



CITY OF DALLAS

DONALD W. HILL
Deputy Mayor Pro Tem
Email: dwhill@ci.dallas.tx.us

Committees:
Finance & Audit, Chair
Public Safety
Transportation & Telecommunications
Police & Fire Pension Board

March 15, 2005

Frison Development, LLC
Mr. Herb Frison
7605 McCallum Blvd, Suite 203
Dallas, Texas 75252

**Re: Proposed Affordable Housing Subdivision
Dilworth Estates on Denley Drive**

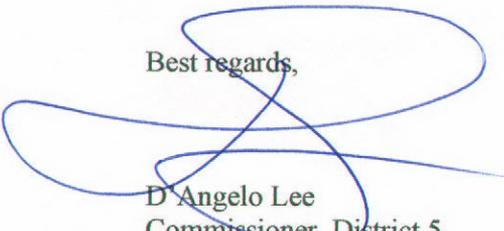
Dear Mr. Frison:

It is my deepest pleasure to extend this letter of support for your proposed project in the southern sector of Dallas. The City of Dallas is an advocate of development that delivers quality products and invests in the lives of those south of the Trinity River.

After review of your development package, we see you have addressed a key component, affordable housing, which will bring a great value to an established community which has not seen new housing in quite some time.

We look forward to working with your group in the near future and wish you much success in your endeavours.

Best regards,


D'Angelo Lee
Commissioner, District 5
City Planning & Zoning Commission

c: The Honorable Donald W. Hill
Jerry Killingsworth



April 1, 2005

Frison Development, LLC
Herb Frison, President
7605 McCallum Blvd., Suite 203
Dallas, Texas 75252

**RE: Proposal for Development and Construction Services, Dilworth Estates
Single Family Residential Development**

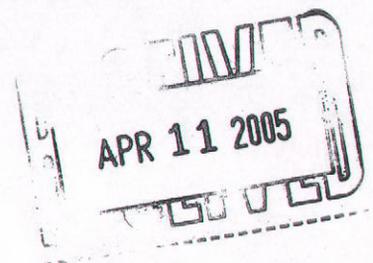
Thank you for the opportunity of presenting this proposal for Development and Construction Management Services for the Dilworth Estates. This proposal is based on the conceptual plan study provided by your group. The proposed development is on a single land tract which is approximately three acres. This proposal includes the following;

- 1.0 Scope of Services
- 2.0 Reimbursable Expenses
- 3.0 Owner Responsibilities
- 4.0 Fees
- 5.0 Compensation
- 6.0 Schedule
- 7.0 Acceptance

1.0 Scope of Services – Development and Construction Management Services

- ◆ client total representation;
- ◆ engineering and design services;
- ◆ liaison to local and state agencies;
- ◆ facilitate all necessary City Council, Planning and Zoning and related meetings;
- ◆ construction project planning, design/build and scheduling;
- ◆ procurement, cost control & budgeting;
- ◆ contract administration & on-site contractors coordination;
- ◆ marketing and business strategies;
- ◆ quality control;
- ◆ health & safety provisions coordination
- ◆ swppp plan coordination

1409 South Lamar
Suite 703
Dallas, Texas 75215



2.0 Reimbursable Expenses:

In an addition to compensation for our development services, you will be invoiced monthly for reimbursable expenses. Reimbursable expenses include overnight delivery, courier, postage, long distance telephone, computer plots, reproduction and travel expenses that are directly associated with the project.

3.0 Owner/Client Responsibilities:

We understand that various initial appraisals, surveys, environmental studies have not been completed. This will be discussed for additionally services and decide if to incorporate in services.

4.0 Fees:

These fees are based on our best assessment of the services required to perform the work as defined in the Scope of Services. For zoning, permitting and other related fees are to be paid in advance prior to submission: **Direct Cost plus Developer fee of \$55,000.00**

All direct cost will be approved by Owner through bidding process.

Retainer fee:

The LKC Dallas will require a retainer fee of \$5000, for provision currently undergurd with The City of Dallas and support for the Dilworth Estates Development.

