

Memorandum



CITY OF DALLAS

DATE April 12, 2019

TO Members of the Economic Development & Housing Committee: Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman, Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder, Omar Narvaez

SUBJECT **Proposed Amendment to the City of Dallas Comprehensive Housing Policy to Add a Land Transfer Program**

On Monday, April 15, 2019, the Economic Development and Housing Committee (Committee) will consider a proposal to amend the comprehensive housing policy to add a Land Transfer program.

Summary

This memorandum summarizes the Department of Housing and Neighborhood Revitalization's (H&NR) proposal to amend the comprehensive housing policy (CHP) to add a Land Transfer program, as no such program currently exists in the CHP. The purpose of the Land Transfer program is to incentivize: (1) the development of quality, sustainable housing that is affordable to the residents of the City and (2) the development of other uses that complement the City's comprehensive housing policy, economic development policy, or redevelopment policy. Specifically, this program would authorize the City to sell qualifying city-owned real property and resell tax-foreclosed real property to for-profit and non-profit developers in a direct sale at less than fair market value of the land.

The sale of real property pursuant to the Land Transfer program will enable the City to facilitate the development of housing units that will be offered for sale, rental or lease-purchase to low- and moderate-income households and, on appropriate parcels of land, enable the City to facilitate the development of commercial uses such as neighborhood retail.

In order to fully implement the Land Transfer program, the City will need to enter into an interlocal agreement with the local taxing entities.

Background

In 1997, the Texas State Legislature enacted House Bill 110, which allowed a municipality to adopt an ordinance providing that land acquired by a municipality following foreclosure of a tax lien may be sold to non-profit organizations for the development of affordable housing for low-income households. In 1997, via Resolution 971504, the City Council approved general procedures for the resale of tax foreclosed and seized properties to Community Housing Development Organizations (CHDOs) and other qualified non-profit

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organizations. The next year, the City Council codified and expanded upon the procedures via Ordinance 23713 that added Dallas City Code Section 2-26 Division 2—Alternative Manner of Sale of Real Property to Non-Profit Organizations for Affordable Housing. Later, in 2001, the City Council adopted a Land Transfer program statement for the housing department that provided procedures for the resale of tax-foreclosed land as well as the sale of City-owned seized or surplus land for the purpose of developing affordable housing. The City Council adopted minor changes to the program statement from 2001-2004.

On May 9, 2018, the Dallas City Council adopted the comprehensive housing policy by Resolution No. 18-0704. The CHP created or amended program statements for the Dallas Homebuyer Assistance Program, the Home Improvement and Preservation Program and the New Development and Substantial Rehabilitation Program. These program statements contain detailed information related to applicant eligibility, terms of assistance, and credit standards, among other items. The CHP did not include a Land Transfer Program.

On November 28, 2018, the Dallas City Council adopted amendments to the CHP that resolved inconsistencies in program requirements, corrected items that were inadvertently included in or omitted from the CHP and modified requirements that had created programmatic constraints.

Issues

While the CHP does not currently include a Land Transfer program, state law provides opportunities for the City to develop a policy that allows H&NR to facilitate both large- and small-scale strategic projects that align with the CHP and leverage our aggregated holdings.

The State of Texas (State) governs how a municipality may buy and sell, exchange or transfer real property. Pursuant to Texas Local Government Code Section 253.008, a city may sell land via public auction or private sealed bid. However, the State has created several exceptions to this general requirement when a city is seeking to accomplish a public purpose, such as the creation of affordable housing.

Three separate statutes create exceptions related to affordable housing development and neighborhood redevelopment and are summarized below:

Texas Local Government Code Section 253.010—This provision is commonly known as “House Bill 110” or “HB 110.” It allows any land acquired by a municipality to be sold to specific types of non-profit organizations to be redeveloped with affordable housing units for low-income individuals or to religious organizations to be developed in accordance with a city-approved revitalization plan. The statute does not define “low-income” but provides that a municipality may adopt an ordinance that defines the term and “shall consider median income of individuals and median family income in the area.”

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As stated above, the City adopted Dallas City Code Sections 2-26.4 through 2-26.14, as authorized by TLGC Section 253.010. This section of the Dallas City Code limits the entities eligible to purchase tax-foreclosed land to certain types of non-profit organizations and defines low-income households as “an individual or family whose annual income does not exceed 80 percent of the median income for the Dallas Standard Metropolitan Statistical Area, as determined annually by HUD, with adjustments for smaller and larger families.”

Texas Property Tax Code Section 34.051—This provision authorizes a municipality to resell tax foreclosed property that has a tax delinquency of six or more years to be developed “for a purpose consistent with the municipality’s urban redevelopment plans or the municipality’s affordable housing policy.” Such land may be sold for “less than the market value specified in the judgment of foreclosure or less than the total amount of the judgments against the property.” Before a City may implement a resale program pursuant to this statute, it is required to enter into an interlocal agreement with each taxing unit that is a party to the foreclosure judgment. The statute requires that the resales should primarily be focused on providing housing for families of low- or moderate-income. The statute does not define “low- or moderate-income.”

