

# DOWNTOWN DALLAS

*“living for all”*

Update on Affordable Housing

Economic Development and Housing Committee

March 19, 2007

Presented by Department of Housing  
And Office of Economic Development



City of Dallas

Office of Economic  
Development  
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# BACKGROUND

- The Intown Housing Incentive Program was created in the early 90's to increase the vitality of the Central Business District (CBD) and its immediate ring by encouraging mixed income housing through incentives to private developers.
- Currently, there are 148 affordable rental units remaining from the Intown Housing Program within the Downtown freeway loop.
- Many of the Section 108 Loan projects have or intend to convert the rental units to condos, decreasing the number of affordable rental units.

# BACKGROUND

- It is the vision of Downtown Dallas to become a mixed-income authentic neighborhood. Therefore, affordable workforce housing is a vital component.
- While Downtown is experiencing enormous growth we want to ensure that affordable housing is a part of Downtown's future.
- The City of Dallas' new policy for Tax Increment Financing (TIF) creation requires all new TIF districts to have a 10% set aside for affordable housing. (Applicable for Downtown Connection TIF District)

# BACKGROUND

- The agreement for the County's participation in the TIF districts require all of the TIF districts to have 20% set aside with the exception of the Downtown Connection TIF which has a 10% requirement.
- In addition, the County negotiated for the Downtown Connection (DC) TIF District to dedicate \$3M of increment as a priority obligation to be used for affordable housing anywhere within the City of Dallas limits.

# BACKGROUND

- The DC TIF Board has asked that all of the \$3M be used within the CBD because all of the City Center TIF affordable housing dedication was or will be used outside of the CBD.
- Ensuring affordable (workforce) housing does not have a quick fix formula. Dallas is in a similar position of many other cities scrambling to organize housing to guarantee affordability in years to come without discouraging the development momentum.

*THIS BRIEFING WILL DISCUSS STAFF RECOMMENDATIONS FOR FUND ALLOCATION, THE DETAILS OF THE POLICY AND QUESTIONS FROM PREVIOUS BRIEFINGS.*

# BRIEFING CONTENTS

- *What is our downtown housing goal?*
- How will DC TIF \$3M affordable housing dedication be allocated?
- What are the proposed policy details for the 10% affordable housing set aside?
- Will developers of for-sale projects be allowed to buy-out of the affordable housing requirement if those funds are used to supplement additional downtown affordable housing?

# DOWNTOWN HOUSING GOALS

## *What is our goal?*

- It has long been decided that Downtown is pursuing 10,000 residential units within the freeway loop to become a self-sustaining neighborhood. There are 4,210 units currently built or under construction.
- According to the chart in the Appendix showing the percent of affordable housing required in 10 major cities, there is a range of 0 – 20% required set-aside.
- Previously, it was briefed that the Downtown Affordable Housing Goal is 1,000 residential units (rental and/or for-sale).

# DOWNTOWN HOUSING GOALS

*What is our goal? (continued)*

- Currently, there are 148 affordable rental units within the CBD. An additional 12 affordable units are under construction.
- 511 N. Akard will be closing on the project's construction loan in May 2007 for 203 units, of which 193 units will be affordable.
  - Bringing the total to 353 affordable units
- There is a total of 5,980 units (market and affordable) built, under construction or announced within the CBD. We need an additional 647 units or 16% of the remaining units built affordably.



# DOWNTOWN HOMEOWNERSHIP LOAN PROGRAM DETAILS

\$3M DC TIF Affordable Housing line item will be combined with the Housing Department's \$3M from Santa Fe & Majestic Loft Sale bringing a total of \$6M for the Downtown Homeownership Loan Program.

## Program Sources:

\$3 Million – Office of Economic Development Downtown Connection TIF District

\$2.95 Million\* – Department of Housing Santa Fe & Majestic Loft Sale

## Uses:

Both sources will be used for the Downtown Homeownership Loan.

\*Council approved \$1.95M from the proceeds of the Santa Fe Loft Sale on December 13, 2007 & \$1M from proceeds of Majestic Loft Sale on February 28, 2007 to be used within Downtown on Affordable Housing.

