

Memorandum



CITY OF DALLAS

DATE January 18, 2019

TO Members of the Economic Development & Housing Committee: Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman, Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder, Omar Narvaez

SUBJECT Responses to Questions and Requests from the Committee Related to Recommendations from the Housing Policy Taskforce Regarding Legislation for the 86th Session of the Texas Legislature that Supports the Goals of the Comprehensive Housing Policy

This memorandum responds to two questions that were raised by committee members during a discussion of recommendations from the Housing Policy Taskforce regarding legislation for the 86th Session of the Texas Legislature that supports the goals of the comprehensive housing policy.

Question 1: Please provide a map of all census tracts in the City that would qualify to be designated as a homestead preservation district if the proposed amendment to the Texas Local Government Code was adopted.

The Housing Policy Taskforce recommended amending Texas Local Government Code Section 373A.052(b) (Homestead Preservation Districts) to modify the requirements that make an area eligible for designation as a homestead preservation district. The proposed legislative change defines an eligible area as one that is composed of census tracts forming a spatially compact area with: (1) fewer than 75,000 residents; and (2) a median family income that is less than 70% of the area median family income, adjusted for household size, as determined annually by the United States Department of Housing and Urban Development.

The attached map depicts all *individual* census tracts within Dallas that would qualify for designation as a homestead preservation district, should the proposed legislation be adopted. Based on priorities such as level of displacement risk, the City of Dallas could decide to create one or more homestead preservation districts from among the eligible census tracts (either individual tracts or a combination thereof.)

The selected census tracts have median incomes below 70% of the HUD Metro FMR Area (HMFA) estimate of the median family income for the Dallas area. The data sources are the US Bureau of Census table B19113 5-year data for the Median Family incomes and the HUD income limits data for the Dallas area median family income. The analysis presumed a family of size of four, which results in an area median family income of \$77,200 for the period effective April 1, 2018 through December 31, 2018 or publication of the 2019 limits. Therefore, for purposes of the analysis, 70% of the Dallas area median family income for a family of four calculates to \$54,040.

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It is important to note that City staff did not perform a more complex analysis of whether any of the individual census tracts that do not qualify for designation as a homestead preservation district could nevertheless qualify for designation if they were *combined with adjacent census tracts*.

Question 2: Please provide an estimate of how much property tax would be recaptured on an annual basis by the Land Bank if the proposed amendment to the Texas Local Government Code was adopted.

The Housing Policy Taskforce recommended amending Texas Local Government Code Chapter 379C (Urban Land Bank Demonstration Program) to add a provision that allows for property tax recapture related to land bank lots. Specifically, for a five-year period after the construction and sale, rental or lease-purchase of a single family, multifamily or commercial property on a land bank lot, 50% of all property tax revenues may be paid into a land bank fund, subject to the consent of all the taxing units.

In order to provide an estimate, staff reviewed the current market values assigned to homes that were constructed on former land bank lots and that were sold to a homeowner in 2017. The average market value assigned to such homes by the Dallas Central Appraisal District was \$150,000. For purposes of this analysis, staff assumed that: only single-family homes are constructed on former land bank lots, 30 eligible homes are sold each year, each homeowner claims a valid homestead exemption, and only the City of Dallas and Dallas County consent to the property tax recapture. Furthermore, pursuant to the proposed legislative change, staff assumed that 50% of the eligible property taxes are recaptured and the taxes are recaptured for a total of 5 years.

Based on this analysis, staff estimates that the land bank would recapture approximately \$618 per year per former land bank lot for the five-year recapture period, for an annual total of approximately \$92,682.

Should you have additional questions related to this memorandum, please contact Director of Housing and Neighborhood Revitalization David Noguera.