Texas Local Government Code Section 272.001(g)—This provision authorizes a municipality to sell land except land acquired by condemnation to “an entity” for the development of low- or moderate-income housing. Much like TLGC 253.010, this provision provides latitude to the municipality to determine the terms of the sale, including the definitions of “low-“ and “moderate-income” individuals. It specifically states that if the sale of the land serves a public purpose, the land may be sold for less than its fair market value.

Previously, H&NR resold tax-foreclosed properties exclusively to non-profit entities pursuant to the terms of Texas Local Government Code Section 253.010 and Dallas City Code Sections 2-26.4 through 2.26-14. H&NR also sold a limited number of city-owned property via Texas Local Government Code Section 272.001(g). However, H&NR has never utilized Texas Property Tax Code Section 34.051 to resell tax-foreclosed properties. By adopting a comprehensive Land Transfer Program that takes advantage of all opportunities to strategically sell land, H&NR will be able to facilitate both large- and small-scale strategic projects that align with the CHP and leverage our aggregated holdings.

Attached to this memo is a draft program statement for the Land Transfer program. Below is a summary of the key components of the proposed Land Transfer program.

Eligible Land:

The program will set procedures for H&NR to resell tax-foreclosed land and sell qualifying city surplus land that was not acquired by eminent domain and land specifically purchased for affordable housing/redevelopment purposes.

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Authorizing Statutes:

Staff will re-sell tax-foreclosed land pursuant to Texas Property Tax Code Section 34.051 or Dallas City Code 2-26.4.

Staff will sell qualifying city-owned land pursuant to Texas Local Government Code Section 272.001(g).

Eligible Developers:

For-profit, non-profit and religious organizations will be eligible to purchase land, subject to the requirements of the authorizing statutes.

Eligible Uses:

Organizations who purchase land via the program will be required to develop affordable housing units on the land. In limited instances and in compliance with the authorizing statute, organizations who purchase land via the program will be allowed to develop commercial uses on the land.

Eligible End-Users:

Housing units developed on land sold via the program may be sold/rented to households earning up to 120% AMI, unless the City is operating under Dallas City Code Section 2-26.4.

Sale price:

Re-sale of tax foreclosed land—\$1000 for the first 7,500 sq. ft. then \$0.13 per sq. ft. of the entire purchase.

Sale of city-owned land—Offered at fair market value and developer may demonstrate through its proforma that a discount is necessary.

Restrictive covenants and Right of Reverter:

For-sale housing units must remain affordable for a minimum of 5 years and rental units must remain affordable for a minimum of 20 years.

Commercial development must be used for the purposes outlined in the development agreement for a minimum of 20 years.

Land acquired by a developer pursuant to the Land Transfer program may revert to the City if the city manager or his/her designee determines that the developer has not abided by the terms of the Land Transfer program or the development agreement.

Finally, in order to fully implement the Land Transfer program, the City will need to enter into an interlocal agreement (ILA) with the local taxing entities in order to operate under 34.051 of the Tax Code. The ILA will authorize the City to resell tax-foreclosed properties, to be used for a purpose consistent with the City's urban redevelopment plan and/or the CHP, that meet the following criteria: (1) the City took title as trustee for the taxing units

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because no bid was received at the public sale of the property and (2) the property is vacant or distressed and has a tax delinquency of six or more years. The ILA will allow land to be sold at less than the market value specified in the judgment of foreclosure or less than the total amount of the judgments against the property. Pursuant to the ILA, the City will be required to notify the taxing entities of the properties it intends to sell pursuant to the ILA and will allow any taxing entity to disapprove the resale of a property or properties.

Fiscal Impact

The Land Transfer program will allow the City to sell real property at less than fair market value and to release any City non-tax liens that may have been filed on the real property in order to accomplish the public purpose of creating affordable housing and fostering neighborhood redevelopment. Therefore, for each sale, the City is foregoing revenue that could have been realized had the real property been offered for sale at fair market value. However, staff anticipates that a significant percentage of the parcels of real property transferred pursuant to the Land Transfer program will be unproductive tax-foreclosed parcels for which the City is not likely to receive bids at or above fair market value. The development of housing units or a commercial use on the land will add the unproductive land back on the tax rolls.

Departments/Committee Coordination

In order to develop the Land Transfer program statement, the Department of Housing and Neighborhood Revitalization (H&NR) coordinated with the Real Estate Division of the Department of Sustainable Development and Construction, the Office of Equity and Human Rights, and the City Attorney's Office. Additionally, H&NR consulted with staff at the Dallas Independent School District (DISD) and Dallas County.

