

Memorandum



CITY OF DALLAS

DATE September 16, 2016

TO Housing Committee Members: Scott Griggs, Chair, Carolyn King Arnold, Vice-Chair, Mayor Pro-Tem Monica R. Alonzo, Tiffinni A. Young, Mark Clayton, and Casey Thomas, II

SUBJECT Land Bank Program

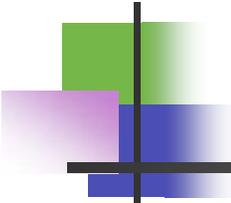
On Monday, September 19, 2016, you will be briefed on the Land Bank Program. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in blue ink, appearing to read 'Alan E. Sims'.

Alan E. Sims
Chief of Neighborhood Plus

c: The Honorable Mayor and Members of the City Council
A. C. Gonzalez, City Manager
Rosa A. Rios, City Secretary
Christopher D. Bowers, Interim City Attorney
Craig Kinton, City Auditor
Daniel F. Solis, Administrative Judge
Ryan S. Evans, First Assistant City Manager
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P. E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor and Council

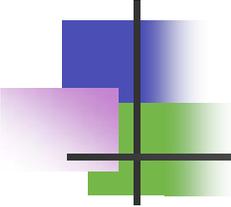


Land Bank Program

A Briefing to the Housing Committee

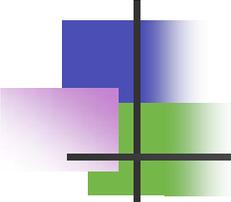
Housing/Community Services Department
September 19, 2016





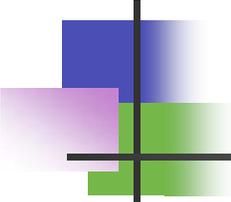
Purpose

- Provide information on the Dallas Urban Land Bank Demonstration Program
- Discuss FY 16-17 Demonstration Program Plan
- Discuss Pilot Expansion Efforts



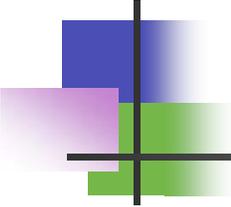
Land Bank Program

- Proposed by the City of Dallas to the State Legislature in 2003 as a pilot program to:
 - Address blight in established neighborhoods
 - Stabilize “at risk” communities and enhance quality of life
 - Address the need for affordable single family ownership choices
 - Acquire tax-delinquent, unproductive, vacant, and developable properties
 - Provide a system to expedite reclamation of unproductive properties back to the tax rolls
- The City of Dallas used a 501 (c)3 nonprofit corporation, Dallas Housing Acquisition and Development Corporation (DHADC), to administer this program



Required Criteria for Land Bank Program Properties

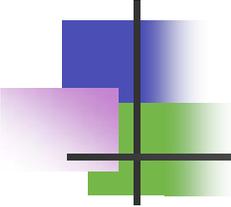
- Residential or commercial properties that:
 - are vacant or not improved with a habitable building (for residential properties only)
 - have at least 5 years of delinquent taxes
 - Have been ordered to be sold pursuant to foreclosure of a tax lien
 - The determination of market value in the judgement is less than the amount of taxes and non-tax liens against the property



Examples

- Eligible Property
 - Property Value \$6,000
 - Taxes (5 years) + Liens \$10,000

- Ineligible Property
 - Property Value \$6,000
 - Taxes (5 years) + Liens \$4,000



Additional Selection Criteria

- Lots in Selected Target Areas
- Lots adjacent to Target Areas
- Lots 1 mile on either side of DART Rail Lines
- Lots requested by Community Housing Development Organizations
- Property intended for commercial use

Acquisition Process Steps

Land Bank assembles list of potential vacant lots and forwards to Law Firm and Title Company

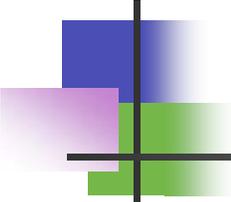
Title Company Abstracts Title, forwards opinion to Law Firm and to City Attorney's Office

After approval by City Attorney's Office, lawsuit is prepared and filed with County Court

County Court adjudicates law suit and Sherriff conducts private sale to Land Bank

