



Legislation Text

File #: 20-357, Version: 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality

AGENDA DATE: April 8, 2020

COUNCIL DISTRICT(S): 6

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize the **(1)** sale of up to 20 Land Transfer lots, for up to 20 single family homes, included in West Dallas Land Transfer cluster, to Builders of Hope Community Development Corporation (Developer), a certified Community Housing Development Organization (CHDO), 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 20 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 for construction of up to 20 single family homes - Not to exceed \$1,141,922.00 - Financing: HOME Investment Partnership Grant Funds

BACKGROUND

The Department of Housing and Neighborhood Revitalization (Housing) administers two related programs under the Comprehensive Housing Policy (CHP) 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 Partnership Program (HOME) Funds;
- \$2,585,000.00 in HOME Community Development Housing 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 Family Income (AMFI), 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 Sustainable Development and Construction;
- Housing and Neighborhood Revitalization Department;
- Office of Economic Development;
- Office of Homeless Solutions; and
- Planning and Urban Design Department

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, a certified CHDO, submitted a proposal to purchase up to 20 Land Transfer lots in support of the Revitalize West Dallas Development Project. Developer also requested \$1,141,922.00 in HOME funding for construction costs related to the Project as well as

funds to assist homebuyers with down payment assistance. The proposal included the development of 20 units of affordable housing. The proposal received a score of 125.75 from the evaluation committee.

The Project

The Project will consist of approximately 20 new construction single-family homes, all of which will be built on 20 Land Transfer lots (Project) and sold to households at 60-80 percent AMI. The homes will have an average of 1,500 square feet with 3 and 4-bedroom floorplans. Price points will range between \$155,000.00 and \$180,000.00 with an average sales price of \$166,667.00. All units will remain affordable for a minimum of 15 years with additional affordability included based on the amount of HOME-subsidy included in the final purchase of the unit.

The proposed financing structure for the Project is as follows:

| <u>Financing Sources</u> | <u>Amount</u> |
|---|-----------------------|
| Developer Equity | \$ 20,064.00 |
| City of Dallas NOFA - HOME Funds | \$1,141,922.00 |
| TBD (Construction Period funding Source) | <u>\$2,717,677.00</u> |
| Total | \$3,879,663.00 |

Investment in the Project is estimated to exceed \$3.8 million with each City dollar leveraging a minimum of \$3.09 in private investment. Approval of this project will help the City meet its affordable housing production goals under the Comprehensive Housing Policy.

The Developer presented the Project to the community on February 17, 2020. During that meeting, community members were able to review development plans and ask questions of City staff and the development team.

The project will occur in three 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 \$899,131.00 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 \$899,131.00.

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 April 8, 2020 - August 6, 2020

Phase II August 7, 2020 - September 21, 2020

Begin Construction September 22, 2020

Complete Construction Twenty-four months upon sale of each Land Transfer lot to Developer (with up to one (1) 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.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On May 9, 2018, City Council adopted a Comprehensive Housing Policy (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 (HIPP), the Dallas Homebuyer Assistance Program (DHAP), 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 Comprehensive Housing Policy to establish a Land Transfer Program by Resolution No. 19-0824.

The Housing and Homelessness Solutions Committee will be briefed regarding this item on March 23, 2020.

FISCAL INFORMATION

| FUND | FY 2019 |
|------|----------------|
| HOME | \$1,141,922.00 |

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 \$ |
|---|-----------------|-------------------|----------------|-----------------|
| \$3,879,663.00 | Construction | 25.00% | 41.38% | \$1,605,400.00 |
| • This contract exceeds the M/WBE goal. | | | | |

OWNER

Builders of Hope Community Development Corporation

James Armstrong, President

MAP

Attached