

# Increasing Access to Capital Reducing the Cost of Capital

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# Recap of Housing Market issues

- Shortage of housing supply in the market of about 20,000 units (see Metrostudy 2018)
  - Causing overall increase in pricing of units of about \$5,000
- Shortage of construction labor in DFW (see Dallas business journal – Dallas Builders Association)
  - Causing increase in cost of about \$5,000 per unit and increasing construction time of about 2 months
- Development process in Dallas takes between 12-22 months



# Economic Problems

- Affordability – Sales Prices or Rents exceed the 30% of a Family's Household Budget that should go toward Housing Expense
- Disinvestment – The Cost to build exceeds what the Fair Market Value / Fair Market Rents Support



# Economic Solutions

- Affordability –
  - Increase the amount of funds available to provide soft second mortgages
  - Identify funding sources for a Housing Trust Fund
  - Identify ways to reduce development costs
  - Create voucher programs through City subsidized developments in partnership with Dallas Housing Finance Corporation
  - Neighborhood Empowerment Zone Designations
  - *Incentive Zoning* – allows for higher density
  - *Accessory Dwelling Unit* zoning areas – allows for granny flats



# Economic Solutions

- Disinvestment –
  - Work from market strengths using MVA to identify those areas
  - Maximize debt capacity of the project
  - Require a reasonable equity investment to provide a fair return to the developer – better than market return but not undue enrichment
  - Identify source of Credit Enhancement Funds
  - Provide City gap-financing to mitigate some of the risk associated with untested markets
  - Opportunity Zones



## Open Discussion

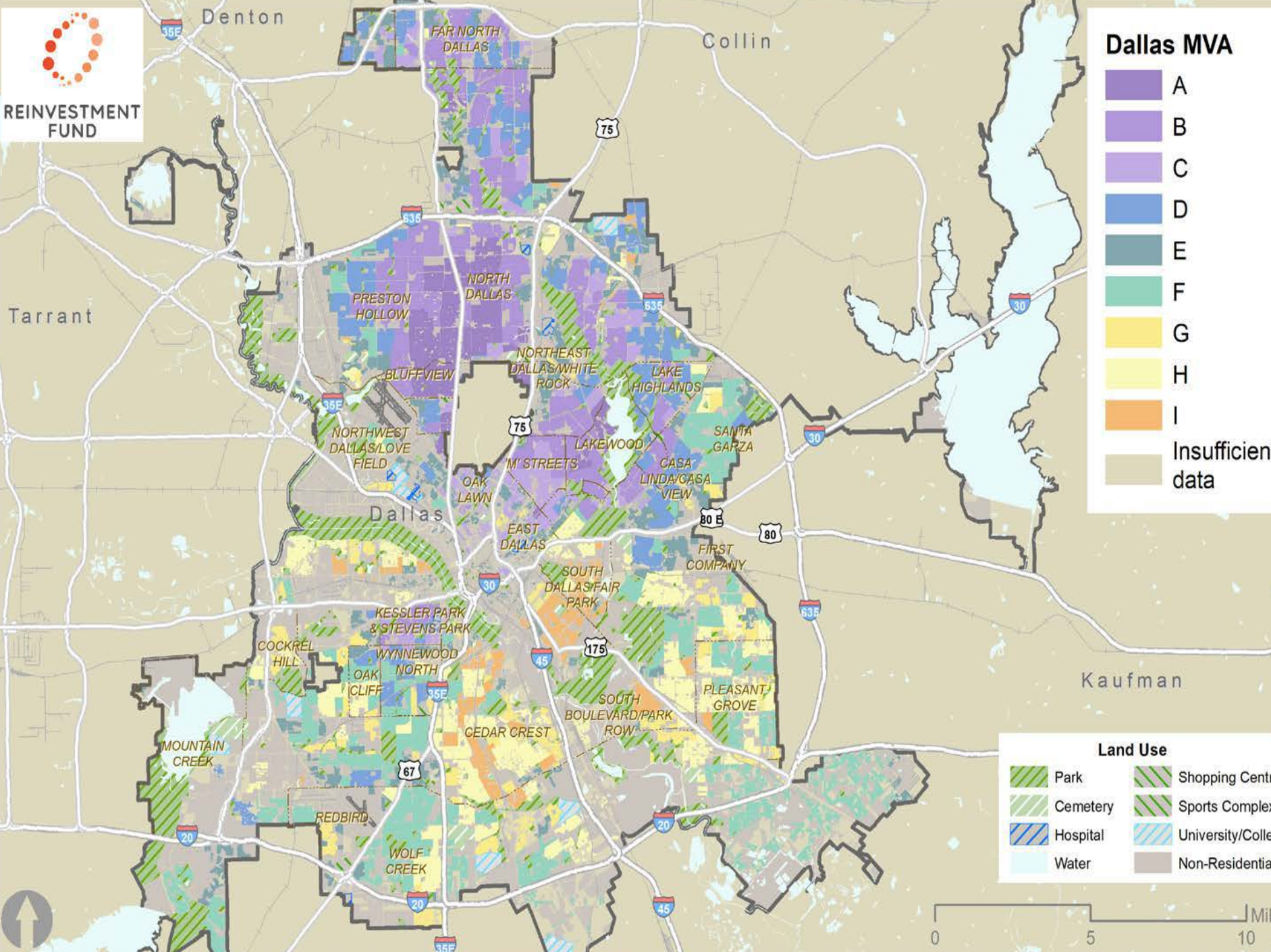
1. What are some creative ways in which we can work with the lending community to increase housing production in Dallas?
2. Construction vs. Permanent Financing mechanisms?
3. Sources of rental vs. single family financing?