5.0 Compensation:

Basic Service and Additional Service billings are invoiced monthly on a scheduled of work/commencement of phase basis of the tasks noted herein, plus reimbursable expenses. Payment is due within 15 days of the invoice date.

6.0 Schedule:

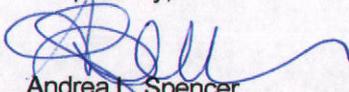
The LKC is prepared to start immediately upon approval of this project.

7.0 Acceptance:

This professional service agreement and fees are based on our best assessment of the services Frison Development has requested. If our understanding of the scope of services requires modification, please let me know and we will work with you on a revised scope.

Thank you for your consideration of The LKC for this project. If you have any questions or need additional information please give me a call.

Respectfully,


Andrea L. Spencer
Principal

City of Dallas Development Services

Predevelopment Meeting

Project: Dilworth Estate on Denley south of Lynnhaven

Oak Cliff Municipal Center, Room 204

Date: Monday, May 9, 2004, Time: 10:00 AM

City of Dallas Staff:

- 10:00 AM Zoning & Landscaping
Anibal Rodriguez, Senior Planner: Zoning
Phil Erwin, Arborist
- 10:15 AM Subdivision & Engineering: Drainage/grading/paving/circulation
George Campbell, Subdivision Coordinator
Johnny Sudbury, Senior Engineer: Grading/Paving/Drainage
Hamid Fard, Senior Engineer: Circulation
Chau Nguyen, Engineer: Circulation
- 10:30 AM Engineering: Water/wastewater & Fire Rescue: Fire Marshal
Dorian Franck, Senior Engineer: Water/Wastewater
Gordon Robinson, Project Coordinator: Water/Wastewater
Sandra Marsh, Captain
Derrick Cherry, Lieutenant
- 10:45 AM Residential Building Code
Ethel Gaston
- Standby: MEP & Fire Protection Engineering
Lonnie Erwin, Manager: Plumbing & Mechanical Codes
Larry Heckler, Manager: Electric Codes
Jay Loucks: Senior Fire Protection Engineer
- Informational: Elias Sassoon, Assistant Director: Engineering & Building Official
Ed Levine, Assistant Building Official
Raul Martinez, Assistant Building Official
- Coordinators: Steve Smith, Development Coordination
Edwin Bateman, Development Coordination

The city reserves the right to express additional comments/concerns regarding this development when the actual plat and/or engineering plans/site plan are submitted.

ATTN: STEVE SMITH

MAY 3, 2005

MONDAY
MAY 9, 2005
10:00

City of Dallas

Development Services

Application for predevelopment meeting

Development name: DILWORTH ESTATES
 Development address: ~~250~~ DENLEY DR + GLENHAVEN AVE
 Contact name: ELIAS RODRIGUEZ
 Contact's firm: CONSTRUCTION CONCEPTS INC.
 Contact's phone: (214) 946-4300 E-mail: energyinspector@yahoo.com

Size of the development in acres 4.0 or square footage _____
 Estimated cost of improvements as development is proposed _____
 Number of dwelling units 16 Square feet of retail 0
 Square feet of office 0 Square feet of warehouse 0
 Square feet of manufacturing 0 Square feet of other 0

We are requesting the following staff members to attend our meeting:

- Building Code
- Electrical Code
- Engineering: drainage/grading/paving/circulation
- Engineering: water/wastewater
- Fire protection engineer
- Fire Rescue department
- Landscaping
- Mechanical & Plumbing Codes
- Sanitarian
- Subdivision
- Zoning

To obtain a predevelopment meeting please fill out this form and submit it with a site plan and other pertinent information to the development coordination staff.

