

**KEY FOCUS AREA:** Economic Vibrancy  
**AGENDA DATE:** September 25, 2013  
**COUNCIL DISTRICT(S):** 7  
**DEPARTMENT:** Housing/Community Services  
**CMO:** Theresa O'Donnell, 671-9195  
**MAPSCO:** 56C

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**SUBJECT**

A resolution authorizing conveyance of 3 unimproved properties and 1 improved property by Deed without Warranty to East Dallas Community Organization, for \$10 and the purchaser's agreement to construct a senior housing rental development on the properties within 3 years of execution of the deed (list attached) – Financing: No cost consideration to the City

**BACKGROUND**

The Bexar Street Redevelopment Project includes retail, office, and residential mixed use development. Several private developers as well as CHDO's are involved in the overall planned development. East Dallas Community Organization (EDCO) has proposed a 7-unit senior rental housing development as part of the Bexar Street Redevelopment Project. Each of the rental units will have 1 bedroom and 1 bathroom for rent to senior citizens with incomes at or below 80% Area Median Family Income. Each unit will contain approximately 860 to 960 square feet. Two of the units will be constructed on land that EDCO is in the process of acquiring. EDCO has requested that the City sell EDCO land for construction of the other 5 units.

The City previously acquired 2 unimproved properties and 1 improved property for inclusion in the Bexar Street Redevelopment Project, and is in the process of acquiring 1 additional unimproved property for the same purpose (all referred to as Property). This item authorizes conveyance of all 4 parcels to EDCO for \$10, less than fair market value, for EDCO's covenant to provide a senior housing rental development on the properties within 3 years of execution of the Deed without Warranty. EDCO will seek to replat the Property and agrees to develop senior rental housing on the replatted Property. Construction of senior rental housing will require successful replat of the Property by EDCO. Approval to sell EDCO the Property does not constitute approval of replatting, which approval may be granted or withheld. The construction of the senior housing rental development shall be completed within three (3) years from the execution date of the deed.

**BACKGROUND (continued)**

The Deed without Warranty to EDCO will contain a reverter that returns the Property to the City if the Property is not replatted within twelve months or not developed within 3 years of execution of the Deed without Warranty. The Property will be deed restricted to remain affordable to low and moderate income senior citizens for 5 years after initial occupancy.

**PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

This item has no prior action.

