

Memorandum



CITY OF DALLAS

DATE January 21, 2022

TO Honorable Mayor and City Council

SUBJECT **Responses to Questions Raised During the December 14, 2021 Housing and Homelessness Solutions Committee Meeting – One Dallas Options and Racial Equity Audit Report**

During the December 14, 2021 Housing and Homelessness Solutions Committee meeting, staff and TDA consultants presented the findings from the Comprehensive Housing Policy Racial Equity Report and an update on the proposed One Dallas Options initiative. This memorandum provides responses to the questions on the Racial Equity Report, a summary of the proposed One Dallas Options initiative, and responses to the questions raised about One Dallas Options.

Racial Equity Audit Report Questions

How do we take the politics out of City Council zoning decisions?

City Council decisions are inherently political, but planning staff are working on an update to ForwardDallas and an accompanying future land use plan. These documents, if adopted, will guide future zoning decisions toward a more comprehensive, equitable, and holistic planning process.

Assuming this is adopted by City Council, how does staff see things changing in the way you do your work? Staff should look at the information being presented and inform Council what's feasible or not.

If City Council approves the Equity Audit recommendations, greater coordination will be needed across City departments. Action plans, performance plans, and budgets across departments will need to be adjusted to address the recommendations. Within the Housing Department, staff will expand their focus from housing unit production to neighborhood revitalization, working with internal and external stakeholders to uplift neighborhoods where we develop and preserve housing.

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Please provide a set of maps that show the most diverse areas of the entire City, all affordable housing in Dallas, and the number of multi-family units disaggregated by county.

Please see the attached maps and previous Friday memorandum for diversity, affordable rent by district, and homes under \$250,000.

Per 2015-2019 American Community Survey data, the number of existing multifamily units in the city of Dallas by county is as follows:

- Dallas County – 261,952
- Collin County – 17,371
- Denton County – 13,784

One Dallas Options Summary

One Dallas Options expands and enhances the City’s existing Mixed Income Housing Development Bonus (MIHDB) program. Under the current MIHDB, multifamily developers in multifamily (MF) and mixed use (MU) districts and developers in planned development districts (PDs) with bonus language may use a set of prescribed zoning bonuses by right if they provide reserved (also known as affordable or work force) housing units on site.

Under the proposed One Dallas Options, the MIHDB program is modified to add:

- *A third type of zoning bonuses.* Applicants for new or amended PDs can request additional development rights in the new PD. If the request is for more development rights than staff is comfortable recommending approval of, the applicant can negotiate participation in the One Dallas Options program and access a set menu of additional development rights.
- *Additional pathways for compliance.* In addition to on-site provision of units, developers in MF and MU districts and in all PDs that reference compliance with Div. 51A-4.1100 can trade additional development rights for payment of a fee in lieu of on-site provision of units or land dedication.
- *Gap funding.* One Dallas Options provides a clearer path to request funding, subject to underwriting, to fill documented financial gaps created by on-site provision of reserved dwelling units.
- *A One Dallas Fund.* The One Dallas Fund, created through collection of the fees in lieu of on-site provision, may be used to off-set the cost of providing reserved dwelling units on-site, to provide gap funding for other mixed income developments, and to increase the production and preservation of housing units

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not otherwise produced by the market. The proposed policy language for the One Dallas Fund seeks to balance the need for reserved units in stronger residential markets and the need for investment and equitable revitalization in weaker markets. More information about the fund is provided below.

One Dallas Options Questions

Unit Production

How many units have been built compared to the total number throughout the city?

As of late 2021 a total of 2,531 multifamily units were under construction in the MIHDB program, compared to approximately 8,500 multifamily units currently under construction in the city.

Fee in Lieu and One Dallas Fund Uses

Explain how the fee in lieu will work. Is it negotiable or is it a set fee?

The fee is proposed to be a set dollar amount multiplied by the total square footage of the development, not including parking. That dollar amount differs depending on the amount of the bonus and the type of construction. For example, a high rise development using the highest bonus amount would pay the highest per-square-foot fee. A four-story development using the smallest bonus would pay the lowest per-square-foot fee.

What is the structure of the One Dallas Fund? Who controls it? How is the funding used?

The fund will be administered by the Department of Housing & Neighborhood Revitalization, with funding allocation following normal City Council approval processes. The fund will be evenly split between two geographic foci:

- Two activities in Market Value Analysis (MVA) Categories A, B, C and rapidly gentrifying Categories D, E, and F: (1) creating and renovating housing affordable to households under 120% of Area Median Family Income (AMFI), and (2) increasing affordability in mixed income developments.

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- Equitable revitalization in MVA Categories D through I, including incentivizing new affordable and market-rate units in mixed income rental and owner-occupied communities, renovating existing housing affordable to households under 120% of AMFI, and building new neighborhood infrastructure.

Activities eligible for funding include administration costs for the One Dallas Options program, including updates of the Market Value Analysis; activities listed above by geographic focus; existing housing programs; and other housing-related activities as approved by City Council.

Which other cities have a fee in lieu program, and how is it being used?

Based on staff research, Austin is the only other major city in Texas to have a set of development bonus programs and corresponding fees in lieu of on-site provision.