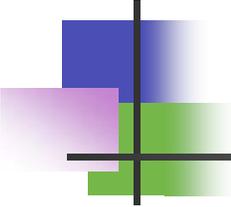
Land Bank offers property through a real estate firm (listed in MLS) and the City website

Land Bank Board approves development plan and sales, City Council approves, and lot is conveyed to developer



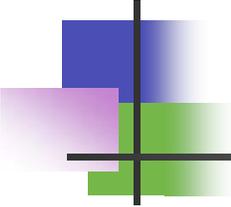
Land Bank Property Development

- Developers/Builders must fill out an application which provides the following information:
 - Experience & references
 - Financial information
 - Size of home(s) and elevations
 - Anticipated sales price
 - Timeline for development
- Properties may also be sold to adjacent owners if the Land Bank determines the parcel is not appropriate for residential development
- Developer must apply for construction permit and close on construction financing within 3 years or property reverts back to the Land Bank (by Statute)
- Properties are sold for \$5,000 per lot less real estate commission
- Homebuyers qualifying income must be at or below 115% of area median family income (table shown in appendix)



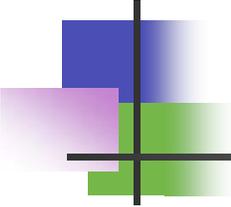
DHADC Operation of the Land Bank Program

- Land Bank Program pays for itself by covering expenditures through sales revenue
- Total operating costs for one year are estimated to be \$325,000
- There are 4 staff operating the Land Bank Program
 - 1 manager
 - 2 staff processing real estate acquisitions and sales including researching title reports, liens, judgments, Sheriff's notices & deeds, performing due diligence on lots, site inspections and corresponding with citizens & developers
 - 1 staff updating lot inventory, maintenance reports, audit reports and other administrative duties
- Breakeven total sales is 65 lots per year
- DHADC retains independent audit, title, legal, mowing, environmental, and real estate services



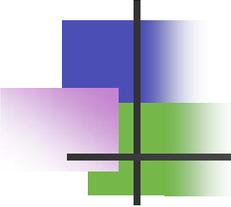
Accomplishments

- 1381 properties have been sold to the Land Bank Program from the Sheriff or directly purchased
- 687 lots sold to developers and adjacent owners
- 401 lots reverted to taxing jurisdictions and repurposed
- 61 lots are pending sale
- 232 lots are in inventory
- 406 homes built and sold to date
- 162 properties sold or pending sale in FY16-17



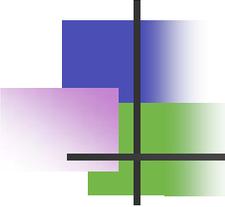
Annual Requirements

- All taxing entities must execute an interlocal contract
 - Dallas County
 - Dallas Independent School District
 - Dallas County Hospital District
 - Dallas County School Equalization Fund
 - Dallas County Education District
 - Dallas County Community College District



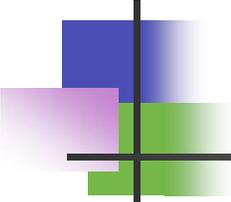
Annual Plan

- By State Statute, the annual plan requires:
 - Lots identified for future acquisition
 - Proposed sales price for properties in inventory
 - List of Community Housing Development Organizations eligible for “right of first refusal”
 - Plan for affordable housing development
 - Any funding anticipated to assist in the development of housing



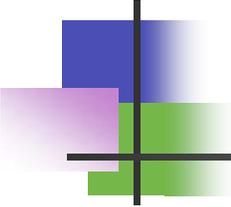
Pilot Expansion Program

- Utilizing the DHADC as a nonprofit corporation
 - City entered into an agreement to provide development funds to build on city owned property in the Bottom
 - City conveyed parcels to DHADC for this purpose
 - DHADC will consider formalizing the builder selection at their next meeting
 - DHADC will use its contracted real estate agent to sell the homes being built
- As part of the greater revitalization of this area, design work for infrastructure is being done at the same time



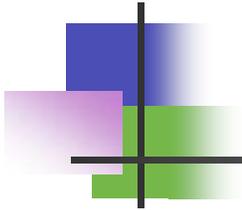
Recommendations

- Request Housing Committee review the Annual Plan and offer changes
- Look at a second Pilot Expansion in District 7