**FISCAL INFORMATION**

No cost consideration to the City

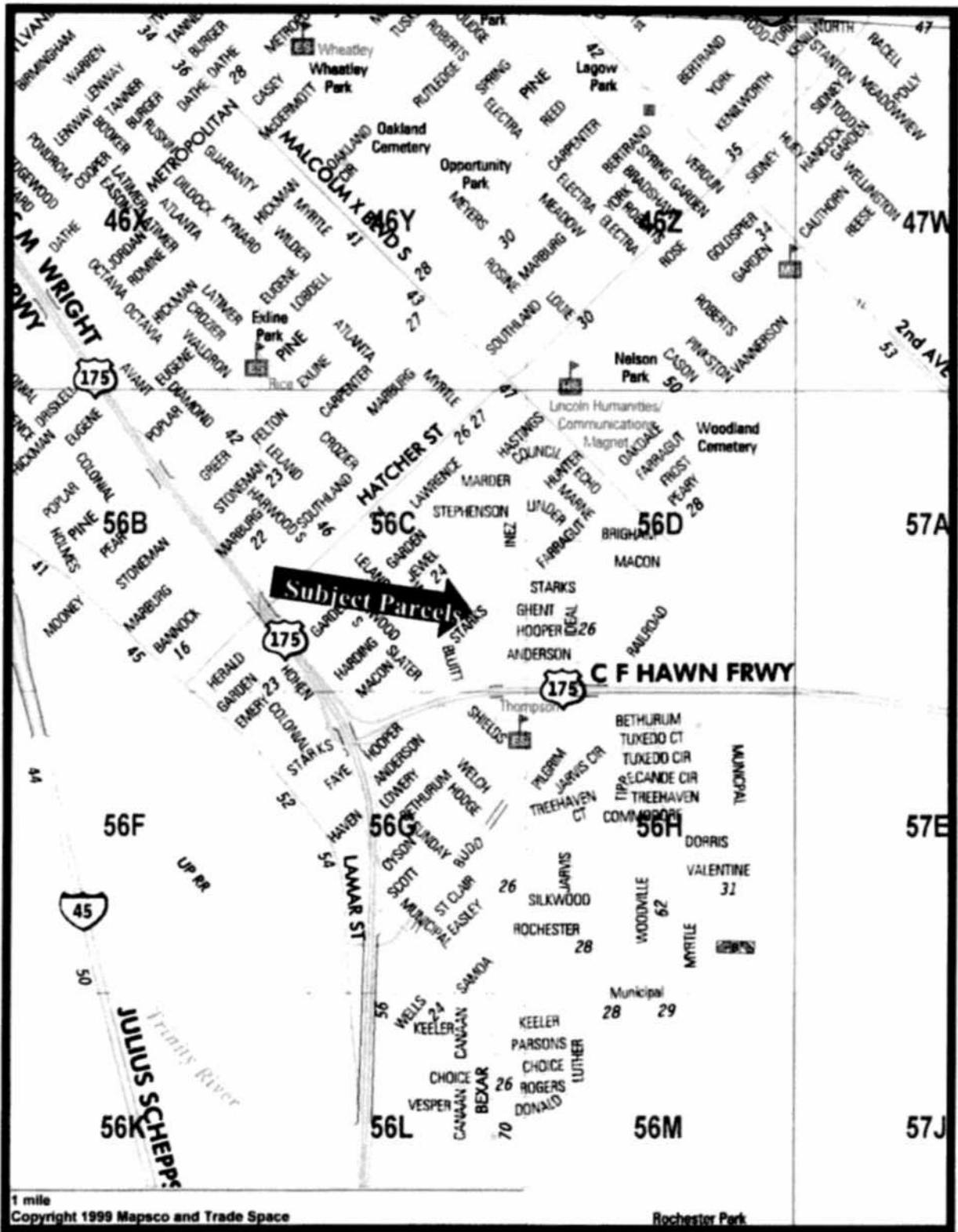
**OWNER**

**East Dallas Community Organization**

Gerald G. Carlton, President

**MAP**

Attached



**MAPSCO 56C**

**Bexar Street Neighborhood Lots to be  
Conveyed to East Dallas Community Organization**

<b><u>Parcel No.</u></b>	<b><u>Address</u></b>	<b><u>DCAD Amount</u></b>
W17	2451 Starks Avenue	\$ 2,000
W21	2426 Macon Street	\$ 4,000
W27	2449 Starks Avenue	\$24,310
W28	2445 Starks Avenue	\$ 4,000

September 25, 2013

**WHEREAS**, the City of Dallas acquired three tracts of land and is in the process of acquiring one additional tract of land identified by legal description ("Property") on Exhibit "A", attached hereto and made a part hereof; and

**WHEREAS**, as authorized by Section 272.001(g) of the Texas Local Government Code, the City desires to sell the Property to a developer for the development of affordable senior rental housing; and

**WHEREAS**, the Deed without Warranty to this Property will contain:

- (1) a requirement that the purchaser seek to replat the Property within twelve months of execution of the Deed without Warranty, which consent may be withheld,
- (2) a requirement that within 3 years of execution of the Deed without Warranty, the purchaser develop the replatted Property with a senior housing rental development for rent to low and moderate income households with incomes at or below 80% of Area Median Family Income,
- (3) a requirement that the purchaser sign and record deed restrictions on the Property, acceptable to the City, requiring the Property to remain affordable to low and moderate income senior citizens for 5 years after initial occupancy, and
- (4) a right of reverter to be exercised by the City if the conditions in (1), (2) and (3) are not met; and

**WHEREAS**, the City Council desires to authorize conveyance of the Property to East Dallas Community Organization ("Purchaser") for \$10 and the Purchaser's agreement to construct a senior housing rental development on the Property; **NOW, THEREFORE**,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

**Section 1.** That the Property identified on Exhibit "A" was purchased or is being purchased by the City for inclusion in the Bexar Street Redevelopment Project, and is being conveyed to East Dallas Community Organization (EDCO) for development of affordable senior rental housing as part of that Project.