- San Antonio has a density bonus program, but it has not been utilized and may undergo review in the next year or so. San Antonio supports mixed income housing through fee waivers, a tax increment finance program, and the San Antonio Housing Trust (which administers a housing trust fund, a public facilities corporation, and a housing finance corporation).
- Fort Worth does not have a development bonus program. The Neighborhood Empowerment Zone program allows for tax abatements for certain areas in exchange for creating mixed income housing or paying a small fee (\$200 per unit per year) in lieu of on-site provision. To support affordable housing, the City also has a federal housing program, including a homebuyer assistance program, a housing finance corporation, and a tax credit application process.
- Houston does not have zoning and therefore does not have a zoning bonus program. Like other large cities, it has a robust federally-funded housing program.

Who are the top developers using the fee in lieu in cities (other than Dallas) across Texas?

- Per staff research, Austin is the only other city in Texas using a fee in lieu similar to staff's proposal. The developers in Austin with the largest number of projects include CWS Capital Partners LLC, Endeavor Real Estate Group, Simmons Vedder (now W2 Real Estate), and Texan Properties.

Parking

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Based on the numbers of cars parking in the adjacent streets, some multifamily communities in Far North Dallas are under parked. Explain how a reduction in the amount of required parking would work.

Staff found a small number of existing apartment complexes with heavy street parking usage. In one case, the street was full while the top floor of the parking garage was empty. In another case, the street was likewise full while the on-site surface parking was only half-utilized. Heavy street usage seems to indicate a preference for parking location, not a lack of parking spaces.

Multifamily parking utilization studies from developers and parking consultants in the major cities in Texas indicate a need to reduce parking requirements to more efficiently use land. In one study of mixed-income suburban developments, the required ratio was about one parking spot per bedroom, or 1.6 to 2.0 per unit. In stark contrast, the actual utilization (number of spots occupied during the peak parking period) was 0.9 to 1.0 per unit, or about half of the available parking spots. Another study focused on The Village (southeast of US-75 and Northwest Highway) and showed similar utilization – a little less than one parking space per unit.

At \$10,000 average per surface parking space or \$30,000 per underground parking space, 200 unused parking spaces cost between \$2,000,000 and \$6,000,000 in unnecessary development cost.

If a fee in lieu is approved, developers can apply for financial support from the One Dallas Fund. If the City then requires developers to provide more parking than their tenant mix actually needs, One Dallas funds will potentially be used for empty parking spaces.

Staff recommends dropping the required parking to 0.5 per unit so that the City encourages developers to use available funding for housing, not excessive parking. Developers conduct market studies – including parking utilization studies – to determine the amount of parking required for their particular tenant mix, understanding that if they under park the development, they will struggle to lease the units.

Equity

How does this proposal align with the goals outlined in the recent equity audit?

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The goals or recommendations of the racial equity audit of the comprehensive housing policy (CHP) are intended to serve as the foundation for the revised CHP that Council adopts later this year. This week, Chairman Casey Thomas is hosting town halls to gather community input on the racial equity audit recommendations. Based on input provided to date, we know that *linking the CHP to neighborhood revitalization strategies for African American and Latinx Communities* will be one of the recommendations. One Dallas Options as presented is a tool to revitalize African American and Latinx communities through investments in mixed income and mixed-use developments. Leveraging regulatory incentives that add to the tax base without taking from the City's General Fund is one of the key ways that Dallas will achieve the goals of the Racial Equity Audit.

Vouchers

Explain what can be done to help to improve voucher acceptance in multifamily communities, particularly if there are plenty of voucher holders and particularly if transfers are allowed again. Explore doing an independent audit of reasons hampering voucher acceptance.

Staff is continuing to work with DHA/Dallas Housing Solutions to more thoroughly understand the voucher process and will have more details in an upcoming committee briefing.

Provide an explanation from the City Attorney of the connection between the Walker Consent Decree and difficulty some Walker voucher holders experience when trying to relocate.

A request has been submitted to the City Attorney's Office to have them respond to the question.

Consider implementing a rental sublease program to help mitigate developer/ landlord risk.

Staff has added a rental sublease program to the list of potential 2022 work plan items.

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Outreach

It’s essential that we have meetings with industry partners so that we have their buy-in and their understanding of the market.

Staff has met with Downtown Dallas Inc., the Real Estate Council, and multiple developers. In addition, the Housing Policy Task Force met twice in 2021. Invitations to those meetings went to more than 1,400 people, including representatives of the Apartment Association of Greater Dallas and the MetroTex Association of Realtors.

Should you have any questions, please contact me or David Noguera, Director, Department of Housing & Neighborhood Revitalization at 214-670-3619 or at david.noguera@dallascityhall.com.



Dr. Eric A. Johnson
Chief of Economic Development and Neighborhood Services

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Chris Caso, City Attorney
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CITY OF DALLAS

DATE May 7, 2021

TO Honorable Mayor and Members of the City Council

SUBJECT **Presentation of Results for an Analysis of Affordable Rents in Dallas**

Summary

In April, Department of Housing and Neighborhood Revitalization (Housing) staff completed an analysis of the availability of rental units across the City of Dallas using the 2019 5-Year American Community Survey (ACS). This project was completed to identify the areas of the city most affordable to low-income residents, the overall availability of mixed-income rental units.