Ryan O'Connor Central business district coordinator: 214-670-4124
 Steve Smith 214-948-4207 ssmith@mail.ci.dallas.tx.us
 Edwin Bateman: 214-948-4329 ebatma@mail.ci.dallas.tx.us
 Fax: 214-948-4348

~~LOT 10~~

BLOCK D3582
 PT LOT 10 LESS DART DPL ROAD # 538
 LYNN HAVEN CO - DALLAS 358200D00C
 200358200D

DEVELOPMENT AND CONSTRUCTION REVIEW CHECKLIST

Check one

Process	Need	Don't Need	Don't Know	Dev Guide	Process Time	Notes
Land Development Review						
Development Coordination	✓			Page 8	1 week	Voluntary, no cost service
Zoning Change			✓	Page 20	12 weeks	Requires both City Plan Commission and City Council review. May require a "Traffic Impact Analysis"
Abandonment/Private License			✓	Page 11	12 weeks	Requires City Council review
Platting Process	✓			Page 14	8 week varies	Determine if site is a "legal building site". Requires City Plan Commission review
Development Plan	✓			Page 23	4 weeks	City Plan Commission review. Usually only required Planned Development Districts
Board of Adjustment			✓	Page 26	8 weeks	BDA does not meet in July
Tree Survey			✓	Page 29	Varies	May be required when applying for a plat, zoning change or building permit. A tree removal permit may be required under some circumstances
Escarpment Review			✓	Page 47	4 weeks	Review by city staff
Engineering Review Paving and Drainage			✓	Page 15	4 weeks varies	Required when infrastructure improvements are made (typically associated with platting). Storm water drainage plans are checked
Engineering Review-Water/Wastewater/Fire Protection			✓	Page 15	4 week varies	Required when infrastructure improvements are made (typically associated with platting). Capacity of water/wastewater lines need to be checked.
Floodplain Fill Permit			✓	Page 50	3 to 5 months	Requires Corp of Engineers and FEMA involvement
Amend Thoroughfare Plan			✓	Page 31	14 weeks	Requires City Plan Commission and City Council vote
Research: Is my site a former landfill?			✓	N/A		Research the "Interactive Maps"-See page 84
Research: Has my site been a cemetery?			✓	N/A		Research the "Interactive Maps"-See page 84
Research: Is my site a "Brownfield"?			✓	N/A		Go to dallascityhall.org , click on "City Departments"; "Office of Economic Development"; "Brownfields"
Research: Is my site close to an Airport?		✓		N/A		Platting close to an airport may require an "avigation easement.

Construction Review

Paving and Grading Permit	✓			N/A	varies	Allows a project to get started prior to approval of the Building Permit. May also require Tree Removal Permit and Storm Water Pollution Prevention Plan
Street Name Change			✓	Page 59	4 months	Requires City Council vote
Certificate of Appropriateness			✓	Page 42	4 weeks average	Needed for historic buildings & may require Landmark Commission hearing
Special Parking Agreement			✓	Page 55	2 weeks	Used for off-site parking. Agreement becomes a Deed Restriction
Street Lighting			✓	Page 57	4 weeks	Involves Public Works and Transportation and Onc Electric
Sidewalk Waiver			✓	Page 53	3 weeks	

Development Impact review			✓	Page 45	10 days	Processed concurrently with construction permit. Requires expanded site plan
Site plan Review			✓	Page 34	4 weeks	Can be submitted with building permit application or separately. Detailed layout required including parking and ingress/egress points
Building Permit Review			✓	Page 34	2 weeks	Includes landscape plan review-see page 55
Express Plan Review			✓	Page 37	2 weeks	Expedited site and building permit review for extra fees
Sign Permit Review			✓	Page 63	6 weeks	Review time varies from 2 days to 6 weeks
Residential Adjacency Review			✓	Page 45	2 weeks	Processed concurrently with building permit review
Construction Approval/ Certificate of Occupancy			✓	Page 39	varies	Larger projects typically schedule a pre-construction conference with District Mgr.
Storm Water Pollution Prevention Plan (SWPPP)			✓	N/A	varies	See page 84-research City internet site for "Storm Water"

Attendance Sheet

Project: Dilworth Estate on Denley south of Lynnhaven Ave.

