

Dallas Pushes for More Mixed-Income Housing

Private developers, public partners are growing supply in the city, especially near DART light rail stations.

John Nelson

In early 2018, the City of Dallas adopted its first ever Comprehensive Housing Policy, which calls for the creation of 20,000 new affordable housing units (multifamily and single-family combined) to be built and/or preserved by the end of 2021. To count toward the goal, rents for those units need to be affordable to households earning between 30 to 120 percent of the area median income (AMI).

The policy states that six out of 10 Dallas households are “housing cost burdened,” meaning they spend more than 30 percent of their wages on rent and/or paying their mortgage.

On its face, a goal of 6,667 units a year seems attainable for a market whose surrounding metro area routinely adds more than 40,000 total apartments annually, but financing and building income-restricted units is inherently on a longer timeline than typical market-rate apartments.

“I’m not sure how that was ever going to be achieved, and nobody realized how long it takes to close financing for an affordable housing project,” says Kyle Hines, interim assistant director of the City of Dallas Housing & Neighborhood Revitalization. Hines oversees the city’s Low-Income Housing Tax Credit (LIHTC) program through an entity known as the Dallas Housing Finance Corp.

“If a developer is doing a 300-unit LIHTC deal, it can take up to three years depending on city approvals,” he adds.

The COVID-19 pandemic disrupted a large chunk of the city’s ambitious timeline, but more so it highlighted the need for quality housing for lower-income households who have been severely impacted by the pandemic and the recession.

Developers with affordable housing projects underway in the area say the issue is top of mind with the Dallas City Council and that it is aggressively addressing the shortage. Jake Brown, development manager of Louisville, Kentucky-based LDG Development, says that his firm has worked closely with the city and its various council districts on a handful of projects.

“The City of Dallas recognizes that there is a need for affordable housing,” says Brown. “The



Palladium RedBird is 50 percent constructed right now but 60 percent preleased. The project, a redevelopment of the former Red Bird Mall on the south side, is a public-private partnership between Dallas Housing Finance Corp. and Dallas-based Palladium USA.

city has made a great commitment to further affordable housing, and they’ve got processes in place to help put units on the ground.”

Several entities are active participants in creating affordable housing in the city. These include the Dallas Housing Authority, Dallas Housing Finance Corp., a handful of certified community housing development organizations (CHDOs) and the city’s public facilities corporation (PFC), which the Dallas City Council created last summer. (Read more about the Dallas PFC on page 16.)

Working with the PFC involves private developers gaining 100 percent tax exemptions in exchange for PFCs being the landowner for mixed-income developments. Hines says that the PFC is an important tool that developers can utilize and it expedites the traditional timelines to which LIHTC projects adhere.

“It’s supposed to provide that property tax exemption without having to go through the traditional tax credit process,” says Hines.



JAKE BROWN
LDG Development

“It’s a much more nimble program, and we are hoping to use it do more traditional financing structures to locate in higher opportunity areas. The goal of the PFC is to set up the partnership and close within normal market-rate timelines, but still provide 50 percent of the units at affordable rates.”

All Neighborhoods in Need

Dallas historically has been bifurcated between its more affluent districts to the north and its lower-income neighborhoods to the south, with Interstate 30 being the divider. Brown says the history of redlining, segregation and lack of investment in the southern half of Dallas has caused the area to have an outsized portion of substandard housing stock.

More infill affordable housing is needed north of I-30 as those are employment centers and have a higher opportunity index (based on access to education, quality housing, healthcare and healthy food), but Hines says the southern half is still in need of new housing and preservation of existing communities as well.

“We try to find higher opportunity sites in the southern sector while also making sure that we identify sites in northern Dallas,” says Hines. “We need affordable housing all throughout the city.”

Dallas Housing Finance Corp. is partnering with multifamily developer Palladium USA for the redevelopment of the former Redbird Mall, a Dallas mall on the south side that had lost of a series of anchor tenants, including Sears in 2018. The new redevelopment will include Palladium RedBird, a 300-unit income-restricted community.

Hines says that people in Dallas may casually say that the south side doesn't need any more affordable units but the demand for Palladium RedBird tells another story.

"It is 50 percent constructed right now but 60 percent preleased," says Hines. "How fast the Redbird Mall redevelopment is leasing up is proof that there is demand."

In addition to developing new communities and redeveloping existing ones, Hines also says that there are another 20,000 existing units that are within three years of their 15- or 30-year tax credit compliance period ending, meaning that owners of LIHTC properties can potentially convert those units to market-rate apartments.

"There is a potential to lose all that affordability, but then it also provides an opportunity to re-syndicate and rehab those developments to retain affordability and increase the level of our housing stock," says Hines. "There is quite a bit of opportunity out there, and it's never going to end."

Mixed-income Approach

The City of Dallas is keen to create developments that provide units for the full spectrum of the renter cohort, from those who can afford the going market rate to those who qualify for housing vouchers.

Brown says that he's of two minds about the mixed-income approach. On one hand, the market-rate units in those developments could in theory have been affordable so it can be viewed as a wasted opportunity to address the affordable housing shortage. On the other hand, housing of all kinds is needed in Dallas.

"Dallas has obviously taken the stance that they want to utilize the mixed-income approach," says



Louisville, Kentucky-based affordable housing developer LDG Development is close to breaking ground on The Ridge at Lancaster. Situated less than a half-mile from the Camp Wisdom DART station, the property will include 270 income-restricted units and 30 market-rate apartments.

