

CITY OF DALLAS

URBAN LAND BANK
DEMONSTRATION PROGRAM

PROGRAM OVERVIEW,
APPLICATION AND
SUPPLEMENTARY MATERIALS

REVISED
NOVEMBER 2018

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Program Overview

Dallas Housing and Acquisition Development Corporation

The Dallas Housing and Acquisition Development Corporation (DHADC) is a non-profit entity organized under the Texas Nonprofit Corporation Act and acts as a duly constituted instrumentality of the City of Dallas (the “City”). Its purposes are to provide safe, affordable housing facilities for the benefit of low and moderate-income persons, as determined by the City; to promote local economic development and stimulate business and commercial activity through enhanced market availability in the City of Dallas by the development of new, mixed income single family housing; and to increase the supply of new affordable housing for working individuals and families in order to attract and retain economic growth. One of the activities of the DHADC is to administer the Urban Land Bank Demonstration Program, which is authorized by Chapter 379C of the Texas Local Government Code. Another activity of the DHADC is to acquire and transfer, at less than market value, tax foreclosed vacant or distressed properties pursuant to Section 34.051 of the Texas Property Tax Code (i.e. HB 110 lots).

Objectives of the Urban Land Bank Demonstration Program

The objectives of the Urban Land Bank Demonstration Program (the “Program” or “Land Bank”) are to acquire: (1) unproductive, vacant, and developable property and (2) property intended for commercial use to be “banked” for affordable housing or commercial development. The resale of such property will enable the development of new single-family homeowner or rental units to serve low income households or the development of commercial uses that stabilize distressed communities. This Program is implemented via a statutorily-authorized tax foreclosure process for properties with five or more years of delinquent property taxes.

In order to achieve the public purpose of creating affordable housing for low income households, all residential properties sold by the Land Bank will be deed restricted to require the development and sale, rental, or lease-purchase to low income households, meaning households with a gross income of not greater than 115% of the Area Median Family Income (AMFI).

For Sale Homes: A minimum of 25% of Land Bank properties sold during any given fiscal year shall be deed restricted for sale to households with gross annual incomes not greater than 60% of AMFI. Not more than 30% of Land Banks lots sold during any fiscal year shall be deed restricted for sale to households with gross annual incomes between 81% and 115% of AMFI. All for-sale housing properties shall require a minimum five-year deed restriction.

Rental Homes: 100% of the properties sold during any fiscal year must be deed restricted to be leased to households with gross annual incomes not greater than 60% of AMFI. At least 40% of the properties sold must be deed restricted to be leased to households with gross annual incomes not greater than 50% of AMFI. At least 20% of the properties sold must be deed restricted to be leased to households with gross annual incomes not greater than 30% of AMFI. The Land Bank will include a minimum fifteen-year deed restriction on all properties intended to be developed

for rental purposes. The deed restriction will also require the owner to file an annual occupancy report with the City on a reporting form provided by the City and will prohibit any exclusion of an individual or family from admission to the development based solely on the participation of the individual or family in the housing choice voucher program under Section 8, United States Housing Act of 1937 (42 U.S.C. Section 1437f), as amended.

Commercial properties: Properties intended for commercial use that are acquired and resold by the Land Bank need only serve the public purpose of economic development.

Sales Price of Land Bank Lots and Graduated Screening Criteria for Applicants Seeking Price Discounts

The Land Bank seeks to efficiently transfer unproductive real property for the purposes of creating affordable housing and/or stimulating business and commercial activity. To achieve this goal, the Land Bank will subject applications to a graduated level of screening. Applicants who propose to purchase an eligible lot at or near fair market value will be subject to a review of their background, financials and development plan.

Land bank lots will initially be offered for sale at fair market value as determined by a Comparative Market Assessment or the sales price recorded in the annual plan. As discussed more thoroughly below, all deeds of Land Bank properties will include a right of reverter. All but properties intended for commercial use will include deed restrictions related to affordable housing.

**This section does not apply to sales of land to adjacent property owners. See the section related to adjacent property owners for a discussion of sales price.

Persons Eligible to Purchase Land Bank Lots

The Land Bank will accept applications from individuals, non-profit developers, for-profit developers, joint ventures, limited liability corporations, and limited partnerships. The Land Bank may decline to sell available lots to individuals or entities that have not met current obligations with the City, as identified in the Dallas City Code Section 2-36 (Ordinance 25819). All applicants are subject to background and reference checks to ensure compliance with Ordinance 25819, in addition to other City Codes.

Qualified Participating Developer

A Qualified Participating Developer is eligible to purchase land through the Program. In order to be designated as a Qualified Participating Developer under Section 379C.005 of the Texas Local Government Code (the "Code"), a developer must: (1) have built one or more housing units within the three-year period preceding the submission of an application to DHADC seeking to acquire real property via the Program; (2) have a development plan approved by the DHADC Board and the City of Dallas (the "City") for the property; and (3) demonstrate ability to develop,

within a three-year period, its inventory of residential lots acquired through City-operated or City-assisted programs including the property proposed to be acquired.

Persons Not Designated as Qualified Participating Developers

Developers who are not designated as Qualified Participating Developers are only eligible to purchase property intended for commercial use. The developer must obtain the City's approval of a development plan for the Land Bank property and develop the property in accordance with the approved development plan.

Eligible Adjacent Property Owners

Property owners who own property located adjacent to property owned by the Land Bank and who satisfy any eligibility requirements set forth in the Program are eligible to purchase an adjacent Land Bank property that is deemed by the Land Bank as not appropriate for residential development. Property sold to adjacent property owners will be sold at fair market value as determined by the Comparative Market Assessment or the sales price recorded in the annual plan. Except for certain limited circumstances, an owner who purchases such a property must agree to not sell, lease, or transfer the property to another person before the third anniversary of date of purchase from the Land Bank.

Sale of Land Bank Lots/Right of First Refusal

The Land Bank must first offer properties for sale to Qualified Organizations, pursuant to Section 379C.011 of the Code (i.e. Right of First Refusal).

A Qualified Organization must: (1) meet the definition of a Community Housing Development Organization ("CHDO") under 24 CFR 92.2, (2) be certified by the City as a CHDO, (3) contain within its designated geographical boundaries of operation, as set forth in its application for certification filed with and approved by the City, a portion of the property that the Land Bank is offering for sale, (4) have built at least three single-family homes or duplexes or one multifamily residential dwelling of four or more units in compliance with all applicable building codes within the preceding two-year period of the date the property becomes available for purchase through the Land Bank and within the organization's designated geographical boundaries of operation, and (5) within the preceding two-year period, have built or rehabilitated housing units within a one-half mile radius of the offered parcel.

The Land Bank will use the following process to notify, offer for sale and transfer lots via the right of first refusal:

1. Written notice will be provided to the qualified organizations by certified mail for the offering.
2. The time period for "right of first refusal" will be six (6) months from the date of the deed of conveyance of the property to the Land Bank.

3. During this six-month period, the Land Bank may only sell the property to a qualified organization, unless all eligible qualifying organizations notify the Land Bank that they are declining to exercise their right of first refusal.
4. If more than one qualified organization expresses an interest in exercising its right of first refusal, the organization that has designated the most geographically compact area encompassing a portion of the property shall be given priority.
5. If an offer to purchase the property is not received from a qualified organization during the six-month period from the date of the Land Bank deed of conveyance, the Land Bank may sell the property to any qualified participating developer at the same price that the Land Bank offered the property to the qualified organization(s).