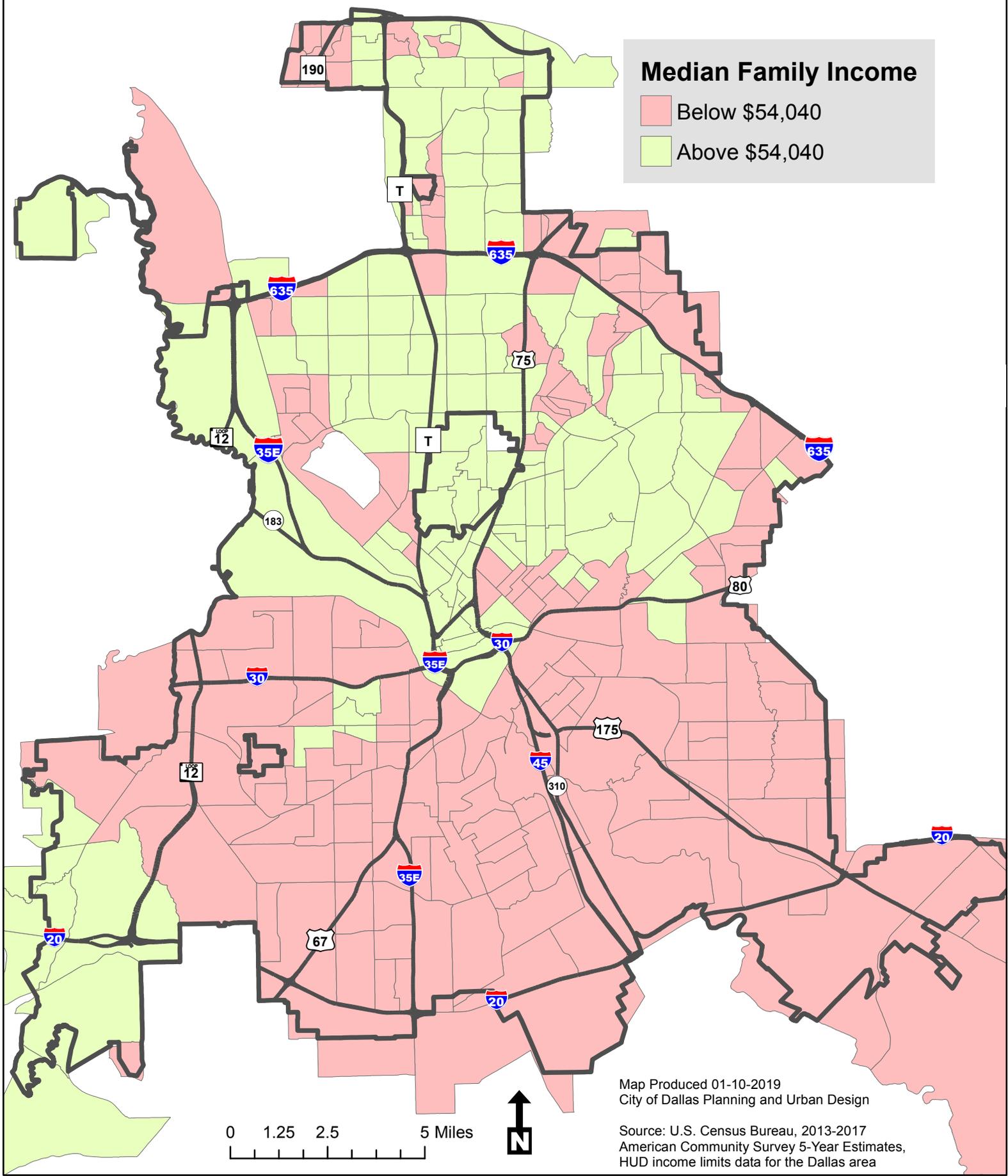
David Noguera

Director, Department of Housing & Neighborhood Revitalization

c: Chris Caso, City Attorney (I)
Carol A. Smith, City Auditor (I)
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 and Chief Resilience Officer
M. Elizabeth Reich, Chief Financial Officer
Directors and Assistant Directors

Homestead Preservation District Census Tracts based on Median Family Income



Median Family Income

Below \$54,040

Above \$54,040

Map Produced 01-10-2019
City of Dallas Planning and Urban Design

Source: U.S. Census Bureau, 2013-2017
American Community Survey 5-Year Estimates,
HUD income limits data for the Dallas area