Next Steps

- September 28, 2016, City Council to consider Interlocal Cooperation Contract (ICC)
- October 11, 2016, Public Hearing and City Council consideration of the Land Bank Plan
- October- December, 2016- other taxing entities to consider ICC



Appendix
Proposed Urban Land Bank
Demonstration Program Plan
Fiscal Year 2016-17

Proposed Urban Land Bank Demonstration Program Plan Fiscal Year 2016-17



City of Dallas

**Housing Department
1500 Marilla Street
Room 6DN
Dallas, Texas 75201**

OVERVIEW

The 2003 Texas Urban Land Bank Demonstration Act, as amended, provides an opportunity for Dallas to address the dual needs of insufficient affordable housing and older neighborhoods at risk. The Act allows the governing body of a municipality to adopt an urban land bank demonstration program in which the officer charged with selling real property ordered sold pursuant to foreclosure of a tax lien may sell certain eligible real property by private sale for purposes of affordable housing development.

The governing body of a municipality that adopts an Urban Land Bank Demonstration Program must adopt a plan annually. The plan for fiscal year 2016-17 includes the following elements:

- 1) A list of the parcels of real property that may become eligible for sale to the land bank during the plan year,
- 2) An estimate of the total number of tax lawsuits to be filed to acquire land bank properties in the plan year.
- 3) The proposed sale price of the properties anticipated to be sold to “qualified participating developers” during the plan year.
- 4) A list of community housing development organizations eligible to participate in the “right of first refusal” for acquisition and development of real property sold to the land bank,
- 5) The municipality’s plan for affordable housing development on those parcels of real property, and
- 6) The sources and amounts of funding anticipated being available from the municipality for subsidies for development of affordable housing in the municipality, including any money specifically available for housing developed under the program, as approved by the governing body of the municipality at the time the plan is adopted.

The City of Dallas proposes to implement a local Urban Land Bank Demonstration Program and presents this plan for implementation. Before adopting the FY 2016-17 plan, the City of Dallas will hold a public hearing on the proposed plan. The City of Dallas will provide notice of the hearing to all City certified Community Housing Development Organizations (CHDOs) and to neighborhood associations identified by the City as serving the neighborhoods in which properties anticipated to be available for sale to the land bank are located. The City of Dallas will make copies of the proposed plan available to the public not later than the 60th day before the date of the public hearing.

Following the adoption of the FY 2016-17 Urban Land Bank Demonstration Program Plan, the plan will be implemented and the annual performance reports on the plan will be available through the Housing Department no later than November 1, 2017. The performance report for the FY 2015-16 Urban Land Bank Demonstration Program Plan will be available no later than November 1, 2016.

CITY OF DALLAS' FY 2016-17 URBAN LAND BANK DEMONSTRATION PROGRAM PLAN

Parcels of Property

The objective of the City of Dallas' Urban Land Bank Demonstration Program is to acquire unproductive, vacant, and developable lots and lots improved with abandoned, vacant and uninhabitable houses to be "banked" by the Dallas Housing Acquisition and Development Corporation (the "Land Bank") for affordable housing or other commercial development. The acquisition of these lots will enable new single-family homeowner development on the lots to house low and moderate income households and stabilize distressed communities. The lots may also contain the rental housing units above a retail/commercial/office development for rent to low and moderate income tenants. This initiative will be implemented by means of the tax foreclosure process for properties with five years or more of delinquent property taxes.

The City has identified parcels of real property that may become available for sale to the Land Bank during the fiscal year beginning October 1, 2016 (see Attachment C). The considerations for parcel identification included vacant residential/commercial properties with at least five years or more of delinquent property taxes (reported from Dallas County). Priority is given to properties located in: 1) neighborhoods designated within the City of Dallas Neighborhood Investment Program, 2) neighborhoods with active Community Housing Development Organization projects, and 3) other neighborhoods identified by the City as being in need of new housing/commercial development. The parcels listed will follow a process of review to determine suitability for housing development before moving forward to tax foreclosure and possible land banking. This is a list of potential properties for the Land Bank. Up to 100 parcels from Attachment D that were previously referred for tax foreclosure will be resubmitted and at least 100 parcels of property from the attached list will be referred for tax foreclosure by the Land Bank during the 2016-17 fiscal year.

