



**City of Dallas**

# **Mixed Income Housing Development Bonus (MIHDB) Fees Discussion**

**Housing Policy Task Force  
November 30, 2022**

Pam Thompson, Housing Strategy Manager  
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Department of Housing & Neighborhood  
Revitalization  
City of Dallas

# Presentation Overview



- MIHDB Program Background
- Production
- Process Overview
- MIHDB Program Fees
- In-lieu Fees
- Uses of the Fees and Next Steps



# MIHDB Program Background



- Program purpose
  - Provide housing that is affordable to a broad range of income levels in all areas of the city
  - Generate additional local revenue to support creation/stabilization of housing least likely to be provided by the market



# MIHDB Program Background



- Program approved in 2019 and amended in 2022
- Incentivizes mixed income multifamily development through various zoning bonuses
- Trades:
  - Additional development rights (such as height, floor area ratio, density, and reduced parking)
    - for -
  - Onsite reserved housing units or a fee in lieu of onsite provision.



# MIHDB Program Background



- Eligible properties/projects
  - New multifamily construction on property zoned one of the multifamily (MF(A)) or mixed use (MU) districts or in a planned development district (PD) that refers to the program
- Application process
  - Developers apply to the Department of Housing & Neighborhood Revitalization at the beginning of the building permit process.





