



# “Downtown Living for All” Program Details

follow-up to October 3, 2006 Briefing

A Briefing To The  
**Economic Development and Housing  
Committee**

Housing Department & Office of Economic Development  
October 16, 2006

# Background

- The Intown Housing Incentive Program was created in the early 1990's to increase the vitality of the Central Business District and its surrounding neighborhoods by encouraging mixed income housing through incentives to private developers.
- The program included several incentives.
- One major incentive under the program was Section 108 Loans which had an affordable housing requirement.

# Background (Continued)

- Section 108 Loan Program
  - Loans borrowing against future CDBG allocations.
- At the onset of the Intown Housing Program, Downtown Dallas had 252 residential units and 0 affordable units within the freeway loop.
- At the sunset of the program (2002):
  - 11 completed residential projects
  - 1,802 residential units
  - 197 affordable units

# Background (Continued)

- Currently, there are 197 affordable rental units within the Downtown freeway loop.
- Many of the Section 108 Loan projects have converted, or intend to convert, the rental units to condominiums.

# Background (Continued)

- 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.
- It is incumbent upon the City to create more affordable workforce housing opportunities within Downtown Dallas.

# Goals of Affordable Workforce Housing Initiative

- Support the attainment of the residential critical mass goal of 10,000 residential units by 2015.
- Continue to encourage affordable workforce housing units in downtown Dallas to create a unique, authentic, mixed-income district to support the vision.

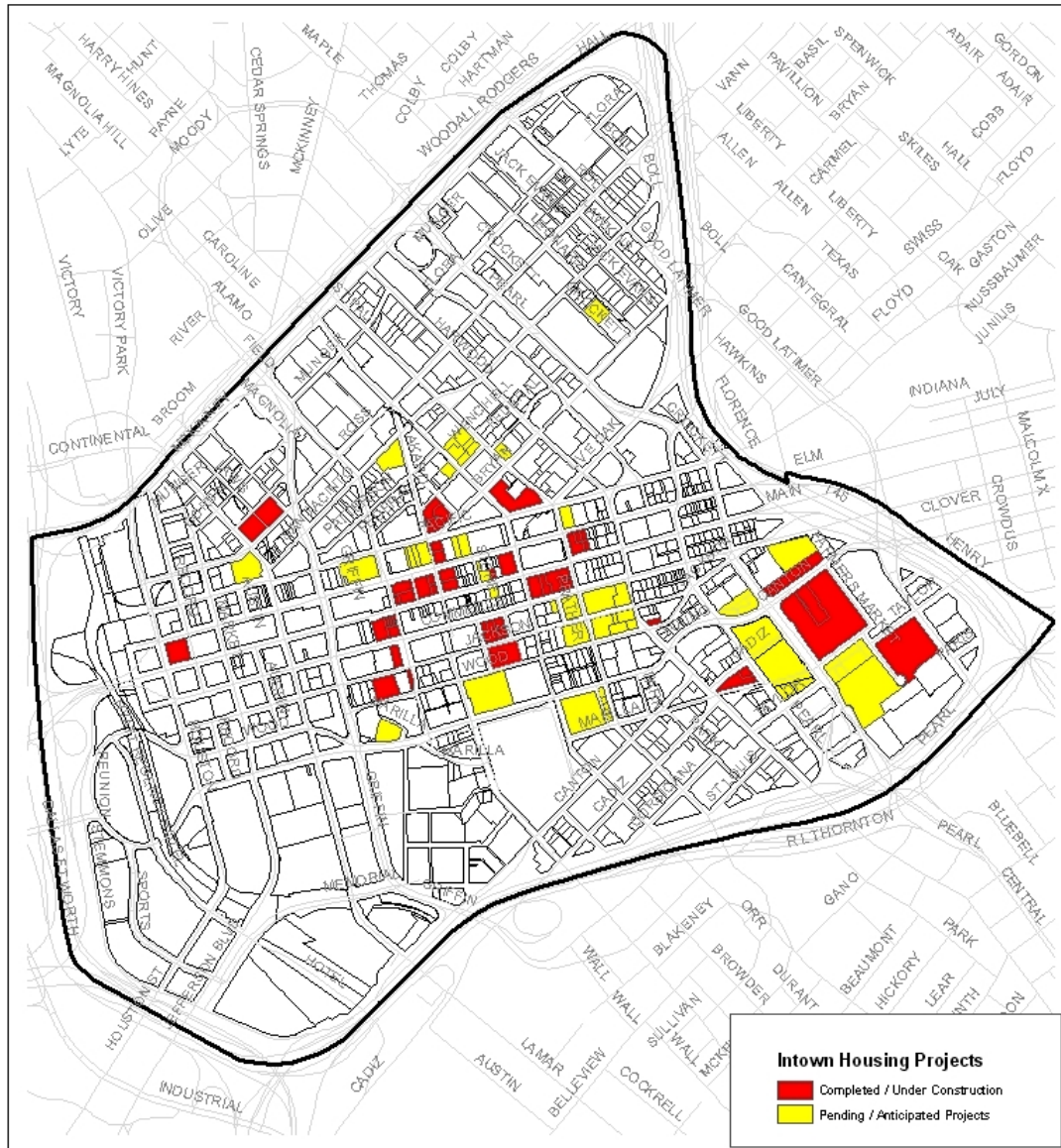
# Where are we?