Staff sought feedback from non-profit and for-profit developers, as well as other local stakeholders at the following meetings:

January 29, 2019/Single-Family NOFA feedback session: 50 attendees

February 5, 2019/Single-Family NOFA feedback session: 43 attendees

February 13, 2019/HB 110 feedback session: 30 attendees

Discussed at Housing Policy Taskforce Infrastructure and Development Process meetings.

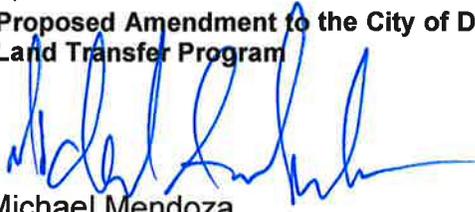
Staff Recommendation

Staff recommends that the Economic Development and Housing Committee vote to forward the proposed comprehensive housing policy amendment and proposed interlocal agreement to the City Council for consideration.

Should you have any questions, please do not hesitate to call me.

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Land Transfer Program**



Michael Mendoza

Chief of Economic Development and Neighborhood Services

c: Chris Caso, City Attorney (Interim)
Billierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager

Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
Michael Mendoza, Chief of Economic Development and Neighborhood Services
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
Directors and Assistant Directors

DEVELOPER PROGRAMS

Land Transfer Program

Purpose of Program

The purpose of this program is to incentivize: (1) the development of quality, sustainable housing that is affordable to the residents of the City and (2) the development of other uses that complement the City's comprehensive housing policy, economic development policy, or redevelopment policy. Specifically, this program authorizes the City to sell qualifying city-owned real property and resell tax-foreclosed real property to for-profit and non-profit developers in a direct sale at less than fair market value of the land.

The sale of real property pursuant to the Land Transfer program will enable the City to facilitate the development of housing units that will be offered for sale, rental or lease-purchase to low- and moderate-income households and, on appropriate parcels of land, enable the City to facilitate the development of commercial uses such as neighborhood retail.

Consistency with City's Affordable Housing Development Goals

The operation of the Land Transfer program shall align with the City's existing affordable housing production goals as outlined in the adopted comprehensive housing policy. The portfolio of real property sold under this program shall be developed to serve the range of income bands as well as the percentage of each income band identified in the production goals of the comprehensive housing policy.

When seeking City Council approval to sell a parcel or parcels of real property pursuant to this program, staff must identify the proposed developer, indicate the income band for which the parcel(s) of real property is reserved, and provide the City Council with a map depicting the location of the real property that contains the current Market Value Analysis (MVA) and Racially and Ethnically Concentrated Areas of Poverty (R/ECAP) data layers. The map must also depict the location of all parcels of real property previously sold to the proposed developer pursuant to this program or any other City affordable housing program in the past two years and the income bands for which each parcel of real property was reserved.

On an annual basis, the Housing and Neighborhood Revitalization Department, or its successor department, shall brief the appropriate City Council committee regarding the year-to-date production data for the program.

Consistency with Fair Housing Laws

On an annual basis, the Land Transfer program will be reviewed by the Office of Equity and Human Rights, or its successor department, to ensure that the program is being operated in a manner that is consistent with fair housing laws. The City will collect and maintain data regarding the location of parcels of real property sold via the program and demographic information regarding the eligible households who occupy housing units developed pursuant to the program.

Application Process for Submitting a Proposal to Purchase Parcels of Real Property

The City will create, and will periodically update, an application that is consistent with this program statement to be used by developers who are interested in purchasing real property pursuant to the Land Transfer program. The City may accept proposals to purchase lots on a rolling basis or may solicit purchase proposals through a competitive solicitation process. Only proposals that meet or exceed the minimum

developer and project eligibility criteria will be referred to the appropriate City Council Committee for approval. The full Dallas City Council must approve all sale of real property through the Land Transfer program.

Developer Eligibility Criteria

To be eligible to purchase real property pursuant to the Land Transfer program, a developer must meet all the following criteria:

1. Developer may be an individual, or may be organized as a corporation, partnership, joint venture or other legal entity, regardless of whether for-profit or non-profit.
2. Developer must be in good standing with the State of Texas and the City, including that the City has not issued a charge against the developer for violating Chapter 20A or Chapter 46 within the past 5 years, may not be debarred under the federal System for Award Management (SAM), may not have uncured violations of Chapter 27 for which it has received notice, may not be indebted to the City or delinquent in any payment owed to the City under a contract or other legal obligation, and must be current on payment of taxes and liens owed to any other affected taxing unit under the Texas Property Tax Code.
3. If Developer seeks to purchase two or more parcels of real property for the purpose of constructing housing units, Developer must have constructed one or more housing units within the three-year period preceding the submission of the proposal to acquire the parcels of real property via the program. If Developer seeks to purchase one or more parcel of real property for the purpose of developing a multifamily or commercial use, Developer must demonstrate that it has developed at least one comparable use within the three-year period preceding the submission of the proposal to acquire the parcel of real property via the program.
4. Developer must submit a development plan for all parcels of real property Developer seeks to acquire via the program.
5. Developer must demonstrate that it has the financial capacity and staffing/sub-contractor capacity to develop and complete the sale, lease or lease-purchase, within a two-year period, of its inventory of parcels of real property acquired through the program. The City Manager may grant up to a one-year extension of the development agreement due to delays related to installation or improvement of infrastructure or zoning/platting issues. Any other extension of the development agreement must be approved by the City Council.