# MIHDB Program Production

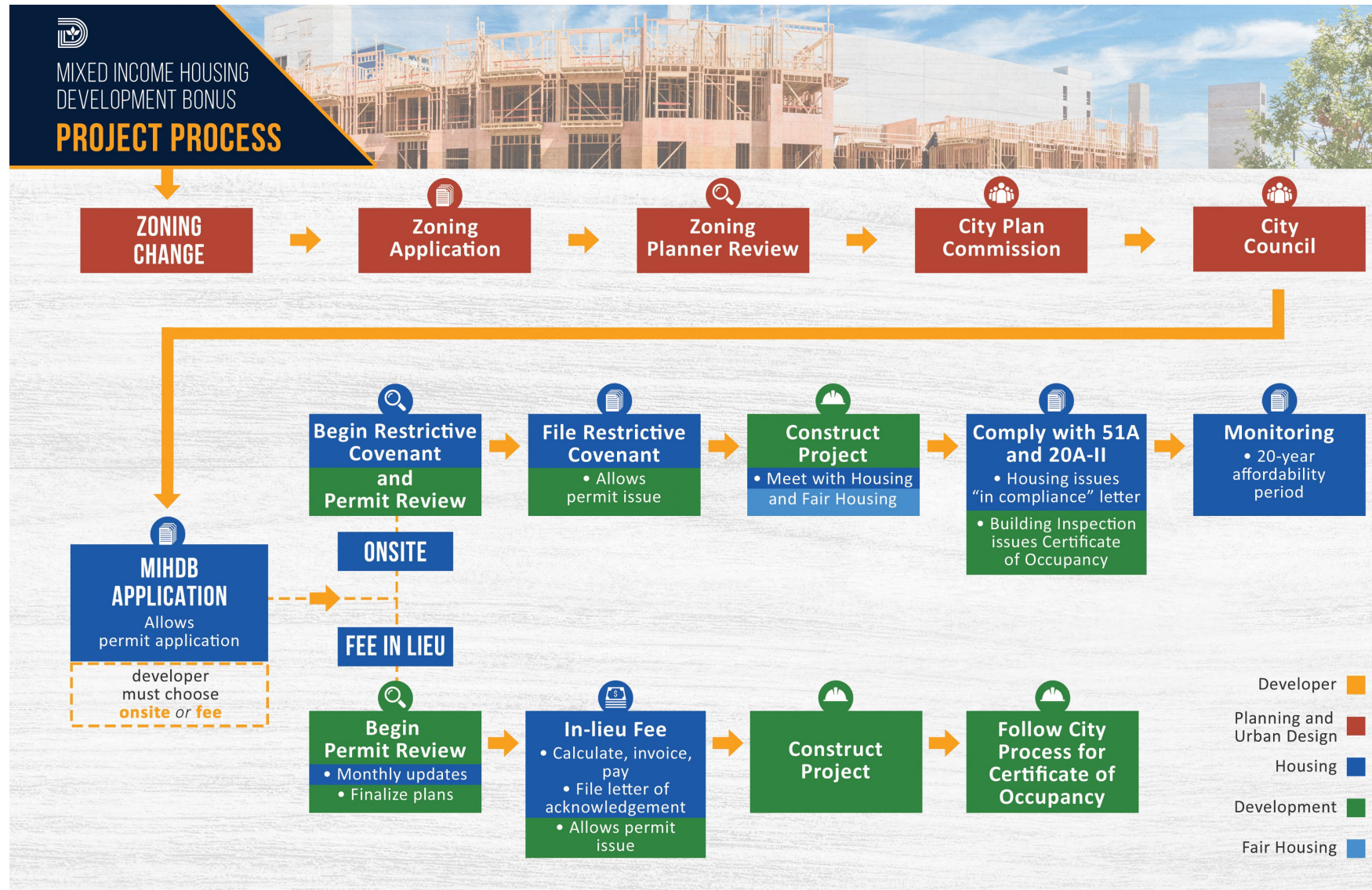


- MIHDB program in place since 2019
  - Amended May 11, 2022 to allow a fee in lieu of onsite units
- As of October 2022:
  - 34 projects currently tracked in development pipeline (Up from 16 last year)
  - 27 additional potential projects with MIHDB zoning

	Complete	Under Construction	Applying	Might Apply	Total
Onsite	5	12	13		30
Fee in Lieu			4		4
Not set				27	27
Universe	5	12	17	27	61



# MIHDB Process Overview



# MIHDB Program Fees and In-Lieu Fees



- Two **distinct** sets of fees
  - *Program* fees – Similar to permitting fees. Paid during application process to off-set the cost of staff time to run the program
  - *In-lieu* fees – Optional fee to be paid instead of providing reserved (affordable) units onsite.





# MIHDB Program Fees - Background



- In 2019, City Council approved a set of program participation fees.
  - Allow for cost recovery for staff time for running the program, based on a fee study
  - Due during the application process
  - Max of \$4,453.00 for each project application
  - Covers application process, first year activities, and entire 20-year affordability period

Current MIHDB Participation Fees	Fee
Initial application (all applications)	\$92.00
Initial first year activities (including receiving a development bonus, filing the mixed-income restrictive covenant, and initial leasing.) (only onsite)	\$625.00
Compliance monitoring during 20-year affordability period (only onsite)	<u>\$3,736.00</u>
<b>Total</b>	<b>\$4,453.00</b>



# MIHDB Program Fees - Increases



- Office of Budget reviewed the MIHDB program participation fees, along with other City fees, during the FY2022-23 budget process
  - Staff and the fee study consultant reviewed staff time required to run the MIHDB program
  - Council approved updated fees below
  - Total of \$12,957.00 for each project application
  - Updated once every four years, effective with new fiscal year

MIHDB Participation Fees effective January 1, 2023	Fee
Initial application (all applications)	\$1,390.00
Initial first year activities (including receiving a development bonus, filing the mixed-income restrictive covenant, and initial leasing.) (only onsite)	\$485.00
Compliance monitoring during 20-year affordability period (only onsite)	<u>\$11,082.00</u>
<b>Total</b>	<b>\$12,957.00</b>



# MIHDB In-Lieu Fee - Background



- On May 11, 2022, City Council approved regulations allowing developers to pay a fee in lieu of providing onsite reserved (affordable) units.
- Fee calculated per building based on square footage of floor area, number of stories in the building, and Market Value Analysis category
  - Developments less than 80% residential floor area - fee based on the *total* floor area of the building
  - Developments greater than 80% residential - fee based on the *total residential* floor area
- Fee is **not** based on amount of bonus or number of reserved units otherwise required.



