



Legislation Text

File #: 20-358, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: April 8, 2020
COUNCIL DISTRICT(S): 7
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize a development loan with East Dallas Community Organization (Developer), a certified Community Housing Development Organization, in the amount of \$502,200.00 in HOME Investment Partnership Grant Funds for construction of five single family homes on land currently owned by the Developer in the Southeast Dallas neighborhood of Dolphin Heights - Not to exceed \$502,0200.00 - 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 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 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 percent 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 Sustainable Development and Construction;
- Office of Economic Development;
- Office of Homeless Solutions; and
- Department of Planning and Urban Design

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 build five single family homes in the Southeast Dallas neighborhood of Dolphin Heights (Project) on land owned by the Developer. Developer requested \$502,200.00 in HOME funds for construction costs related to the Project. The proposal received a score of 110.00 from the evaluation committee.

The Project

The Project will consist of approximately five newly constructed single-family homes that will be sold to households at 60-80 percent AMI. The homes will be an average of 1,970 square feet with 3-bedroom floorplans. Price points will range between \$143,488.00 and \$164,020.00 with an average sales price of \$159,913.60. All units will remain affordable for a minimum of 15 years.

The proposed financing structure for the Project is as follows:

<u>Financing Sources</u>	<u>Amount</u>
Developer Equity	\$ 40,400.00
City of Dallas NOFA - HOME Funds	\$ 502,200.00
TBD (Construction Period funding Source)	<u>\$ 489,855.00</u>
Total	\$1,032,455.00

Investment in the Project is estimated to exceed \$1 million with each City dollar leveraged, the Project is matched by approximately a dollar. Approval of this project will help the City meet its affordable housing production goals under the CHP.

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.

ESTIMATED SCHEDULE OF PROJECT

Pre-Construction Period April 8, 2020 - June 7, 2020

Phase II (Close on outside financing) June 8, 2020 - July 8, 2020

Begin Construction July 9, 2020

Complete Construction Developer will have 18 months from the start date of construction to complete. The Director may approve one six-month extension.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On August 9, 2017, City Council approved the Consolidated Plan Budget for FY 2017-18 that includes funding for the CHDO for housing development activities by Resolution No. 17-1171.

On May 9, 2018, City Council adopted a 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, as amended.

On June 27, 2018, City Council approved the Consolidated Plan Budget for FY 2018-19 that includes funding for the CHDO for housing development activities, by Resolution No. 18-0987.

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, by Resolution No. 19-0824.

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

FISCAL INFORMATION

Fund	FY 2018
HOME Investment Partnership Grant Funds	\$502,200.00

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 \$
\$1,032,455.00	Construction	25.00%	73.55%	\$759,399.99
• This contract exceeds the M/WBE goal.				

OWNER

East Dallas Community Organization

Ken Montgomery, Executive Director

MAP

Attached