How do we get to 10,000 units?		AFFORDABLE UNITS
	TOTAL UNITS	
EXISTING	2,458 units	197 affordable*
UNDER CONSTRUCTION	1,805 units	12 affordable
PENDING	1,838 units	78 affordable
ANTICIPATED	3,899 units	390 affordable
<b>TOTAL</b>	<b>10,000 units</b>	<b>677 affordable*</b>

Note: Only projects within the Downtown Connection TIF District are required to have affordable units.

\*The existing affordable units were part of the Section 108 Intown Housing Program, requiring a 15 year affordable set aside. These units will become market rate units as the projects meet the 15 year requirement or, prior to that time, if the loan is paid in full and with HUD's permission.

# Where are we?



Anticipated projects represent buildings currently underutilized or vacant that could potentially be converted for future residential use.

The map does not depict surface lots that could be developed to assist in reaching the critical mass goal.



# Affordable Workforce Housing Need

- According to U.S. Census and Texas Workforce Commission, the highest percentage of downtown workers made an average of \$3,400 a month or \$40,800 a year in 2003 (approximately 85 percent of AMFI).
- Many occupants of 1-2 person households would prefer to live near their place of employment if they could afford the housing costs.
- Currently, Downtown condominium prices range from \$100K to \$500K and the average rent is \$1,300 a month.
- An income of \$40,800 (assuming 30 percent of income for housing costs) is \$1,020 a month for rent and utilities or principal, interest, taxes, insurances, HOA and utilities.

# Which households are we targeting?

## Affordability Levels

51 – 80 % of AMFI = Rental Developments

51 – 100 % of AMFI = For-Sale Developments

<u>Household Size</u>	<u>Income Limit –</u>		
	<u>80%</u>	<u>and</u>	<u>100%</u>
1 Person	\$37,240	and	\$46,550
2 Person	\$42,560	and	\$53,200
3 Person	\$47,880	and	\$59,850
4 Person	\$53,200	and	\$66,500

# Sources of Funding

- The Department of Housing and the Office of Economic Development will work together to combine sources of funding to achieve a greater impact on objectives.
  1. Department of Housing – Section 108 Intown Housing Program Income = \$3,300,000
  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\*

\*represents pending projects

# Why do we allow developers to transfer their affordable requirement?

- Most downtown condominium projects, even in minimum priced units, generate a gap that far exceeds our ability to make them affordable through subsidies.
- Pre-sale thresholds are higher for lending assistance with affordable housing deed restrictions, reducing homeowner opportunities.
- This revenue source could be used for homeownership loans that provide qualified purchasers flexibility to purchase market-rate units with assistance.
- The City of Dallas policy is consistent with other cities' policies which allow developers to buy out of the affordable housing requirement in lieu of providing affordable housing units within the project.

# Strengthening Home Ownership Efforts

- The Downtown Connection TIF District Affordable Housing Transfer Provision will become a major source of funding for this affordable housing initiative.
- The cash transfer payment, along with CDBG funds and TIF funds, will be used for homeownership loans in those projects with more moderate pricing, making market-rate units affordable.
- The City will limit the ability to transfer the affordable housing requirement to for-sale, condominium projects.