There will be no requirement for the Land Bank to give a right of first refusal to qualified organizations if the Land Bank is selling property that reverted to the Land Bank. Additionally, the Land Bank will conduct underwriting to ensure that the Qualified Organization has the capacity to develop the proposed lots and the financial assumptions are both feasible and reasonable.

Use of Land Bank Lots

Construction Timeline and Compliance with Federal Regulations

All purchasers of property from the Land Bank must apply for a construction permit and close on any construction financing within three (3) years of purchase from the Land Bank. Properties sold by the Land Bank will include a Right of Reverter so that if the purchaser does not apply for a construction permit and close on any construction financing within the three-year period, the property will revert to the DHADC for subsequent resale. DHADC will require that the qualified participating developer commence construction within 18 months from recording the Deed without Warranty. Any proposal to acquire a Land Bank property must include a performance schedule that outlines all of the milestone and dates of completion from lot acquisition to lot sale (see Sample Timeline - **Exhibit E**). Developers who do not develop within approved timeframes will lose points on future Land Bank applications.

Developers must also comply with federal regulations set forth in **Appendix A**, including HUD Section 3 and MBWE requirements and all City regulations, including Affirmative Fair Housing Marketing and insurance requirements, also set forth in Appendix A.

Occupancy Requirements

Any proposal to acquire a Land Bank property must include a description of the income levels to be targeted for sale or rental of the unit(s) to be developed on the property.

Prior to any resale or rental of a property purchased from the Land Bank, the developer who purchased the property from the Land Bank must submit information sufficient to allow the

City to determine that the subsequent purchaser is a low-income household. The Land Bank must approve all prospective purchases prior to sale (see For-Sale Homebuyer Checklist - **Exhibit D**) and the property must be deed restricted as described in the Program Overview.

Community Outreach

Applicants seeking to purchase ten or more properties, whether contiguous or scattered site, at any one time shall seek community input from: (1) the organizations and neighborhood associations identified by the City in the Land Bank Annual Plan as serving the neighborhoods in which the properties are located and (2) the surrounding neighborhood (see **Exhibit H** for a listing of such groups/associations). Notices for a community meeting must be sent to all properties located within a 500 feet radius from the subject property(ies). At the meeting, an attendance sheet shall be collected, identifying all neighborhood participants, and the attendance sheet will be required for submission as part of the Applicant Scoring section. Additionally, in the case where a City-identified organization or neighborhood association exists, then applicants who obtain a letter of support from the organization or neighborhood association will score bonus points on the Applicant Scoring section.

Lot Exchange

In the event the qualified participating developer desires to exchange a lot acquired from the Land Bank, the developer must exchange the property purchased from DHADC with a property owned by the developer, subject to:

1. the developer agreeing to construct affordable housing on the proposed lot; and
2. the proposed lot will be located in a planned development incorporating the property originally purchased from the Land Bank or another location as approved by DHADC.

The developer shall provide the following details for DHADC's consideration:

- Explanation for the lot swap, comparability between the existing lot and proposed lot, including land value and distance to amenities, such as:
 - Public Transportation
 - Schools
 - Parks
 - Library
 - Medical Hospital / Pharmacy
 - Grocery Store
- Proposed property address, legal description, census tract
- Revised Proposal
- Appraisal for proposed lot

DHADC shall also consider any necessary adjustment to the deed restrictions.

NOTE: ALL APPLICATIONS ARE SUBJECT TO APPROVAL BY THE DHADC BOARD OF DIRECTORS AND THE CITY OF DALLAS CITY COUNCIL. THEIR RIGHT TO REJECT ANY AND ALL APPLICATIONS IS EXPRESSLY RESERVED.

Land Bank Application to Purchase Existing Lots

Application Process

Applicants desiring to purchase existing lots shall submit a complete application composed of the below items. All applications must be saved and submitted in duplicate on two separate flash drives. Please submit to *Attn: DHADC, Land Bank Manager*. Each document on the flash drives must be clearly labeled to easily identify the portion of the application with which it corresponds. Excel spreadsheets may not link to external data sources, and must be unlocked so that all data, including formulas, are viewable.

Application Evaluation

Applications that are not complete, or that do not comply with the program requirements, will not be scored. Applicants are notified of the results of both reviews via email. Please note that emails will be sent only to the point of contact on the application. Applications will be reviewed in approximately 45 days. Subsequently, DHADC will issue a letter informing the applicant that the application has been denied or will be recommended to the DHADC Board of Directors for consideration.

Once a term sheet is executed by the applicant, the project will be scheduled for consideration to the DHADC Board of Directors, followed by the City's Economic Development and Housing Committee. If recommended by the Committee, the project will be scheduled for consideration at the next available agenda meeting of the City of Dallas City Council. If approved by the City Council, the City and/or DHADC will send a development agreement for review and execution by the applicant. The process, from submission of a complete application to execution of a Deed without Warranty, may take up to 6 months.

Application Fee

Applicants who submit an application to purchase five (5) or fewer lots shall submit a non-refundable fee in the amount of \$125.00. Applicants seeking to purchase more than five (5) lots, shall submit a non-refundable fee in the amount of \$300.00. The cashier's check must be made payable to the Dallas Housing Acquisition and Development Corporation and attached to the application submitted to *Attn: DHADC, Land Bank Manager*.

Material Change Fee

After an application is approved, should a material change be considered, an applicant shall submit a \$50.00 fee. Material changes may include, but are not limited to, a lot swap or change in pro forma sales price.

Applicant Scoring—Maximum point total is 105 points

The scoring system will allow the Land Bank to determine whether to recommend the sale of an existing lot to a specific applicant and to choose between multiple applicants who are proposing to purchase the same lot. The criteria focus on the applicant's overall project design, experience and financial capacity.

Summary of Project—5 points

Submit an executive summary containing a brief synopsis of the proposed development and number of units, location, project costs and the proposed financing. The executive summary should also have a brief description of the proposed project (frontal elevation and floor plan only—detailed drawings are not required with initial application), proposed site plan, security arrangements, amenities and accessibility/adaptability provisions.

Applicant's Experience—20 points

Developer statement of qualifications that includes:

1. Summary of comparable projects completed within the last three (3) years.
2. Summary of all projects underway and/or pending.
3. List of staff assigned to the proposed project and their roles and experience.
4. Disclosure of any conflict of interest.
5. Individual resumes, copies of appropriate licenses and/or professional certifications of assigned developer staff.
6. Information on qualifications of property management agent (multi-family only).
7. Last three years' financial statements for developer and any guarantors
8. Last three years' corporate audit or reviewed financial statements (multi-family only).
9. Last three years' tax returns for developer, 990s for nonprofit developers (multi-family only).
10. Certified copies of all organizational documents of all entities in the project, including articles of incorporation, operating agreement, partnership agreement, as applicable.

Applicant's Record of Compliance and Ability to Perform—20 points

1. List of any undeveloped real property currently owned by the applicant, including partners and principals, or transferred by the applicant in an undeveloped form by the applicant within the past 3 years, and an explanation of why the real property has not been developed or was not developed.
2. List of any lawsuits or fair housing complaints filed against applicant, including partners and principles, within the past 3 years and a summary of the nature of the claim.
3. List of all bankruptcies filed by the applicant, including partners and principles, defaults or foreclosures of real property owned by the applicant or any event that could lead to a potential bankruptcy, default or foreclosure.

4. A list of all ongoing projects or projects completed in the past 3 years that required a contract extension or renegotiation of financing along with a brief explanation of the reasons for the extension or renegotiation.
5. For applicants who have previously purchased Land Bank lots or received funding from the City to develop affordable units, regardless of source of funds, the Applicant must list the addresses for the projects and the source of funds. The Housing and Neighborhood Revitalization Department will use this information to identify any prior compliance issues or complaints regarding applicant's quality of work or responsiveness.