**Section 2.** That the Deed without Warranty to the Property will contain:

- (1) a requirement that the purchaser seek to replat the Property within twelve months of execution of the Deed without Warranty, which consent may be withheld,
- (2) a requirement that within 3 years of execution of the Deed without Warranty, the purchaser develop the replatted Property with a senior housing rental development for rent to low and moderate income households with incomes at or below 80% of Area Median Family Income,

September 25, 2013

(3) a requirement that the purchaser sign and record deed restrictions on the Property, acceptable to the City, requiring the Property to remain affordable to low and moderate income senior citizens for 5 years after initial occupancy, and  
(4) a right of reverter to be exercised by the City if the conditions in (1), (2) and (3) are not met.

**Section 3.** That the conveyance of the Property shall be subject to any visible and apparent easements, any encroachments, and any restrictions, easements, rights-of-way, or other instruments of record.

**Section 4.** That upon receipt of the monetary consideration from EDCO for the Property the City Manager is hereby authorized to execute a Deed without Warranty, upon approval as to form by the City Attorney and attested by the City Secretary, conveying the Property to EDCO, subject to the requirements and restrictions listed in the aforesaid Section 2 and the City's right of reverter and deed restrictions.

**Section 5.** That the City Manager is authorized to execute an instrument, approved as to form by the City Attorney, releasing the City's reverter rights and terminating the deed restrictions to the Property upon compliance with all terms and conditions of the deed restrictions.

**Section 6.** That any procedures required by Code Section 2-24 that are not required by state law are hereby waived with respect to this conveyance.

**Section 7.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

EXHIBIT A

<u>Parcel No.</u>	<u>Property Address</u>	<u>Legal Lot</u>	<u>Description Block</u>
W17	2451 Starks Avenue	25	1/2538
W21	2426 Macon Street	7	9/2539
W27	2449 Starks Avenue	23 & 24	1/2538
W28	2445 Starks Avenue	21 & 22	1/2538

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**MAPSCO:** N/A

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### **SUBJECT**

Authorize an amendment to the Mortgage Assistance Program (MAP) to: **(1)** remove the designated funding limits by assistance category; and **(2)** allow the City Manager, or his designee, upon legal review and approval by the City Attorney's office to: **(a)** endorse on behalf of the City of Dallas, as the lien holder, insurance recovery checks issued by insurance companies to MAP borrowers for any recovery of property damage(s) under borrowers' homeowners insurance policies; and **(b)** authorize the insurance recovery proceeds to be used by borrowers to repair the damaged properties secured by City liens - Financing: No cost consideration to the City

### **BACKGROUND**

The Mortgage Assistance Program (MAP) is funded with annual entitlement grant allocations from the U.S. Department of Housing and Urban Development (HUD). MAP provides principal reduction and closing cost assistance to eligible homebuyers to purchase a home in the City of Dallas. MAP provides homeownership opportunities for residents of the City of Dallas earning at or below 80% of area median family income.

MAP has three categories of funds: 1) eligible homebuyers purchasing existing homes may receive up to \$8,500 in principal reduction and closing cost assistance as a 5-year forgivable loan; 2) eligible homebuyers purchasing a home constructed by a Certified Community Housing Development Organization (CHDO) may receive up to \$20,000 in principal reduction and closing cost assistance as a 10-year forgivable loan; and 3) eligible homebuyers purchasing a new home that is constructed on properties sold by the Dallas Housing Acquisition and Development Corporation (City of Dallas Land Bank) may receive up to \$10,000 in principal reduction and closing cost assistance as a 5-year forgivable loan.



## **BACKGROUND (continued)**

The existing MAP Program Statement contains funding limits for each assistance category. If demand for funds in any assistance category diminishes, the resulting surplus cannot be used for the other categories without subsequent City Council action. The removal of the designated funding limits by assistance category will allow more flexibility to provide funds to achieve the greatest impact for the eligible homebuyers served by MAP.

