

# Memorandum



DATE May 16, 2008

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dr. Elba Garcia, Vonciel Jones Hill, Angela Hunt, Linda Koop, Pauline Medrano

SUBJECT Downtown Mortgage Assistance and Mortgage Assistance

On Monday, May 19, 2008, you will be briefed on the Downtown Mortgage Assistance and Mortgage Assistance. A copy of the briefing is attached.

Please let me know if you have any questions.



A. C. Gonzalez, Assistant City Manager

c: The Honorable Mayor and Members of the City Council  
Mary K. Suhm, City Manager  
Deborah Watkins, City Secretary  
Tom P. Perkins, Jr., City Attorney  
Craig Kinton, City Auditor  
Judge Jay Robinson, Judiciary  
Ryan S. Evans, First Assistant City Manager  
David O. Brown, Interim Assistant City Manager  
Ramon Miguez, P.E., Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Dave Cook, Chief Financial Officer  
Jerry Killingsworth, Housing Director



# Downtown Mortgage Assistance and Mortgage Assistance

A Briefing to the  
Housing Committee

Housing Department  
May 19, 2008



# KEY FOCUS AREA: ECONOMIC VIBRANCY

## Purpose

- To provide an update on the Downtown Mortgage Assistance Program (DMAP) and provide recommendations for modifying the program
- Recommend using \$1M of Downtown Mortgage for the citywide Mortgage Assistance Program (MAP)

# Background

- The Intown Housing Incentive Program was created in the early 1990's to increase the vitality of the Central Business District and its surrounding neighborhoods by encouraging mixed income housing through incentives to private developers
- The program included several incentives
- One major incentive under the program was to use Section 108 funds for gap financing in exchange for affordable housing units

# Background (Continued)

- The Section 108 Loan Program provided funds for 7 projects
- 4 of those projects were located in the immediate downtown area, bounded by I-30, North Central Expressway, Woodall Rogers, and I-35
- 672 residential units were created in the downtown area
- Of those, 197 were affordable units

# Background (continued)

- As the City began negotiating early payoffs of loans, all of the Section 108 project owners desired to pay off the City of Dallas at a present value discount
- One property converted to condominiums, Santa Fe II located at 1122 Jackson
- Three properties maintained rental units and two of those properties continued to maintain 97 affordable rental units
- With the repayment of the City's investment, the Downtown Mortgage Assistance Program was created in early 2007

# Downtown Mortgage Assistance Program (DMAP) Funding

- On February 28, 2007, the City Council approved the establishment of the DMAP program with \$1.95M of Section 108 loan program repayments and contracted with Enterprise Community Partners to administer the program
- On May 23, 2007, the City Council allocated an additional \$1M of Section 108 loan program repayments to the DMAP
- On December 12, 2007, the City Council approved an amendment to the Downtown Connection TIF District plan which availed up to \$3M of TIF funds for the DMAP & Developer Assistance Program

# DMAP (continued)

- DMAP currently provides principal reduction, down payment, and closing cost assistance up to \$40,000
- DMAP is only available to families earning 80% or less of Area Median Family Income (AMFI)
- DMAP is a second-lien with 0% interest for the entire term of the loan
- Condominiums purchased are deed restricted with note due in full upon lease, sale, or transfer

# Status of DMAP & Challenges

- DMAP has been actively marketed through local realtors, bankers, developers, and condo sales staff
- To date, no loans have been made
- Some of the challenges noted are:
  - Sales prices of condos have sharply increased
  - Conversions and production of units have slowed with market
  - Subsidy is not sufficient to make the units affordable
  - Condo association fees, taxes, utilities, parking are extra costs
  - Lenders are concerned that this product is not affordable

# Downtown Housing Market

- Conversions of rental units to condos began but slowed with the soft housing market
- Current pricing of 68 units for sale in the downtown market range from \$130,000 to \$2M, with median prices around \$300,000
- Square footage ranges from 990 to 3100
- 18 current listings range from \$130,000 to \$200,000 with a median of \$180,000 and if subsidized could be affordable units
- Condo association fees around 32 cents/sq.ft.
- Over 1,000 units are under construction but only 100 are expected to be sold under \$200,000