The study showed that city-wide, compared to the production goals of the Comprehensive Housing Policy (CHP), shortages of affordable housing grew more severe, with a severe shortage of units affordable to those earning 30% or less of the area median income (AMI), a small shortage of units affordable to those earning 60% AMI or less, and more than enough affordable housing for those earning 80% AMI or less. The more affordable units, especially those affordable to 60% AMI, were significantly more concentrated in specific council districts and areas of the city.

Explanation of Methods and Assumptions

Housing is considered affordable if all housing-related expenses, including rent and utilities, cost no more than 30% of a household's gross income. The U.S. Department of Housing and Urban Development (HUD) defines the AMI for an entire region based on average incomes and cost of living. Dallas's region includes 11 counties making up the entire Dallas-Fort Worth metropolitan area. HUD provides calculations to assess AMI for all different family sizes.

The ACS data on gross rent includes the self-reported cost of rent and utilities for households, not specific units. This means that the data includes the household-portion of government subsidized units, voucher units, naturally-occurring affordable units, multifamily units, and single-family rental units but does not include units where the household pays no rent or otherwise lives for free, even if an organization covers that rent for them.

The ACS also aggregates its rental data, meaning that rents are broken into specific buckets. These buckets do not align exactly to affordable housing by AMI as defined by HUD. Housing staff worked to define affordable rents for different AMI levels within these constraints, but it is important to note that the rents analyzed may be slightly more or less than 30% of income for each group. The numbers used for the analysis are presented below:

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	1 person	3 persons	5 persons
30% AMI	\$ 450	\$ 600	\$ 700
60% AMI	\$ 900	\$ 1,250	\$ 1,500
80% AMI	\$ 1,250	\$ 1,500	\$ 2,000
100% AMI	\$ 1,500	\$ 2,000	\$ 2,500
120% AMI	\$ 2,000	\$ 2,500	\$ 3,000

Staff has chosen to write this analysis based on the incomes of one person households, as almost half of all rental housing in Dallas are one bedroom or studio apartments and have the most affordable rents. Further, a single person can comfortably live in a two bedroom apartment that is affordable to them, but a three or five person household cannot live in an affordable one bedroom apartment.

A final warning for the analysis is that the census is considered *lagging* data. The data used in this analysis, the most recent available from the Census Bureau, is a combined summary of data from 2015-2019. The ACS shows that average monthly rents in Dallas have increased by exactly \$200 between the reported 2014 and the reported 2019 period. It should be assumed that actual rents are higher than those reported in this study, and that the city is likely to be less affordable than it appears.

Available Affordable Housing

The average gross rent in Dallas is \$1,052 per month. This means that a household earning 60% AMI or less cannot afford the average rental unit.

The CHP calls for specific production goals for rental housing throughout the city. Approximately 10% of housing units should be set aside for households at 30% AMI or less, 35% of housing should be set aside for 60% AMI or less (inclusive of the former), and 60% of units should be set aside for 80% AMI or less (inclusive of both of the above). The chart below shows how the city's existing housing meets these housing goals:

	Units Available	% of Units Available
<30% AMI	12,374	3.8%
<60% AMI	104,153	31.9%
<80% AMI	216,005	66.3%

This data shows that the city has more than the desired proportion of units affordable to households earning less than 80% AMI, but that that affordable housing is mostly affordable to the higher earners of the low-income groups. 34.4% of all housing, or more than half of all affordable housing in the city, is only affordable to those earning 60%-80% AMI while only 3.8% is available to those earning less than 30% AMI.

This housing availability explains the trends of cost burden in Dallas. An analysis performed in January 2020 using the previous year's ACS data found that 47% of

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Dallas renters experienced cost burden, or spending more than 30% of income on housing, but that there was a severe disparity among income groups. Only 3% of renter households earning more than \$75,000 experienced cost burden while **93%** of renters earning less than \$20,000 did.

Income	% of Renters Cost Burdened
<\$20,000	93%
\$20,000-\$35,000	84%
\$35,000-\$50,000	40%
\$50,000-\$75,000	15%
>\$75,000	3%

Distribution of Affordable Housing

Housing staff also analyzed the location of affordable housing by census tract and found noticeable concentrations and inequitable distribution of the housing throughout the city. The attachments to this memo include a series of maps showing the distribution of rents.

Appendix 1 shows average rents by census tract. The distinction between neighborhoods to the north of Interstate 30 (I-30) and neighborhoods to the south of I-30 is clear. It is also notable that the lightest blue color, which represents neighborhoods where the average housing unit is affordable to someone earning less than 60% AMI, is highly concentrated in and around South Dallas while the next lightest blue, affordable to 80% AMI, is more equitably spread throughout the city. This analysis also looked at the availability of affordable units by council district. The data is shown below, including the number of units and the proportion or concentration of units within the district shown in parentheses.