# MIHDB In-Lieu Fee – Floor Area



- Floor area is defined in Sec. 51A-2.102(38)
- Same calculation as for floor area ratio (FAR)
  - **Not** the International Building Code and the International Residential Code definitions
  - Excludes all areas used solely for parking

## Section 51A-2.102(38)

(38) FLOOR AREA means the total square feet of floor space in a building measured to the outside faces of exterior walls or to the omitted wall lines, whichever produces the larger area, **excluding** the following:

- (A) Area used solely for off-street **parking**.
- (B) Area between an omitted wall line and the structural wall when the area is used solely for foot or vehicular traffic or landscaping.
- (C) Area of a private **balcony** that is not accessible to the public and does not provide a means of ingress or egress.
- (D) Area of a breezeway or an **unenclosed stairway** located within the first three stories, excluding any basement, of a residential use





# MIHDB In-Lieu Fee - Calculation



- In-lieu fee is *floor area square footage* times the applicable *per-foot amount*\*:

Fees in Lieu of On-Site Provision of Units Fee to be multiplied by square footage of floor area as specified in Section 20A-23.1	Fee Market Value Analysis (MVA) Categories A-F	Fee MVA Categories G-I
Under six stories	\$3.07	\$2.15
Between six and eight stories	\$4.91	\$3.44
Between nine and 12 stories	\$6.14	\$4.30
Over 12 stories	\$7.98	\$5.59

\*Fees increase annually each year based on January Consumer Price Index (CPI) for housing in Dallas/Fort Worth Metropolitan Statistical Area (MSA), Series ID CUURS37ASAH, available here: <https://data.bls.gov/cgi-bin/srgate>



# MIHDB In-Lieu Fee - Example



- Example: Uptown residential high rise:
  - 31 stories
  - MVA Category E
  - 307,196 total residential square feet
- **\$7.98** \* 307,196 sq. ft. = \$2,451,424

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# MIHDB In-Lieu Fee - Process



- Once fee is calculated, City invoices developer
- Developer wires fee to City
- City prepares acknowledgement letter (receipt)
- Acknowledgement letter recorded against deed:
  - Memorializes development's participation in bonus program
  - Serves in place of onsite restrictive covenant
- Developer can use acknowledgement letter to request building permit



# MIHDB In-Lieu Fee – Increases



- The per-square-foot in-lieu fee increases yearly by the same percentage as the increase in the Consumer Price Index for Housing in the DFW MSA.
  - For 2023, the January 2023 number will be compared to the January 2022 number
  - The January CPI numbers are scheduled to be released February 14, 2023
  - The new in-lieu fee table will be posted to the City's website shortly thereafter and the new fee will be retroactive to the CPI release date.





# MIHDB In Lieu Fee – Uses and Next Steps



- In-lieu fees are collected and deposited into a special purpose fund called the *MIHDB Fund*
  - The current Comprehensive Housing Policy directs the MIHDB fund to be used to “support the creation of housing least likely to be provided by the market.”
- The public will be invited to upcoming meetings to provide input on how the MIHDB Fund should be used



# Contact Information



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# Appendix 1 – MVA Map



Department of Housing and Neighborhood Revitalization



## Geographic Target Areas for Housing Development

Use this map to identify if your development site is located in a geographic area targeted by the city or other sources as a priority. Many of these areas also come with incentives for development. Use the SEARCH button to the right to find the address of your development site, then use the links below to show the different target areas.

**Reinvestment Strategy Areas** - Geographic areas targeted by the Comprehensive Housing Policy. Development and programs in these areas may receive priority or additional points in applications to the City of Dallas Department of Housing and Neighborhood Revitalization.

**MVA for Incentive Zoning** - Developers may get zoning incentives if they include some affordable housing in their development. Requirements for the program vary by MVA category.

**Neighborhood Empowerment Zones** - New single-family development inside a designated NEZ could qualify for a tax abatement and reimbursement of development fees if the home is sold to a qualified low-income buyer.

**Designated Opportunity Zones** - This program, managed by the federal government, may provide grants to developments that increase economic opportunity in these neighborhoods.