Market Data—20 points

1. Independent third-party market analysis that supports project assumptions including but not limited to: rents, vacancy rates, operating costs, absorption rates, escalating factors, market cap rates, internal rate of return and cash on cash returns demanded for projects of similar type, debt and equity requirements, etc (multi-family only).
2. Additional evidence of demand—applications/waiting lists from similar projects, voucher/rental assistance pipelines, or Continuum of Care data for homeless/special needs projects, etc (multi-family only).

Underwriting/Financial Projections—20 points

1. Pro-forma showing rent and operating cost projections or cash flow statements and projected sales; all project costs, construction period sources/uses; and 20-year operating/cash flow projections.
2. Commitments for other financing, both permanent and construction loan sources.
3. Documentation of construction costs (e.g. estimate by qualified individual, bids, contract documents).
4. Estimates/documentation of professional services and soft costs e.g. architectural fees, construction period taxes/insurance, marketing expenses, realtor listing agreement, etc (multi-family only).

Marketing and Leasing—15 points

1. Marketing plan outlining: tenant selection criteria and waiting list procedures, description of primary market and outreach strategies, including affirmative fair housing marketing plan using HUD form HUD-935.2A (multi-family) / 935.2B (single family).
2. Availability of tenant services and appropriate referral plan, if applicable (multi-family only).
3. Copy of lease agreement form consistent with Texas Property Code 92.253 (multi-family only).

Bonus – 5 points

1. Neighborhood/Community Group Support Letter.

Tie Breaker

If multiple applications are received for the same lot(s) and they receive the same highest score, then the applicant who submits a complete application first shall be recommended to the DHADC Board of Directors.

Exhibit A: Federal, State and Local Requirements

HUD Section 3 (Local Hiring); Minority Business Enterprises/Women Business Enterprises (MBE/WBE) Requirements

Applicants utilizing City funds must certify that the general contractor, subcontractors and/or service providers will comply with HUD Section 3 requirements to provide opportunities for employment to lower-income neighborhood residents in the City. Further, to the greatest extent feasible, contracts in connection with these projects are to be awarded to local businesses.

Marketing and Selection

As a condition of this program, awarded applicants must comply with the provisions of the City's Affirmative Fair Housing Marketing Program, including submission of the Affirmative Fair Housing Marketing Plan attached as **Exhibit G**. The plan is a requirement for both rental units and for-sale homes to low income families. Additionally, please describe the demand for the proposed housing and the selection process after the completion of the marketing efforts.

Insurance

Prior to the commencement of construction of any permanent structure or improvement, Developer and/or Builder shall purchase and maintain, or require contractor or subcontractor to purchase and maintain, until final completion and acceptance of all work, insurance coverage written by companies approved by the State of Texas and acceptable to the City and DHADC in the following types:

1. Workers' Compensation with statutory limits; Employers Liability. Waive subrogation against the City and DHADC, its officers and employees, for bodily injury (including death), property damage or any other loss.
 - a. Bodily Injury by accident: \$500,000 each accident
 - b. Bodily injury by disease: \$500,000 policy limit
 - c. Bodily injury by disease: \$500,000 each employee
2. Business Automobile Liability Insurance covering owned, hired, and non-owned vehicles. Minimum combined bodily injury (including death) and property damage limit of \$1,000,000 per occurrence.
3. Commercial General Liability Insurance including, but not limited to, Premises/Operations, Personal & Advertising Injury, Products/Completed Operations, Independent Contractors and Contractual Liability. The City and/or DHADC shall be named as an additional insured as its interest may appear as second mortgagee.

Minimum combined bodily injury (including death) and property damage limit of \$1,000,000 per occurrence, \$2,000,000 products/completed operations aggregate, and \$2,000,000 general aggregate.

The policy shall include coverage extended to apply to products/completed operations and XCU hazards. The Completed Operations coverage must be maintained for a minimum of one (1) year after final completion and acceptance of the Work, with evidence of same filed with City and DHADC. City and/or DHADC shall be named as additional insured using the broadest form of endorsement available, with such status extended to include the extension of the completed operations coverage as described above. The policy shall include endorsement CG2503 Amendment of limits (designated project or premises) in order to extend the policy's limits specifically to the project in question.

4. All Risk Builder's/Installation Floater Risk Insurance covering materials, supplies and equipment required for the renovation or construction with an amount equal to the insurable value of the Project. The City and/or DHADC will be shown as a second mortgagee as its interest may appear.
5. Umbrella or Excess Liability Insurance providing coverage following form of the primary liability coverages described in 1, 2, and 3 above, and 6 below if Asbestos Abatement included, with minimum combined bodily injury (including death) and property damage limit of \$1,000,000 per occurrence and \$1,000,000 annual aggregate.

Developer and/or Builder agrees that with respect to above insurance, all insurance contracts and certificate(s) insurance will state that coverage shall not be canceled, nonrenewed or materially changed except after 30 days written notice by certified mail to Housing and Neighborhood Revitalization Department, *Attn: DHADC, Land Bank Manager*.

6. The developer and/or builder shall obtain and monitor the certificates of insurance from each subcontractor in order to assure compliance with the insurance requirements. The developer and/or builder must retain the certificates of insurance for the duration of the contract and shall have the responsibility of enforcing these insurance requirements among its subcontractors. The City and DHADC shall be entitled, upon request and without expense, to receive copies of these certificates.
7. Approval, disapproval or failure to act by the City and/or DHADC regarding any insurance supplied by the developer and/or builder or its subcontractors shall not relieve the developer and/or builder of full responsibility or liability for damages and accidents as set forth in the contract documents. Neither shall the bankruptcy, insolvency nor denial of liability by the insurance company exonerate the developer and/or builder from liability.

8. The developer and/or builder shall provide a performance bond or letter of credit. If a bond is posted, a performance bond must be for one hundred percent (100%) of the contract price identified in the construction contract, guaranteeing the completion of the project which is in form and content reasonably approved by the City and DHADC, is issued by a surety acceptable to the City and DHADC, and names the City and DHADC as an additional obligee; or, if a letter of credit is provided, then such letter of credit will be in the amount of 10% of total development costs and issued by a DHADC approved financial institution.

Default, Foreclosures, Lawsuits, Complaints and Citations

All applicants, including partners and principals, must disclose:

1. bankruptcies, defaults or foreclosures, conflicts of interest or any event that could lead to a potential bankruptcy, default or foreclosure or conflict of interest. For this purpose, violation of terms, conditions and/or covenants, whether or not a Notice of Default has been recorded, is deemed a default,
2. any lawsuits or fair housing complaints filed against applicant, including partners and principals, within the past 5 years and a summary of the nature of the claim, and
3. Any notices of violation or citations issued by the City of Dallas within the past 12 months regarding health and safety or zoning violations on land currently owned by the applicant or previously owned by the applicant.

Failure to disclose any of the items mentioned above will result in the rejection of the application. Furthermore, DHADC's commitment to sell the property may be withdrawn if any of the above-mentioned actions are discovered after the commitment is made.

If disclosure is made with respect to the items mentioned above, the applicant must provide a complete explanation of the circumstances and current status. The City, in its sole discretion, will determine if the explanation is acceptable. An unacceptable history of delinquencies, bankruptcies, defaults or foreclosures, lawsuits or non-compliance with rules, regulations or laws, or conflicts of interest are all, singularly or in combination, grounds for rejection of the application.