Date: Monday, May 9, 2005

Time: 10:00 A.M.

Development Coordination Meeting

Name	Organization	Phone	Fax	Email
ELIAS RODRIGUEZ	Construction Concepts	214-946-4300	214-946-4307	energyinspector@yahoo.com
SHOLA MORAHUNFOLA	OKM Engineering, Inc.	214-941-9412	214-941-9445	CIVIL ENGINEERING.COM
HERB FRISON	FRISON DEV. LLC	972-381-8588	972-381-8832	hfrison54@yahoo.com
Antonio Vargas	Tony's Construction	214 236 1815	214 688 1023	Darry Vargas @ Msn.com
JACK GURAMA	DDP - ZONING	214 948 4457		kgurera@maui.cidarkf.com
CHAU NGUYEN	DS/ENGR	214. 948. 4155		TK. US
Philip Truitt	Designer/Architect	214-948-4117		
Paul Nelson	Dev Serv/Architect			
Paul Nelson	Subdivision	2/948 4452	2/948 4355	
Doriam Franklin	Dev Serv/Architect	942-4602	948-4211	

The purpose of predevelopment meetings is to explain City policies, strategize and explore alternatives to the various procedures involved in the land development process. The attached checklist includes many of the required development processes. Persons who attend predevelopment meetings are encouraged to review the checklist for issues that could significantly impact the development. At any time in the review process the city reserves the right to express additional comments/concerns regarding this development when the actual plat and/or engineering plan/site plan are submitted. In addition, meeting notes provided by developers, property owners, engineers, architects or their agents are not formally accepted or replied to by the staff attending predevelopment meetings. City ordinances in effect at the time of permit application will be the determining factors in permit issuance.

a neighborhood plan...



DILWORTH *Estates*

Mauriel Williams
H & W Cleaning
972-247-1354

James Jackson
Apex Lending
714-841-9308

project summary...

Dilworth Estates presents a private development to target a modestly served market of moderate income first-time home buyers and apartment renters, that strives to enhance the revitalization strategy of greater south Dallas while undertaking a sound business opportunity. It will achieve community and private goals by offering quality affordable housing to a community segment whose only available public subsidy is private mortgage insurance and United States Department of Housing and Urban Development (HUD) Down-Payment Assistance under their HOME Investment Partnership Program.

Significant short and long term benefits will be derived from this simple but effective private approach targeting moderate income families, which soon will be embraced by communities across America. Promoting home ownership, job creation, job training, support of construction/supply services, and support for local commercial development will reap multiple and lasting benefits. This success will be passed on to the citizenry, local and municipal governments through increased employment for residents, increased tax revenues for the municipalities, and increased supply and consumption of consumer products.

In this document we have presented a conceptual model of Dilworth Estates, a modest gated community development of 16 new homes. This community development will provide good value for potential buyers, through extensive use of landscaping in small pocket parks, through security in form fencing and gates, and by providing walks and trails to improve the livability and community personality. Homes will range in size from 1200 to 1500 square feet, include a garage, and will be offered with either 3 bedrooms, or 2 bedrooms with a den, the type of homes most in demand. Selection of 3 bedroom and 2 bedroom designs will be based upon pre-marketing/pre-sale demands. Average prices will approximate \$120,000.

Estimated costs are itemized in the included spreadsheets, with sales projected in the summary sheet. Clearly Dilworth Estates represents a financial opportunity, but one that will benefit the community as well. That said, we wish to proceed as soon as practical to address our target market segment of moderate-income first-time home buyers and apartment renters.