Staff may impose additional eligibility criteria that are consistent with this program, state statute and city ordinance.

Project Eligibility Criteria

To be eligible to purchase real property pursuant to the Land Transfer program, the proposed project must meet all the following criteria:

1. Parcels of real property must be developed with: (1) a housing unit or units that are offered for sale, rental or lease-purchase, or (2) a commercial use that will complement the City's comprehensive housing policy, economic development policy, or redevelopment policy.

2. Housing units developed on the parcels of real property may only be sold, leased, or offered as a lease-purchase to households whose incomes are within the income bands prioritized by the adopted comprehensive housing policy.
3. Housing units developed on the parcels of real property may be either a single family, duplex, or multi-family housing use.

Staff may impose additional eligibility criteria that are consistent with this program, state statute and city ordinance.

Identification of Eligible Households, Affirmative Fair Housing Marketing and Other Policies

Developers of for-sale housing units must comply with all the terms of the Mixed Income Housing Program as set forth in Chapter 20A, as amended, unless such terms clearly do not apply to for-sale housing units or to the Land Transfer program in general. Such exemptions will be clearly set forth in the development agreement. Developers of for-sale housing units may only sell to homebuyers who meet the eligibility criteria set forth in the City of Dallas Homebuyer Assistance Program (DHAP), or a successor program.

Developers of rental housing or lease-purchase units must comply with all the terms of the Mixed Income Housing Program as set forth in Chapter 20A, as amended, unless such terms clearly do not apply to the Land Transfer program. Such exemptions will be clearly set forth in the development agreement.

Sales Price of Parcels of Real Property Sold via the Land Transfer Program

City owned real property: Properties will be initially offered at fair market value ("FMV"), as determined by a comparative market analysis. A discount will be available if project underwriting indicates that the discount is needed either to ensure the viable sale, rental or lease-purchase to an income-qualified buyer or the viable development of a commercial use.

Tax-foreclosed real property: A fixed price of \$1,000 for up to 7,500 square feet of land purchased under a single proposal, plus \$0.133 for each additional square foot of land purchased under the proposal.

Sales Price of For-Sale Housing Units Developed via the Land Transfer Program

For-sale units produced under the Land Transfer program must be sold at the fair market value as determined by an "as-completed" or "subject to completion" appraisal completed by an independent state-licensed appraiser. However, the terms of the development agreement for each parcel of real property purchased pursuant to the program will include any seller-discount that must be provided to the eligible purchaser so that the amount paid by the eligible purchaser is affordable based on their income.

Rental Rates for Rental Housing Units Developed via the Land Transfer Program

Rental units produced under the Land Transfer program must be rented at affordable rental rates in accordance with the approved development agreement and Chapter 20A, as amended.

Term of Affordability

The term of affordability for for-sale housing units is 5 years.

The term of affordability for rental units and commercial uses is 20 years.

The term of affordability for lease-purchase units will be negotiated on a case-by-case basis in accordance with the goals of this program.

Deed Restrictions and Right of Reverter

The City will impose restrictive covenants on all parcels of real property its sells pursuant to the Land Transfer program. The restrictive covenants will require the parcels of real property to be developed and maintained in accordance with the development agreement and all applicable city, state and federal laws. These restrictions will include that housing units developed on the parcels of real property be offered for sale, rental or lease-purchase to low- and moderate-income households and be occupied by low- and/or moderate-income households for the entire term of the affordability period.

Land acquired by a developer pursuant to the Land Transfer program may revert to the City if the city manager or his/her designee determines that the developer has:

1. failed to take possession of the land within 90 calendar days after receiving the deed or quitclaim to the parcels of real property;
2. failed to complete construction of all required housing units or other required development on the real property, or failed to ensure occupancy by eligible households within the development timeframe set forth in the development agreement;
3. incurred a lien on the property because of violations of city ordinances and failed to fully pay off the lien within 180 days of the City's recording of the lien; or
4. sold, conveyed, or transferred the land without the consent of the City.

Upon determination by the city manager or his/her designee that a condition described above has occurred, the city manager is authorized to execute an instrument, approved as to form by the city attorney, exercising against the parcel of real property the City's possibility of reverter with right to reentry. The city manager or his/her designee shall file notice of the reverter and reentry of the land by the City in the real property records of the county in which the parcel of real property is located, which notice must specify the reason for the reverter and reentry. The City Manager or his/her designee shall provide a copy of the notice to the developer in person or by mailing the notice to the developer's post office address as shown on the tax rolls of the City or of the county in which the land is located.

