

# Memorandum



CITY OF DALLAS

DATE January 17, 2020

TO Honorable Mayor and Members of the City Council

SUBJECT **Follow-up Responses to the Briefing on a Proposed Amendment to the Comprehensive Housing Policy to Create a Residential Neighborhood Empowerment Zone (NEZ) Program and Zones**

On Wednesday, January 15, 2020, staff briefed the City Council on the proposed amendment to the Comprehensive Housing Policy to create a Residential Neighborhood Empowerment Zone (NEZ) Program and zones. Below are responses to questions asked or requests made during the briefing.

**1. After the program has been in place, will staff review the boundaries and effectiveness of the program? Will staff recommend additional neighborhood empowerment zones or modification to the boundaries?**

Once the program is approved and in place, staff will report program performance on an annual basis and will recommend adjustments to boundaries as appropriate.

If changes are needed, NEZ boundaries can be modified and new zones designated by Council resolution, and such actions are subject to the will of the Council. It is important to remember, however, that tax abatements can affect the general fund and must be used judiciously. Individual property owner utilization rates are also subject to staff and funding capacity.

**2. What other actions is the Department of Housing & Neighborhood Revitalization taking to encourage residential construction in Southern Dallas? What can the department do to support additional infrastructure?**

Staff will consistently look for opportunities to add infrastructure when funding is available on a project and program basis and through the budget cycle. In addition, the department will work with the Department of Public Works and the Department of Transportation to refine the list of priority needs across the Southern Sector.

**3. Has the Walker Consent Decree expired? What affordable housing is being produced in the northern portion of the city?**

The Walker Consent decree and the HUD Voluntary Compliance Agreement have expired. The Supreme Court ruling regarding disparate impact still applies.

For the Walker Consent Decree, a final judgment was entered in August of 2003. Any ongoing obligations were short term and ended August of 2006.

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The Voluntary Compliance Agreement (VCA) terminated upon completion of the settlement actions or 3 years from November 5, 2014, whichever came first. The VCA therefore terminated on November 5, 2017 at the latest.

The City recently funded two properties this year in the northern portion of the city. The Estates at Shiloh is a mixed-income multifamily development for seniors to be located at 2649 Centerville Road, and 2400 Bryan Street is a mixed-use and mixed-income multifamily residential development in downtown.

**4. This program allows for a ten-year abatement of the City taxes on the increased value of the property. What about Year 11? Can we do a ramp up in the last few years to get households ready for the additional taxes?**

The program requires homeowner counseling for all eligible households, which should include the mechanics of the tax abatement program and clear information about Year 11. Households with a mortgage will likely escrow their future tax payment in the year prior to the Year 11 tax bill, which will smooth the effect out over at least 12 months.

Staff recommends against ramping up the tax bill in the last two years because this reduces the benefit to the homeowner.

As an example, a new home worth \$300,000 at completion would save about \$17,584 over the 10 years of the abatement. For the 10<sup>th</sup> year, assuming a 3% growth rate and a homestead exemption, the tax bill would be about \$7,069. The next year when the abatement on the City's taxes ends, the tax bill would grow to \$9,410. The City taxes are only about 27% of the total tax bill.

**5. Staff recommended that first responders and teachers be included as a specific class of eligible households in order to encourage first responders and teachers to live in the City of Dallas. Would these families be required to meet an income threshold? Also, could nurses and other medical professionals also qualify?**

The purpose of the NEZ program is to provide affordable housing. Staff recommends that individuals serving in educational instruction and library occupations, healthcare occupations, and protective service occupations be considered eligible if their household income is at or under 140% of area median income.

**6. Will landlords who use the NEZ program be required to accept vouchers?**

Development agreements with landlords that participate in the Residential Neighborhood Empowerment Zone Program will include language that says that they shall not discriminate against holders of any housing vouchers, including vouchers directly or indirectly funded by the federal government.

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**7. What protections does the program put in place for tenants in rental units that participate in this program?**

The program requires that if an applicant who will be repairing a single family or duplex rental housing unit is leasing to an eligible household at the time of applying for the program, the applicant may not evict or decline to renew the lease of the eligible household for at least one year, so long as the eligible household is in compliance with the lease. In addition, the applicant must schedule repair work to minimize disruption to the eligible household.

**8. As a City we should be encouraging green buildings elements. What can the program do to incentivize green building elements beyond what the current code requires?**

Staff will work with the Office of Environmental Quality and the City Attorney's Office to determine the legal authority and the practical application of including green building elements in Housing programs. This topic will be added to the list of potential 2021 initiatives.

**9. What is the implementation plan and proposed timeline? How will residents know about this program?**

Staff will hold neighborhood meetings to help households understand the application and eligibility process, as well as the benefits and necessary paperwork.

The department has used Neighborly Software for the Home Improvement and Preservation Program (HIPP) and for the development programs. The department will add additional Neighborly modules similar to the HIPP application process and the NOFA development tracking process.

**Potential timeline:**

January/February – determine implementation staff assignments; draft manuals, procedures, and process charts; draft documents for Neighborly; begin Council process for Neighborly contract as needed

April – build Neighborly module

May-June – community meetings

July 1 – begin taking applications

**10. State law does not currently allow a second 10-year abatement on real property for the same site, staff should add additional abatement tools to the next legislative agenda.**

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Staff will work with Council and the Office of Strategic Partnerships & Government Affairs to strengthen the City’s legislative agenda to potentially include property tax benefits for residents, including additional abatement options.

Should you have any questions, please contact David Noguera at 214-670-3619.



Michael Mendoza  
Chief of Economic Development and Neighborhood Services

Attachments

PDF Spreadsheet of Housing Program Funding Sources

- c: T.C. Broadnax, City Manager  
Chris Caso, City Attorney (Interim)  
Mark Swann, City Auditor  
Billierae 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 Alequresh, Chief Innovation Officer  
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion  
Directors and Assistant Directors