The data available for the low-moderate income target community segment is quite comprehensive and pertinent, in that it identifies the same needs for low-income families as there exists for those families considered at the upper limit or the low/moderate-income community segment. A more detailed analysis of the demographics is further discussed in the appendix entitled "Dallas Affordable Housing Partnership" (source document, The Enterprise Foundation, Enterprise Resource Database)

Respectfully Submitted,

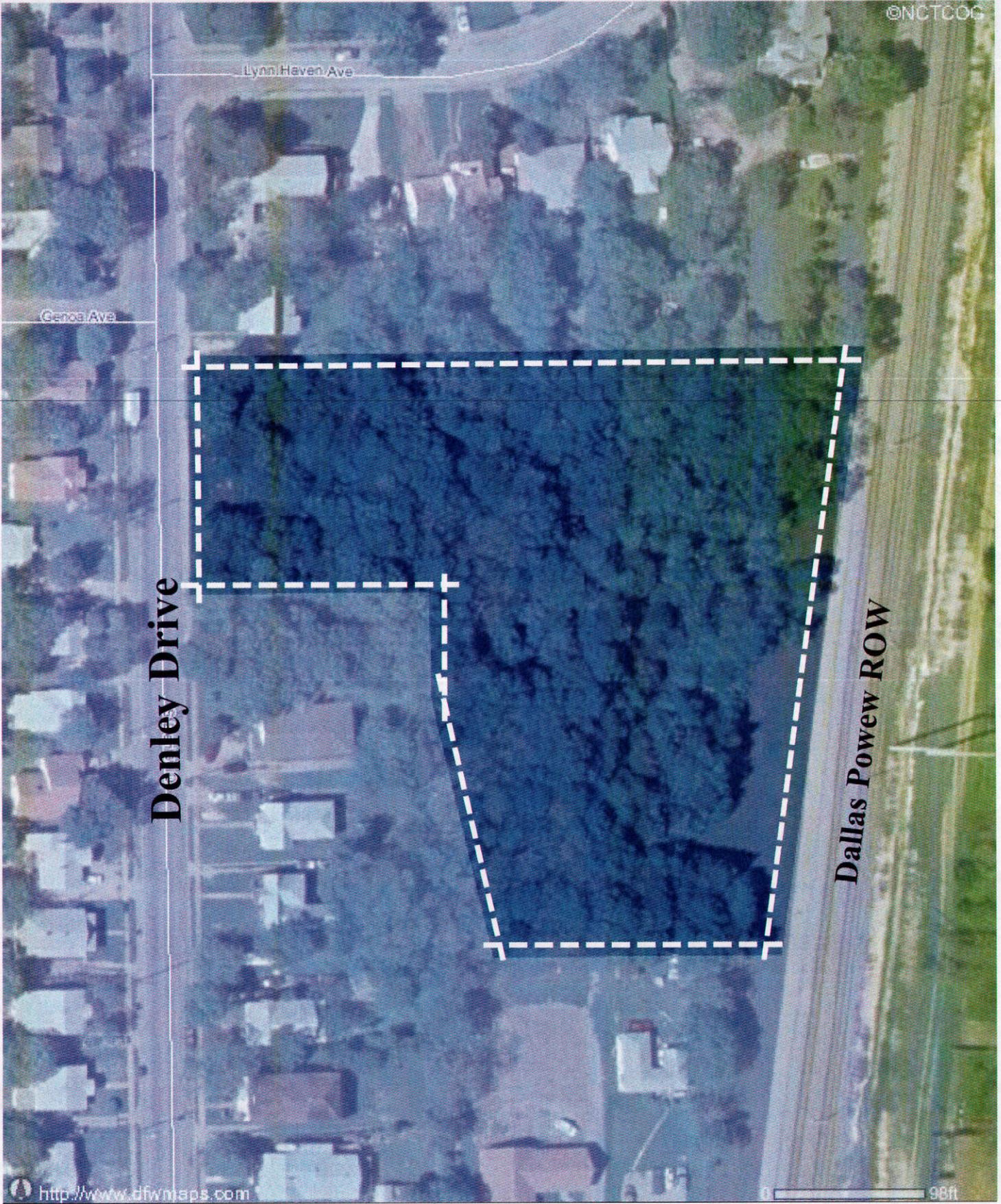
Herb Frison

Frison Development, LLC

a neighborhood plan...

