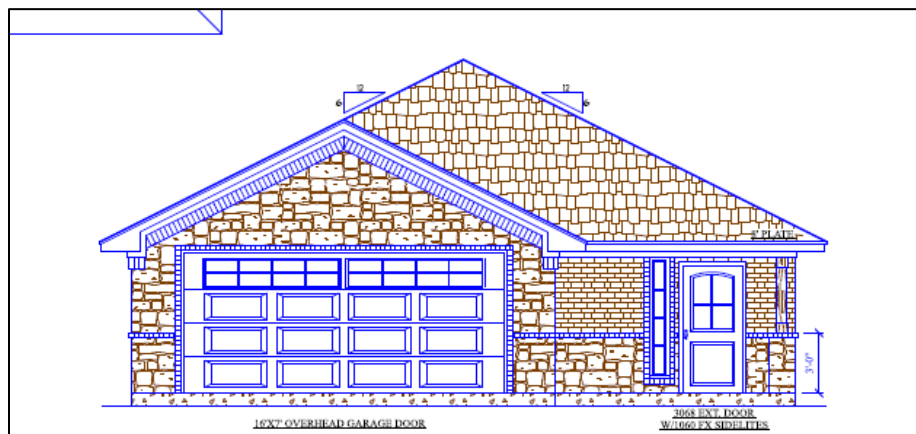
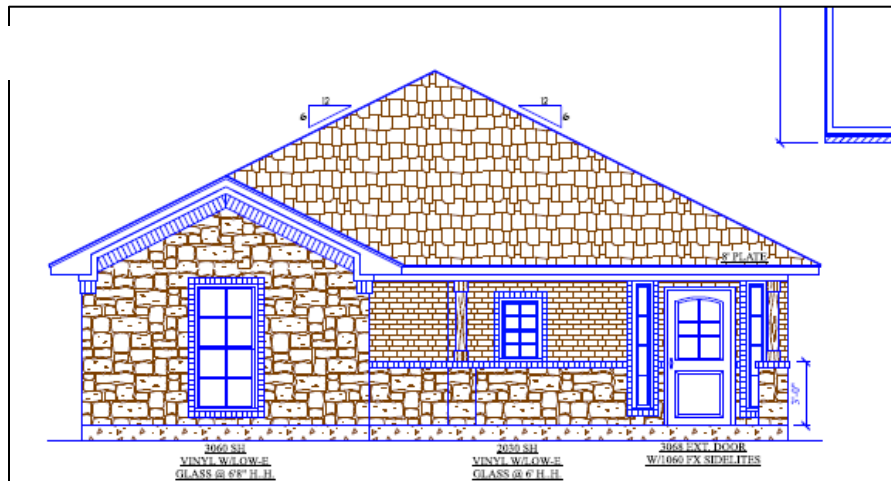
Notre Dame Place Land Transfer Application Map



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Proposed Elevations



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Issue

At present, the City controls 99 vacant lots in the Five Mile area. As confirmed in the underwriting report and the proposal, the Five Mile area has seen little new development. However, the market study analyzed by the third-party underwriter confirms that there is demand for 3-bedroom homes in the area. Although the market for 5-bedroom homes is not as detectable, the price points provided by the Developer conform to the available market data for the Five Mile area. Further confirmed in the underwriting, the provision of homebuyer assistance allows for all seven proposed models to be purchased by households at 60-80% of the AMI.

Fiscal Impact

As proposed, the Developer seeks \$1,600,000.00 in HOME funding for construction costs and for homebuyer assistance for 60-80% AMI households. The resulting capital stack is as follows:

Sources			Uses	
Developer Equity	\$ 3,882,000.00	19%	Acquisition + construction	\$ 3,882,000.00
City of Dallas HOME Funds	\$ 1,600,000.00	8%	Unit Construction + Mortgage Write-down for eligible homebuyers	\$ 1,600,000.00
St. Margaret - Debt Line of Credit	\$ 2,384,000.00	11%	Unit Construction	\$ 2,384,000.00
Construction Loan	\$13,099,000.00	62%	Unit Construction	\$ 13,099,000.00
	\$20,965,000.00			\$ 20,965,000.00

The developer fee for the project is approximately \$2,000,000.00 and represents 9.5% of the total development costs.

As proposed, the development will generate approximately \$527,717.62 in annual property taxes of which \$149,924.58 will be captured as revenue by the City of Dallas. Sale of the Land Transfer lots will result in up to \$108,225.56 in revenue for the City of Dallas. Lastly, the City of Dallas will save approximately \$138,996.00 in annual maintenance cost for the Land Transfer lots.

Staff Recommendation

- As substantiated in the underwriting report, staff recommends City Council approval of the item as detailed herein. Passage of the item will help the City achieve its affordable housing production goals.

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- As substantiated in the underwriting report, Developer has the experience to successfully complete the proposed project. Staff will continue to work with the Developer to address outstanding due diligence items outlined in the underwriting report prior to entering into any agreements.

Please feel free to contact David Noguera, Director of Department of Housing & Neighborhood Revitalization at 214-670-5988, or david.noguera@dallascityhall.com if you have any questions or need additional information.



Michael A. Mendoza
Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Billieae 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
M. Elizabeth Reich, Chief Financial Officer
Laila Alequresh, Chief Innovation Officer
Directors and Assistant Directors