



Legislation Text

File #: 24-1209, Version: 1

STRATEGIC PRIORITY: Housing & Homelessness Solutions

AGENDA DATE: April 10, 2024

COUNCIL DISTRICT(S): 7

DEPARTMENT: Department of Housing & Neighborhood Revitalization

EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize **(1)** the partial rescission of Section 1 of Resolution No. 20-0811, to withdraw **(a)** authorization of the sale of up to 17 Land Transfer lots, for up to 35 rental units, identified as Bonton Land Transfer Cluster #2 (Project), to Notre Dame Place, Inc., (VS0000068164) and/or its affiliates; and rescind **(b)** a conditional grant agreement with Notre Dame Place, Inc. in an amount not to exceed \$730,072.00 in 2017 General Obligation Bond Funds for public infrastructure and construction cost for up to 35 rental units; **(2)** the sale of two Land Transfer Program lots, for up to 36 rental units for the Project to CityBuild Community Development Corporation (Developer) and/or its affiliates subject to restrictive covenants, a right of reverter with a right of reentry, and recording of all necessary documents pursuant to the City's Land Transfer Program; **(3)** the release of all non-tax City liens, notices or orders that were filed on the two Land Transfer lots prior or subsequent to the deeds transferring the lots to the City of Dallas; and **(4)** execution of a development agreement with Developer for the construction of up to 36 rental units on the Land Transfer lots - Estimated Revenue: General Fund \$2,904.68 (see Fiscal Information)

BACKGROUND

On May 22, 2019, the City Council adopted the Land Transfer Program (LTP) by Resolution No. 19-0824, as amended. The purpose of the LTP 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 (CHP), Economic Development Policy, or redevelopment policy. Specifically, the LTP 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 the City ordinance.

On April 12, 2023, the City Council adopted the Dallas Housing Policy 2033 to replace the CHP by Resolution No. 23-0443 (DHP33). On April 12, 2023, the City Council also authorized the continued operation of the housing programs previously authorized under the CHP, but now documented and restated in the Dallas Housing Resource Catalog under Resolution No. 23-0444 (DHRC).

The reverter requirements set forth in the DHP33 and/or the DHRC were originally drafted for use with single-family home developments. Recently, developers have expressed an increasing interest in using LTP lots for multi-family or mixed-use developments. In addition, developers have indicated to city officials that the reverter requirements deter potential investors and third-party financing of potential housing development projects. On May 22, 2024, staff anticipates asking City Council to consider several revisions to the developer programs of the DHP33 and the DHRC, including but not limited to revisions to the existing reverter requirements to reduce barriers to obtain third-party financing for affordable housing development projects.

In March 2024, an eligible Developer, CityBuild Community Development Corporation submitted an application (proposal) to purchase a total of two LTP surplus lots sold under Chapter 272.001(g) of the Texas Local Government Code. The Department of Housing & Neighborhood Revitalization (Housing) staff evaluated the application pursuant to the standards set forth in the LTP 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. Housing 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 of a multifamily rental development project and leasing of multifamily units to income eligible renters. For the Developer to secure a \$1,600,000.00 grant through the Federal Home Loan Bank for the Project, Council approval of the land conveyance must take place before April 15, 2024. For the sole purpose of assisting Developer to secure federal funding before April 15, 2024, which will result in 36 affordable rental units for AMI bands as set forth below, the City is revising the LTP reverter requirements for - at this time - only for this multi-family housing development Project.

The Developer being considered for the sale of two lots is a 501(c)(3) non-profit corporation formed in Texas in 2009 and is based in Dallas that works with Bonton Farms to build and manage property infrastructure that supports Bonton Farm's mission and the neighborhood of Bonton. Bonton Farms is a non-profit that works with individuals to improve their lives and provide much-needed access to services in the Bonton neighborhood. The Developer has years of experience developing, managing, and partnering with other entities to provide an array of affordable housing options and services. Such projects include 2803 Rochester home which was built to house families and individuals participating in the Bonton Farm's apprenticeship program, three tiny homes, partnering with St. Jude Park Central, a permanent supportive housing development and Villa Santa Maria, an affordable senior multifamily development. An additional project developed by Developer includes the Bonton Wellness Center, an \$11,000,000.00 mixed-use commercial building built on lots conveyed through the LTP Program and is comprised of a healthcare clinic, community room, financial resource center and office space. The Wellness Center is expected to open in February 2025.