# Low-to-Moderate Income Buyer

Family Size	80% of AMFI	Income per Month	Max purchase price with 32% of income paid for housing	Max purchase price with 40% of income paid for housing	Max purchase price with 45% of income paid for housing
1	\$37,240	\$3,103	\$99,300 or \$993/mo	\$124,100 or \$1,241/mo	\$139,700 or \$1,397/mo
2	\$42,560	\$3,547	\$113,500 or \$1,135/mo	\$141,900 or \$1,419/mo	\$159,600 or \$1,596/mo
3	\$47,880	\$3,990	\$127,700 or \$1,277/mo	\$159,600 or \$1,596/mo	\$179,600 or \$1,796/mo
4	\$53,200	\$4,433	\$141,900 or \$1,419/mo	\$177,300 or \$1,773/mo	\$199,500 or \$1,995/mo

# Affordable Workforce Housing Need

- If one person making \$37,240 wants to purchase a condominium, he/she could affordably pay \$99,300
- If a two person family making \$42,560 wants to purchase a condominium, they could affordably pay \$113,500
- 18 current listings range from \$130,000 to \$200,000 with a median of \$180,000

# Other Downtown Programs

- Cities contacted were: Houston, San Antonio, Denver, Atlanta, Phoenix, & San Diego
- Conclusions drawn from the comparison of cities are as follows:
  - Very little consistency among cities with regard to policies and expectations
  - Priority is creating homebuyers citywide with some targeting downtown
  - Definition of low-to-moderate income buyer is higher than ours (up to 120%)
  - Sales prices of downtown units vary by City
  - Affordable unit sales in downtown areas are low
  - The City of San Diego most closely reflects Dallas

# City of San Diego's Downtown Program

- Family income can be up to 120% of Area median family income
  - 1 person maximum income \$58,300
  - 2 person maximum income \$66,600
- Sales price can be up to \$250,000
- The City provides \$75,000 as a 30 year, zero-interest second lien loan, with payback beginning year six
- Upon sale, loan balance is paid and City shares in appreciation of unit up to 45 years
- Downtown median prices are \$300,000
- Typical buyer is one person household buying a studio unit
- They suggested marketing to employers in the immediate downtown area

# Recommended amendments to the DMAP are intended to be far reaching

- Stimulate interest in utilizing the DMAP with greater incentive
- Anticipate market improvement
- Anticipate rising costs of units
- Anticipate demand for affordable housing in the downtown area
- Consider federal expenditure timelines

# Recommendations

- Allow assistance to be provided up to 50% of the sales price
  - Sales prices for affordable units are capped at \$200,000
  - Maximum assistance of \$100,000
- DMAP assisted units would have deed restrictions for affordability and liens for the life of the unit
- Upon sale or transfer of the unit:
  - The amount of assistance and half the appreciated value, whichever is higher, would be repaid to the City
- Identify all employers in the immediate area and provide information to their employees

# Recommendations (continued)

- Maintain \$1.9M Section 108 (CDBG) funds to cover existing 20 or so affordable listings @ \$200,000 and below
- Maintain \$3M TIF to fund future affordable homebuyer units & Developer Assistance
- Allow \$1M to be reprogrammed to the citywide Mortgage Assistance Program

# Mortgage Assistance Program (MAP)

- MAP provides:
  - Homeownership opportunities to eligible first-time homebuyers through the provision of financial assistance in purchasing a home in the city limits of Dallas
  - Principal reduction, down-payment, and closing cost assistance
  - Funds for minor repairs
- Household income cannot exceed 80% of the area median income adjusted for family size to be eligible for this program
- The Enterprise Community Partners, Inc. administers the MAP program

# MAP Status & Pipeline

- 252 MAP loans have been funded using \$2,730,929 HOME Funds
- 100 MAP loans are pending funding for the use of \$1,180,061 in HOME Funds
- All funds are spent or reserved
- Backup list is growing at a rate which may increase over the summer
- Average sales prices are \$95,417
- Clients are predominantly minorities with incomes between 51% to 80%

# Next Steps:

- June 25, 2008, City Council Action Item to amend the Program Statement for the Downtown Mortgage Assistance Program
- June 25, 2008, amend program guidelines and criteria to begin new marketing efforts
- June 25, 2008, City Council action item to adopt a preliminary budget amendment to reprogram Section 108 Loan Program Income from DMAP to MAP and call for a public hearing
- August 13, 2008, City Council Action Item to hold public hearing and to adopt the final budget amendment
- December 2008, review accomplishments of amended program with possible TIF program amendment
- January 2009, brief Housing Committee on DMAP program and downtown affordability