



“Downtown Living for All” Program Details

Economic Development and Housing Committee

Housing Department & Office of Economic Development
November 6, 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 attainable 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 attainable units within the freeway loop.
- At the sunset of the program (2002):
 - 11 completed residential projects
 - 1,802 residential units
 - 197 attainable units

Background (Continued)

- Currently, there are 197 attainable 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)

- Since the inceptions of the first downtown TIF District (1996), over 4,000 residential units have been constructed or are currently under construction in downtown.
- Attainable housing is minimal in the downtown area.
- It is incumbent upon the City to create more attainable housing opportunities within Downtown Dallas.

Goals of Attainable Housing Initiative

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

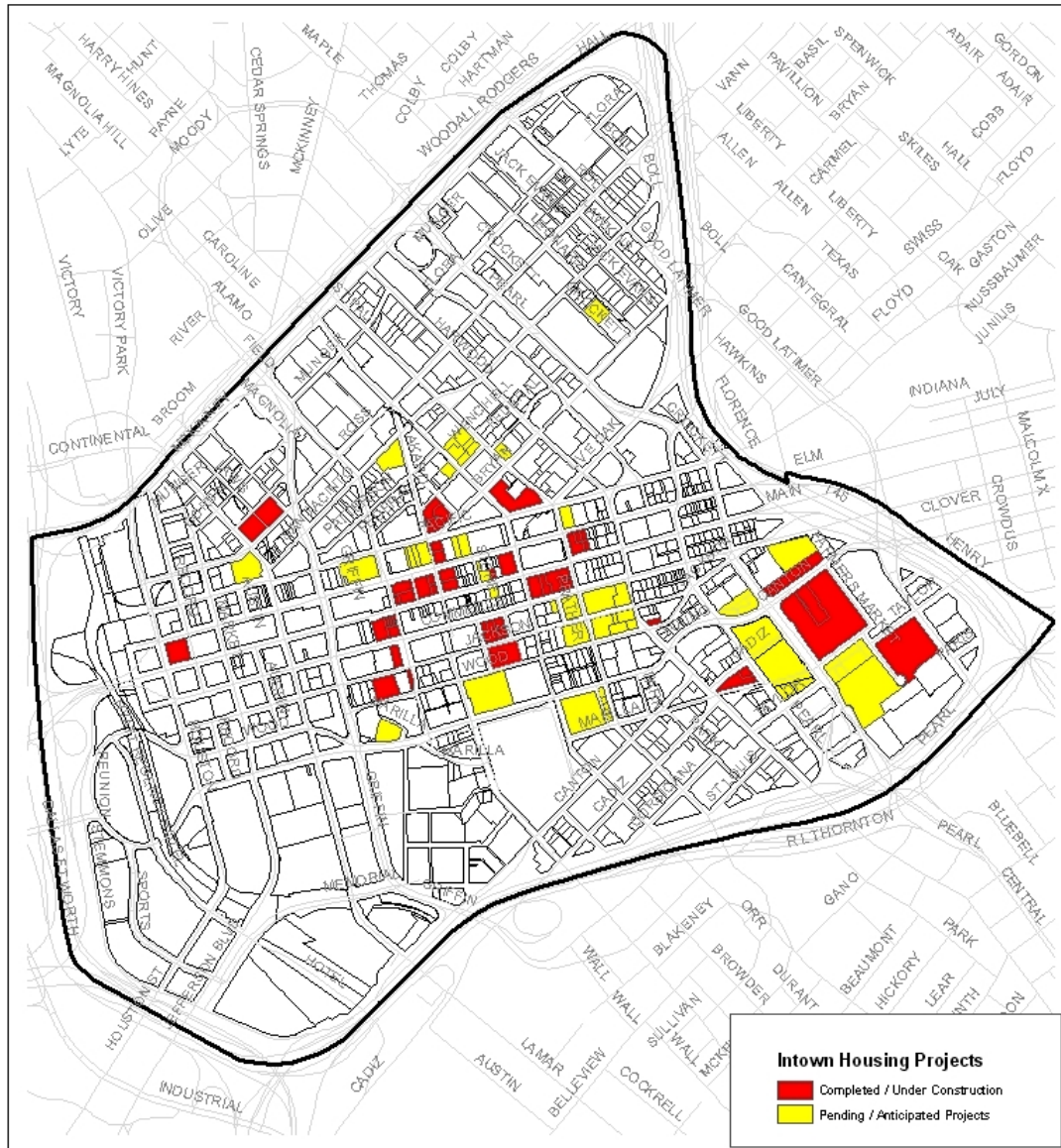
Where are we?

