

Adopting affordability:

How the City of Dallas and ULI worked toward a solution

BY BRANDI SMITH

The population in North Texas is booming right now, which is not news to REDNews readers. Many of you have watched as an average of more than 2,700 people poured into Dallas-Fort Worth each week. Between July 1, 2014 and July 1, 2015, the Metroplex grew by 144,704 people, according to estimates from the U.S. Census Bureau, beaten nationwide only by Houston's growth of 159,083.

As new residents flood Dallas and its neighbors, they generate a new challenge: where do you house them? The answer to that question has morphed significantly over the years, with a new emphasis on re-energizing downtown.

"A truly vibrant downtown"

"There is a real push to try to reduce the amount of time that people sit in their cars and get them closer to where they work," said Pam Stein, executive director of ULI North Texas.

"I think the city leadership is really interested in re-urbanizing their urban core, and that's happening a lot and it's very exciting when you go there," said Jake Wegmann, an assistant professor in the University of Texas Community and Regional Planning Program. "If you want to have a truly vibrant downtown or urban core, then it's a whole lot more interesting and vibrant when there are all kinds of people living there."

That means creating opportunities for cultural and economic diversity, the latter of which can be difficult given the high property values in downtown Dallas.

"More and more affluent people are interested in moving into the urban core," Wegmann said. "At the same time, it becomes more difficult for lower- and even middle-income people to live in some of those neighborhoods."

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"Like many other cities around the country, Dallas is faced with a lack of sufficient housing for what's been typically considered work-force level employees; teachers, policemen and other basic service providers are having a hard time finding affordable housing," said Stein. "We have millennials who are able to pack three people into a two-bedroom apartment in Uptown to afford rent there, but that's not a practical answer for a family."

Dallas, however, is not alone in its efforts to reinvigorate its downtown. Here in Texas, every major city is tackling the same challenge.

"I think it's really spreading to all the biggest cities in Texas and sometimes if you just look at certain indicators, you might miss it," said Wegmann. "In Austin, for example, the urban core has lost population in the past 50 years. That isn't because



Tony Salazar



Dionne Nelson



Jake Wegmann

ULI Urban Land Institute North Texas



City of Dallas

it hasn't had a ton of investment; that's because wealthier people have fewer children."

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Kent Collins, principal at Austin's Centro Development, has worked with the City of Austin to bring mixed-income housing to its downtown core for nearly two decades. Beginning with Post West Avenue (now Gables West Avenue) in 1997, he experienced firsthand the push for, and hardships of, building affordable options.

"I'm not as afraid of incentive-based workforce housing requirements because I understand what the tradeoffs are in doing them," Collins said. "I also understand that in almost all situations they don't affect your project. In some cases they help your project, because they either allow you to have a simplified permitting process, or get zoning or entitlement incentives."

Collins, who has participated in projects such as San Antonio's River House, Houston's Midtown Square and Decatur, Georgia's Arlo developments, recognizes that, though most cities want affordable housing, some do not recognize the financial implications.

"They don't understand what a developer goes through in order to have an affordable housing component of the project, both from a reporting standpoint, and from a market acceptance standpoint," said Collins. "They don't necessarily understand what tools are important to a developer to offset that."



Karl Stundins

Kent Collins

Mark Shelburne

Meaghan Shannon-Vikovic

Nancy Montoya

Pam Stein

Phil Payne

At the City of Dallas, staff are very cognizant of the financial obstacles faced by many of those who would like to live downtown, which is why they are determined to offer more options to would-be residents.

"We've found over time that good neighborhoods are ones where there's a lot of housing choice," said Karl Stundins, the area redevelopment manager for the City. "Now we're working to align our priorities from different departments so they all support the policy."

"Many different levels"

The City kicked things into high gear early this year when it reached out to ULI, requesting help from the National Advisory Services Panel, which puts together a collection of experts on a topic to flesh it out and find solutions.

Ultimately, ten people participated in the panel that stretched from Feb. 29 to March 4: Kent Collins, Jake Wegmann, Tony M. Salazar, Nancy Montoya, Dionne Nelson, Philip Payne, Meaghan Shannon-Vikovic, Mark Shelburne, Roger L. Williams and Stockton Williams.

"Ultimately, it took two weeks to find the right people. They are ULI members from all over the country who volunteer their services. It's a fabulous volunteer program that ULI's members offer back to those municipalities or other public agencies that need assistance," said Stein. "I get to work with volunteers and people who really want to give their time to something and it's a wonderful attitude. To have people you get to work with on an everyday basis who are excited about doing something to give back to the community that's given them so much, is very rewarding."

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Joined by several members of City staff, the panel spent that week interviewing stakeholder groups, reviewing what the City had done up to that point and identifying affordable housing best practices of cities.