Release of Non-Tax Liens, Release of Restrictive Covenants and Right of Reverter

Pursuant to this program, and in consideration for developers agreeing to construct affordable housing units or other approved uses on parcel(s) of real property, the city manager is authorized to execute instruments, approved as to form by the city attorney, releasing any non-tax liens that may have been filed by the City on the applicable parcels of real property.

Additionally, the city manager is authorized to execute instruments, approved as to form by the city attorney, releasing the city's possibility of reverter with right of reentry and terminating the restrictive covenants on the land upon compliance with all terms and conditions of the development agreement and this program.

Type of Transfer

The City will transfer all City-owned parcels and resell all tax-foreclosed parcels via a deed without warranty, approved as to form by the City Attorney.

Proposed Amendment to the City of Dallas Comprehensive Housing Policy to Add a Land Transfer Program

**Economic Development and Housing Committee
April 15, 2019**

**Maureen Milligan, Assistant Director
Housing & Neighborhood Revitalization
City of Dallas**



Presentation Overview

- Purpose
- Background
- Overview of stakeholder feedback and staff recommendations
- Issues
- Recommendation



Purpose

- Brief the Committee on proposals to:
 - amend the comprehensive housing policy to add a Land Transfer program
 - enter in an interlocal agreement with the taxing entities related to the proposed Land Transfer program
 - allow proposers who respond to the upcoming Single-Family Notice of Funding Availability (NOFA) to apply to purchase land based on eligibility criteria set forth in the proposed Land Transfer program statement
- Seek Committee approval to:
 - forward comprehensive housing policy amendment and proposed interlocal agreement to City Council for consideration

Background—Sale of Land by Cities

General requirement:

- Texas Local Government Code Section 253.008 provides the mechanism for municipalities to buy and sell land

Exceptions Related to Affordable Housing Development and Neighborhood Redevelopment:

- Pursuant to Texas Local Government Code Section 272.001(g), the City may 1) sell, exchange or otherwise convey land to an entity for the development of low-income or moderate-income housing, and 2) may sell the land at below market prices if found to accomplish a public purpose.
- Pursuant to Texas Property Tax Code Section 34.051, the city may: 1) resell tax foreclosed land to an entity to be used for a purpose consistent with the municipality's urban redevelopment plans or the municipality's affordable housing policy, and 2) may sell the land at less than the market value specified in the judgment of foreclosure or less than the total amount of judgments against the property.
- Pursuant to Texas Local Government Code Section 253.010, the city may: 1) sell land acquired by the city to a non-profit entity for the development of low-income housing, and 2) may sell the land at below market prices.

Background

Purpose of a Land Transfer Program:

Adoption of a Land Transfer program allows the Department of Housing and Neighborhood Revitalization to incentivize the creation of affordable housing units through:

- selling qualifying city-owned land or interests at below market prices, subject to an approved development plan, and
- reselling tax-foreclosed land at below market prices, subject to an approved development plan

Current Status of Land Transfer Program:

- On May 9, 2018 the Dallas City Council adopted the Comprehensive Housing Policy (CHP)
- City Council amended the CHP on November 28, 2018
- The CHP does not include a Land Transfer program

Prior History of Land Transfer Program:

- In 1997, City Council first adopted a policy specifically related to resale of tax-foreclosed land
- In 1998, City Council codified the procedures in Dallas City Code Sections 2.26-4 through -14
- In 2001, City Council adopted a Land Transfer program that encompassed the sale of city-owned surplus and seized land as well as tax-foreclosed land
- City Council last amended the Land Transfer program in 2004

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Background – Methods of Sale

	Type of Property	Type of Developer	Definition of "affordability"	Use term low/mod income	Define targeted incomes	Currently used by Dallas	Add'l state statutory requirements
DCC 2-26	Tax-foreclosed or seized	Nonprofit	Yes	Low-income	80% AMFI or below	Yes	Enabling Statute: TLGC 253.010
TLGC 253.010 (aka HB 110)	Any land acquired by municipality	Non-profit (limited) and religious organizations	None	Low-income	Municipality may determine; Should consider AMFI	Yes	
TLGC 272.001(g)	Any city-owned land except land acquired by condemnation	No limitation	None	Low- and Mod-income	No	Yes	
TPTC 34.051	Tax-foreclosed land	No limitation	None	Primarily Low- and Mod-income	No	No	Interlocal agreement among taxing entities; sale consistent with City urban redevelopment or affordable housing plan; land must be vacant/distressed & tax-delinquent 6+ years

Issues

Proposed Land Transfer program seeks to address 3 major issues related to the sale of land for affordable housing development and neighborhood redevelopment:

1. Section 2-26 of the Dallas City Code is more restrictive than the authorizing state statute (“HB 110”)
 - Eligible developers are limited to non-profit organizations (defined by ordinance)
 - Developer must sell/rent to 80% AMI or below
2. City has not entered into an interlocal agreement with the taxing entities that would allow resale of tax-foreclosed land pursuant to Texas Property Tax Code Section 34.015, which does not limit the resale of tax foreclosed land to non-profit developers
3. City Council has not adopted a policy that governs H&NR’s sale of city-owned properties for affordable housing development.