# Strengthening Home Ownership Efforts

- City staff has worked with Dallas County for several months to develop a feasible way to administer this transfer provision in a mutually satisfactory manner.
- Typical payment amount = \$20,000\* for each affordable unit.

\*Dependent upon the sales price amount.

# Program Incentives

- In an effort to create a diverse, mixed-income neighborhood, staff recommends a three-prong approach modeled after other cities' successful affordable housing programs:
  1. Downtown Homeownership Loans
    - Sources:
      - a) \*\$1,950,000 Section 108 Loan Program Income
      - b) \$1,000,000 Downtown Connection TIF District Affordable Housing Funds
      - c) All income from Downtown Connection TIF District Affordability Transfer Provision throughout the life of the TIF District

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

# Program Incentives

## 2. Multifamily Rental Development Projects Loans

- Source:  
\*\$1,950,000 Section 108 Loan Program Income

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

## 3. Downtown Mixed-Income Affordable Housing Development Grant (RFP)

- Source:  
\*\$2,000,000 DC TIF District Affordable Housing Funds

\*This source of funding will be used for the development of downtown affordable housing project and marketing to downtown workforce



# Program Incentives

## 4. Marketing

- Source:  
\*\$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.

- \$1,350,000 of \$3,300,000 portion of sales proceeds from remaining Santa Fe Lofts condominium conversion sales proceeds will go to acquisition, demolition, construction and infrastructure improvements in the Frazier Courts area to create area redevelopment for mixed-use development.

# Program Incentives (Continued)

- The number of affordable units may be increased with this combination by providing a) on-site affordable units and b) opportunities for individuals/households to purchase market-rate units at a reduced cost.

Downtown Affordable Housing Programs

	Homeownership Loan Program	TIF District Buyout	Affordable Housing RFP
Atlanta			
Chicago			
Houston			

# Downtown Homeownership Loans

- Loans for qualified homebuyers to purchase downtown condos.
  - a) 51% to 80% AMFI families to receive forgivable loans up to **\$40,000** toward purchase, funded with Section 108 loan program income.
  - b) 80% to 100% AMFI families to receive forgivable loans up to **\$30,000** toward purchase, funded with TIF proceeds.
  - c) After 10 years the loan will be forgiven.
  - d) If a unit is sold prior to the 10-year period, the original loan amount shall be paid back to the City to be circulated to another qualified buyer.

# Multifamily Rental Development Loans

- Loans will be made to developers for acquisition and development hard costs in return for incorporating affordable housing units.
  - a) 15-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
  - c) Project must comply with CDBG and HUD regulations

# Downtown Mixed-Income Affordable Housing Development

- Through Request for Proposal process, staff will solicit proposals for a development with an affordable housing component.
- After all proposals are submitted, staff will score the proposals based on weighted objectives.
- Project Criteria will include:
  - ✓ Total Number of Units
  - ✓ Percentage of (Total) Affordable Units  
Minimum 10% - Maximum 80% Affordable
  - ✓ Project Location (proximity to retail/historic core, parks, DART)
  - ✓ Project Amenities (retail, etc.)
  - ✓ Project Housing Type (rental vs. owner)
  - ✓ Assistance Needed (should equal market rate minus affordable rate times number of affordable units)

# How will Program be Administered?

- Future City Council Action Item to approve the amendment of the contract with mortgage assistance partner, Enterprise Foundation, to allow the group to administer Downtown Homeownership Loans.

# How will program be marketed?

- A brochure will be developed to target the downtown workforce.
- The brochure will present qualifying criteria for the homeownership loans and affordable rental units and the location of units.
- It will be distributed through several venues:
  - Property Management Offices
  - DOWNTOWNDallas Organization
  - City of Dallas Fair Housing Office and Housing Department
  - Enterprise Foundation

# Next Steps:

- October 25, 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.
- December 13, 2006, City Council Action Item to hold public hearing to amend Consolidated Plan budget and to adopt the amended Consolidated Plan budget.
- December 13, 2006, City Council Action Item to amend Downtown Connection TIF District Plan to establish uses for affordable housing budget line-item will be used.
- January 10, 2007, City Council Action Item to authorize a program statement amendment to the Mortgage Assistance Program.
- Office of Economic Development to market new initiative to Downtown Workforce.
- Office of Economic Development to solicit developers through RFP process.