Creating Affordable Housing Opportunities in Downtown Dallas

A Briefing To The Economic Development and Housing Committee

Housing Department & Office of Economic Development
October 3, 2006
Background

- The Mayor’s Affordable Workforce Housing Taskforce concluded in 2002 that the City of Dallas needs to commit to affordable housing as a major priority.

- Encouraging affordable housing opportunities within Downtown Dallas is a strategic goal of the Department of Housing and the Office of Economic Development.
Background

- City has prioritized economic development and is committed to increasing the tax base by providing opportunities for homeownership.

- Both departments are working together to find ways to combine initiatives to have a larger impact.
Purpose

- The Downtown housing market is getting stronger and the cost of housing is rising.
- Residential developers are not responding to the housing needs of the downtown workforce.
- Therefore, the City will use funding collected to create affordable workforce housing opportunities within Downtown Dallas.

- This briefing will outline:
  - The goals of the initiative
  - The sources of funding
  - The application of funding
Goals of Affordable Housing Initiative

- Encourage homeownership within Downtown.

- Assist Downtown Dallas in achieving its residential critical mass goal of 10,000 residents.

- Target and market to Downtown workforce population.
Sources of Funding

1. Section 108 Intown Housing Program Income (Department of Housing)

- City borrowed $25 million with a Section 108 Loan from the U.S. Dept. of Housing and Urban Development to implement the Intown Housing Program. (Intown Housing Program expired in 2002.)

- Seven projects were completed:
  - Kirby Building, Santa Fe Lofts, Majestic Lofts, and Davis Building – Downtown
  - Deep Ellum Lofts and Treymore at Cityplace – Deep Ellum/East Dallas Area
  - Eban Village – South Dallas/Fair Park Area
Sources of Funding

(CONTINUED)

- The Section 108 Intown Housing Program Loan to HUD was paid off with CDBG entitlement grant funds and developer repayments with the final payment made January 2006.

- HUD requires that Section 108 Loan Program income be used for CDBG purposes after the Section 108 Loan is paid off.

- CDBG affordability definitions and regulations will be applicable for all uses of program income.
Sources of Funding

(CONTINUED)

- June 2001, City Council resolved that any program income generated by housing programs be recaptured to expand the pool of resources for additional housing activities.

- Santa Fe Lofts’ loan was modified by City Council in June 2005 to allow for conversion of rental units to condominiums.
Sources of Funding (CONTINUED)

- Anticipated Section 108 program income includes the City’s $3,300,000 portion of sales proceeds from remaining Santa Fe Lofts condominium conversation sales.
  - $1,950,000 of sales proceeds will go to uses for creating affordable housing opportunities in Downtown Dallas
  - $1,350,000 of sales proceeds will go to acquisition, demolition, construction and infrastructure improvements in the Frazier Courts area to create area redevelopment for mixed-use transit oriented development
Sources of Funding

2. Downtown Connection Tax Increment Financing (TIF) District Affordable Housing Budget Item (Office of Economic Development)

- $3,000,000 allocated in TIF District budget for the funding of affordable housing.
Sources of Funding

3. Downtown Connection TIF District Affordable Housing Requirement
   (Office of Economic Development)

- In addition to the TIF District’s line item for affordable housing, all residential projects approved after Mercantile Redevelopment project must provide a minimum of 10% of total units as affordable set-asides.

- If this objective can not be met, a developer may transfer his/her obligation through a transfer provision.
Sources of Funding

(CONTINUED)

- Transfer provision = cash payment in lieu of actual affordable units.

- Currently, staff projects that the proposed residential projects within the Downtown Connection TIF District will produce $902,000* under the transfer provision.

*Amount based on proposed projects that have not been approved by Council.
Summary of Sources

1. **Department of Housing** – Section 108 Intown Housing Program Income = $1,950,000

2. **Office of Economic Development** – Downtown Connection TIF District Affordable Housing Line Item = $3,000,000

3. **Office of Economic Development** – Downtown Connection TIF District Affordability Obligation Transfer Provision Payments = $902,000*

   *Amount based on proposed projects that have not been approved by Council.

With the resources available, ECO and Housing recommend promoting several affordable housing incentives.
Summary of Use and Application

1. Downtown Homeownership Loans
2. Multifamily Rental Development Projects
3. Downtown Affordable Housing Development
4. Marketing – Downtown Workforce
Summary of Use and Application

1. Downtown Homeownership Loans
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Use and Application - Downtown

1. Downtown Homeownership Loans:
   - Condominium purchase buydowns:
     a) 0% to 50% AMFI families to receive forgivable loan up to $30,000 towards purchase
     b) 51% to 80% AMFI families to receive forgivable loan up to $20,000 towards purchase
     c) Condominiums purchased to be deed restricted for 10 years with note due in full if sale occurs during the deed restriction period
     d) Could provide 100 to 115 units depending on buyer income and whether multifamily rental developments are funded
Use and Application - Downtown

1. Downtown Homeownership Loans: (CONTINUED)

- Sources:
  a) $1,950,000 Section 108 Loan Program Income
  b) $1,000,000 Downtown Connection TIF District Affordable Housing Line Item
  c) All income from Downtown Connection TIF District Affordability Transfer Provision throughout the life of the district

*This source of funding is available for both condominium purchase buydowns and multifamily rental development projects.
Summary of Use and Application

1. Downtown Homeownership Loans

2. Multifamily Rental Development Projects

3. Downtown Affordable Housing Development

4. Marketing – Downtown Workforce
Use and Application - Downtown

2. Downtown Multifamily Rental Development Projects: (CDBG Eligible)

- Make loans to developer for acquisition and development hard costs in return for low/moderate units
  
  a) 10 year deed restriction for affordable units
  
  b) Loan with interest due in full if there is a condominium conversion during deed restriction period; otherwise loan will be forgiven at maturity
2. Downtown Multifamily Rental Development Projects: (CONTINUED) (CDBG Eligible)

- Sources:
  a) *$1,950,000 Section 108 Loan Program Income

  *This source of funding is available for both condominium purchase buydowns and multifamily rental development projects.*
Summary of Use and Application

1. Downtown Homeownership Loans
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Use and Application - Downtown

3. Downtown Affordable Housing Development:

- RFP – to be written and distributed to solicit developers for downtown affordable housing project
  a) Criteria to be determined

- Source:
  a) *$2,000,000 DC TIF District Affordable Housing Line Item*

*This source of funding will be used for the development of a downtown affordable housing project and marketing to downtown workforce.
Summary of Use and Application

1. Downtown Homeownership Loans
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4. Marketing – Downtown Workforce:

- Contract a marketing partner to advertise city’s affordable housing opportunities to Downtown Workforce

- Source:
  a) "$2,000,000 DC TIF District Affordable Housing Line Item (Approx. 5% of Source)

*This source of funding will be used for the development of a downtown affordable housing project and marketing to downtown workforce.*
Next Steps:

- October 11, 2006, City Council Action Item to call public hearing for preliminary adoption of amended Consolidated Plan budget for recommended uses of Section 108 Loan Program Income.

- October 11, 2006, City Council Action Item to authorize contract and program statement with mortgage assistance partner.

- December 13, 2006, City Council Action Item to hold public hearing to amend Consolidated Plan budget and final adoption of amended Consolidated Plan budget.

- December 13, 2006, City Council Action Item to amend Downtown Connection TIF District Plan to establish how affordable housing budget line-item will be used.

- Office of Economic Development to market new initiative to Downtown Workforce.

- Office of Economic Development to solicit developers through RFP process.