File #: 22-953, **Version:** 1

STRATEGIC PRIORITY:	Housing & Homelessness Solutions
AGENDA DATE:	June 22, 2022
COUNCIL DISTRICT(S):	4
DEPARTMENT:	Department of Housing & Neighborhood Revitalization
EXECUTIVE:	Majed Al-Ghafry

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SUBJECT

Authorize **(1)** the sale of up to 16 Land Transfer Program lots to Covenant Homes Construction & Renovation LLC, and/or its affiliates (Developer) subject to restrictive covenants, a right of reverter, and execution of all necessary documents, pursuant to the City's Land Transfer Program - Estimated Revenue: General Fund $16,000.00; **(2)** the release of lien for all non-tax City liens, notices, or orders that were filed on up to 16 Land Transfer Program lots sold to Developer prior to or subsequent to the deeds transferring the lots to the City of Dallas; and **(3)** execution of a development agreement with Developer for the construction of up to 16 single-family homes on the Land Transfer Program lots - Estimated Revenue Foregone: General Fund $34,541.77

BACKGROUND

On May 22, 2019, City Council adopted the Land Transfer Program via Resolution No. 19-0824. The purpose of the Land Transfer Program is to incentivize: 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 in a direct sale at less than fair market value of the land, consistent with the authorizing state statute or city ordinance.

In March 2022, an eligible developer, Covenant Homes Construction & Renovation LLC submitted an application (proposal) to purchase a total of 16 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 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. 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 16 lots is Covenant Homes Construction & Renovation LLC, based in Dallas, Texas. The Developer is a limited liability corporation formed in Texas in 2017 and is licensed with the City of Dallas as a General Contractor and is MWBE certified. The company has five years of home building experience as well as home renovation experience. To date, the applicant has constructed and sold market rate homes and affordable housing in Dallas and the surrounding area. The company does have experience constructing and selling in southern Dallas to homebuyers in the income range as the Land Transfer Program. The applicant has a current line of credit to support this project 1.15 times. The Managing Member of the company is Wendell Lockhart.

The proposal indicates the construction of 16 single family units ranging from 1,521 square feet to 1,790 square feet with a minimum of three bedrooms and two baths. The price range of the proposed units will be $180,000.00 - $215,000.00 targeting homebuyers in an income range of 60 - 120% of the area median income (AMI), of which 7 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 HUD HOME homeownership sales price for the Dallas, TX HUD Metro FMR Area and must be affordable based on the income of the targeted homebuyer.

- **Targeted Income of Homebuyer:** Nine (9) units will target homebuyers in an income range of 80 - 120% AMI, and seven (7) 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 housing unit to an income eligible homebuyer within two 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 and 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 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.

- **Unit Sales Price:** Units must be sold to an income eligible homebuyer at a final sales price between $180,000.00 - $215,000.00.

ESTIMATED SCHEDULE OF PROJECT

Begin Project   August 2022
Complete Project   August 2024

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

This item was distributed as a Friday memo on June 10, 2022.

FISCAL INFORMATION

Estimated Revenue: General Fund $16,000.00

The City of Dallas will receive revenue from the sale of the lots, see attached **Exhibit A**, in the amount of $16,000.00. For tax foreclosed lots, 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. Surplus lot(s) shall be offered at fair market values. A discount is available if project underwriting indicates that the discount is needed either to ensure the viable sale, lease or lease-purchase to an income-qualified buyer. The City of Dallas will also collect recording fees at closing to ensure property legal documents are properly recorded.

Estimated Revenue Foregone: General Fund $34,541.77

In addition, **Exhibit A** details the Foregone Revenues from the release of non-tax City liens: $34,541.77

M/WBE INFORMATION

In accordance with the City's Business Inclusion and Development Policy adopted on September 23, 2020, by Resolution No. 20-1430, as amended, the M/WBE participation on this contract is as follows:

Contract Amount	Procurement Category	M/WBE Goal	M/WBE %	M/WBE $

$2,830,617.00	Construction	32.00%	32.00%	$905,797.00
• This contract meets the M/WBE goal.				
• Covenant Homes Construction & Renovation LLC - Local; Workforce - 100.00% Local				

DEVELOPER

Covenant Homes Construction & Renovation LLC
Wendell Lockhart, Managing Member

MAP

Attached