When MAP borrowers receive insurance checks under their homeowners insurance policy for damages sustained to their property it is necessary for the City to endorse these two party insurance checks as an additional insured party in order for the homeowner to use the proceeds to repair their property. This resolution provides a program statement amendment including a written policy for processing these insurance checks.

## **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On August 20, 2012, the Housing Committee of the City Council was briefed on the MAP program changes for FY 2012-13 including bringing the Program in-house.

On September 26, 2012, the City Council approved the FY 2012-13 Mortgage Assistance Program by Resolution No. 12-2403.

On February 27, 2013, the City Council approved an amendment to the FY 2012-13 Mortgage Assistance Program to add a third category of assistance by Resolution No. 13-0406.

On June 26, 2013, the City Council approved the final FY 2013-14 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 13-1142.

## **FISCAL INFORMATION**

No Cost Consideration to the City

September 25, 2013

**WHEREAS**, homeownership is a high priority of the City of Dallas; and

**WHEREAS**, the Mortgage Assistance Program provides assistance to eligible homebuyers; and

**WHEREAS**, on September 26, 2012, the City Council approved the FY 2012-13 Mortgage Assistance Program by Resolution No. 12-2403; and

**WHEREAS**, on October 1, 2012, the City began operating the Mortgage Assistance Program in-house; and

**WHEREAS**, on February 27, 2013, the City Council approved an amendment to the FY 2012-13 Mortgage Assistance Program to add a new category of assistance by Resolution No. 13-0406; and

**WHEREAS**, on June 26, 2013, the City Council approved the final FY 2013-14 Consolidated Plan Budget for U.S. Department of Housing and Urban Development Grant Funds by Resolution No. 13-1142; and

**WHEREAS**, the City desires to amend the Mortgage Assistance Program to remove the designated funding limits by assistance category which will allow more flexibility to allocate funds to achieve the greatest impact for the citizens served; and

**WHEREAS**, the City desires to further amend the Mortgage Assistance Program to designate the City Manager to endorse insurance proceeds checks and to provide a written policy for processing insurance recovery proceeds within the Mortgage Assistance Program as outlined in the Mortgage Assistance Program Statement (attached as Exhibit A); **NOW, THEREFORE**,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

**Section 1.** That modification to the Program Statement for the Mortgage Assistance Program (MAP) be approved as set forth in Exhibit A, including: 1) removal of the designated funding limits by assistance category; and 2) authorizing the City Manager, or his designee, upon legal review and approval by the City Attorney's office to: a) endorse on behalf of the City of Dallas, as the lien holder, insurance recovery checks issued by insurance companies to MAP borrowers for any recovery of property damage(s) under borrowers' homeowners insurance policies; and b) authorize the insurance recovery proceeds to be used by borrowers to repair the damaged properties secured by City.

September 25, 2013

**Section 2.** That the City Manager is authorized to execute such instruments, upon approval as to form by the City Attorney's office, as may be necessary to carry out the program in accordance with the MAP Program Statement.

**Section 3.** That the City Controller be authorized to encumber and disburse funds in accordance with the MAP Program Statement.

**Section 4.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

## EXHIBIT A

### ~~FY 2012-13~~ PROGRAM STATEMENT MORTGAGE ASSISTANCE PROGRAM (MAP)

#### Program Purpose:

- To provide homeownership opportunities to low to moderate income homebuyers through the provision of financial assistance in purchasing a home in accordance with federal, state and local laws and regulations.
- To incentivize new construction of homes for enhancement of the property tax base.

#### General Provisions:

- Homes must be located in the Dallas city limits.
- Homebuyer must successfully complete homeownership education from an approved counseling agency.
- Borrower may obtain a conventional, FHA, or portfolio loan through an approved lender. High cost or sub-prime loans, adjustable rate mortgages (ARM), interest only loans are not allowed. Borrower may also pay cash.
- For this program, low to moderate income is defined as a household with calculated income at 80% or less of the Area Median Family Income, adjusted for family size.
- Sufficient income and household size documentation to certify eligibility per HUD guidelines is required.
- Borrower must be a U.S. citizen or a permanent resident, and possess a valid social security card.
- Borrower must occupy the property as a primary residence.
- All properties purchased under this program must meet federal and local requirements including Minimum Acceptable Property Standards (MAPS) and international residential code.
- Home sales prices may not exceed the Single Family Mortgage Limits under Section 203 (b) of the National Housing Act.