The proposal indicates the construction of a new 36-unit multifamily development called Bonton Gardens. The Developer plans to combine two Land Transfer lots located at 6106 and 6116 Bexar Street with one it already owns, 6112 Bexar Street, to create two separately platted lots which will consist of two buildings, each with 18 units. A preliminary plat was approved on October 21, 2021 (Plat Application No. S201-780; Bonton Community Phase One Addition). The replat and rezoning process for the three lots has been completed and was adopted by City Council on August 10, 2022 (Ordinance No. 32256 and Council Resolution No. 22-1144).

Eight units will be reserved for Americans with Disabilities Act-accessible units comprised of four efficiencies, two one-bedrooms and two two-bedrooms. Amenities will include an onsite laundry room, security system with off-site monitoring, and internet access. Additionally, renters will have access to a host of services provided through the Developer's parent organization, Bonton Enterprises. These services include financial education, job skills development, and access to healthcare.

The proposed project has been developed to impact and enhance the existing profile of the Bonton neighborhood. Bonton Gardens will be a mixed-income project to meet the needs of the neighborhood today and be flexible enough to adapt to the future. The project will use rents set forth through the U.S. Department of Housing and Urban Development (HUD) for Fair Market rents for the zip code, 75215. All utilities: water, electricity and internet access will be covered through the rent. Bonton Enterprises (Bonton Farms) will operate a rent voucher program for those in their apprentice program. The Developer will accept vouchers from Bonton Enterprises and Dallas Housing Authority. Pursuant to the LTP Program requirements, the affordability period for rental units will be secured through restrictive covenants for a period of 20 years.

The unit mix and income levels of the proposed units included:

Unit Type	AMI	Units	Rents
Efficiency	<50%	12	\$1,070.00
1-bedroom/1 bath	<50%	8	\$1,130.00
1-bedroom/1 bath	<80%	4	\$1,130.00
1-bedroom/1 bath	<120%	2	\$1,130.00
2-bedroom/1 bath	<50%	2	\$1,320.00
2-bedroom/1 bath	<80%	6	\$1,320.00
2-bedroom/1 bath	<120%	2	\$1,320.00
Total		36	

The Developer will purchase the two LTP lots through 6106 BG I LLC, a wholly owned subsidiary (disregarded entity) of the Developer. The subsidiary will own and operate Bonton Gardens as required by the terms and conditions of the LTP Program. The subsidiary will own the land and Developer will provide a Guaranteed Max Contract to subsidiary acting as general contractor with a prime general contractor for all work outside of concrete, electrical, plumbing, and mechanicals. The Developer will have a property management agreement with the subsidiary.

The total development cost of the project is \$6,206,338.00. The construction completion timeline is estimated to be 14-18 months from the start of construction or permit issuance and land ownership is completed. The anticipated sources and uses are as follows:

Proposed Financing Sources	Amount
Donor	\$ 2,506,338.00
Federal Home Loan Bank	\$ 1,600,000.00
Dallas County	\$ 500,000.00
Tolleson Bank Loan	\$ 1,600,000.00
Total	\$ 6,206,338.00

Proposed Financing Uses	Amount
Land	\$ 35,000.00
Architecture & Engineering	\$ 100,000.00
Construction	\$5,519,398.00
Developer Fee	\$ 551,940.00
Total	\$6,206,338.00

The development terms applicable to each lot are as follows:

- **Vacant Lot Sales Price:** Attached as **Exhibit A**.
- **Rental Rates for Rental Housing Units developed via the Land Transfer Program:** The rental rates for units produced must be leased at affordable rental rates in accordance with the development agreement and Chapter 20A of the Dallas City Code, as amended. Affordable rents sales price of the home cannot exceed the rent limits published annually by HUD for the Dallas, TX HUD Metro Fair Market Rent and must be affordable based on the income of the targeted renter.
- **Targeted Income of Renter:** less 60% Area Median Income (AMI) - 120% 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 lease of each affordable rental unit to an income eligible renter within two years of the date of acquisition of the vacant lot utilized for construction of the units.
- **Restrictive Covenants:** Developer must: (1) rent each unit to an income eligible tenant; and (2) prior to the lease, must provide to Housing staff written documentation of the income of the proposed renter and the rental rate. After completion of the rental development, the property must be occupied by income eligible tenants the entire term of the affordability period.
- **Affordability Period:** Once the rental property is completed, the term of affordability is 20 years from the date that the first unit is occupied by an eligible tenant.