	Units Available to 30% AMI	Units Available to 60% AMI	Units Available to 80% AMI
District 1	706 (5%)	5,827 (44%)	10,432 (78%)
District 2	1,071 (3%)	9,761 (26%)	18,443 (49%)
District 3	1,375 (7%)	7,848 (39%)	15,658 (78%)
District 4	1,165 (8%)	8,563 (57%)	13,767 (92%)
District 5	371 (5%)	2,936 (39%)	6,297 (85%)
District 6	1,474 (6%)	7,212 (32%)	14,860 (65%)
District 7	1,679 (8%)	11,001 (55%)	17,554 (88%)
District 8	1,803 (8%)	9,516 (44%)	17,058 (79%)
District 9	442 (3%)	5,292 (32%)	11,222 (68%)
District 10	830 (3%)	12,206 (41%)	23,818 (80%)
District 11	193 (1%)	5,880 (17%)	21,143 (61%)
District 12	185 (1%)	8,085 (24%)	22,876 (67%)
District 13	171 (1%)	6,402 (36%)	10,898 (61%)
District 14	909 (3%)	3,624 (10%)	11,979 (34%)

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The results of the district analysis show that some council districts are unequally providing the affordable housing in Dallas. With the current city average of 32% of units being affordable to households earning 60% AMI or less, an equitable distribution would see each council district carrying roughly the same, but results show that some districts have much more concentrated affordable housing than others. Concentrations of housing affordable to 30% AMI are also evident in some council districts, with others only having 1% of units in the district set aside for the lowest income households. However, not a single district meets the proposed 10% of units for this income group. The disparity is less clear, but still present, for households earning less than 80% AMI.

Another interesting observation is that many of the northern Dallas districts provide considerably more rental housing than those in southern Dallas, but that their affordability is significantly less concentrated. For example, both District 4 and District 12 provide between 8,000 and 9,000 units at 60% AMI or less, but in District 4 that represents over half of the available rental housing, while in District 12 it represents just less than one quarter.

The maps included in **Appendices 2, 3, and 4** show where a person of the noted AMI may be able to find affordable units and how concentrated those units are. This is a more specific analysis showing availability of units by neighborhood. The map for 30% AMI shows that while there *are* units available throughout the city at this affordability level, there are very few of them and they are often further concentrated into specific neighborhoods. There are also many neighborhoods with no units at all that these households can afford. A household earning 60% AMI can look for units available throughout most of the city but is more likely to find one south of I-30. By contrast, a household earning 80% AMI has many more options available to them throughout the entire city, though there are still many neighborhoods where they are much less likely to find housing affordable to them.

Conclusions

The City of Dallas needs more affordable housing. Specifically, the City of Dallas needs more affordable housing that serves a wider range of income groups. Because there are so few units available to the lowest AMI levels, many Dallas residents are spending significantly more of their income on housing expenses, which means fewer dollars are spent on necessities like food and healthcare, or on leisure activities. Research has shown that finding affordable housing improves outcomes in health, economics, education, community, and generational success, among others. This should not be reserved for the highest-earning low-income individuals.

This does not mean that the City should stop providing support for units affordable to households earning 60%-80% AMI. Increasing the supply of units drives rents down for everyone, and even though these units are not strictly affordable to the lowest income groups, they are still more affordable than the market-rate alternatives. Further, today's market-rate or subsidized housing units often become tomorrow's naturally occurring affordable housing.

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There are many other factors that should be considered when discussing development of the most affordable housing that has not been assessed in this study, such as market forces, land, construction, and labor costs, and community feedback. Housing will be performing a more comprehensive Equity Audit of the CHP, which will look at a variety of factors like those in this memo to ensure that the City's housing policy is restoring equity to the city.

If you have any further questions or comments, please contact David Noguera at 214-670-3619 or email David.Noguera@dallascityhall.com.



