



Legislation Text

File #: 20-335, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: February 26, 2020
COUNCIL DISTRICT(S): 8
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Michael Mendoza

SUBJECT

Authorize the **(1)** sale of up to 99 of the Land Transfer lots included in and identified as Five Mile clusters 1-6 as shown in Exhibit A, to Notre Dame Place, Inc. 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 and the New Construction and Substantial Rehabilitation Program; **(2)** release of all non-tax City liens, notices, or orders that were filed on the 99 Land Transfer lots prior or subsequent to the deeds transferring the lots to the City of Dallas; and **(3)** execution of a loan agreement with Developer and/or its affiliates - Not to exceed \$1,600,000.00 - Financing: HOME Investment Partnerships Program Funds (This item was deferred on January 22, 2020)

BACKGROUND

The Department of Housing and Neighborhood Revitalization (Housing) administers two related programs that seek to appropriately incentivize private investment for the development of quality, sustainable housing that is affordable to the residents of the City: (1) the New Construction and Substantial Rehabilitation Program, which seeks to provide financial assistance to new developments or substantial rehabilitation developments, where such assistance is necessary; and (2) the Land Transfer Program, which allows Housing 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 statute or ordinance.

On May 9, 2019, Housing released a Notice of Funding Availability (NOFA) for single-family housing development, pursuant to both the New Construction and Substantial Rehabilitation Program and the Land Transfer Program. The primary purpose of the NOFA was to provide gap financing in the form of a repayable loan or grant to support new development and single family for-sale, lease-purchase or rental housing units or substantial rehabilitation of existing single-family housing units located within the City limits. Additionally, the NOFA served as the means by which proposers could apply to purchase land at a below-market price via the Land Transfer Program. Eligible land was offered in "clusters" of approximately 5 to 24 geographically proximate parcels.

Various sources of funding were made available through the NOFA, including:

- \$2,454,933.00 in HOME Investment Partnerships Program (HOME) Funds;
- \$2,585,000.00 in HOME Community Housing Development Organization (CHDO) set aside;
- up to \$8,000,000.00 in General Obligation (GO) Bonds reserved for housing activities in District 4; and
- up to \$8,000,000.00 in GO Bonds reserved for housing activities in District 7.

Through its scoring criteria, the NOFA prioritized proposals that: (1) based on feasibility and consistency of the proposed development scheduled, could expeditiously assist the City with meeting its annual production goals; (2) proposed a comprehensive, data-driven approach to solving a housing issue identified in the Comprehensive Housing Policy (CHP); (3) proposed to develop housing units on parcels of real property offered through the Land Transfer Program as well as on parcels of land owned by the proposer; (4) served a range of income bands from 30-120% of Dallas Area Median Income (AMI), based on market, development type and funding source; (5) are mixed income and include both affordable and market rate units; (6) are located near amenities such as full-scale grocery stores, major employment centers, and public parks; and (7) will be developed and managed by individuals or entities who have significant experience in successfully developing and managing projects that include an affordable housing component.

A five-member committee from the following departments reviewed and evaluated the proposals:

- Department of Housing and Neighborhood Revitalization;
- Department of Planning and Urban Design;
- Department of Sustainable Development and Construction;
- Office of Economic Development; and
- Office of Homeless Solutions

Proposals were evaluated in two stages: (1) threshold review and (2) technical scoring. During threshold review, Housing staff evaluated whether the proposal included the required elements, eligible activities, eligible end users, and whether the composition of the development team was eligible to enter into a contract with the City. Proposals that passed threshold review moved to technical scoring. Technical scoring included an interview with each development team to clarify elements of their proposal. Following the interviews, Housing staff drafted development summaries and made presentations to the evaluation committee. Each committee member scored the proposals based on the evaluation criteria set forth in the NOFA. All proposals that scored at or above the minimum score of 100 out of 140 points were considered eligible for underwriting.

During the underwriting phase, proposals were evaluated for overall feasibility and readiness of the proposed project; management's capacity to start and complete the project; the proposer borrower's experience, financial capacity and creditworthiness; and to identify the risks involved in lending City funds and/or selling City-owned land to the proposer.

In response to the NOFA, Developer submitted a proposal to purchase up to 113 single family homes and 35 rental units on Land Transfer lots in support of the Five Mile Single-Family Infill Development Project. Developer also requested \$1,600,000.00 in HOME funding for eligible construction costs related to the development of the Project. The proposal included the development of 113 units of for-sale affordable housing. The proposal received a score of 106.00 from the evaluation committee.