- **Right of Reverter and Reentry:** Title to the property may revert to the City if Developer: (1) fails to take possession of the land within 90 days calendar days after receiving the deed to the parcels of real property; (2) fails to complete construction of all required housing units or other required development on the real property, or fails to ensure occupancy by eligible households within the two-year development timeframe set forth in the development agreement; (3) incurs a lien on the property because of violations of city ordinances and fails 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. Should the Developer receive construction financing for the Project from a third-party private financial institution in an amount greater than any subsequent funding from the City, the City Manager, or his/her designee, is authorized to execute the necessary documents to release the City's right of reverter with a right of reentry, approved as to form by the City Attorney, after Developer has presented documentary evidence (including, but not limited to, corporate resolutions, loan agreements, deeds of trust, and security agreements), to the City that is satisfactory to the both the City Manager and the City Attorney that a third party private financial institution has funded the construction of the Project. Such release shall be filed in the real property records for the county in which the parcel(s) of property are located. Such release, however, is not intended to, and will not, impair any of the City's rights under the development agreement, intercreditor agreement, or any other documents related to the Project between the City and Developer.
- **Unit Rental Rates:** Units must be rented to an income eligible tenant earning less than 60% AMI - 120% of the AMI. Rent limits published annually by HUD for the Dallas, TX HUD Metro Fair Market Rent and must be affordable based on the income of the targeted renter. The City Manager may modify the rental rates, so long as such modification complies with the CHP, as restated in the DHRC.

ESTIMATED SCHEDULE OF PROJECT

Begin Construction	June 2024
Complete Construction	August 2025

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On May 27, 2022, City Council authorized the sale of up to 17 Land Transfer lots, for up to 35 rental units, identified as Bonton Land Transfer Cluster #2, to Notre Dame Place, Inc. and/or its affiliates, subject to restrictive covenants, a right of reverter, pursuant to the City's Land Transfer Program and the New Construction and Substantial Rehabilitation Program; (2) the release of all non-tax City liens, notices, or orders that were filed on the 17 Land Transfer lots prior or subsequent to the deeds transferring the lots to the City of Dallas; and (3) execution of a condition agreement with developer in an amount not to exceed \$730,072.00 in 2017 General Obligation Bond Funds, approved as to form by the City Attorney, by Resolution No. 20-0811.

[The City Council was briefed by memorandum regarding this matter on April 5, 2024. <https://dallascityhall.com/government/citymanager/Documents/FY23-24%20Memos/HOU%20Finalized%20Friday%20Memo%20-%20April%2010%202024%20Council%20-%20CityBuild%20CDC%20CAO%20edits%20FNL.pdf>](https://dallascityhall.com/government/citymanager/Documents/FY23-24%20Memos/HOU%20Finalized%20Friday%20Memo%20-%20April%2010%202024%20Council%20-%20CityBuild%20CDC%20CAO%20edits%20FNL.pdf)

FISCAL INFORMATION

Estimated Revenue: General Fund \$2,904.68

(Exhibit A details the Estimated Revenue the City of Dallas will receive from the sale of the surplus lots in the amount of \$2,604.68. Each surplus lot shall be offered at fair market value. A discount is available when project underwriting indicates that the discount is needed to ensure the viable lease to income qualified tenants. The lots at 6116 Bexar Street and 6106 Bexar Street are surplus lots being sold at discounted price of \$1,000.00. The City of Dallas will also collect recording fees at closing to ensure property legal documents are properly recorded in the amount of \$300.00. No revenue forgone due to no non-tax liens on properties.)

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
\$5,519,398.00	Construction	32.00%
M/WBE Subcontracting %	M/WBE Overall %	M/WBE Overall Participation \$
32.00%	32.00%	\$1,766,207.36
• This contract meets the M/WBE goal.		
• CityBuild Community Development Corporation - Local; Workforce - 50.00% Local		

DEVELOPER

CityBuild Community Development Corporation

Gabe Madison, President

MAP

Attached