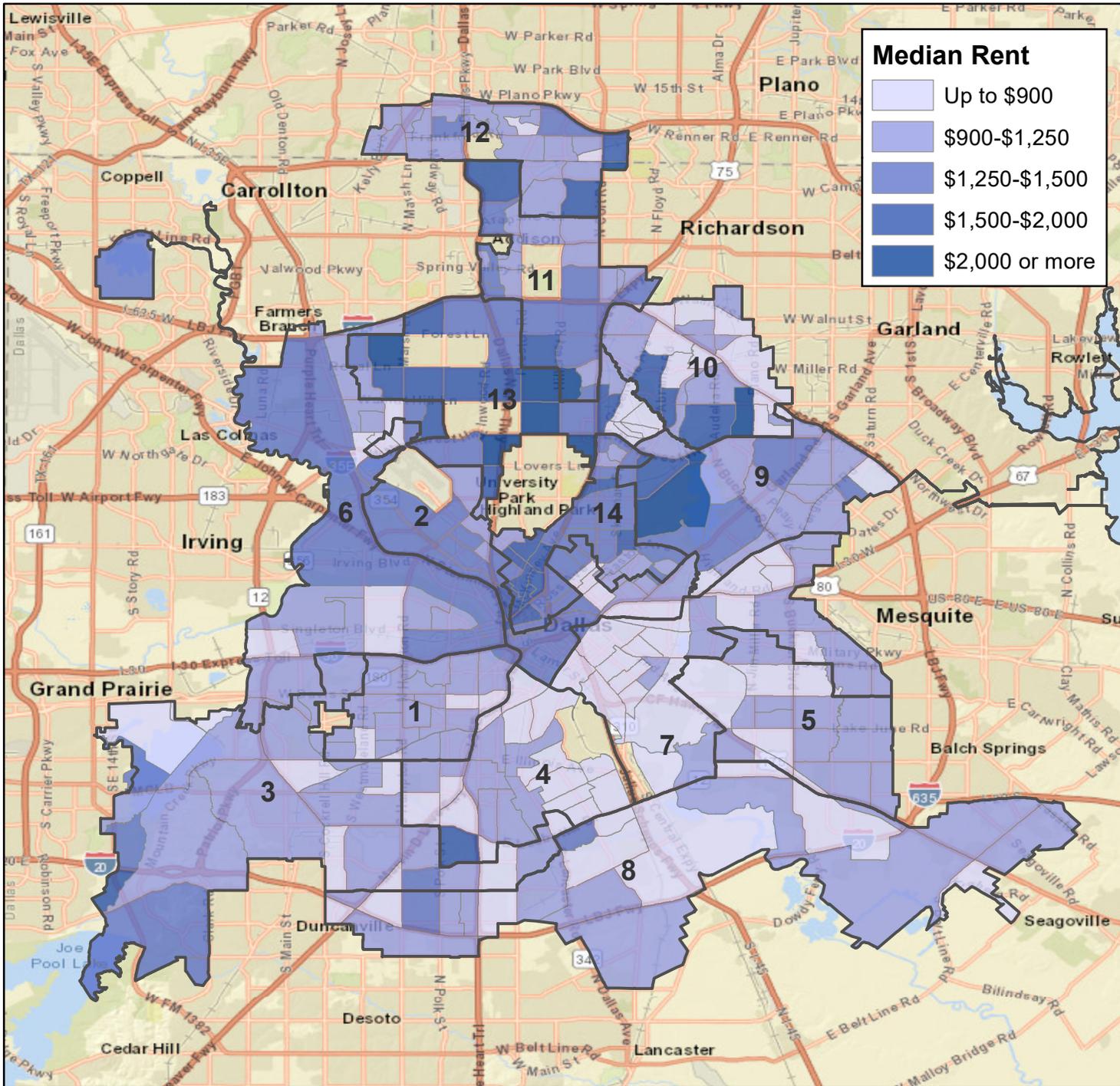
Dr. Eric A. Johnson
Chief of Economic Development and Neighborhood Services

Attachments: Appendices 1, 2, 3 & 4

c: Chris Caso, City Attorney
Mark Swann, City Auditor
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Kimberly Bizer Tolbert, Chief of Staff to the City Manager
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Appendix 1: Average Rents and Affordability of Housing in Dallas