Exhibit B: List of CHDOs (as of June 6, 2018)

Builders of Hope CDC

7920 Elmbrook Drive , Suite 103
Dallas, Texas 75247
Office (214) 920-9850 Fax (214) 630-5155
James Armstrong, President – ext. 7011
<http://buildersofhopecdc.com/>
James Armstrong
jarmstrong@buildersofhopecdc.com

Coverage Area: West Dallas & Pleasant Grove

Projects completed recently:

Prairie Creek 40 lots
Topletz Project 11 lots

Projects underway:

Creekside 10 homes

South Dallas/Fair Park Inncity Community Development Corporation

4907 Spring Ave.
Dallas, Texas 75210
Office (214) 915-9900 Fax (214) 915-9909
Diane Ragsdale, Managing Director
dragsdale@icdc.biz

Coverage Area: Far South Fair Park & Mill City

Projects completed recently:

My Children’s Clinic-Spring Ave
Frazier Ct. Spring Ave. 11 Homes
Pittman Place 19 Homes – Lenway
NSP Scattered Sites 6 Homes – Mill City

Projects underway:

Scattered Sites Homes-Frank St.
Scattered Sites-Mill City

City Wide Community Development Corp.

3730 S. Lancaster Road., Suite 110
Dallas, Texas 75216
Office (214) 371-0888 Fax (214) 371-0887
Sherman Roberts, President
shermanlr@yahoo.com

Coverage Area: City wide

Projects completed recently:

Serenity Place Apts.

Projects underway:

Runyon Springs I
Runyon Springs II

South Fair Community Development Corporation

2610 Martin Luther King Blvd
Dallas, Texas 75215
Office (214) 421-1363 Fax (214) 421-1364
Annie Jones Evans, Executive Director
annie.evans@southfaircdc.org

Coverage Area: Fair Park Area

Projects completed recently:

Fair Park Estate 30 lots

Projects underway:

4 Townhomes
6 Single Family Lots

East Dallas Community Organization

4210 Junius Street, Suite 5th Floor
Dallas, Texas 75246
Office (214) 515-9779 Fax (214) 826-1966
Gerald Carlton, President ext. 104
geraldcarlton@msn.com

Coverage Area: City wide

Projects completed recently:

Bexar Townhomes
Thornton Heights

Projects underway:

Bexar Seniors
Townhomes Final Phase
Scattered Sites

Exhibit C: Rental and Single-Family Development Guidelines

Financial Analysis

As noted in the introduction, the City and DHADC views underwriting as more than just the financial review of a project. However, a review of the underlying financial assumptions is still a critical and core part of underwriting. In reviewing projects, the City and DHADC must balance two competing perspectives.

Projects must be viable, that is they must have sufficient allowances for all costs to maximize the chances the project can meet or exceed its financial projections and thereby succeed in the marketplace. In other words, the project must represent a “safe” investment. However, taken to an extreme, “safe” or overly conservative projections can also result in a project that is over-subsidized and risks providing excessive returns to the owner/developer.

The City and DHADC also want to ensure that costs are reasonable, that they represent a “good deal” to the public, and that returns to the owner/developer are fair but not excessive. In seeking to balance these perspectives, the City and DHADC has established the following review factors and principals.

Development Costs

In general, the City and DHADC will review the entire project budget to ensure all costs are reasonable yet that the budget is sufficient to complete and sustain the project. All line items must be necessary and reasonable.

The City and DHADC will consider the cost of both specific line items as well as the total development cost on a per unit and per square foot basis, comparing costs to other projects from the City’s and DHADC’s portfolio, similar projects in the region (such as those funded by TDHCA), City-data from the Building Department, and/or third-party indices such as RS Means.

Selected Development Cost Items

Architectural Fees – Architectural fees cannot exceed the following:

- Design services: 6% of total construction costs
- Supervision/Administration: 2% of total construction costs

City Soft Costs – The development budget for each project must include an allowance for the City’s internal project-related soft costs. Similar to lender due diligence or lender legal costs, the inclusion of soft costs allows the City to recoup its direct costs of underwriting, processing, closing, and monitoring the project prior to project completion.

Construction Interest – Any budgeted line item for construction interest must be supported by developer period cash flow projections, modeling the actual expenditure of development costs and the anticipated pay-in of equity, and other construction period sources. For presentation

purposes, only interest from the date of initial closing through the end of the month in which the building(s) are placed in service (i.e. approved for occupancy) may be included as construction interest. Additional interest following that date and prior to the conversion to (or closing on) permanent debt must be separately itemized and modeled. In most cases, this should be included in the “lease up reserve” noted below.

Contingencies – Developers should include a contingency (inclusive of hard and soft costs) within the minimum and maximum amounts noted below. The contingency will be measured as a percentage of hard costs (including the construction contract plus any separate contracts for off-site work but excluding contractor fees).

New construction projects should include a contingency of least 3% and no more than 7% of hard costs. The City may consider higher contingencies based on identified risk factors such as the known need for environmental remediation or poor subsurface soils.

Contractor Fees – Contractor fees are limited as a percentage of net construction costs as further identified below. Net construction costs exclude the contractor fees, any budgeted contingency, and (even if otherwise included in the construction contract) permits and builder’s risk insurance.

- **Contractor Profit:** 6% of net construction costs
- **General Requirements/General Conditions:** 6% of net construction costs. General requirements include on-site supervision, temporary or construction signs, field office expenses, temporary sheds and toilets, temporary utilities, equipment rental, clean-up costs, rubbish removal, watchmen’s wages, material inspection and tests, all of the builder’s insurance (except builder’s risk), temporary walkways, temporary fences, and other similar expenses.
- **Contractor Overhead:** 2% of net construction costs.

With prior approval of the City, contractor fees may vary from the limits above provided the gross contractor fees do not exceed 14% of net construction costs.

Developer Fees – Developer fees are intended to compensate a developer for the time and effort of assembling a project, overseeing the development team, and carrying a project to fruition. Developer fees are also intended to compensate for the risk inherent in the development process, including that not every potential project proves viable and that developers must necessarily advance funds for their own operating costs and various third-party predevelopment costs prior to closing (or in some cases for projects that never proceed). The City, therefore, allows the inclusion of developer fees as follows:

- **Developer Fee:** 15% of total development costs less a) the developer fee itself; b) organizational expenses and/or syndication fees/costs (including investor due diligence fees); and c) reserves, escrows, and capitalized start-up/operating expenses (such as working capital, marketing, etc.).

- **Maximum Limit:** Regardless of percentage, the maximum developer fee shall be \$1.5M.
- **Combined Contractor & Developer Fees:** When an identity of interest exists between the owner/developer and the general contractor, the combined total of contractor fees and developer fees cannot exceed 20% of total development cost less a) the developer fee and b) other cost elements excluded from the calculation of the developer fee itself (see above).

In some cases, developers may delegate some of its responsibilities to third-party professionals or consultants. This may include contracting specific tasks – such as construction oversight of the builder or specialized consulting related to applying for or structuring various financial incentives like Low Income Housing Tax Credits. The costs of engaging such professionals, whether they are third parties or identity of interest relationships, must be paid from (and if separately itemized will be counted against) the allowable developer fee.