Notwithstanding any other right of first refusal granted under Texas Local Government Code ("Code") Chapter 379C, if the Land Bank determines that a property acquired by the Land Bank is not appropriate for residential development, the Land Bank first shall offer the property for sale to an eligible adjacent property owner for the lower of the fair market value for the property as determined by the appraisal district in which the property is located or the sales price recorded in the annual plan, i.e., the amount for which the property would be sold to a "qualified participating developer", calculated as shown on page 5 of this annual plan. An "eligible adjacent property owner" means a person who owns property located adjacent to property owned by the Land Bank and satisfies eligibility requirements adopted by the Land Bank. An adjacent property owner that purchases property under this section 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 Land Bank, unless the Land Bank adopts a policy permitting the transfer of the property to a family

member of the eligible adjacent property owner or occurs as a result of the death of the eligible adjacent property owner.

Additional Use of Land Bank Property

The Land Bank may also acquire and sell to a developer property intended for commercial use.

Qualified Participating Developer

In order to be designated as a Qualified Participating Developer under Section 379C.005 of the Code and participate in the Urban Land Bank Demonstration Program, a developer must: (1) have built one or more housing units within the three-year period preceding the submission of a proposal to the Land Bank seeking to acquire real property from the Land Bank; (2) have a development plan approved by the City for the Land Bank property; and (3) demonstrate ability to develop, within a three-year period, its inventory of residential lots acquired through City of Dallas operated or assisted programs including proposed Land Bank property to be acquired.

Community Housing Development Organizations

An organization which meets the definition of a Community Housing Development Organization (CHDO), under 24 CFR 92.2 and is certified by the City of Dallas as such, may be a “qualified organization” under Section 379C.011 of the Code. Only “qualified organizations” as defined in the Code may engage in the “right of first refusal” for this program.

A listing of those CHDOs that may be eligible for the “Right of First Refusal” is available as Attachment A. In order to engage in the “right of first refusal” on the acquisition of a property from the Land Bank, the CHDO must also have the following to be considered a “qualified organization”:

1. 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,
2. 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
3. Built or rehabilitated housing units (within the preceding two-year period) within a one-half mile radius of the offered parcel.

Code Section 379C.011 explains the elements of the “Right of First Refusal” for “qualified organizations.” The City of Dallas and Land Bank will apply the following points to this process:

1. Written notice will be provided to the “qualified organizations” 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 not sell the property to a qualified participating developer other than a qualified organization (If all qualified organizations eligible to exercise the right of first refusal for that property notify the Land Bank that they are declining to exercise their right of first refusal during the 6 month period or if an offer to purchase the property is not received from a qualified organization during the 6 month period, the Land Bank may sell the property to any other qualified developer at the same price that the Land Bank offered the property to the qualified organization);
4. After the period for the “right of first refusal” expires, the subject property will be offered to a “qualified participating developer” as defined in the Code (a “qualified participating developer” is defined as a developer who has built one or more housing units within the three-year period preceding the submission of a proposal to the Land Bank and has a development plan approved by the City for the Land Bank property);
5. At the discretion of the Land Bank and consistent with the City approved development plan, the subject parcel may be held for up to twelve (12) additional months by the Land Bank once an offer has been received and accepted from a “qualified organization or “qualified participating developer”;
6. 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; and
7. There will be no requirements for the Land Bank to give “right of first refusal” for “qualified organizations” if the subject property has reverted to the Land Bank after going through this entire process.
8. The “right of first refusal” applies only to properties acquired under the State Code for the Urban Land Bank Demonstration Program. There is no “right of first refusal” for properties acquired by the City or its Land Bank through other City programs or initiatives. The CHDO “right of first refusal” is subject to the “right of first refusal” to an eligible adjacent property owner as provided in Code Section 379C.0106.

City of Dallas Plan for Affordable Housing Development

Based on 2010 census data, the population of the City of Dallas has grown by 9,236 since 2000. The City of Dallas has identified high priority needs in the availability and affordability of housing. One main concern is the low rate of 44.1% for homeownership in Dallas compared to the national average of 66.9%.

