

# Memorandum



DATE May 21, 2021

CITY OF DALLAS

TO The Honorable Mayor and Members of the City Council

SUBJECT **One Dallas Options Incentives for Affordable Housing Development**

## **Summary**

City staff are actively developing regulatory incentives to support the creation of affordable housing. In recent years City Council adopted a density bonus program, Mixed Income Housing Development Bonus (MIHDB), offering development density bonuses in exchange for an allocation of affordable housing units and staff started examining the cost of creating affordable housing through the lens of a nexus study. This memorandum provides a timeline on the recent actions taken leading up to the May 24, 2021, Housing and Homeless Solutions Committee (HHS) Briefing on One Dallas Options, a flexible incentive program designed to support affordable housing development.

## **Background**

In 2019, City Council approved the MIHDB, which provides developers a by-right mixed income housing development bonus in the zoning regulations in exchange for a negotiated allocation of onsite affordable housing units. Since the adoption of this program, seven projects were approved to utilize the development bonus with each allocating between 3-10% of units for onsite affordable housing.

In 2020, the City initiated a Nexus Study to better understand the nexus between the need for affordable housing created by market rate housing and economic development activities taking place throughout the City. Bay Area Economics led the research and community outreach efforts with the development community. Downtown Dallas Incorporated and Texas Real Estate Council were briefed in August 2020 and HHS was briefed in October 2020.

In January 2021, staff briefed HHS on the use of regulatory incentives to support affordable housing development. The briefing looked at the history and performance of the MIHDB, the impact of a 2016 amendment to Chapter 20A-4.1 which requires a voucher set-aside for housing developments receiving city subsidies and the possibility of offering a payment in lieu of affordable housing in exchange for regulatory incentives.

## **Issues**

The MIHDB has offered a glimpse of what is possible when regulatory incentives can be leveraged to support the creation of affordable housing development. However, it has fallen short of delivering the production levels that City Council and housing advocates expect the program to

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deliver. Operationally, MIHDB has created an unfunded mandate for the Department of Housing and Neighborhood Revitalization (Housing) which is charged with negotiating terms with developers and managing compliance over the life of the project. The Nexus Study helps calculate the City's expected need for affordable housing and the cost of producing the needed units. However, it falls short of explaining how the market will bear these costs.

### **Next Steps**

On Monday May 24, 2021 city staff and consulting firm, Daedulus Advisory Services will brief HHS on the research and community outreach actions taken to assemble the building blocks for a package of regulatory incentives that will be referred to as One Dallas Options. This presentation will build upon the onsite affordable housing unit provisions offered through MIHDB with additional options such as

- fee in lieu of onsite units
- developing units off-site
- donating land
- partnering with non-profits to develop units

The Nexus Study will serve as an input to One Dallas Options. Once the parameters of One Dallas Options are agreed upon, a developer handbook will be published to set expectations for the development community and staff who will oversee the program. Housing will take the lead in developing One Dallas Options with input from Sustainable Development and Construction and the City Attorney Office.

Please feel free to contact David Noguera, Director of Housing & Neighborhood Revitalization at 214-670-5988, or [David.Noguera@dallascityhall.com](mailto:David.Noguera@dallascityhall.com) if you have any questions or need additional information.



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