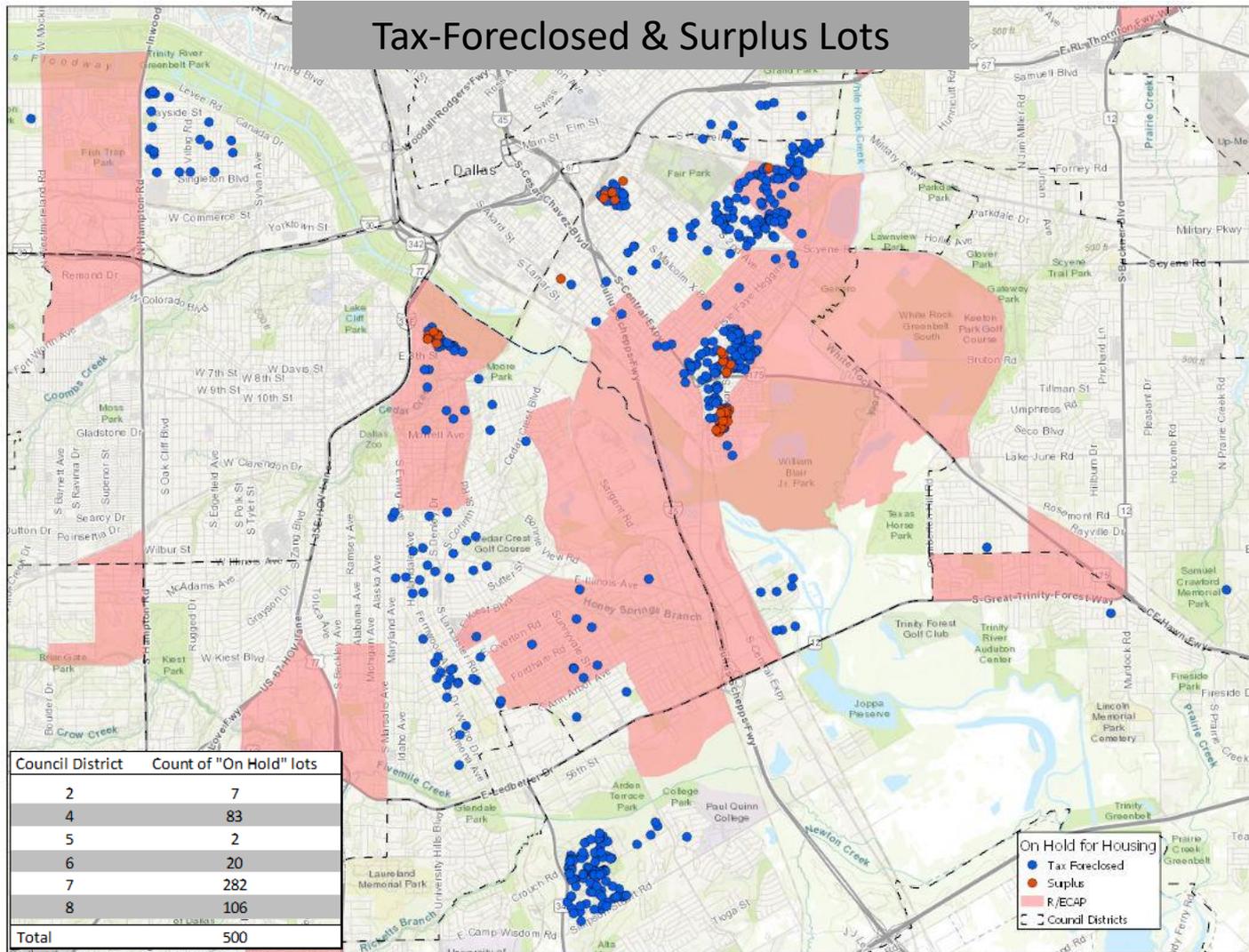
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Issues (cont.)