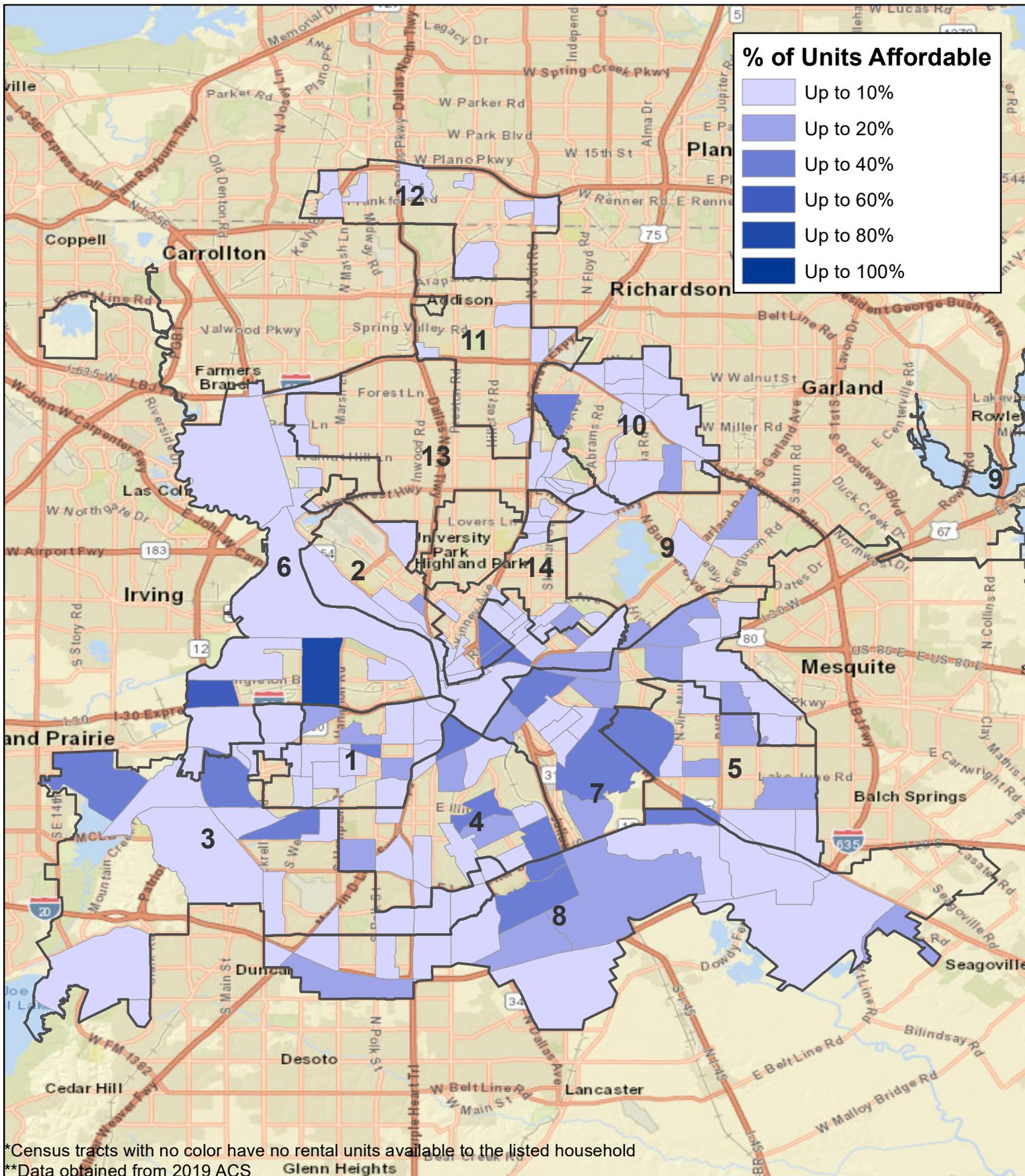
Count of Units by District

	< \$900	< \$1,250	< \$1,500
District 1	5,827	10,432	11,905
District 2	9,761	18,443	26,585
District 3	7,848	15,658	18,326
District 4	8,563	13,767	14,643
District 5	2,936	6,297	7,239
District 6	7,212	14,860	18,384
District 7	11,001	17,554	18,896
District 8	9,516	17,058	19,738
District 9	5,292	11,222	13,771
District 10	12,206	23,818	27,059
District 11	5,880	21,143	27,691
District 12	8,085	22,876	28,189
District 13	6,402	10,898	12,893
District 14	3,624	11,979	18,756

