

Home Ownership Strategies

Given the fact that Dallas will build out its single family housing land with about 50,000 new units, Dallas' only choice is to either encourage owner occupied higher density housing, or to stop building ownership housing after the vacant land supply is exhausted. The housing form must inevitably change in the future if Dallas wants to continue to grow and retain its stature as the primary economic center of the region.

However, the current ownership patterns within various housing types in Dallas show that it is less likely for housing other than single family detached to be owner-occupied. In Dallas in the Year 2000, 82 percent of single family detached homes were owner occupied. In addition, 50 percent of attached single family homes (townhouses), 15 percent of duplexes, and only 5 percent of multi family were owner occupied. This is because in the past, there were few housing types built for individual ownership other than single family detached. However, this has changed in Dallas in more recent times, and other American metropolises demonstrate that attractive alternative forms of ownership housing are possible. For example, in Philadelphia, 82 percent of ownership housing is attached single family, and in Chicago today almost one third of new single family homes are attached.

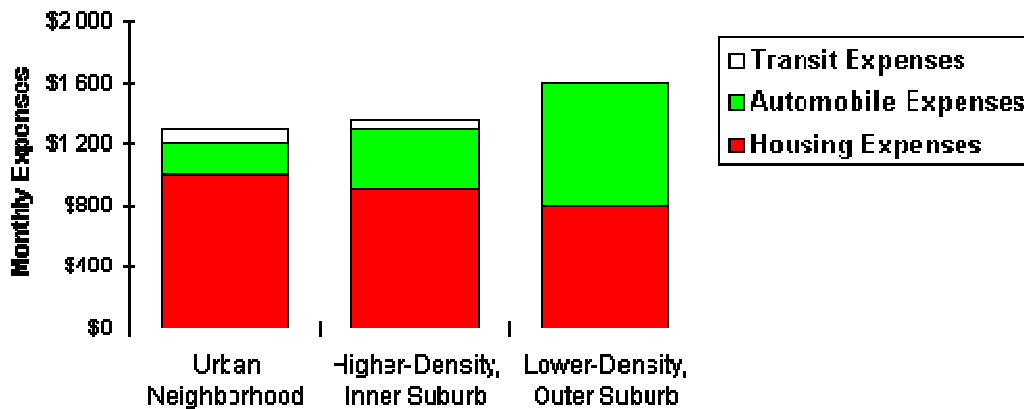
There is no easy or direct way to increase home ownership through public policy. Zoning laws are blind to ownership type, and the city cannot zone for "ownership" housing. However, ultimately it is demand and not zoning for alternative forms of ownership housing in vibrant urban areas that will drive supply of such housing. There is tremendous potential for such demand in Dallas as demonstrated by trends in the last five years. Therefore we need to use a series of tools in order to encourage the City to maintain or increase its stock of ownership housing.

1. **Revise the City's zoning and subdivision codes to more easily allow a variety of densities of attached single family housing (townhouses) for fee simple ownership.** Dallas' current regulations cause many such developments to be built as condominiums. Making fee simple ownership of such products possible will give future homeowners a wider selection of single family housing types to choose from based on their personal preferences. This will also result in greater and more affordable supply of ownership housing options near jobs in central parts of the City, along the Trinity River Corridor, and around DART stations.
2. **Develop a program for the City to work with local lenders to improve the delivery of Location Efficient Mortgages (LEM), including a program to pre-qualify housing developments for LEM.** Location Efficient Mortgages (LEM) are implemented by residential mortgage lenders, often with the support and encouragement of government agencies such as Fannie Mae. Lenders use a model to determine which locations have lower transportation costs, and can consequently qualify for higher mortgage payments. For example, a typical family of four might need two vehicles each driven 15,000

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miles per year if they live in an automobile dependent suburb, with annual transportation costs of \$10,000. But if they live in a more accessible location they might need just one vehicle driven 10,000 miles per year, reducing their direct annual vehicle expenses to just \$4,000, and reducing their residential parking requirements. This can save thousands of dollars a year in vehicle costs and reduce parking requirements by one space. Such savings could finance as much as \$100,000 in additional housing expenses. These savings can make urban housing more affordable and financially attractive, as illustrated in the chart below.