"It's a very complex issue that has to be solved on many different levels. The easy way out today is typically to say, 'OK, we're going to require developers who want to build in a certain area or who want to rezone a piece of property to provide affordable housing,'" Collins said. "There's a different responsibility and a different set of rules for a city to follow when they're leasing or selling land that belongs to the public. I do understand the motivations of city governments and putting certain stipulations on the sale or the leasing of public property."

That sentiment was echoed by Wegmann: "Cities are going to have to walk a fine line between the public sentiment to squeeze affordable housing out of developers and squeezing those developers too hard. Then the developers say, 'No, thanks. We'll just build somewhere else.'"

"There has to be a grand bargain"

Knowing that would not be a successful approach in the City of Dallas, the panel discussed alternatives, including incentives for developers, changes in zoning policy and compromise between developers and community groups.

"As a developer, I think most people are of the opinion that you would like to see some kind of an incentive that helps to offset that reduction in revenue, income, that added complication that makes it more difficult to sell a property," Collins

said.

The City currently has a toolbox loaded with financing options to encourage developers to incentivize affordable housing part. Those tools include multifamily mortgage financing through HUD, Fannie Mae and Freddie Mac, low-income housing tax credits, HOME federal funding, community development block grants and the HUD 108 Loan Guarantee Program. However, those are often limited.

"Low-income housing tax credits are great if they're used to great effect by both nonprofit and for-profit developers, but barring federal legislation, they're capped in terms of how many there can be," said Wegmann. "There's kind of nothing really anyone can do about that at the state or local level."

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However, Collins pointed out, the cost of drawing all income levels into a downtown core could get excessive.

"A city might be better off providing affordable housing in neighborhoods perhaps fairly close to downtown, but I don't think you should provide all income levels the ability to live in the heart of the downtown of the city," he said. "The cost per unit of providing affordable low-income rather than moderate-income housing in a downtown so far outweighs the benefit. In other words, you can do five to ten units of affordable housing in a neighborhood outside of downtown, in some cases, rather than doing it in the heart of downtown. If you're leveraging public dollars for public benefit, then in my opinion it's more responsible to do it in



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neighborhoods outside of downtown and around downtown, than it is in the heart of the CBD.”

The panel also suggested that the City evaluate zoning as a way to lure developers.

“In Texas, we have a statewide prohibition on mandatory inclusionary zoning, but incentives for density are certainly on the table,” Wegmann said. “I think that’s going to be the way to go.”

Stundins oversees the City’s tax-increment financing (TIF) programs, 18 of which are currently active.

“Tax-increment financing is not going to solve all the ills of urban America. It’s one out of many tools that we as a city use,” he said. “What we’re doing is identifying under performing real estate in the city, then developing a plan to change the market. We are working with developers one at a time, block by block, to implement the plan. When we do TIF funding for a project, we require a mixture of affordable units to be mixed in with market units for residential projects.”

Another valuable piece of the puzzle is cooperation with the neighborhood groups that sometimes fight high-density development for fear of it driving lower-income residents out of certain areas.

“I think if we’re going to get anywhere with affordable housing, there has to be a grand bargain between those neighborhood groups and developers. Developers are going to have to accept that if they want to build in certain areas in the urban core, they’re going to have to give some of it back in the form of affordable housing,” Wegmann said. “As for the neighborhood groups, if they really truly care about affordability, they have to accept development nearby.”

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Education, said Collins, is another important tool: “I really think that every developer conference ought to have a session on the ins and outs of providing mixed-income housing. I think that mixed-income housing is the wave of the future and everyone should understand all the aspects of it: city government, citizens who vote, people who serve on panels and councils and governmental bodies, and the development community, as well as the financial community.”

The panel’s weeklong search for solutions culminated the presentation of new policies and practices for the City.

“This is a really good plan”

The panel developed the following directives for the City:

- **Create a Chief Executive Officer of Housing and Community Investment**
- **Create a Housing Trust Fund with dedicated revenue sources**
- **Identify a limited number of housing and community revitalization focus areas**
- **Expand housing choices in high opportunity areas**
- **Create a predictable, transparent and efficient housing policy – citywide**
- **Enough planning - time to act**

“I guess we just left thinking, ‘this is a really good plan, but at the end of the day it has to be city political leadership that takes up the mantle and makes it happen or makes at least pieces of it happen,’” Wegmann said.

Now nearly ten months after the panel made its recommendations, REDNews followed up to see where things stand today.

“It’s really a hand off to the city. I understand it’s working its way through the city council,” said Stein, adding that ULI can only make suggestions, not lobby for them. “Because we are a 501(c)(3), our governing documents don’t allow us to really get in there and argue heavily.”

Though ULI didn’t push the issue, the City is making progress. In fact, staff say the council will likely vote on a new housing policy after this issue goes to print in December. Look for an update in the February issue of REDNews. ●