REINVESTMENT FUND



### Dallas MVA

- A
- B
- C
- D
- E
- F
- G
- H
- I
- Insufficient data

### Land Use

- Park
- Cemetery
- Hospital
- Water
- Shopping Centre
- Sports Complex
- University/College
- Non-Residential



# Average Characteristics for Dallas Market Types

\*Household Density was not included in the MVA model and is included here for descriptive purposes.

	Median Sales Price	Variation Sales Price	Household Density*	Percent Owner Occupied	Pct. New Construction Units	Pct. Rehab. Permits	Percent Subsidized Households	Percent Code Violations	Percent Vacant Homes	Percent Foreclosure Filings
A (29)	\$1,073,300	0.57	3.0	81%	2.6%	3.6%	1%	1%	2.4%	>1%
B (97)	\$463,900	0.48	3.7	85%	1.2%	4.4%	2%	>1%	1.2%	>1%
C (87)	\$390,500	0.40	8.5	31%	1.8%	1.2%	4%	1%	1.7%	1%
D (99)	\$267,100	0.42	4.9	69%	0.5%	2.9%	4%	1%	1.8%	>1%
E (233)	\$140,300	0.32	15.6	13%	1.1%	0.3%	13%	2%	2.3%	3%
F (128)	\$117,600	0.44	5.0	73%	0.3%	1.5%	8%	2%	1.8%	3%
G (61)	\$91,300	0.41	12.3	26%	0.4%	0.6%	63%	4%	3.8%	7%
H (126)	\$72,400	0.55	5.7	60%	0.4%	1.3%	8%	6%	3.7%	4%
I (48)	\$41,500	0.76	7.1	46%	0.7%	1.0%	17%	21%	7.5%	5%
<b>Avg. Dallas Block Group</b>	\$133,300	0.44	8.5	48%	0.9%	1.6%	12%	3%	2.6%	1%



## SAMPLE TABLE OF INTERVENTIONS BY MARKET TYPES

SAMPLE ONLY	Market Value Analysis Market Types								
	A	B	C	D	E	F	G	H	I
<b>CITY OFFERED ACTIVITIES</b>									
Owner- Occupied Home Repair (HIPP)									
Single-Family Rental Home Repair (HIPP)	YR 3	YR 3	YR 3	YR2	YR 1	YR 1	YR 1	YR 2	YR 2
Infill Lot Development				YR 3	YR 2	YR 2	YR 2	YR 3	YR 3
Landbanking	YR 3	YR 3	YR 3	YR2	YR 1	YR 1	YR 1	YR 2	YR 2
City's Second Mortgage Assistance Program (DHAP)	-	-	YR 1	YR 2	YR 1	-	YR 1	YR 2	YR 2
Multi-Family New Construction	YR 2	YR 2	YR 2	YR 3		YR 3		YR 3	
Multi-Family Rehab	YR 2	YR 2	YR 2	YR 3		YR 3		YR 3	
Code Academy									
Dallas Tomorrow Fund - Code home repair	-	-	-	-	-	-	YR 2	YR 2	YR1
Designate Tax Increment Reinvestment Zone									
Create Neighborhood Association									
Neighborhood Beautification Projects									
<b>PROPOSED ACTIVITIES</b>									
Low Income Housing Tax Credit City support	YR 1	YR 1	YR 1	YR 2	YR 3	YR 2	-	YR 2	YR 3
Neighborhood Sweep									
Neighborhood Revitalization Strategy Area Designation									
Code Lien Foreclosures									
Opportunity Zones									
Neighborhood Empowerment Zones	YR 2	YR 1	YR 1	YR 1	YR 2	YR 2	-	YR 3	YR 3



Guide for Household Budget													
Category	Budget % of Household Income	HUD estimate 100% Median Family for a family of 4 \$73,400		Monthly Budget @ 100% AMI	@ 80% for a family of 4 \$58,700		Monthly budget @ 80% AMI	@60% for a family of 4 \$44,040		Monthly budget @ 60% AMI	30% for a family of 4 \$22,000		Monthly budget @ 30% AMI
		Housing related expenses (includes owner's/renter's insurance, property taxes, maintenance)	30%	\$ 22,020	\$ 1,835	\$ 17,610	\$ 1,468	\$ 13,212	\$ 1,101	\$ 6,600	\$ 550		
Transportation, Groceries, Utilities,	20%	\$ 14,680	\$ 1,223	\$ 11,740	\$ 978	\$ 8,808	\$ 734	\$ 4,400	\$ 367				
Savings, Retirement & Debt Payments	20%	\$ 14,680	\$ 1,223	\$ 11,740	\$ 978	\$ 8,808	\$ 734	\$ 4,400	\$ 367				
Personal, Entertainment, Cell Phone, Cable, Gym Memberships, Eating out, leisure travel	30%	\$ 22,020	\$ 1,835	\$ 17,610	\$ 1,468	\$ 13,212	\$ 1,101	\$ 6,600	\$ 550				
	100%												



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