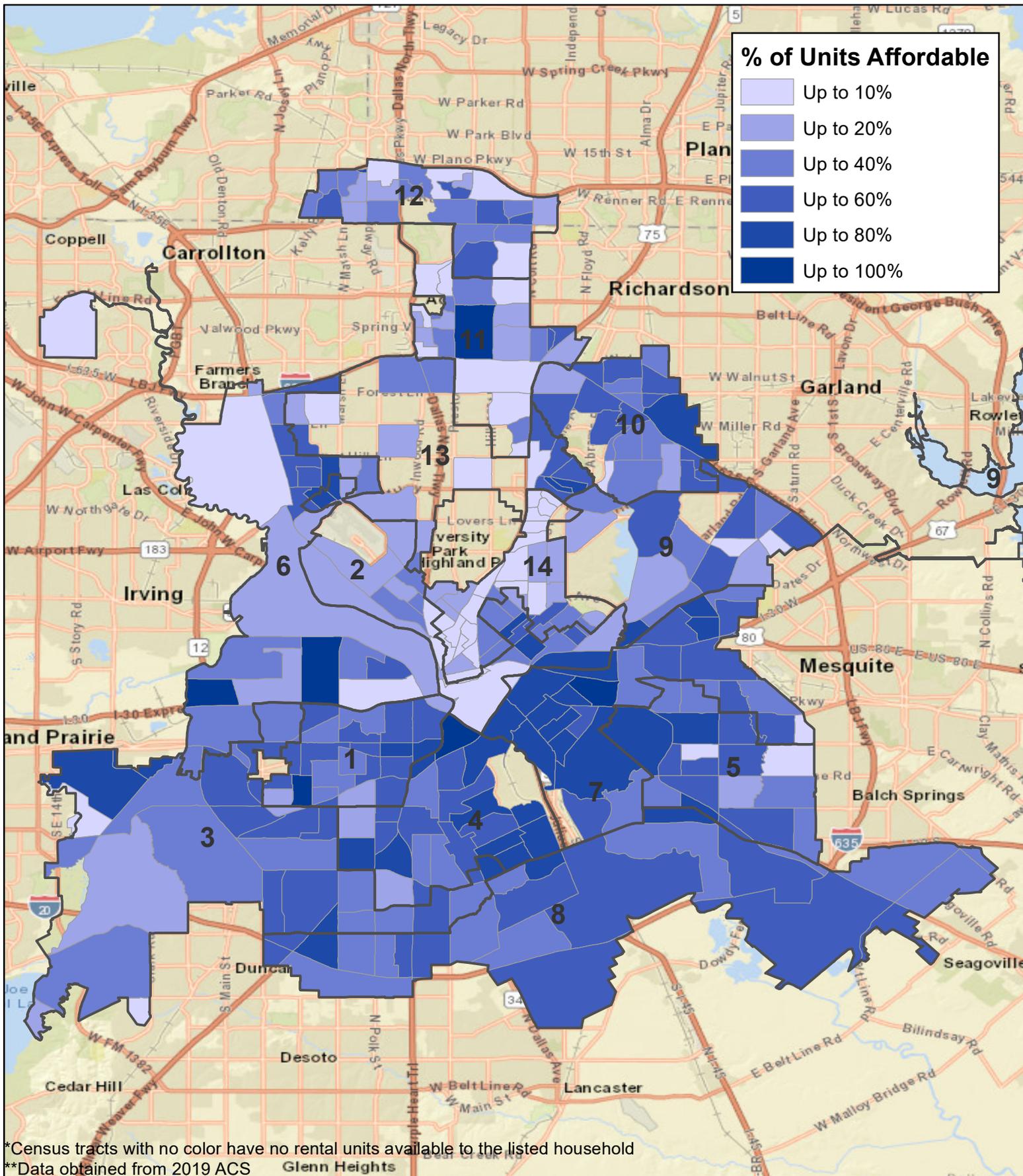
Percent of Units by District

	< \$900	< \$1,250	< \$1,500
District 1	44%	78%	89%
District 2	26%	49%	70%
District 3	39%	78%	91%
District 4	57%	92%	97%
District 5	39%	85%	97%
District 6	32%	65%	81%
District 7	55%	88%	94%
District 8	44%	79%	91%
District 9	32%	68%	83%
District 10	41%	80%	91%
District 11	17%	61%	80%
District 12	24%	67%	83%
District 13	36%	61%	72%
District 14	10%	34%	54%

Appendix 2: Percent of Units Affordable to Renters by Tract 1-Person Household at 30% AMI

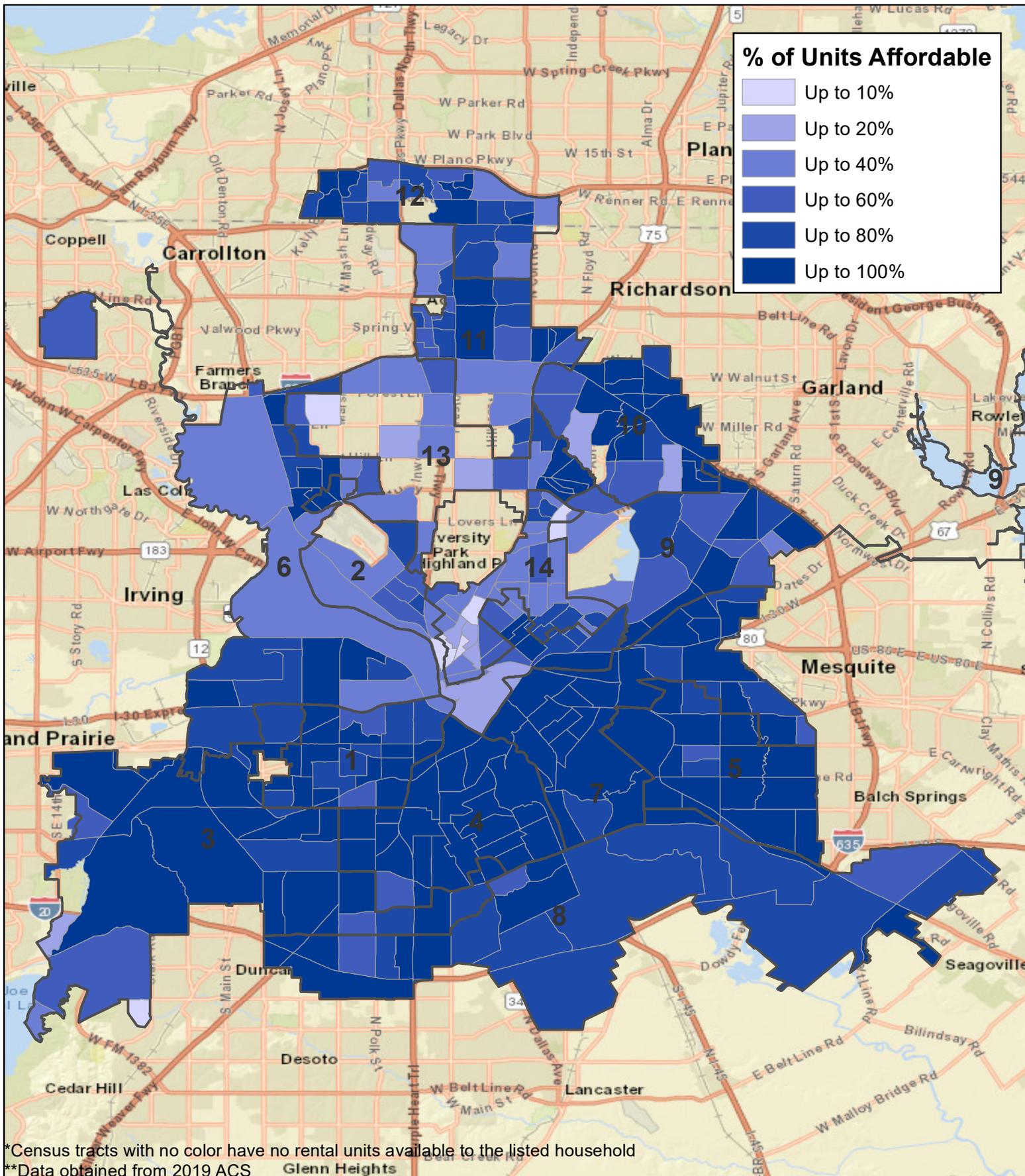


Appendix 3: Percent of Units Affordable to Renters by Tract 1-Person Household at 60% AMI