Household Housing and Transportation Expenses



- Develop a City incentive package to encourage ownership in condominium developments.** Although owner-occupancy cannot be required by the City, the intent is to encourage addition of restrictive covenants requiring owner-occupancy to the owner's association bylaws or rules. Leasing of condominium units is a major problem facing many condominium associations today. The "secondary mortgage market", where organizations such as Fannie Mae and Freddie Mac buy loans originated locally, is a primary source of mortgage money for condominium loans, both for purchases as well as refinances. These secondary mortgage lenders impose restrictions on the number of investor units in a condominium association; in general, no more than 40 or 50 percent of the units can be rented. If associations exceed these limitations, it becomes difficult for potential purchasers and/or unit owners wishing to refinance to obtain mortgage financing. Condominium Associations throughout the country have wrestled with this issue, and have come up with a number of potential solutions, including:
 - An absolute leasing prohibition
 - Prohibiting existing owners from selling their unit to investors
 - Establishing a limit on percentage of units within the Association which can be rented at any particular time - i.e. 20%

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- Permitting leasing for a fixed period of time (i.e., two years), after which units must be owner-occupied for at least another two years
4. **Expand existing City of Dallas housing development and home-ownership programs to support a variety of owner-occupied housing types besides detached single family homes:**
 - Infrastructure bond program to subsidize public infrastructure for mixed income developments in exchange for additional amenities
 - Tax-exempt mortgage revenue bond financing programs to support housing rehab or new development, as well as mortgage and down payment assistance to participating lenders
 - Mortgage Assistance Program for forgivable loans to first time home buyers
 - Urban Land Bank Demonstration Program and Land Transfer Program
 - Homebuyer/Homeownership counseling
 5. **Target neighborhoods with large concentrations of rental single family homes for programs that provide assistance for purchase of existing rental units by new owner occupants.** Working with the private sector, Dallas can develop and facilitate programs such as mortgage or down-payment assistance, and housing rehabilitation loans or grants. The City can also develop a cooperative program with the Texas Department of Housing and Community Affairs to target ownership assistance programs such as the Mortgage Credit Certificate to areas of the city with low home ownership, as well as to attached single family (townhouse) housing developments.
 6. **Develop a program to encourage Cooperative Housing Ownership as a way to encourage ownership in new and existing multifamily developments where condominium ownership is not feasible.** Cooperative housing owners own a stockholding share equal to the proportional value of their apartment unit in the apartment complex. All the owners run the complex similar to share holders in a publicly held corporation. They elect officers who hire professional management firms and approve budgets. Most Coops have a requirement that homeownership be maintained at a high percentage to protect homeowners and maintain stability. By federal law Coop homeowners enjoy the same benefits as single family home owners. Conventional financing for purchase, rehabilitation, and individual mortgages is available. Coop ownership is an effective method for moving some older apartment complexes from rental to ownership. Coop developers, either for profit or non-profit, with or without City support, can purchase apartment properties, renovate them and sell to qualifying existing tenants or others wishing to own and occupy units. The City can also play a role in promoting and providing initial training to start the process moving.

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7. **Develop and adopt Area Plans to establish home-ownership targets within small areas and develop implementation actions tailored to those areas to achieve these targets.** Adopted area plans can be powerful tools to attract and direct private investment. Many features recommended by Forward Dallas, such as small lot development, zero lot lines, mixed housing types, housing above commercial development, and managed or reduced parking can reduce housing costs and increase affordable housing ownership options. Special districts such as Tax Increment Financing (TIF) districts and Public Improvement Districts (PID) should also establish targets for owner-occupancy in new housing and use their funding resources to encourage developments to meet this goal.

8. **Monitor the ownership rates of new and existing housing by type and regularly update and modify the housing ownership strategy accordingly.** The discipline of monitoring progress towards a desired target will enable the city to identify and replicate successful strategies, and improve poorly performing programs through understanding how and where they fail.