Brown. "Every project that LDG has in the pipeline in Dallas has contemplated the mixed-income approach because that's what city leaders want to see."

LDG plans to break ground in April on a mixed-income project called The Ridge at Lancaster. Located on the south side near the University of North Texas Dallas (UNT Dallas) campus, the property will include 270 income-restricted units and 30 market-rate apartments. The affordable units are reserved for households earning up to 60 percent of AMI.

The community is the first project in Dallas for LDG and also its first partnership with Dallas Housing Finance Corp., which will be the landowner of the 63-acre site. Brown says that The Ridge at Lancaster is Phase I of a three-phase development that will ultimately comprise affordable and market-rate housing, townhomes and retail space, which Brown is hopeful will include a grocery store.

"This project has the opportunity to be a catalyst for the immediate area and bring more housing options and job growth," says Brown. "This area of Dallas has huge potential."

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To the north in downtown Dallas, local developer Matthews Southwest is partnering with national nonprofit Volunteers of America to develop The Galbraith, a mixed-income, high-rise community that will stand 15 stories.

The development team named the community after Scott Galbraith, a former vice president of Matthews Southwest's workforce housing development company, who passed away in 2018. Kristian Teleki, senior vice president of Matthews Southwest, says Galbraith was passionate about developing affordable and workforce housing in the company's home market of Dallas.

"He was our quarterback in pursuing tax credit and workforce housing initiatives," says Teleki. "This project was the third of several Scott was pursuing."

The Galbraith will have 111 units restricted for households earning 60 percent or less of AMI, as well as 106 market-rate units. The development is a 9 percent LIHTC project.

Victor Smeltz, executive director of Renaissance Neighborhood Development Corp., a Volunteers of America subsidiary, says that the mixed-income approach is the organization's preferred method of developing affordable housing as it promotes interaction between residents of different economic levels.

"Many studies have shown that when lower-income individuals live in mixed-income neighborhoods, it tends to improve everyone's lives socially and economically," says Smeltz. "The income mix of The Galbraith is representative of the community and the people who live and work downtown."

Smeltz also says having a mix of incomes is better from a cash flow perspective as it gives the owners a broader revenue stream to help keep the property affordable as operating costs increase.

Matthews Southwest and Volunteers of America topped off The Galbraith in late February and the plan is to open the community in November. Dallas-based Alpha Barnes is the property manager and will help make sure that all renters who occupy the affordable units qualify.

Dallas Housing Finance Corp. is the landowner of the site and is expected to be the long-term owner of the community after the 15-year tax credit compliance period ends. Additionally, the Dallas Housing Authority is providing 70 rental assistance housing vouchers for future qualified residents at The Galbraith.



VICTOR SMELTZ
Renaissance
Neighborhood
Development Corp.



Matthews Southwest and Volunteers of America have recently topped out The Galbraith in downtown Dallas (rendering above). Situated near the DART Pearl station, the 15-story project will have 111 units restricted for households earning 60 percent or less of area median income, as well as 106 market-rate units. (Rendering courtesy of Perkins&Will of Dallas.)

TODs on the Fast Track

One of the pillars of the City of Dallas Comprehensive Housing Policy is to build up housing of all kinds near the city's transit offerings. Dallas Area Rapid Transit (DART) is the city's main transit authority and operates light rail, commuter rail and bus services.

The City of Dallas recognizes that building up transit-oriented developments (TODs), especially affordable housing, is a dire need. The city recently issued a request for proposal (RFP) to developers with a goal to build 1,000 new affordable units on city-owned land within a half-mile of DART stations throughout the city.

"The city has identified five sites, and we're working with DART to potentially activate some of its sites that are underutilized," says Hines. "TODs are a huge factor and something that the city is trying to push for. It should be what we are all striving for to get more density near our DART stations to create walkable, mixed-income communities."

Hines says the public messaging to developers is to target TOD opportunities because they'll have civic support. Brown says LDG has met with DART officials on occasion and the authority is also supportive of new affordable developments near its stations.

"They are almost always thrilled about that because in theory it means more ridership," says Brown.

LDG's The Ridge at Lancaster project is situated less than a half-mile from the Camp Wisdom DART station. Brown says in his experience the vast majority of Texans drive, even those who live in income-restricted units, but the proximity to light rail is a big plus for those who don't live near where they work.

"Traffic is a royal pain in non-pandemic Dallas," says Brown. "With The Ridge at Lancaster, we have a really good opportunity to provide a convenient TOD. Folks can live in the south and quickly get to the northern sector if they need to."

LDG is also planning The Standard at Royal Lane, another affordable TOD on the north side of Dallas within 600 feet of the Royal Lane DART station. Brown hopes to close financing and begin construction on the 300-unit property in the third quarter.

The Galbraith will also be situated within walking distance of a DART station. Smeltz says that access to transit is of utmost importance to Volunteers of America as it provides the organization's renters a reliable mode of transportation.

"We have found that TODs are a marketing advantage since often the residents are using transit to commute to work," says Smeltz. "For lower-income households, where the cost of a car is a tremendous hit to a household budget, the option to live someplace where you don't have to own a car provides residents income for other important living expenses."

Teleki of Matthews Southwest says that having access to transit helps for tenants to maintain job security and flexibility, and it's also an amenity that helps properties maintain high occupancy.

"Dallas has a downtown working environment, and the site is the beneficiary of that proximity to the Pearl DART station," says Teleki. "Proximity to a well-used transit system in a downtown setting in any city is generally not a bad thing." ●