DILWORTH *Estates*

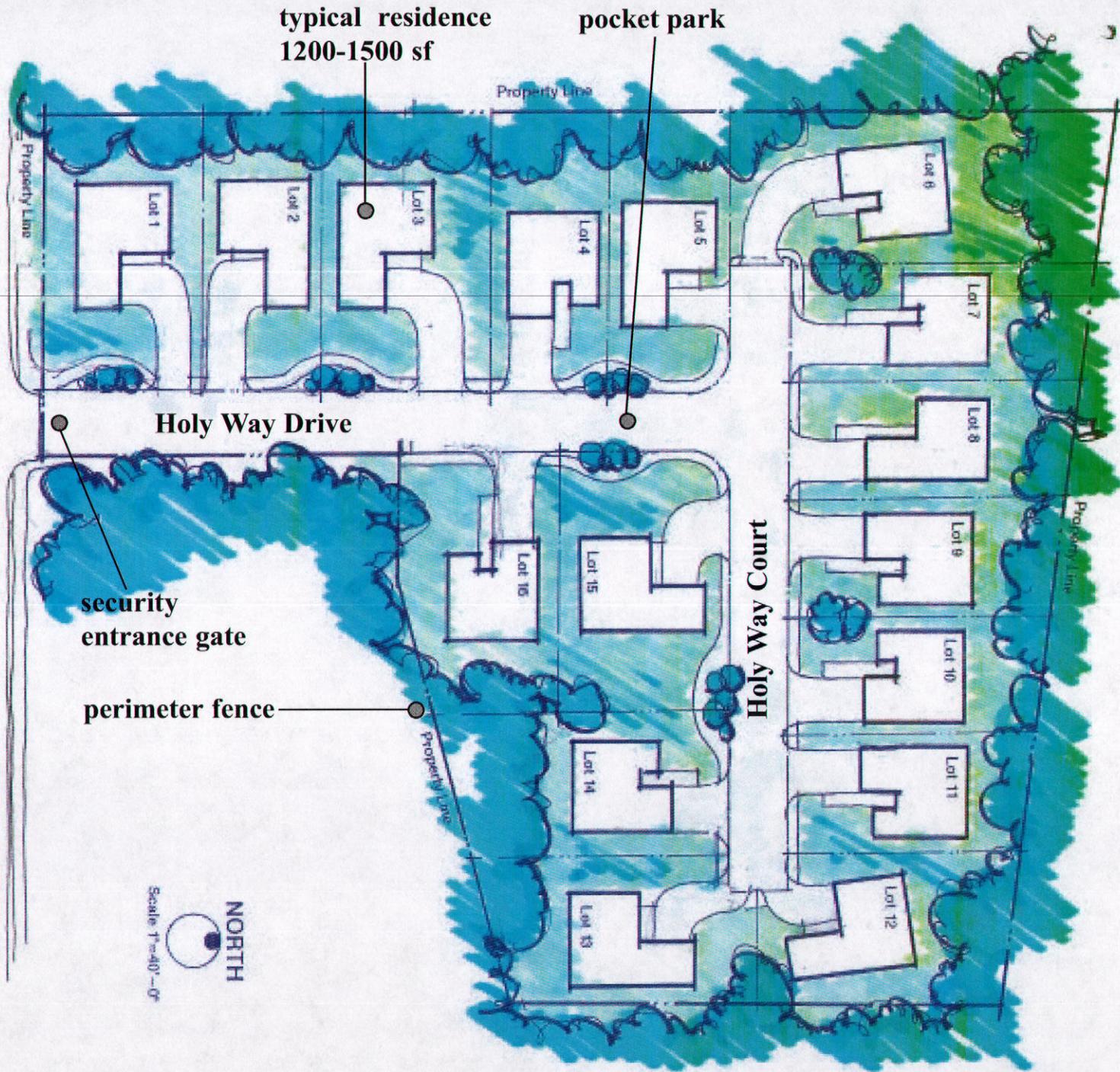
page 4...	Aerial Photo
page 5...	Site Plan
pages 6-9...	Proposed single family homes
pages 11-13...	Cost and Sales Projections