# DOWNTOWN HOMEOWNERSHIP LOAN PROGRAM DETAILS

*How will the DC TIF \$3M Affordable Housing Line Item be used?*

- Staff recommends that the entire \$3M be used for the Downtown Homeownership Loan Program. This will require a DC TIF District Plan amendment.
- The \$3M, coupled with the Housing Department's \$2.95M, will supplement the DC TIF District's 10% affordability requirement to help attain our Downtown affordable housing goal.
- A provision should be included that staff and council will review the effectiveness of the program after a year to determine if program attributes are meeting target downtown housing goals.

# DOWNTOWN HOMEOWNERSHIP LOAN PROGRAM DETAILS

Loans for qualified homebuyers to purchase downtown condominiums.

- a) Council approved contract amendment on February 28, 2007 to allow for Enterprise Foundation to administer program.
- b) 51% to 80% AMFI households to receive forgivable loans up to **\$40,000** toward purchase, funded with Section 108 loan program income.
- c) When a buyer uses the loan to purchase a downtown condo, which will be deed restricted for perpetuity, the loan will have a recapture clause calling the loan due upon sale of the unit.

# TEN PERCENT SET ASIDE

*What are the proposed policy details for the 10% affordable housing set aside?*

- Currently, all TIF Districts are responding to the affordable housing requirement differently.
- The Downtown Connection TIF has a 10% set-aside requirement for all residential projects. The proposed TIF Plan amendment will spell out the policy details:
  - All residential development projects receiving DC TIF increment will be required to produce 10% of total units developed at affordable income limits.(80% or less of AMFI) The units will remain deed restricted for 15 years on rental units and for perpetuity on for-sale units. Projects will be monitored yearly by the Department of Housing.

# PAYMENT-IN-LIEU OF UNITS

*Will developers of for-sale projects be allowed to buy-out of the affordable housing requirement if those funds are used to supplement additional downtown affordable housing?*

- Staff recommends that the buy-out provision remain a part of the policy for the Downtown Connection TIF on only “For-Sale” projects.
- The “buy-out” funds will be used to supplement the Homeownership Loan Program. The amount due to the City will be based on 10% of the average home sales price, as described in the proforma provided to the City and to the developer’s lender(s). Excluding a maximum of three penthouses from the average calculation.

# PAYMENT-IN-LIEU OF UNITS

*Will developers of for-sale projects be allowed to buy-out of the affordable housing requirement if those funds are used to supplement additional downtown affordable housing? (continued)*

- Therefore, the city will make it more attractive for developers to provide the actual units verses “buying-out”. If developers still wish to “buy-out” then the further the price is from affordable the more it will cost them.
- Proceeds from the “buy-out” will be used to fund the Downtown Homeownership Loan Program.
- Staff also recommends that we reexamine this provision in a year to determine if this is meeting the Downtown Housing goals.

# PAYMENT-IN-LIEU OF UNITS

Example of proposed “buy-out” provision:

Project developing 150 condominium units.

Average sales price of 150 condos = \$385,000

$150 \text{ units} \times 10\% = 15 \text{ units}$

$\$385,000 \times 10\% = \$38,500 \text{ per unit}$

$\$38,500 \times 15 \text{ units} = \$577,500$

Assuming \$577,500 @ \$40,000\* (maximum Downtown Homeownership Loan subsidy) = 14 Homeownership Loans

\*It is anticipated that this subsidy can be coupled with \$10,000 MAP down-payment assistance.

# CONCLUSIONS

- We are on the aggressive cutting edge of pursuing affordable housing within our CBD with the buy-out and deed restriction provisions presented in this program. It is important that this program stays flexible in case revisions are necessary.
- Other cities are at the same point as Dallas in that, although they would like to provide affordable housing downtown, it is a challenge to balance this need with the pursuit of revitalizing the central city core. Many cities use the definition of a “greater downtown” when attempting to gain downtown affordable housing units.

# CONCLUSIONS

- If income diversity within the downtown freeway loop is a priority for the City of Dallas then it is important to realize some of the obstacles that we are up against such as high property values, the cost of acquisition and redevelopment of high-rise buildings, rising real estate values, homeowner association fees, etc.
- Staff recognizes that this program as proposed does not perfectly solve all of our downtown housing affordability constraints.
- It is critical that we get to market now and capture what we can and then revise as we move forward. In the long-term we may want to look at other options such as:
  - Raising the subsidy amount
  - Raising the income limits
  - Expanding geographic limits for Homeownership Loans to 1-mile Downtown radius
  - Downtown inclusionary zoning ordinance

# ACTION ITEMS

April 11, 2007 – Department of Housing - Call for public hearing to amend Consolidated Plan to allow for the use of proceeds to be used for Downtown Homeownership Loans.