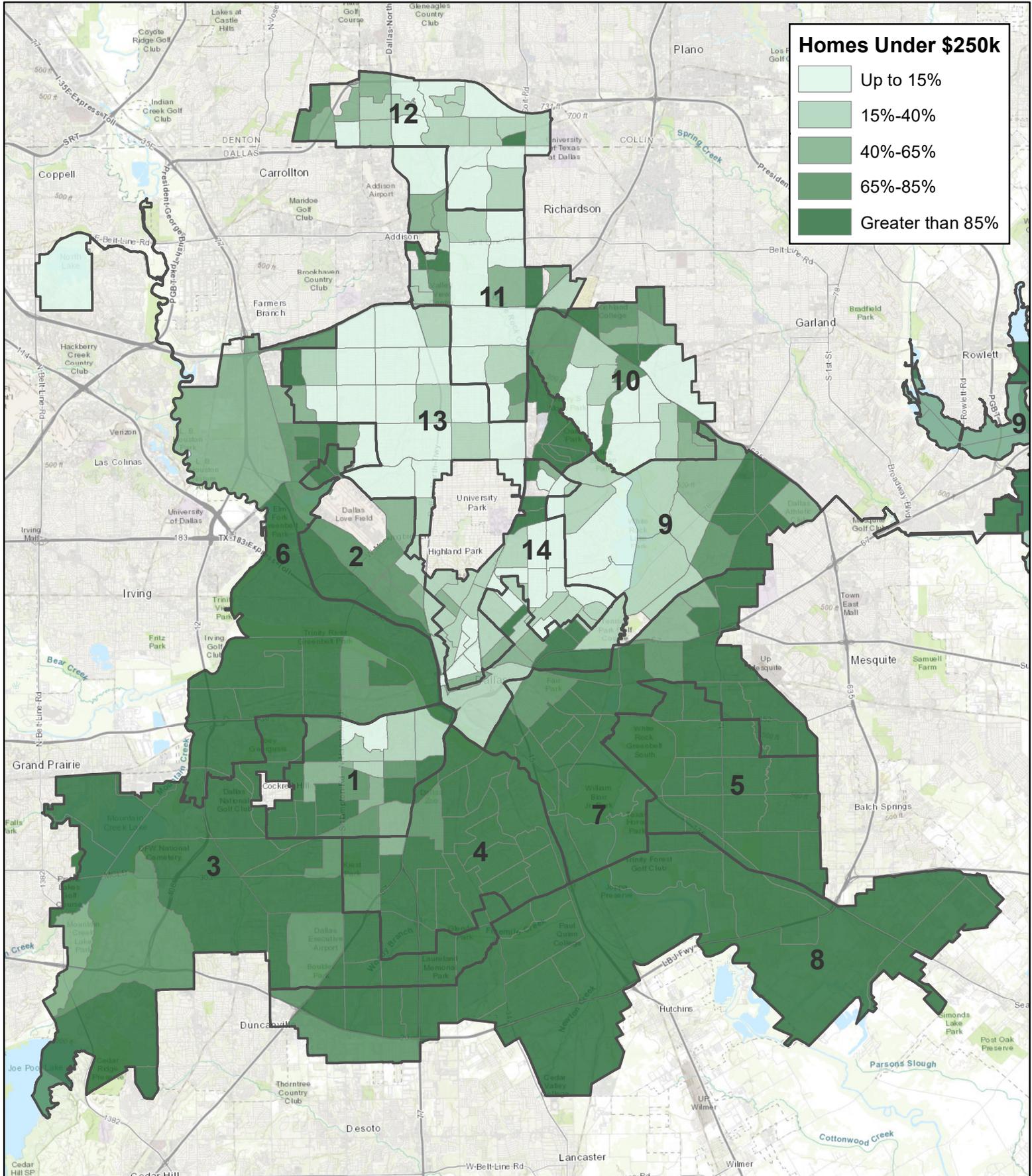
*Census tracts with no color have no rental units available to the listed household
**Data obtained from 2019 ACS

Appendix 4: Percent of Units Affordable to Renters by Tract 1-Person Household at 80% AMI



Percent of Homes Valued Below \$250,000

Every year, HUD determines a maximum allowable sales price for ownership units. These homes are generally considered 'affordable' to moderate-income families. The map below shows where these affordable homes are located. This data is from the 2015-2019 American Community Survey and is likely below current market value.



City of Dallas Diversity Index

The Diversity Index is created by the Census Bureau and represents the probability that two persons selected at random will be of different races or ethnicities. A higher number generally means more diversity within the census tract. Only 2013-2017 data was available at a tract level.

