

Memorandum



CITY OF DALLAS

DATE June 17, 2022

TO Honorable Mayor and Members of the City Council

SUBJECT **Consideration and Approval of the Sale of Land Transfer Program Lots to a Qualified Participating Developer: Covenant Homes Construction & Renovation**

On Wednesday, June 22, 2022, City Council will be briefed on the proposed sale of Land Transfer Program lots to a qualified participating developer.

Summary

The City of Dallas Land Transfer Program, which was established by City Council in 2019 and is administered by the Department of Housing & Neighborhood Revitalization (Housing Department), currently has an inventory of 57 lots that are offered for sale.

Lots in the Land Transfer Program are sold to eligible developers via an application process for the purpose of constructing affordable housing units and sale to income eligible homebuyers. Recently, staff received and reviewed an application from an eligible developer, Covenant Homes Construction & Renovation LLC for the purchase of sixteen (16) Land Transfer Program lots. This memorandum provides an overview of the application submitted by Covenant Homes Construction & Renovation LLC.

Background

On May 22, 2019, City Council adopted the Land Transfer Program via Resolution No. 19-0824, as amended. 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, the Land Transfer Program authorizes the City to sell qualifying City-owned real property and resell tax-foreclosed real property to for-profit, non-profit and/or religious organizations in a direct sale at less than fair market value of the land, consistent with the authorizing state statute or City ordinance.

In March 2022, an eligible developer, Covenant Homes Construction & Renovation LLC, submitted an application (proposal) to purchase a total of 16 Land Transfer Program lots. The Department of Housing & Neighborhood Revitalization staff evaluated the application pursuant to the standards set forth in the Land Transfer Program guidelines, which included determining whether the developer met the eligibility standards to be deemed a "Qualified Participating Developer" and underwriting the proposal. The application was determined to be "complete" and was assigned a score. Staff collaborated with the Developer regarding the terms of sale of the vacant lots as well as the terms related to the construction and subsequent sale of single-family housing units to income eligible homebuyers.

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The Developer being considered for the sale of 16 lots is Covenant Homes Construction & Renovation LLC, based in Dallas, Texas. The Developer is a domestic limited liability corporation formed in 2017 and is licensed with the City of Dallas as a General Contractor and is MWBE certified. The company has five years of home building experience as well as home renovation experience. The Developer has constructed and sold market rate homes and affordable housing in Dallas and the surrounding area. The Developer does have experience constructing and selling in southern Dallas to homebuyers in the income range as the Land Transfer Program. The applicant has a current line of credit to support this project 1.15 times. The Managing Member of the company is Wendell Lockhart.

The proposal indicates the construction of 16 single family units ranging from 1,521 square feet to 1,790 square feet with a minimum of three bedrooms and two baths. The price range of the proposed units will be \$180,000.00 - \$215,000.00 targeting homebuyers in an income range of 60 - 120% of the area median income (AMI). Nine (9) units will be used to target homebuyers in an income range of 80 – 120% AMI and seven (7) units will be used to target homebuyers in an income range of 60 - 80% AMI. The developer intends to market the City of Dallas Homebuyer Assistance Program to those homebuyers categorized in the 60 - 80% AMI range.

The development terms applicable to each lot are as follows:

- **Vacant Lot Sales Price:** Attached as **Exhibit A**.
- **Single-Family Home Sales Price:** The sales price of the home cannot exceed the current HUD HOME homeownership sales price for the Dallas, TX HUD Metro FMR Area and must be affordable based on the income of the targeted homebuyer.\
- **Targeted Income of Homebuyer:** Nine (9) units will target homebuyers in an income range of 80 - 120% AMI, and seven (7) units will target homebuyers in an income range of 60 - 80% AMI.
- **Construction Timeframe:** Developer must apply for a construction permit and close on any construction financing within 60 days of purchase from the City. In addition, Developer should complete construction and sale of each affordable housing unit to an income eligible homebuyer within two (2) years of the date of acquisition of the vacant lot utilized for construction of the unit.
- **Restrictive Covenants:** Developer must: 1) sell each lot to an income eligible household and 2) prior to the sale, must provide to Department of Housing & Neighborhood Revitalization staff written documentation of the income of the proposed purchaser and the sales price. After sale of the home, the property must be occupied as an income eligible household's principal residence during the entire term of the affordability period.