Reserves – Capitalized reserves to facilitate the initial start-up and to protect the ongoing viability of the project will include the following:

- **Deficit Reserve:** The City anticipates that in most cases, developments with predicted deficits during the affordability period would not be funded. However, in the event a development’s long-term operating proforma projects actual cash deficits during the affordability period, an operating deficit reserve must be included in the development budget in an amount sufficient, taking into account any interest on reserve balances, to fully fund all predicted deficits through the affordability period.
- **Lease-Up Reserve:** A lease-up reserve intended to cover initial operating deficits following the completion of construction but prior to breakeven operations may be included. Any such reserve must be based on lease-up projections/cash-flow modeling and the lease-up (or absorption) period identified in the project’s market study. In evaluating the appropriateness of any lease-up reserve, the City will consider whether the development budget includes specific line items for other start-up expenses that otherwise are typically part of the ongoing operating budget for a development. This may include budgets for marketing, working capital, etc.
- **Operating Reserve:** An operating reserve equal to three (3) months of underwritten operating expenses, reserve deposits, and amortizing debt service must be included in the development budget. The operating reserve is intended as an “unexpected rainy day” fund and will only be accessible after a project has achieved stabilized occupancy.
- **Replacement Reserve:** A capitalized replacement reserve must be included in the development budget. The capitalized replacement reserve should be funded at the greater of a) \$1,000 per unit; or b) the amount determined by a capital needs assessment approved by the City.
- **Other:** The City may consider other specialized reserves as appropriate based on unique features of the project and/or requirements of other funding sources. These may include

special security reserves, supportive service reserves, or transition reserves for projects with expiring project-based rental assistance contracts, etc.

Operating Revenues

The City will review an applicant's projection of operating revenues to ensure they are reasonable and achievable both initially and through the affordability period. In evaluating operating revenues, the City will take into account the a) project-specific market study; b) actual operating performance from other comparable projects including those from the applicant's existing portfolio of real-estate owned; c) data available from comparable projects in the City's portfolio; and/or d) information available from actual performance within Texas Department of Housing & Community Affairs' portfolio.

For purposes of the long-term operating proforma, operating revenue projections cannot be increased by more than 2% per year. The City reserves the right to "stress" proposals for underwriting purposes to assess the impact of lower inflationary increases, such as modeling the impact of only 1% rent increases for the first three to five years of a project's affordability period.

Rents

All rents should be supported by the market study. Including the utility allowance, the gross rent for any income/rent restricted unit should demonstrate at least a 15% "discount" compared to comparable "market rate" units.

Additionally, to hedge against flat or declining rents to the owner in the event that income limits (and therefore rents) do not increase in a given year (particularly between commitment and lease-up), gross rents should demonstrate at least a 2.5% discount from the regulatory limit imposed on any income/rent restricted units by HOME, LIHTC, or other similar sources. As an alternative to setting rents below the applicable regulatory limit, the City will consider increasing the allowance for vacancy by 2.5%.

Non-Rental Revenue

Non-rental revenue must be fully explained and conservatively estimated. In general, no more than \$60-\$240 per-unit, per-year may be budgeted in "other revenue" including that from tenant's fees (such as fees for late payment of rent, nonsufficient funds, garage/carport upgrades, pet fees, etc. or interest on operating account balances). Exceptions may be considered by the City based on the operating history of an acquisition/rehabilitation project or normalized operations are other comparable properties in the same market area.

Vacancy

Total economic vacancy includes physical vacancy (a unit is unrented), bad debt (a unit is occupied but the tenant is not paying rent), concessions (a unit has been leased for less than the

budgeted rent), and “loss to lease” (a pre-existing lease is less than the most recently approved annual rent but will be adjusted upward at renewal).

In all cases, based on the market study or other data available to the City, the City reserves the right to require higher vacancy projections. This may include higher vacancy rates for small developments (e.g. less than 20 unit) where standard percentage assumptions about vacancy may not be appropriate. Minimum allowances for vacancy must include:

- 5% for projects where all units are supported by a project-based rental assistance contract with a term equal to or in excess of the affordability period (e.g. project-based Section 8);
or
- 7% for all other projects.

As noted above, the minimum vacancy rate will be increased by 2.5% if budgeted gross rents are at the applicable regulatory maximums.

Operating Costs

The City will review an applicant’s projection of operating expenses to ensure they are reasonable and adequate to sustain ongoing operations of the project through the affordability period. In evaluating a proposed operating budget, the City will compare projects costs to; a) actual operating expenses of comparable projects in the applicant’s existing portfolio of real-estate owned (insomuch as possible, comparable projects will be in the same vicinity and operated by the same management company); b) actual operating expenses of other comparable projects in the City’s portfolio; c) data available on the operating costs of affordable housing in the TDHCA portfolio; and/or d) minimum per-unit, per-year allowances established by the City through periodic RFPs for rental housing.

For purposes of the long-term operating proforma, operating expenses, including reserve deposits, will be inflated at no less than 3% per year. The City reserves the right to “stress” proposals for underwriting purposes to assess the impact of higher operating cost factors, such as modeling the impact of higher inflation rates in general or for specific items of cost (for example, assessing the impact of high rates of increase for insurance or development paid utility costs).

Selected Items of Operating Cost

Property Management Fees – An allowance of 5% of effective gross income (i.e. gross rent potential plus other revenues minus actual vacancy, bad debt, concessions, etc.) should be included. In the event a lower management fee is proposed, the City will consider using a fee as low as 3% provided the proposed management company is acceptable to the City and has agreed in writing to the lower fee.

Property Taxes – Applicants must provide detailed explanations of property tax projections and, as applicable, provide documentation that any anticipated partial or full exemptions or payments in lieu of taxes (PILOT) have been approved by the appropriate tax assessor. In the absence of a tax exemption or PILOT, the operating budget must provide for a tax rate equal to 1.25% of the market value of the property or the City, at its option, may require confirmation from the tax assessor of the applicant’s projection.

Replacement Reserve Deposits – The operating budget must include minimum replacement reserve deposits of:

- New Construction Family: \$300 per-unit, per-year
- New Construction Senior: \$250 per-unit, per-year
- Rehabilitation: The greater of a) \$300 per-unit, per-year; or b) a higher amount established by a Capital Needs Assessment approved by the City.

Note: The City will reserve the right within a project’s transactional documents to require periodic CNAs for all projects and to adjust ongoing replacement reserve deposits based on the results of the CNA to ensure that the replacement reserve is sufficient to address all anticipated needs for the project’s affordability period or the term of the City’s loan, whichever is longer.

Items Payable only from Surplus Cash

Certain costs, sometimes identified by project owners as “operating costs” cannot be included in the operating budget and will only be payable from surplus cash (aka cash flow). These include:

- **Incentive Management Fees** payable in addition to the allowable management fees noted above, whether paid to a related party or independent third-party management fees.
- **Asset Management Fees** payable to any investor, general or limited partner, or member of the ownership entity.
- **Deferred Developer Fees**
- **Operating Deficit Loan Payments** made to any related party including any investor, general or limited partner, or members of the ownership entity.
- **Other payments** to investors, general or limited partners, or members of the ownership entity, however characterized, including but not limited to negative adjustors, yield maintenance fees, etc.

Ongoing Economic Viability

The City will review the ongoing economic viability of all projects, taking into account long-term projections of revenue and expenses. Projects must demonstrate they can be expected to remain viable for at least the affordability period, taking into account trending assumptions noted above, as well as other any other changes in operating revenues or expenses that can reasonably be anticipated based on other information available to the City or other project funders. In particular, the City will review the debt coverage ratio and operating margin as outlined below.

Debt Coverage Ratio

Projects must demonstrate a minimum debt coverage ratio (DCR) of 1.25 (Net Operating Income divided by amortizing debt service) throughout the affordability period. In some cases, for projects with relatively small levels of mortgage debt, this may require a higher initial DCR to ensure that the DCR in later years remains at or above the appropriate level.