- Homebuyer mortgage affordability must meet front-end debt ratio of 35% and back-end debt ratio of 45%.
- The maximum amount of assistance to be used to pay Borrower's closing costs is \$4,000. Cash back at closing and discount points paid by the Borrower are not allowed.
- The City Manager, or his designee, is authorized to implement the Mortgage Assistance (MAP) program as per this Program Statement, execute any documents necessary to implement this program, and grant waivers to the Mortgage Assistance Program guidelines, as set forth in this Program Statement, without further City Council authorization, on a case by case basis.
- Under exceptional cases, loan guarantees may be granted for Community Housing Development Organizations (CHDOs) that provide permanent mortgage financing and have the financial capacity to pay back the MAP loan in the event of default. Guarantees must receive Housing/ Community Services Director approval.
- The City Manager, or his designee, upon legal review and approval by the City Attorney's Office, is authorized pursuant to the Mortgage Assistance Program to: a) endorse on behalf of the City of Dallas, as the lien holder, insurance recovery checks issued by insurance companies to borrowers for any recovery of property damage(s) under borrower's homeowners insurance policies; and b) authorize the insurance recovery proceeds to be used by borrowers to repair the damaged properties secured by City liens.
- The City Manager, or his designee, is authorized to review portfolio loans for appropriate affordability compliance and release those loans that have met those compliance requirements.

Assistance may be provided from only one of the categories listed below.

### **Categories of Assistance:**

#### **Category #1: Available Funding ~~\$340,000~~ – Homebuyer Assistance for Existing Homes**

- Provide (i) principal reduction and (ii) closing cost assistance to low to moderate income homebuyers for existing homes
- An existing home is defined as a home which was previously occupied by another homeowner
- Subsidy amount up to \$8,500

- Principal reduction and closing cost assistance will be provided in the form of a lump sum payment at closing. In exchange for the assistance, the homebuyer must execute and place a lien and deed restrictions on the property for a five (5) year term for the amount of principal reduction assistance provided.
- The lien is amortized and forgiven over a five year period.
- All properties assisted with MAP funds must meet Minimum Housing Standards (MHS). As part of the total subsidy, MHS repair funds cannot exceed \$1,500.

**Category #2: ~~Available Funding \$1,360,000~~ – Homebuyer Assistance for Newly Constructed Community Housing Development Organization (CHDO) Homes**

- Provides (i) principal reduction and (ii) closing cost assistance to low to moderate income homebuyers for newly constructed homes
- A newly constructed CHDO home is defined as a home which has not been previously occupied by another homeowner and constructed by a City of Dallas Certified CHDO
- Subsidy amount up to \$20,000
- Principal reduction and closing cost assistance will be provided in the form of a lump sum payment at closing. In exchange for the assistance, the homebuyer must execute and place a lien and deed restrictions on the property for a ten (10) year term for the amount of principal reduction assistance provided.
- The lien is amortized and forgiven over a ten year period.
- Each ~~organization~~ CHDO, including affiliates, is limited in its access to total funding up to 50% of the available funding for this category. (~~i.e. 50% of \$1,000,000 or \$500,000~~).

**Category #3: ~~Available Funding \$400,000~~ – Homebuyer Assistance for Newly Constructed Homes on Lots Purchased from the Dallas Housing Acquisition and Development Corporation (DHADC or City of Dallas Land Bank)**

- Provides (i) principal reduction and (ii) closing cost assistance to low to moderate income homebuyers for newly constructed homes on Land Bank lots
- A newly constructed home is defined as a home which has not been previously occupied by another homeowner
- Subsidy amount up to \$10,000

- Principal reduction and closing cost assistance will be provided in the form of a lump sum payment at closing. In exchange for the assistance, the homebuyer must execute and place a lien and deed restrictions on the property for a five (5) year term for the amount of principal reduction assistance provided.
- The lien is amortized and forgiven over a five year period.