In order to achieve a 50% homeownership rate goal, approximately 27,000 single-family units would have to be created. The priority for the City of Dallas is not only to create single-family homes but also to make them affordable. The definition of an affordable homeownership unit is one in which a household with income of 115% or less of area median family income can obtain financing to purchase the home.

The creation of housing for families at 80% or below of median family income is a priority for the City of Dallas and this Urban Land Bank Demonstration Program. Additionally, at least 25% of the Land Bank properties must be deed restricted for sale to households with gross household incomes not greater than 60% of the area median family income adjusted for household size; and not more than 30% of those Land Bank properties may be deed restricted for sale to households with gross household incomes greater than 80% of the area median family income, adjusted for household size. In addition, a lease-purchase option may be used with the understanding that the purchaser must close on the house within twelve months from the date the lease-purchase begins. The tremendous need for housing in Dallas will also allow the City to take advantage of opportunities to leverage private and public funding for mixed income developments.

The City of Dallas intends to continue implementation of the Urban Land Bank Demonstration Program to produce affordable housing. Attachment D identifies the list of 2539 properties the Land Bank has referred for tax foreclosure under the FY 2003-04, FY 2004-05, FY 2005-06, FY 2006-07, FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11, FY 2011-12, FY 2012-13, FY 2013-14, FY 2014-15 and FY 2015-16 Plans. In the event any properties are removed from Attachment D, an equal number of qualified lots may be substituted. The City of Dallas intends to sell up to 200 properties in FY 2016-17 to "qualified organizations" and "qualified participating developers" for affordable housing development under this program. Subject parcels will first be offered for sale in FY 2016-17 to "qualified organizations" at a price of \$1,000.00 for the first 7,500 square feet of land plus another \$1,000.00 for each additional developable adjacent lot included in the parcel subject to budget allowances and Land Bank Board approval and to "qualified participating developers" at a price of \$5,000.00 for the first 7,500 square feet of land plus another \$5,000.00 for each additional developable adjacent lot included in the parcel plus any regulatory and contractual costs, including but not limited to environmental testing, maintenance, post foreclosure property taxes and replatting, required for the Land Bank to acquire and sell developable properties. In 2010, the Land Bank acquired 112 lots using Neighborhood Stabilization Program (NSP) funds. These lots were not acquired under the state statute and will fall under the applicable NSP rules and regulations. All properties will be deed restricted. Properties to be developed for

homeownership will remain deed restricted until construction is complete and sale of the affordable unit occurs.

All parcels will be conveyed with a right of reverter so that if the “qualified participating developer” does not apply for a construction permit and close on any construction financing within the three-year period following the date of the conveyance of the property from the Land Bank to the “qualified participating developer,” the property will revert to the Land Bank for subsequent resale to another “qualified participating developer” or conveyance to the taxing units who were parties to the judgment for disposition as otherwise allowed under the law. If a property is not sold within four (4) years to a “qualified organization” or a “qualified participating developer,” the property will be transferred from the Land Bank to the taxing units who were parties to the judgment for disposition as otherwise allowed under the law. A property may be transferred to the taxing units before completion of the four-year period if the Land Bank determines that the property is not appropriate for residential or commercial development. The Land Bank may also sell property to a political subdivision or a nonprofit organization before completion of the four-year period.

The DHADC may permit a qualified participating developer to exchange a property purchased from the Land Bank with any other property owned by the developer if the developer agrees to construct on the other property affordable housing for low income households as provided in this plan and state law and the other property is located in a planned development incorporating the property originally purchased from the Land Bank or another location as approved by the Land Bank. The Land Bank shall adjust the Deed Restrictions under Texas Local Government Code Section 379C.010 for each of the properties exchanged by the developer under this section.

The Land Bank may sell two adjacent properties that are owned by the Land Bank to a “qualified participating developer” if at least one of the properties is appropriate for residential development and the developer agrees to replat the two adjacent properties as one property that is appropriate for residential development.

Supportive Funding

Attachment B reflects the sources and amounts for funding anticipated to be available from the City for subsidies for development of affordable housing in the City of Dallas, including money specifically available for housing developed under this program, as approved by the City Council of the City of Dallas at the time of adoption of this plan.