Operating Margin

In addition to considering the DCR, the City will review the operating margin (surplus cash divided by total operating expenses and amortizing debt service). The operating margin must remain at or above 5% for the period of affordability.

Other Funding Sources

Prior to committing funds, all other funding sources necessary for a project must be identified, committed in writing, and consistent with the City's underwriting requirements. In general, developers must make all reasonable efforts to maximize the availability of other funding sources, including conventional mortgage debt and tax credit equity (as applicable), within commercially available and reasonable terms.

Senior Mortgage Debt

Any amortizing mortgage debt must:

- Provide fixed-rate financing,
- Have a term equal to or in excess of the Land Bank affordability period. The affordability period will generally be a minimum of 5 years beyond the date of "project completion" as defined in 24 CFR 92.2. In practice, the date of "project completion" will not be the same as "placed in service" date for tax purposes but for most projects will occur prior to permanent loan conversion following property stabilization. Inasmuch as possible, the first mortgage should have the longest amortization period available but cannot balloon prior to the expiration of the affordability period; and
- Allow the Land Bank's covenant running with the land to be recorded senior to all other financing documents such that the Land Bank covenant is not extinguished in the case of foreclosure by a senior lender.

Tax Credit Equity

Projections of tax credit equity must be documented by letters of intent or other similar offers to participate in the transaction by the proposed tax credit investor. Prior to committing funds, the applicant must provide evidence it has received a tax credit reservation from TDHCA and provide the proposed limited partnership agreement or operating agreement, as applicable, documenting the terms of the equity investment.

The City will review proposed equity pricing against information from other projects in the region to assess whether the pricing and terms are reasonable.

Deferred Developer Fee

It is common for projects to include deferred developer fees as a financing source. The City will generally require:

- That projections of surplus cash available be sufficient to repay the deferred fee within 15 years (notwithstanding other “waterfall” provisions in the partnership or operating agreement, the City will assume that all surplus cash distributions will be credited against the developer fee);
- That following the initial application to the Land Bank, the level of deferred developer fee will remain fixed (in nominal dollar terms); and
- That any net savings (or increased funding sources including but not limited to upward adjusters for tax credit equity) at project completion and cost certification will be used in equal parts to reduce the deferred developer fee and the City’s permanent loan. In the event savings are sufficient to eliminate the deferred fee in this manner, any remaining net savings will be used to further reduce the City’s loan, or in the sole discretion of the City, to increase the operating reserve.

Exceptions and Interpretation

The City developed these guidelines for several reasons. They are intended to provide clarity to applicants regarding what the City expects and transparency about the “rules of the road.” However, the City recognizes that it cannot pre-emptively identify every possible special circumstance that may warrant an exception to its general requirements, nor can it identify every possible “loophole” whereby a creative presentation of costs or other projections might subvert the general need to balance viability and reasonable returns, risk to the City, and public benefit.

Consequently, the City reserves the right to waive specific underwriting criteria for specific projects when, in its judgement, the purposes of the program can be better achieved without taking on undue risk. When waiving any given requirement, the City may impose additional special conditions or business terms that are not otherwise typically applied to all projects.

For administrative ease, the City may also align its underwriting standards with those required by other public funders involved in a given transaction, particularly if those standards are more restrictive or conservative. However, the City retains the right, in its sole discretion, to decide whether to accept alternative standards.

The City also reserves the right to reject any element of a transaction that, despite not being specifically prohibited, was not anticipated by these guidelines and such an element or business

term creates unacceptable risks, excessive returns to the owner/developer, or otherwise undermines the public purposes of the program.

Insomuch as is reasonable, the City will update and clarify these guidelines over time to account for exceptions, waivers, or additional restrictions it imposes.

Exhibit D: Homebuyer Underwriting Guidelines

General

DHADC must 1) take reasonable steps to ensure that participating buyers will be successful homeowners by targeting households who are ready for homeownership and 2) take reasonable steps to ensure that assisted buyers are informed consumers and avoid the use of risky lending products.

These underwriting guidelines are based on the following key principles.

- Buyers should have good credit and qualify for competitive lending products on par with those offered to credit-worthy unassisted buyers in the local market.
- Buyers should make reasonable and meaningful contributions to their home purchase in terms of both up-front investments and monthly payment without being overburdened by their monthly payment or left without cash reserves after closing.

Buyer Expectations

To ensure that buyers are likely to sustain homeownership, assisted buyers must:

- Be purchasing the home for a reasonable price that does not exceed the fair market value as determined by an independent appraisal. In most cases, DHADC will coordinate with the buyer's senior lender to obtain a copy of the lender's appraisal.
- Have incomes between 40% and up to 115% of the Area Median Family Income (AMFI) as adjusted for household size. While DHADC is concerned about the housing needs of lower income households, it also recognizes that homeownership requires buyers to have sufficient discretionary income to maintain their homes over time, absorb increases in taxes and insurance, and otherwise address unexpected expenses. As a result, DHADC focuses its homebuyer assistance to buyers with incomes in excess of 40% AMFI.
- Contribute a minimum of \$1,000 toward down payment and closing costs. Additionally, buyers should have sufficient cash resources (including savings, checking, money market, or other similar non-retirement accounts) such that after closing they have savings of at least two (2) times their total monthly payment, including principal, interest, taxes, insurance, and any association fees.
- Obtain a loan whose monthly payment (i.e. front-end ratio) does not exceed 30% of monthly income and that does not result in a total debt burden (i.e. back end ratio) in excess of 43%.

- Complete a Pre-Purchase Homeownership Counseling Course as described below.
- Obtain a mortgage or senior loan that meets the requirements outlined below.

Pre-Purchase Counseling Requirement

To ensure that buyers are informed consumers, DHADC requires:

- Attendance within the past year at an approved pre-purchase homeownership counseling course by all adult household members who will hold title and be party to the senior loan, and
- That such counseling consists of at least 8 hours of instruction by a HUD-certified counselor.

The City of Dallas has a list of certified counseling agencies that they will provide to potential buyers. Potential buyers should contact an agency on this list to register for an upcoming class.

Primary Loan Expectations

To ensure that buyers receive high quality loans that are sustainable over time, DHADC requires that the senior loan (i.e first mortgage) meeting the following criteria:

- The loan must be a Conventional, FHA, VA or portfolio loan from an approved lender. The loan cannot be a High Cost or Sub-Prime Loan, Adjustable Rate Mortgage (ARM), Interest only loan, Discount Points paid by Borrower, or Cash Back at Closing.
- Interest rates must be competitive and must not be a “Higher Priced” loan as defined by CFPB. A higher priced loan is that which exceeds the Average Prime Offer Rate by more than 1.5% as of the date of the loan’s rate lock. Loans can be checked against the Average Prime Offer Rate by visiting the following website:
<http://www.ffiec.gov/ratespread/newcalc.aspx>
- Lending products should be fully amortizing 30-year fixed rate loans. While some buyers may prefer shorter (e.g. 15 year) loans, the DHADC will only consider such loans on an exception basis if it determines that the buyer’s payment is sustainable.

FOR HOMEBUYERS APPLYING FOR DOWNPAYMENT ASSISTANCE UNDER THE CITY OF DALLAS DOWNPAYMENT ASSISTANCE PROGRAM (DHAP), SUCH HOMEBUYERS SHALL COMPLY WITH UNDERWRITING REQUIREMENTS FOR THAT PROGRAM.

