

Memorandum



CITY OF DALLAS

DATE August 7, 2020

TO Honorable Mayor and Members of the City Council

SUBJECT **Housing Nexus Study**

As we continue to face a shortage of affordable and workforce challenge, we are also faced with the reality that holistically addressing it will require exploring a range of diverse solutions.

To continue to evolve the City's approaches and tools designed to generate affordable housing, beginning in September and in alignment with the housing taskforce and community and development stakeholders, we will launch an *Affordable Housing Nexus Study*. The intent is to deliver on the promise to expand the City's capacity to create affordable housing. The study will not replace the *Comprehensive Housing Policy*, instead complementing and adding to it. The Nexus Study will provide a path for approaches, beyond traditional HUD funded programs. While HUD funded programs are important and should not be discounted, they do not provide the fuel needed to support increasing unit production.

An *Affordable Housing Nexus Study* establishes the foundation for the City to consider a range of flexible affordable strategies. Here's how it works:

- Analyze housing needs assessment to document the current housing affordability gaps within the local Dallas rental and for-sale housing markets
- Identifies the new demand for below market rate housing that is created by new market rate housing and new non-residential development
- Quantifies the cost to mitigate the demand for below market-rate housing based on the subsidy requirements for below market rate housing within the local market area

This data-driven understanding of the linkage between new market rate housing development, new non-residential development and the need for new below market-rate housing is a key underpinning for establishing affordable housing strategies. These strategies will be based on clear documentation of the relationship between new development, increased affordable housing demand, and the local needs identified.

The analysis also quantifies the maximum potential housing impact fees justifiably imposed voluntarily on market rate residential developments, based on the subsidy requirements for local below market rate housing. This will provide the City of Dallas with information that can then be used to inform subsequent decision-making regarding a range of affordable housing strategies that the City may wish to consider. For example, creating an alignment of development tools which provide a collection of options available for developers to pursue in support of the production of housing units. Such an approach

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can strike the proper balance between meeting local affordable housing needs and ensuring that market rate housing requirements remains financially feasible.

Engaging the housing taskforce, real estate development community, and affordable housing advocates will be key to providing the City Council with transparent communication and feedback as we progress. Once launched, the Housing and Homelessness Solutions Committee will be briefed regularly. The work is scheduled for completion (adjusting for Covid-19) within the first quarter of 2021.

For questions or further clarification, please do not hesitate to reach out.



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

c: Chris Caso, City Attorney
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager

Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Laila Aleqresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors