Memorandum

CITY OF DALLAS

DATE April 1, 2022

TO Honorable Mayor and Members of the City Council

SUBJECT **One Dallas Options Briefing to Housing and Homelessness Solutions Committee, March 28, 2022: Responses to Questions**

On March 28, 2022, the Department of Housing & Neighborhood Revitalization staff briefed the Housing and Homelessness Solutions Committee (HHS) on the proposed One Dallas Options code amendments and accompanying amendments to the Comprehensive Housing Policy (CHP).

One Dallas Options is a proposed expansion of the current Mixed Income Housing Development Bonus (MIHDB) program, which offers development bonuses on a voluntary basis in return for providing a percentage of units to be reserved for eligible households within certain income bands.

The proposal includes the following amendments:

- Amend Chapter 51A-4.1100 to add a menu of zoning bonus options and to clarify existing language. Amendments include three types of zoning bonuses:
  - Type 1 – existing by-right bonuses in multifamily and mixed-use zoning districts
  - Type 2 – existing specific base (zoning rights without any affordability in exchange) and specific bonus (additional development rights in exchange for affordability) in planned development districts (PDs)
  - Type 3 – new – specific base and a menu of bonuses in PDs
- Amend Chapter 20A-II to allow for a fee in lieu and land dedication in addition to on-site units, and to streamline requirements
- Amend Chapter 20A-4.1 to 1) remove language requiring residential projects that receive financial support to set aside at least ten percent of the units and solely lease those units to voucher holders, and 2) strengthen the non-discrimination language
- Amend the CHP to set policy direction for the One Dallas Options program and the uses of the fee in lieu (One Dallas Fund).

During the HHS meeting, City Council members asked the following questions:

1. **In Type 2 districts, staff mentions that most elements of the PD can still be negotiated on a case-by-case basis. Does this include only land use elements? Or does it also include the proposed fee?**

   To encourage predictability, the fee is proposed to reside in Article 20A-II, which regulates the implementation of the proposed One Dallas Program. As such, it cannot be modified by a PD.

2. **Based on a series of parking utilization studies mentioned in the HHS briefing, mixed income developments, like those in the current MIHDB program, use only 0.8 to 1.1 parking spaces per unit, even at peak times. This sometimes means leaving hundreds of parking spaces empty. How much of this underutilized parking is due to the requirements of City code versus requirements placed on the property by the developer's lenders and other finance partners?**

   In conducting research for the One Dallas Program, staff did not investigate the specifics of a developer's financing and did not collect this information.

   A look at the current city code requirements for parking may be helpful to put these empty spaces in multifamily developments into context. Under the requirements of Chapter 51A-4.209(b)(5), multifamily uses must provide one parking space per bedroom, with ***bedroom*** defined as "any room in a dwelling unit other than a kitchen, dining room, living room, bathroom, or closet. Additional dining rooms and living rooms, and all dens, game rooms, sunrooms, and other similar rooms are considered bedrooms."

   The current MIHDB minimum parking requirement is 1.25 spaces per unit.

   If mixed-income and some market rate multifamily developments generally only need about one space per dwelling unit, it is clear that the standard parking requirements in the city code, and even the reduced parking requirements in the MIHDB program, may result in vast amounts of empty parking spaces.

3. **The proposed fees for the fee-in-lieu portion of the proposal vary by number of stories in the development. Why is the fee higher in high-rise developments than in low-rise developments?**

   Construction costs per foot tend to be higher for high-rise construction than they are for mid-rise or low-rise developments. The fee is calibrated to be less than two or three percent of hard construction costs.

4. **The fund is proposed to be dispersed through the existing standing Notice of Funding Availability to Develop Affordable Homeownership and Rental Housing (NOFA). Has staff considered geographic zones to ensure that fees are used to create mixed income housing near where the fees were generated?**

   Staff has discussed a variety of geographic distribution frameworks but currently recommends that the funding be used to support development where it is needed to affirmatively further fair housing.

   The current NOFA application process and scoring criteria are used to ensure developments meet fair housing, business inclusion, and other equity goals. Over the summer, staff proposes to review the current NOFA and may recommend updates to the scoring criteria such as extra points for using funds within a certain radius of a project that paid into the One Dallas Fund and extra points for exceeding certain racial equity goals.

5. **The fund is proposed to be used to fund administration costs for running the program. Is it possible that the One Dallas Options program could be self-sustaining? Also, what limits does staff recommend on the administration expense to ensure that the fund is not used mostly for overhead?**

   Yes, the One Dallas Options program could be self-sustaining. The first fee alone is likely to be enough to pay staff time for the first few years.

   The proposal recommends that staff time devoted to One Dallas Options program will be tracked on an hourly basis and billed to the One Dallas Fund according to the hourly rate of the staff member completing the work. Staff does not recommend an arbitrary percentage of the One Dallas Fund be devoted to administrative costs given the potential variability of the fund income.

Any other administrative expenditures, such as for data needed to run the program, will be billed to the One Dallas Fund after review through the normal administrative action and City Council approval process to ensure the expenditures directly support the program.

6. **One of the ways to fulfill the exchange of extra development rights for mixed income housing is to dedicate land to the City. Will you provide more insight on land dedication?**

   Specific details and requirements will be worked out in a subsequent implementation phase and reported back to the City Council.

7. **In 2016, Chapter 20A-4.1 was amended to require that all multifamily development projects that receive financial incentives must set aside at least ten percent of their units and solely lease those units to voucher holders. If voucher holders are not available, the units must be vacant. Why are you recommending removing this ten percent requirement, and how would the alternative work?**

   This strict “voucher holder or vacant” requirement has produced zero units except for those within tax credit projects. The supply of new vouchers is sometimes limited because of a lack of federal funds to support the voucher program. Likewise, voucher holders are sometimes unable to move from one property to another. As a result, both market rate and tax credit developers are uncomfortable with this strict requirement because of the risk that 10% of their units will be vacant.

   In contrast, the existing MIHDB program, which requires developers not to discriminate against voucher holders, has nearly 5,300 units in the development pipeline, a significant percentage of which will be available to voucher holders.

8. **Between 2017 and 2022, about how many total zoning cases with a multifamily component were approved by City Council?**

   Between 2017 and now, the City Council has approved nearly 55-60 zoning cases with a multifamily component, and out of those, nearly 40 have MIHDB components, with a base (zoning rights without any affordability in exchange) and a bonus (additional development rights in exchange for affordability).

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

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