How do we get to 10,000 units?	TOTAL UNITS	ATTAINABLE UNITS
EXISTING	2,458 units	197 attainable
UNDER CONSTRUCTION	1,805 units	12 attainable
PENDING	1,838 units	78 attainable
ANTICIPATED	3,899 units	390 attainable
TOTAL	10,000 units	677 attainable *

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

*The existing attainable units were part of the Section 108 Intown Housing Program, requiring a 15 year attainable 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.

Which households are we targeting?

Attainable 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

Note: AMFI is the Area Median Family Income

Attainable 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 (estimated to average between \$200/sf and \$250/sf) and the average rent is \$1,300 a month (estimated to average \$1.30/sf).

Attainable Housing Need

- 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 not included).
- The downtown employee making \$40,800, spending \$1,020 a month, might be able to:
 - Rent a 785 square foot unit (\$1.30/sf)
 - Purchase a condominium priced at \$161,375

Programs to assist in increasing the
workforce housing opportunities
downtown:

Downtown Homeownership Loans

- Loans for qualified homebuyers to purchase downtown condominiums.
 - a) 51% to 80% AMFI households to receive forgivable loans up to **\$40,000** toward purchase, funded with Section 108 loan program income.
 - b) 80% to 100% AMFI households to receive forgivable loans up to **\$30,000** toward purchase, funded with TIF proceeds.
 - c) When the unit is sold, the original loan amount shall be paid back to the City to be circulated to another qualified buyer.

Note: It is anticipated that a high percentage of the loans will be to households in the 80% - 100% AMFI range and will average \$20,000 per loan.

Downtown Homeownership Loans

- A future City Council action item would amend the contract with the City's mortgage assistance partner, Enterprise Foundation, to allow the group to administer Downtown Homeownership Loans.
- Marketing materials, including a brochure, will be developed to target the downtown workforce.
- The brochure will present qualifying criteria for the homeownership loans and attainable rental units and the location of units.
- The brochure will be distributed through several venues:
 - Property Management Offices
 - DOWNTOWNDallas Organization
 - City of Dallas Fair Housing Office and Housing Department
 - Enterprise Foundation

Multifamily Rental Development Loans

- Loans will be made to developers for acquisition and development hard costs in return for incorporating attainable housing units.
 - a) 15-year deed restriction for attainable 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 Attainable Housing Development

- Through Request for Proposal process, staff will solicit proposals for a development with an attainable 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) Attainable Units
Minimum 10% - Maximum 80% Attainable
 - ✓ 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 attainable rate times number of attainable units)

Additional Assistance

- Explore ways to incent existing downtown companies and building owners to encourage employees to live downtown.
- Evaluate opportunities to incorporate downtown living assistance into business recruitment and retention efforts.
- Work with top office relocators and site selectors to make this a focused part of our downtown marketing effort.

Sources of Funding

<u>SOURCES</u>		<u>USE</u>	
Section 108 Proceeds	\$3,300,000	Frazier Court	\$1,350,000
		Homeownership Loan (shared)	\$1,950,000
		Rental Development Loans (shared)	\$1,950,000
Downtown Connection TIF District	\$3,000,000	Homeownership Loan	\$1,000,000
		Mixed-Income Development RFP (approx. 5% to be used for marketing of downtown workforce housing opportunites)	\$2,000,000
*Transfer Provision	<u>\$1,040,000</u>	Homeownership Loan	\$1,040,000
TOTAL FUNDS	\$7,340,000		

* Represents pending projects, expected to grow as new TIF projects pay transfer fees

Sources of Funds

- The Homeownership Loans are an important component to creating downtown workforce housing.
- A significant portion of the funds for the Loan Program is expected to be the transfer provision.
- 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 attainable.
- Downtown Connection TIF District projects must commit 10% of the residential units to those making 80% or less of the Dallas Area Median Income.