The Project

The Project will consist of up to 99 new construction single-family homes, all of which will be built on Land Transfer lots (Project). Of such homes in the Project, all homes are to be sold to households at 60-120% of the AMI. The Project will include 40 HOME-assisted units. HOME-assisted units are to be sold to households at 60-80% of the AMI. Each home will range from 1,400 square feet to 2,336 square feet. Price points will range between \$175,000.00 and \$220,000.00 with an average sales price of \$190,664.00. All units will remain affordable for a minimum of five years. Affordability periods for HOME-assisted units will conform to HOME rules based on the amount of subsidy included in the Unit. The construction phase of the Project will occur in five phases with the Developer receiving an option to purchase up to 20 Land Transfer lots at a time in each successive building phase following successful completion of the preceding phase.

The proposed financing structure for the Project is as follows:

<u>Financing Sources</u>	<u>Amount</u>
City of Dallas NOFA - HOME Funds	\$ 1,600,000.00
Notre Dame Place, Inc. - Equity	\$ 3,882,000.00
St. Margaret - Debt Line of Credit	\$ 2,384,000.00
Construction Period Financing	<u>\$13,099,000.00</u>
Total	\$20,965,000.00

Investment in the Project is estimated to exceed \$20,000,000.00 with each City dollar leveraging a minimum of \$12.10 in private investment. Approval of this project will help the City meet its affordable housing production goals under the Comprehensive Housing Policy.

The project will occur in five distinct phases:

Phase I: 120-Day Due Diligence Period: (Due Diligence Period)

During Phase I, Developer will have authorization to access the Land Transfer lots to perform necessary due diligence. During the Due Diligence Period, Developer will identify lots with significant development challenges that may be undevelopable or may require significant remediation. Following the 120-day Due Diligence period, Developer will submit a revised list of requested lots and the City will adjust the amount of subsidy in the final development and loan agreement, if applicable.

Phase II: Acquisition (45 days)

During Phase II, the City will work internally to release existing liens on the requested Land Transfer lots and will subsequently transfer deeds without warranty to Developer.

Phase III: Construction & Reimbursement:

During Phase III, City will reimburse Developer up to \$1,600,000.00 for actual expenditures incurred for eligible expenses related to the development of the Project. City shall not reimburse the Developer for costs related to acquisition of the Land Transfer lots. Funds may be shifted from one eligible category in the development budget to another so long as the total amount of reimbursement funding does not exceed \$1,600,000.00.

City Council's approval of this item will authorize the City Manager to execute the loan agreement and any other necessary documents.

ESTIMATED SCHEDULE OF PROJECT

Due Diligence Period	January 22, 2020 - May 21, 2020
Phase II	May 22, 2020 - July 6, 2020
Begin Construction	July 7, 2020
Complete Construction	Twenty-four months upon sale of each Land Transfer lot to Developer (with up to one one-year extension of the loan agreement if delays are related to installation or improvement of infrastructure or zoning/platting issues), subject to City Manager approval. City will give the Developer an option to purchase 20 lots at a time. Once the Developer is under contract for 60% of the homes, Developer is eligible to purchase the lots in the subsequent phase. This will occur through completion.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On May 9, 2018, City Council adopted the CHP that set citywide production goals for homeownership and rental units for the next three years along with respective income bands that will be prioritized within the production goals and also set forth various programs, tools and strategies to be used to meet the production goals while also overcoming concentrations of poverty and racial segregation by Resolution No. 18-0704.

On November 28, 2018, City Council authorized amendments to the CHP to make technical changes to the Home Improvement and Preservation Program, the Dallas Homebuyer Assistance Program, and the New Construction and Substantial Rehabilitation Program by Resolution No. 18-1680.

On May 22, 2019, City Council authorized amendments to the City of Dallas CHP to establish a Land Transfer Program by Resolution No. 19-0824.

The Housing and Homelessness Solutions Committee will be briefed regarding this item on January 14, 2020.

On January 22, 2020, this item was deferred by Councilmember Tennell Atkins.

FISCAL INFORMATION

HOME Investment Partnerships Program Funds - \$1,600,000.00

M/WBE INFORMATION

In accordance with the City's Business Inclusion and Development Plan adopted on October 22, 2008, by Resolution No. 08-2826, as amended, the M/WBE participation on this contract is as follows:

Contract Amount	Category	M/WBE Goal	M/WBE %	M/WBE \$
\$1,600,000.00	Construction	25.00%	50.00%	\$800,000.00
• This contract exceeds the M/WBE goal.				

OWNER

Notre Dame Place, Inc.

Bill Hall, Executive Director

MAP

Attached