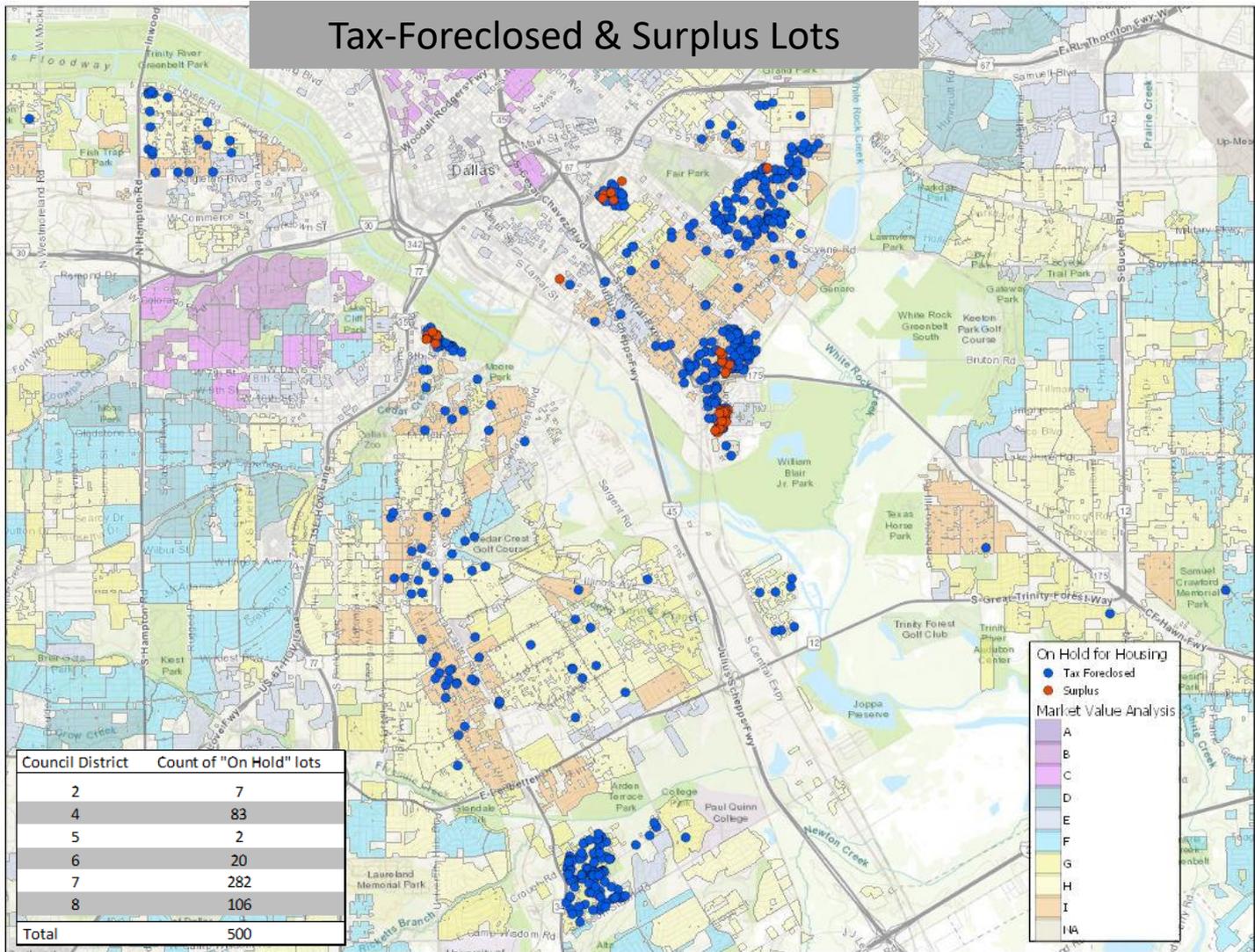
Lack of comprehensive land transfer policy is impacting H&NR's attainment of goals outlined in the CHP:

- 500+ lots currently “on hold” by H&NR
- Majority of tax-foreclosed land is located in high-poverty neighborhoods; significant number of lots located in R/ECAPs
- Use of land is restricted to affordable housing
- Pool of non-profit developers is limited; capacity of non-profit developers is limited
- H&NR is not able to facilitate large-scale, strategic projects that align with the CHP and leverage our aggregated holdings

Tax-Foreclosed & Surplus Lots



Tax-Foreclosed & Surplus Lots



Stakeholder Feedback

- Department of Housing and Neighborhood Revitalization held meetings where feedback was solicited regarding the Land Transfer program
 - January 29, 2019
 - Single-Family NOFA feedback session
 - 50 attendees
 - February 5, 2019
 - Single-Family NOFA feedback session
 - 43 attendees
 - February 13, 2019
 - HB 110 feedback session
 - 30 attendees
 - Discussed at Housing Policy Taskforce Infrastructure and Development Process meetings

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Stakeholder Feedback

- **Feedback:**

- Allow land to be developed and sold/rented to households earning a range of incomes
 - But provide safeguards so that not all land is developed for sale/rent to highest income and no one developer sells/rents to the highest income
- Allow for-profit developers and religious organizations to purchase land
- Retain current sales price of \$1,000 for up to 7,500 square feet of land then \$0.13 per sq. ft. of the entire purchase
- Transfer via a method other than quitclaim
- Provide more information regarding other costs/issues (i.e. delinquent taxes, current zoning)