Exhibit E: For-Sale Homebuyer Checklist

Case No:
Applicant Name:
Property to be purchased:

Please ensure a complete submission, otherwise it will not be accepted. If something is not applicable, please indicate N/A.

- Driver's License or State/Government Issued Photo ID
- Social Security Card
- Permanent Resident Cards, if applicable
- Dependents, Birth Certificate(s)
- Affidavit of No Conflict of Interest
- Two months recent paystubs, SSA Income Award Letters, Pension Statements, Profit/Loss Statements, etc. (for all household members)
- Verification of Employment
- Most recent bank statement(s)
- Tax Return for most current year
- Homebuyer Education Certificate from HUD-approved provider
- Lender 1003
- Lender 1008

Exhibit F: Sample Timeline

Task	Projected Date	Completed Date
Site Control		
Entitlements		
Funding Commitment(s)		
Construction Start		
Site Work		
Rough MEP		
Marketing (For-Sale /Rental)		
If applicable, Lease-up start		
Final MEP		
Punchlist		
COO		
Construction Complete		
Occupancy / Sales		
If applicable, Permanent Conversion		

Exhibit G: Affirmative Fair Housing Marketing Plan

To obtain assistance in developing an Affirmative Fair Housing Marketing Plan, contact the Office of Fair Housing and Human Rights at 214-670-3247.

<http://dallascityhall.com/departments/fairhousing/Pages/default.aspx>

Exhibit H: Neighborhood Groups/Associations

To obtain assistance in identifying applicable Neighborhood Groups and Associations, contact the Land Bank Manager at 214-670-5988.

Exhibit I: Applicant Forms

COVER SHEET

APPLICANT NAME

AUTHORIZED REPRESENTATIVE

AUTHORIZED REPRESENTATIVE TITLE

AUTHORIZED REPRESENTATIVE CONTACT INFORMATION:

Address: _____

Phone: _____

Email: _____

APPLICATION CHECKLIST

Summary of Project—5 points

- Submit an executive summary containing a brief synopsis of the proposed development and number of units, location, project costs and the proposed financing. The executive summary should also have a brief description of the proposed project (frontal elevation and floor plan only—detailed drawings are not required with initial application), proposed site plan, security arrangements, amenities and accessibility/adaptability provisions.

Applicant's Experience—20 points

Developer statement of qualifications that includes:

- Summary of comparable projects completed within the last three (3) years.
- Summary of all projects underway and/or pending.
- List of staff assigned to the proposed project and their roles and experience.
- Disclosure of any conflict of interest.
- Individual resumes, copies of appropriate licenses and/or professional certifications of assigned developer staff.
- Information on qualifications of property management agent (multi-family only).
- Last three years' financial statements for developer and any guarantors (not less than 90 days old).
- Last three years' corporate audit or reviewed financial statements (multi-family only).
- Last three years' tax returns for developer, 990s for nonprofit developers (multi-family only).
- Certified copies of all organizational documents of all entities in the project, including articles of incorporation, operating agreement, partnership agreement, as applicable.

Applicant's Record of Compliance and Ability to Perform—20 points

- List of any undeveloped real property currently owned by the applicant, including partners and principals, or transferred by the applicant in an undeveloped form by the applicant within the past 3 years, and an explanation of why the real property has not been developed or was not developed.
- List of any lawsuits or fair housing complaints filed against applicant, including partners and principles, within the past 5 years and a summary of the nature of the claim.
- List of all bankruptcies filed by the applicant, including partners and principles, defaults or foreclosures of real property owned by the applicant or any event that could lead to a potential bankruptcy, default or foreclosure.
- A list of all ongoing projects or projects completed in the past 3 years that required a contract extension or renegotiation of financing along with a brief explanation of the reasons for the extension or renegotiation.

- For applicants who have previously purchased Land Bank lots or received funding from the City to develop affordable units, regardless of source of funds, the Applicant must list the addresses for the projects and the source of funds. The Housing and Neighborhood Revitalization Department will use this information to identify any prior compliance issues or complaints regarding applicant's quality of work or responsiveness.

Market Data—20 points

- Independent third-party market analysis that supports project assumptions including but not limited to: rents, vacancy rates, operating costs, absorption rates, escalating factors, market cap rates, internal rate of return and cash on cash returns demanded for projects of similar type, debt and equity requirements, etc (multi-family only).
- Additional evidence of demand—applications/waiting lists from similar projects, voucher/rental assistance pipelines, or Continuum of Care data for homeless/special needs projects, etc (multi-family only).

Underwriting/Financial Projections—20 points

- Pro-forma showing rent and operating cost projections or cash flow statements and projected sales; all project costs, construction period sources/uses; and 20-year operating/cash flow projections.
- Commitments for other financing, both permanent and construction loan sources.
- Documentation of construction costs (e.g. estimate by qualified individual, bids, contract documents).
- Estimates/documentation of professional services and soft costs e.g. architectural fees, construction period taxes/insurance, marketing expenses, realtor listing agreement, etc (multi-family only).

Marketing and Leasing—15 points

- Marketing plan outlining: tenant selection criteria and waiting list procedures, description of primary market and outreach strategies, including affirmative fair housing marketing plan using HUD form HUD-935.2A (multi-family) / 935.2B (single family).
- Availability of tenant services and appropriate referral plan (multi-family only).
- Waiting list(s) of interested tenants—compare demographics to underwriting assumptions about household incomes, ability to pay projected rent, etc. (if available) (multi-family only).
- Form lease agreement consistent with Texas Property Code 92.253 (multi-family only).

Bonus – 5 points

- Neighborhood/Community Group Support Letter.

**AFFIDAVIT OF AUTHORIZED REPRESENTATIVE AND
AUTHORIZATION TO OBTAIN INFORMATION**

Before me on this day personally appeared _____ as Authorized Representative for the Applicant listed above, and after by me being duly sworn, hereby certifies that all materials submitted to the Urban Land Bank Demonstration Program, or its agents or employees in connection with this application are true and correct. The undersigned understands that any submission of false information shall result in disqualification for DHADC, and that submission of incomplete information may result in rejection of the application.

The undersigned authorizes DHADC to contact any party in order to verify information in this application. The undersigned acknowledges that Applicant is not obligated to provide DHADC this authorization, but has voluntarily agreed to such release so that DHADC will consider this application. The undersigned hereby authorizes, on behalf of Applicant, without reservation, any person or entity contacted by DHADC to furnish any and all information requested by DHADC.

Dated: _____

Signature: _____

BEFORE ME, the undersigned authority, on this day personally appeared _____ and by oath stated that the facts herein stated are true and correct.

SWORN TO AND SUBSCRIBED BEFORE ME before me on this _____ day of _____, 20__.

Notary Public in and for the State of Texas

CERTIFICATION

The Entity certifies that all information in this application including the development plan is complete and true, to the best of the Entity's knowledge and belief. All information furnished in support of this application is given for the purpose of obtaining real property for producing Mixed Income housing under the Urban Land Bank Demonstration Program. By submitting its application and development plan for consideration, the Entity hereby agrees to defend, indemnify, release and hold completely harmless the City of Dallas and DHADC, their officers, agents and employees, against any and all claims, lawsuits, judgments, costs and expenses, including attorney fees, for personal injury (including death), property damage or other harm for which recovery of damages or equitable relief is sought, suffered by any person or persons, that might arise out of or be occasioned by or from the consideration, approval or disapproval of this application including the development plan, and any conveyance of the Property. This indemnification survives and shall not be merged with the closing of this transaction and delivery of any deed or other instrument in connection with the sale of the Property.