April 11, 2007 – Department of Housing – Approval of the transfer of \$3.3 Million from Majestic Loft sale to allocate \$1 M to the Downtown Homeownership Program and \$2.3 M to the Southern Sector for Economic Development.

April 25, 2007 – Office of Economic Development – Approval of the Downtown Connection TIF Plan amendment to spell out policy for 10% affordable housing requirement and detail the \$3 Million Affordable Housing Line Item.

# APPENDIX

<u>Household Size</u>	<u>Income Limit – 80%</u>
1 Person	\$37,240
2 Person	\$42,560
3 Person	\$47,880
4 Person	\$53,200

# APPENDIX

City	% Affordable	Buy-Out Amount	Average Sales Price/sf	Use of Buy-Out Funds	Comments	Percentage
Atlanta	20% encouraged (project by project basis)	no-buy out	No information provided	N/A	Looking for mixed-income neighborhood but do not want to discourage housing development, therefore, work with developers to encourage affordable housing.	30% All Rental
Chicago	10% if build on city land purchased at discount/ 20% if TIF assistance is provided.	buy-out amount determined by formula based on unit cost, s.f. etc. (up to \$100,000)		Monies placed in City's Affordable Housing Opportunity Fund for homeownership Loans, Affordable Housing RFP		No information provided
Philadelphia	0%	n/a	Market is "more affordable" than other cities on the east	n/a	Do not want to discourage development but are beginning to think about policy as market prices increase.	Do Not Track
San Jose	20% (may be reduced by City Council approval)	\$65,000 for for-sale; \$71,400 for rental units	No information provided	No information provided	By law - Inclusionary Housing Policy	3% All For Sale
Indianapolis	0% (special project adjacent to downtown - HUD \$ and 51% requirement)	N/A downtown; no buy-out allowed in special project.	Abundance of 80% - 100% AMFI housing (\$109,000-\$130,000) in special project; market rate same prices, only no homeownership loans Downtown average sales \$240,000 (no assistance - no afford requirement)	Homeownership Loan: \$15,000 (reduced to this amount from previous project phases) 5 year restricted	"Special project" = Fall Creek Place.	No Information provided
Columbus	0%	n/a	\$235/sf market rate units	n/a	In rental units, market rate = affordable rate; greater incentives if provide affordable units; policies based on increasing residential population (do not want to discourage development)	27% workforce housing units. All rental
Memphis	0%	n/a	No information provided	n/a		69% Rental; 25% For Sale
Seattle	No information provided					505 Subsidized Units
Baltimore	0%	n/a		n/a	Task Force has recommended City adopt 10% - 20% requirement if using public subsidies or assistance for all residential projects. (May be triggered by infrastructure assistance, etc.) Currently targeting 80% - 120% of AMFI.	9% All Rental
Denver	10% (for-sale projects only)	50% of determined moderate dwelling unit price	\$300/sf market unit (\$207/sf affordable unit)	\$5,000 per unit for developer who provides units (fee rebate) or used in "moderate neighborhoods" for projects	Required for all project with 30 units or more (even if no incentive).	No information provided
Dallas (proposed)	10%	Buy out only allowed for for-sale projects. Based on 10% of the average home sales price, as described in the proforma provided to the City and to the developer's lender(s).		Up to \$40,000 homeownership loan	buy-out on for-sale product only	20 4% All Rental

# APPENDIX

Additional comments about downtown affordable housing comparison matrix:

- City of Memphis has a new large Hope VI project on the edge of Greater Downtown. Almost all of units stem from this project.
- City of Atlanta uses greater downtown to define number of affordable housing units within Downtown.
- City of San Jose will have a larger number of units if the greater downtown definition and Public Housing Authority projects included.
- City of Columbus – Downtown market rents are at a level that meets affordable definition. (27% = Approx. 800 units)
- City of Baltimore defines affordable at 80 – 120% of AMFI.
- City of Denver has an Inclusionary Housing Ordinance and many individual downtown TIF district. Some of Denver's Downtown TIF Districts are as small as one block. High cost structures are allowed to raise AMFI to 95%.