



Legislation Text

File #: 22-88, Version: 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: January 26, 2022
COUNCIL DISTRICT(S): 4, 7
DEPARTMENT: Department of Housing & Neighborhood Revitalization
EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize the **(1)** sale of up to 11 Land Transfer lots to KH Solutions, Inc., and/or its affiliates (Developer) subject to restrictive covenants and a right of reverter and conditioned upon execution of all necessary documents pursuant to the City's Land Transfer Program; **(2)** release of all non-tax City liens, notices, or orders that were filed on the subject lots 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 11 single-family homes on the Land Transfer lots - Estimated Revenue: General Fund \$11,038.17 (Year 1 projected property tax to City of Dallas: \$17,482.28); Estimated Revenue Foregone: General Fund \$10,054.52

BACKGROUND

On May 22, 2019, City Council adopted the Land Transfer Program by Resolution No. 19-0824, as amended, for the purpose of incentivizing: (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, as applicable, in a direct sale at less than fair market value of the land, consistent with the authorizing state statute or city ordinance. The surplus lots are being sold in accordance with 272.001(g) of the Texas Local Government Code and the tax foreclosed lots are being sold pursuant to 34.051 of the Texas Property Tax Code.

In October 2021, a qualified participating developer, KH Solutions, Inc., submitted an application (proposal) to purchase a total of 11 Land Transfer Program lots. The Department of Housing and Neighborhood Revitalization (Housing) 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 met the minimum score to be eligible.

Housing collaborated with KH Solutions, Inc. 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 11 lots is KH Solutions, Inc. The Developer is a domestic for-profit corporation formed in Texas in 2008 and is Minority- and Women- Owned Business Enterprise (MWBE) certified and is licensed with the City of Dallas. The managing partners of the corporation are Nicholas Curry and Zarinah Curry. The company has thirteen years of home building experience as well as renovation experience. To date, the applicant has constructed and sold market rate homes in Dallas and the surrounding area. The company does have experience constructing and selling in the target area of South Dallas to homebuyers in the income range as the Land Transfer Program. The applicant is a past participant in the Land Bank Program completing 3 affordable housing units in 2020. The applicant has a current line of credit to support this project 1.02 times. Financing for the project will be provided by a regional banking institution and Texas State Affordable Housing Corporation.

The proposal indicates the construction of 11 single family units ranging from 1,700 square feet to 1,750 square feet with a minimum of three bedrooms and two baths. The price range of the proposed units will be \$206,000.00 - \$215,000.00 targeting homebuyers in an income range of 61 - 120% Area Median Income (AMI), of which 4 units will be used to target homebuyers in an income range of 61 - 80% AMI. The developer intends to market the City of Dallas Homebuyer Assistance Program to those homebuyers categorized in the 61 - 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 2021 HUD HOME homeownership sales price for the Dallas, TX U.S. Department of Housing and Urban Development (HUD) Metro FMR Area and must be affordable based on the income of the targeted homebuyer.
- **Targeted Income of Homebuyer:** 61-120% Area Median Family Income (AMFI).
- **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 Housing 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 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.

ESTIMATED SCHEDULE OF PROJECT

Begin Project March 2022
Complete Project March 2024

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

[The Housing and Homeless Solutions Committee was briefed by memorandum regarding this matter on December 14, 2021. <http://cityofdallas.legistar.com/gateway.aspx?M=F&ID=169e345e-9647-48c9-bb0a-c847a03c4ec2.pdf>](http://cityofdallas.legistar.com/gateway.aspx?M=F&ID=169e345e-9647-48c9-bb0a-c847a03c4ec2.pdf)

FISCAL INFORMATION

Estimated Revenue: General Fund \$11,038.17 (Year 1 projected property tax to City of Dallas: \$17,482.28)

The City of Dallas will receive revenue from the sale of the lots, see attached **Exhibit A**, in the amount of \$11,038.17. 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. Upon completion of the proposed 11 housing units the expected property tax revenue for the City of Dallas is expected to be \$17,482.28 annually.

Estimated Revenue Foregone: General Fund \$10,054.52

In addition, **Exhibit A** details the Estimated Foregone Revenues from the release of non-tax City liens: \$10,054.52.

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 \$
\$2,150,631.00	Construction	32.00%	100.00%	\$2,150,631.00
• This contract exceeds the M/WBE goal.				
• KH Solutions, Inc. - Local; Workforce - 100.00% Local				

OWNER

KH Solutions, Inc.

Nicholas Curry, Managing Partner

MAP

Attached