Sources of Funds

- Condominium developers may pay a fee in lieu of providing the units within their projects, creating a source of funds for the Homeownership Loan Program.

- Typical payment amount is \$20,000* for each attainable unit.

*Dependent upon the sales price amount.

- 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.

Why do we allow developers to transfer their attainable requirement?

- Most downtown condominium projects, even in minimum priced units, generate a gap that far exceeds our ability to make them attainable through subsidies.
- This revenue source could be used for homeownership loans that provide qualified purchasers flexibility to purchase market-rate units with assistance.

Program Analysis

- The number of attainable units may be increased with the combination of initiatives by providing:
 - on-site attainable units
 - opportunities for individuals/households to purchase market-rate units at a reduced cost
- Other cities were examined to determine if our proposed workforce housing programs are comparable.

Program Analysis

- Conclusions drawn from the comparison of cities are as follows:
 - Very little consistency among cities with regard to policies and expectations
 - Priority concern is achieving critical mass
 - Percentage attainable requirement varies from 0% - 20%
 - Amount of buy-out is more in cities with higher market rate housing costs
 - Buy-out funds are used to support mixed-income projects or provide ownership assistance
 - Sustainability is an overarching concern
 - The proposed Dallas policy incorporates best practices but requires ongoing monitoring to ensure effectiveness

Summary and Conclusions

- The Intown Housing Program was successful but sustainability is endangered by condominium conversion of Section 108 projects.
- Residential developers will not respond to downtown workforce housing needs without City stimulus.
- Creating critical mass while building a mixed-income neighborhood is important.
- The three-pronged approach to generating attainable housing incorporates best practices of other cities.

Summary and Conclusions

- Downtown companies represent an untapped resource - partnership opportunities to incent employees to live downtown need to be actively pursued.
- Downtown living assistance should become focused part of business recruitment initiatives.
- The City's policy should strive to replace and add to the current attainable housing stock with a goal of 10% affordability using the variety of program stimulants described.
- It is critical that we regularly measure results and evaluate the sustainability of workforce housing efforts.

Next Steps:

- November 8, 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.
- February 14, 2007, City Council Action Item to authorize contract and program statement with mortgage assistance partner.
- Office of Economic Development to market new initiative to Downtown Workforce.
- Office of Economic Development to solicit developers through RFP process.
- Brief EDH annually on assessment of policies, determining actual affordability of downtown compared to expectations.

Appendix A

City	% Affordable	Buy-Out Amount	Average Sales Price/sf	Use of Buy-Out Funds	Comments
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
Baltimore	0%	n/a		n/a	Task Force has recommended City adopt 20% requirement if using public subsidies or rezoning.
Chicago	10% if build on city land purchased at discount/ 20% if TIF assistance is provided	\$100,000	\$355/sf market rate units (from sampling of units currently for-sale)	Monies placed in City's Affordable Housing Opportunity Fund for Homeownership Loans, Affordable Housing RFP	
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)
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	Policy to respond to gentrified downtown. Required for all project with 30 units or more (even if no incentive).
Indianapolis	0% downtown (special project adjacent to downtown - HUD \$ and 51% requirement)	N/A downtown; no buy-out allowed in special project.	\$240,000 (no assistance - no afford requirement) Abundance of 80% - 100% AMFI housing (\$109,000-\$130,000) in special project; market rate same prices, only no homeownership loans	Homeownership Loan in special project: \$15,000 (reduced to this amount from previous project pahses)	"Special project" = Fall Creek Place.
Memphis	0%	n/a	No information provided	n/a	
Milwaukee	0%	n/a		n/a	City is discussing possible implementation of affordable housing policy
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 increas
San Jose	20% (may be reduced by City Council approval)	\$65,000 for for-sale; \$71,400 for rental units	\$475,000 median condo price	No information provided	By law - Inclusionary Housing Policy
Dallas (proposed)	10%	\$20,000 (or \$10,000 if close to affordable sales price)	\$200/sf - \$250/sf average market unit (\$135,000 considered affordable)	Up to \$40,000 homeownership loan	buy-out on for-sale product only