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Staff Proposal

- **Land Transfer Program**

- Will apply to the resale of tax-foreclosed land and the sale of qualifying city surplus land that was not acquired by eminent domain and land specifically purchased for affordable housing/redevelopment purposes
 - Staff will re-sell tax-foreclosed land pursuant to Texas Property Tax Code Section 34.051 or Texas Local Government Code Section 253.010
 - Staff will sell qualifying city-owned land pursuant to Texas Local Government Code Section 272.001(g)
- Will allow for-profit and non-profit organizations to purchase land
- Will require affordable housing to be developed on the land
 - In limited instances, allow commercial uses to be developed on land
- Housing units developed on land may be sold/rented to households earning up to 120% AMI
 - City portfolio & developer's portfolio—Targeted AMIs should align with production goals outlined in comprehensive housing policy
 - For each sale to a developer, staff must provide Council with a map that contains MVA and R/ECAP layers along with location of lots sold to developer and AMIs targeted in past 2 years of sales

Staff Proposal (cont.)

- **Land Transfer Program:**

- Sale price:
 - Re-sale of tax foreclosed lots—\$1000 for the first 7,500 square feet then \$.13 per sq. ft. of the entire purchase
 - Sale of city-owned land—Offered at fair market value and developer may demonstrate through its proforma that a discount is necessary
- Restrictive covenants:
 - For-sale housing units remain affordable for a minimum of 5 years and rental units remain affordable for a minimum of 20 years
 - Commercial development must be used for purposes outlined in development agreement for a minimum of 20 years
 - Right of reverter

Staff Proposal (cont.)

- Additional step needed so that the resale of tax-foreclosed land can be included in Land Transfer program
- Enter into an interlocal agreement (ILA) with Dallas County (and related entities) and DISD
 - Allow City of Dallas to resell tax-foreclosed land in a direct sale and at a price less than the foreclosure judgement for the purpose of developing affordable housing or other uses that support community redevelopment.
 - ILA will authorize the City to resell tax-foreclosed properties that meet the following criteria: (1) the City took title as trustee for the taxing units because no bid was received at the public sale of the property and (2) the property is vacant or distressed and has a tax delinquency of six or more years.
 - City will be required to notify the taxing entities of the properties it intends to sell pursuant to the ILA and will allow any taxing entity to disapprove the resale of a property or properties.

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Staff Proposal

- **Upcoming Single-Family NOFA**

- Staff intend to release the Single-Family NOFA within the next few weeks
- The NOFA will be released prior to final approval of Land Transfer program by City Council
- Staff will accept proposals that align with the proposed Land Transfer program; however, the NOFA will include a disclaimer that the proposed Land Transfer program has not yet been approved by City Council and that any sale of land pursuant to the NOFA is expressly contingent upon City Council approval of the Land Transfer program, adoption of an interlocal agreement by the other taxing entities, and approval of each NOFA proposal
- The NOFA will be structured so that Proposers can apply: (1) for funding only, (2) for funding and to purchase city-owned/tax-foreclosed land, or (3) apply to purchase city-owned/tax-foreclosed land

Staff Proposal

Combined Policy for Selling Tax-Foreclosed and City-Owned Land for Affordable Housing Purposes

Land Bank

- Authorized by TLGC Ch. 379C
- ILA with taxing entities (required)
- Tax-foreclosed land is sold directly to Land Bank
- Land Bank may resell land to for-profit and non-profit developers
- May serve households up to 115% AMI

Land Transfer (Tax-Foreclosed)

- Authorized by TPTC 34.01
- ILA with taxing entities
- Tax-foreclosed land is offered first at Sheriff's sale; eligible for resale pursuant to program if struck off to City
- City may resell land to for-profit or non-profit developers
- City sells lots for \$1000 sq. ft. for first 7500 sq. ft.
- May serve households up to 120% AMI

Land Transfer (City-Owned)

- Authorized by TLGC 272.001(g)
- No ILA
- City may identify eligible land
- City may resell land to for-profit or non-profit developers
- City offers land at fair market value with discount offered if necessary
- May serve households up to 120% AMI

**City may also continue to operate under DCC 2-26.4-.14

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Recommendation

Staff recommends that the Economic Development and Housing Committee vote to:

- Forward proposed comprehensive housing policy amendment and proposed interlocal agreement to City Council for consideration

Proposed Amendment to the City of Dallas Comprehensive Housing Policy to Add a Land Transfer Program

**Economic Development and Housing Committee
April 15, 2019**

**Maureen Milligan, Assistant Director
Housing & Neighborhood Revitalization
City of Dallas**