As an authorized representative on behalf of the Entity, identified below, I hereby submit the Entity's application for the purchase of property identified in the application, and subject to DHADC and City Council approval of the application including the development plan, agree to pay the negotiated price for each lot plus any regulatory and contractual costs, including but not limited to environmental testing, maintenance and replatting, required for the Land Bank to acquire and sell developable properties and payment of deed recording fees for the property.

I understand that: (1) by submitting this application for the Property, the "General Conditions for Applications" described below are part of this application including a development plan and (2) that the "General Conditions for Applications" survive the closing of this transaction, if approved.

Attached is my executed "CERTIFICATION OF NO DEBTS OWED TO THE CITY". I represent and certify to DHADC that the Entity has no outstanding City of Dallas judgments against it or its property and the Entity is not delinquent on the payment of any fees, debts, taxes or non-tax liens on property owned by the Entity in the City of Dallas.

I represent that I have full authority on behalf of the Entity to submit this application. By submitting this application, the Entity hereby waives and releases any rights it may have either now or in the future, to undertake any legal or equitable action against the City of Dallas and DHADC, itself and/or as Trustee, for failure of City of Dallas and/or DHADC to properly advertise or notice the sale of the Property or to properly conduct the sale of this Property and hereby covenants not to sue the City of Dallas, DHADC, itself and/or as Trustee, in connection with the advertisement, notice of the sale or the sale of the Property. Upon bankruptcy, receivership or dissolution of the Entity, the application submitted shall become null, void and unenforceable and City of Dallas and/or DHADC shall have no further obligation to the Entity, its heirs, successors, assigns, representatives or administrators. On behalf of the Entity, I hereby waive

any rights the Entity may have to an award or conveyance of the Property, in the event of bankruptcy, receivership or dissolution of the Entity.

GENERAL CONDITIONS FOR APPLICANTS

The land described in the application shall be referred to as "the Property" in these General Conditions for Applications. The Deed without Warranty ("Deed") to the Property will acknowledge that the Property is subject to the prior owner's right of redemption, if any. The Property is purchased "**as is, where is, with all faults.**" It is the Proposer's (Entity's) responsibility to examine all applicable building codes and zoning ordinances to determine if the Property can be used for the desired residential purposes.

Dallas Housing Acquisition and Development Corporation ("DHADC") disclaims responsibility as to the accuracy or completeness of any information relating to the Property for sale. The Deed to the Property, to the maximum extent allowed by law, is made on an "**as is, where is, with all faults**" basis and is subject to all visible and apparent easements and any other instruments of record. Taxes will be assessed from the date of conveyance of the property to the Proposer. Also, taxes, penalties and interest for the prior year(s) that are not included in the tax foreclosure judgment(s) will be the responsibility of the Proposer. The Property is subject to post judgment taxes, penalties and interests, if any. Any post judgment taxes, penalties and interest will be the Proposer's responsibility pursuant to the Texas Tax Code, including the pro-rata Property taxes for the remaining part of the then current calendar year, which will be assessed from the date of execution of the Deed. The Proposer represents he has read and fully understands sections 33.52 and 34.01 of the Texas Tax Code in its entirety, including all other applicable sections of the Texas Tax Code that relate to this transaction. The Proposer further understands and agrees to pay the post judgment taxes and the pro-rata (current year) Property taxes from the date of closing through all future years so long as said Proposer owns the Property. The Proposer understands and agrees that DHADC acquired the Property by a tax foreclosure sale and said Proposer is familiar with the legal issues involved in such transactions and sale, including the subsequent resale to bidder(s) and/or purchaser(s), and the risks and limitations of such sales. Said Proposer represents that he is equally knowledgeable as DHADC and the City of Dallas in these matters and transactions. The City of Dallas and DHADC is not responsible for any misrepresentations, failures of disclosure, errors or any negligent or wrongful acts occurring in the context of or pertaining to the closing of this transaction. Taxes for omitted property, as defined in Section 25.21 of the Texas Tax Code, are the purchaser's responsibility.

DHADC reserves the right to reject any and all applications. DHADC will not provide a title policy for the Property and encourages Entity to perform its own environmental due diligence and obtain title insurance.

To the maximum extent allowed by law, DHADC expressly disclaims any warranty or representation, express or implied, including without limitation any warranty of condition, habitability, merchantability or fitness for a particular purpose. DHADC makes no representations of any nature regarding the Property and that DHADC specifically disclaims any warranty, guaranty or representation, oral or written, express or implied, past, present, or future, concerning: (i) the nature and condition of the property, including without limitation, the water,

soil and geology, and the suitability thereof and the Property for any and all activities and uses which Proposer may elect to conduct thereon, and the existence of any environmental substances, hazards or conditions or presence of any endangered or protected species thereon or compliance with all applicable laws, rules or regulations, (ii) the nature and extent of any right-of-way, lease, possession, lien, encumbrance, license, reservation, condition or otherwise, and (iii) the compliance of the Property or its operation with any law, ordinance or regulation of any federal, state, or local governmental authority, and (iv) whether or not the Property can be developed or utilized for any purpose. For purposes hereof, "environmental substances" means the following; (a) any "hazardous substance" under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C.A. Section 9601 et. seq., as amended, (b) any "hazardous substance" under the Texas Hazardous Substances Spill Prevention and Control Act, Tex. Water Code, Section 26.261, et. seq., as amended, (c) petroleum or petroleum-based products (or any derivative or hazardous constituents thereof or additives thereto), including without limitation, fuel and lubrication oils, (d) any "hazardous chemicals" or "toxic chemicals" under the Occupational Safety and Health Act, 29 U.S.C.A. Section 651 et. seq., as amended, (e) any "hazardous waste" under the Resource Conservation and Recovery Act, 42 U.S.C.A. Section 6901 et. seq., as amended, (f) asbestos, (g) polychlorinated biphenyls, (h) underground storage tanks, whether empty, filled, or partially filled with any substance, (i) any substance, the presence of which is prohibited by federal, state or local laws and regulations, and (j) any other substance which by federal, state or local laws and regulations requires special handling or notification of governmental authorities in its collection, storage, treatment or disposal. References to particular acts or codifications in this definition include all past and future amendments thereto, as well as applicable rules and regulations as now or hereafter promulgated thereunder.

REPRESENTATIVE SIGNATURE _____ DATE _____

PRINTED NAME _____

NAME OF ENTITY _____

Exhibit J: Applicant Conflict of Interest Questionnaire

To obtain an updated Conflict of Interest Questionnaire, contact the Land Bank Manager at 214-670-5988.

Exhibit K: Adjacent Property Owner Form

Eligible adjacent property owner means a person who:

1. owns property located adjacent to property owned by the DHADC; and
2. satisfies eligibility requirements adopted by the DHADC.

Notwithstanding any other right of first refusal granted under this proposal, if the DHADC determines that a property is not appropriate for residential development, the DHADC first shall offer the property for sale to an eligible adjacent property owner according to the below terms and conditions:

The DHADC shall sell the property to an eligible adjacent property owner, at whichever value is lower:

1. the fair market value for the property as determined by the appraisal district in which the property is located; or
2. the sales price recorded in the annual plan.

An adjacent property owner that purchases a property may not lease, sell, or transfer that property to another person before the third anniversary of the date the adjacent property owner purchased that property from the DHADC. This shall not apply to the transfer of property purchased under this section if the transfer:

1. is made according to a policy adopted by the DHADC; and
2. is made to a family member of the eligible adjacent property owner or occurs as a result of the death of the eligible adjacent property owner.

ADDRESS

ADJACENT PROPERTY OWNER NAME