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- **Affordability Period:** Once the property is sold to an income eligible household, it must be occupied as the household's principal place of residence for at least five years. If the original purchaser re-sells the property during the affordability period, the property may only be sold to another income eligible household.
- **Right of Reverter:** Title to the property may revert to the City of Dallas if Developer has 1) failed to take possession of the land within 90 calendar days after receiving the deed 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.
- **Unit Sales Price:** Units must be sold to an income eligible homebuyer at a final sales price between \$180,000.00 - \$215,000.00. The City Manager may modify the sales price, so long as such modification complies with the CHP.

Issues

The City incurs costs related to maintaining lots in its inventory. If the item is not approved, the City will be required to continue expending funds to maintain the unsold inventory.

Fiscal Impact

The City of Dallas will receive revenue from the sale of the lots, see attached **Exhibit A**, in the amount of \$16,000.00. For tax foreclosed lots, the sales price for each lot is a minimum of \$1,000.00 for lots up to 7,500 square feet and an additional \$0.133 per square foot for lots which exceed 7,500 square feet. The City of Dallas will also collect recording fees at closing to ensure property legal documents are properly recorded. Upon completion of the proposed 16 housing units the expected property tax revenue for the City of Dallas is expected to be \$24,531.08 annually.

Estimated Revenue Foregone: General Fund \$34,541.77.

In addition, **Exhibit A** details the Estimated Foregone Revenues from the release of non-tax City liens: \$34,541.77.

Staff Recommendation

Staff recommends that the City Council approves the sale of 16 vacant lots owned by the City to the Qualified Participating Developer pursuant to the terms of development set forth in this memorandum.

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Should you have any questions or require any additional information, please contact me or David Noguera, Director, Department of Housing & Neighborhood Revitalization at David.Noguera@DallasCityHall.com or 214-670-3619.



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M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors

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**Exhibit A
Covenant Homes Construction & Renovation, LLC**

Lot #	Street #	Street Name	Neighborhood	CD	Area (SF)	Purchase Price	Type	Proposed Homebuyer AMI	Non- Tax Lien Amount
1	402	BOBBIE ST	The Bottom	4	4052	\$ 1,000.00	tax foreclosed	60-120%	\$ 5,374.34
2	402	CLEAVES ST	The Bottom	4	4013	\$ 1,000.00	tax foreclosed	60-120%	\$ -
3	408	CLEAVES ST	The Bottom	4	3611	\$ 1,000.00	tax foreclosed	60-120%	\$ -
4	431	CLEAVES ST	The Bottom	4	4132	\$ 1,000.00	tax foreclosed	60-120%	\$ -
5	438	CLEAVES ST	The Bottom	4	3797	\$ 1,000.00	tax foreclosed	60-120%	\$ -
6	401	HART ST	The Bottom	4	2307	\$ 1,000.00	tax foreclosed	60-120%	\$ -
7	411	HART ST	The Bottom	4	3780	\$ 1,000.00	tax foreclosed	60-120%	\$ -
8	424	N MOORE ST	The Bottom	4	2949	\$ 1,000.00	tax foreclosed	60-120%	\$ -
9	501	N MOORE ST	The Bottom	4	2387	\$ 1,000.00	tax foreclosed	60-120%	\$ -
10	406	N MOORE ST	The Bottom	4	5876	\$ 1,000.00	tax foreclosed	60-120%	\$ -
11	421	N DENLEY DR	The Bottom	4	2792	\$ 1,000.00	tax foreclosed	60-120%	\$ 10,467.10
12	408	PECAN DR	The Bottom	4	3819	\$ 1,000.00	tax foreclosed	60-120%	\$ -
13	411	PECAN DR	The Bottom	4	3947	\$ 1,000.00	tax foreclosed	60-120%	\$ -
14	405	SPARKS ST	The Bottom	4	2274	\$ 1,000.00	tax foreclosed	60-120%	\$ -
15	441	SPARKS ST	The Bottom	4	2530	\$ 1,000.00	tax foreclosed	60-120%	\$ 9,052.85
16	442	SPARKS ST	The Bottom	4	3666	\$ 1,000.00	tax foreclosed	60-120%	\$ 9,647.48
TTL Purchase Price						\$ 16,000.00	TTL Non-Tax Lien Amount		\$ 34,541.77