Denley Drive

Dallas Power ROW

Denley Drive Property



typical residence
1200-1500 sf

pocket park

Holy Way Drive

security
entrance gate

perimeter fence

Holy Way Court

NORTH
Scale: 1"=40'-0"

DILWORTH

Estates

the..... ParkSide

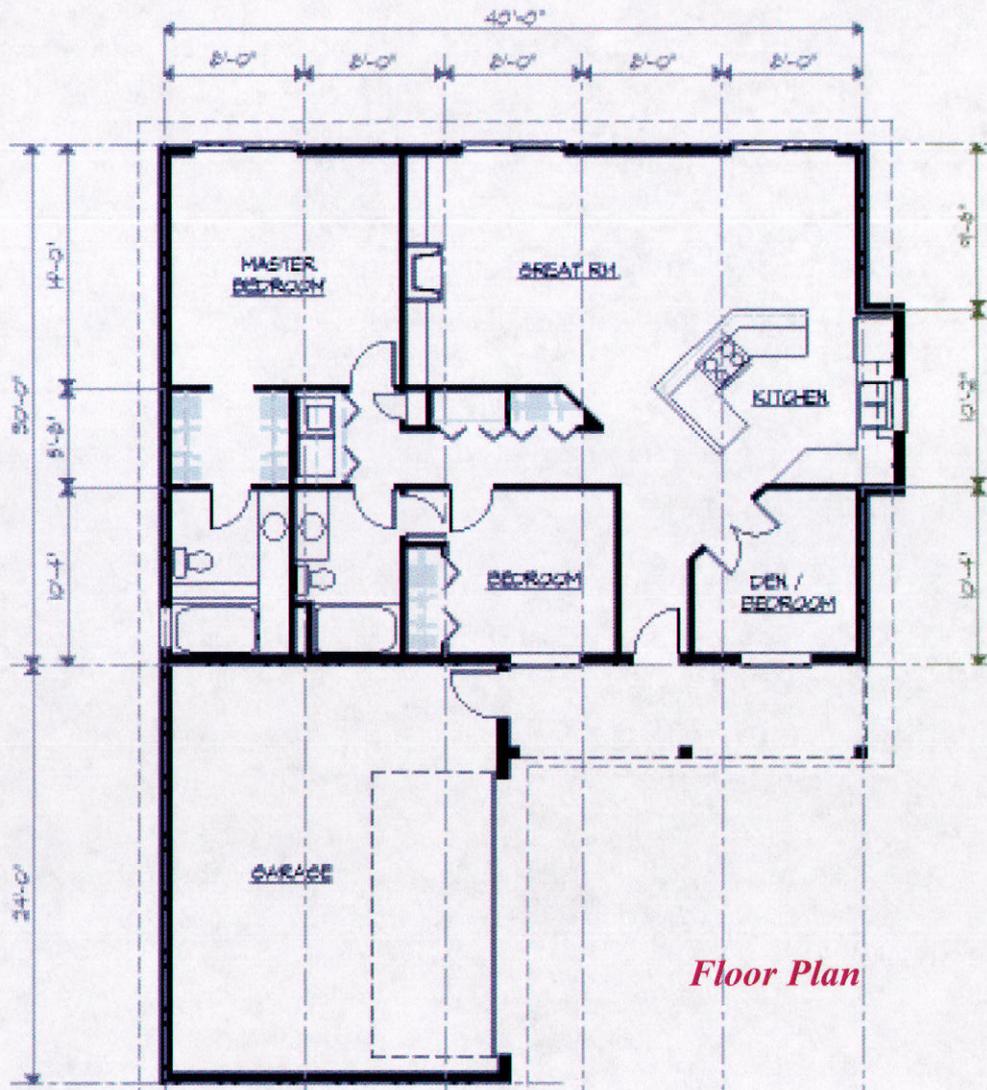


Sizes:

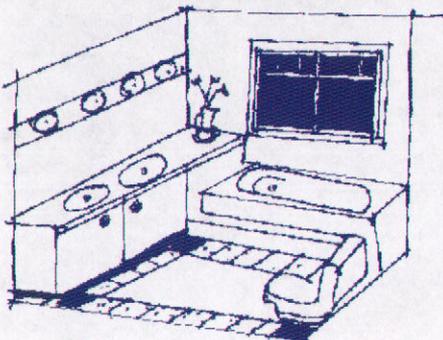
- Area available: 1200sf-1360sf
 - Width : 40'-0"
 - Depth : 30'-0"

Features:

- optional kitchen layouts
- optional 2 or 3 bedroom layouts
- separate or attached garage
- optional carport



Floor Plan

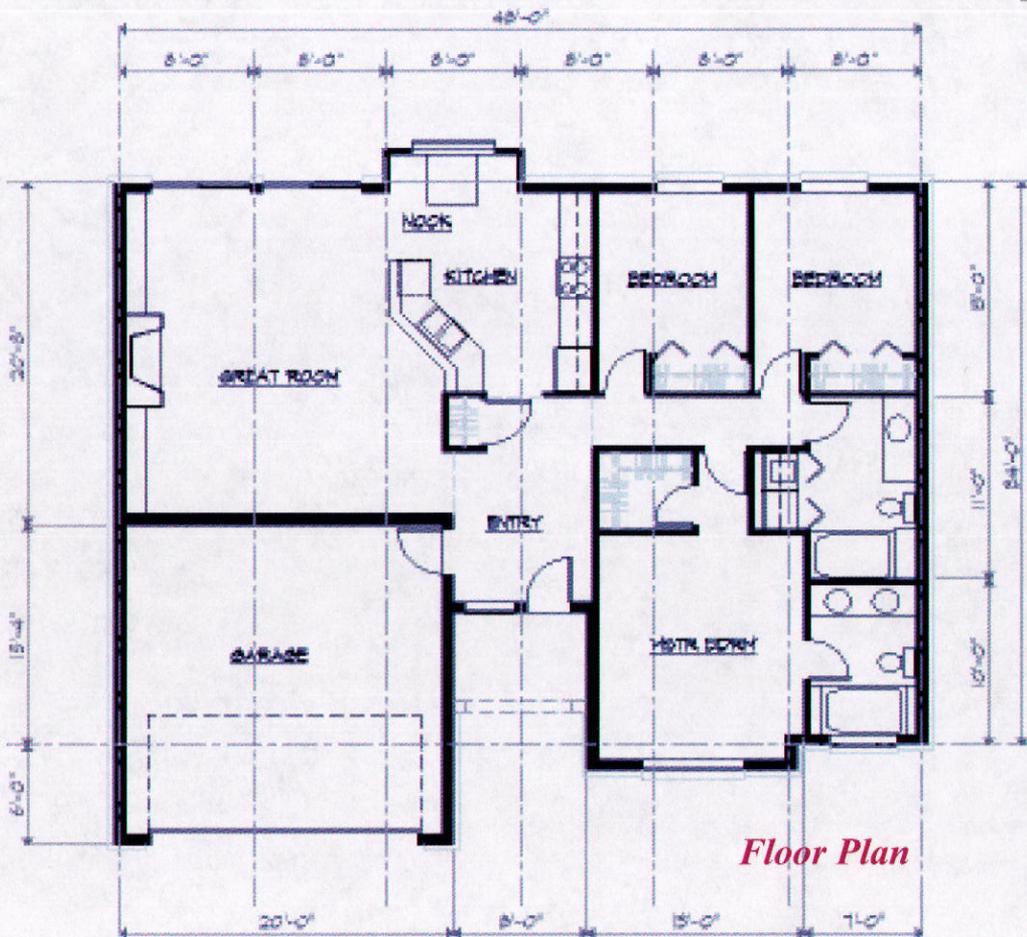


Master Bath

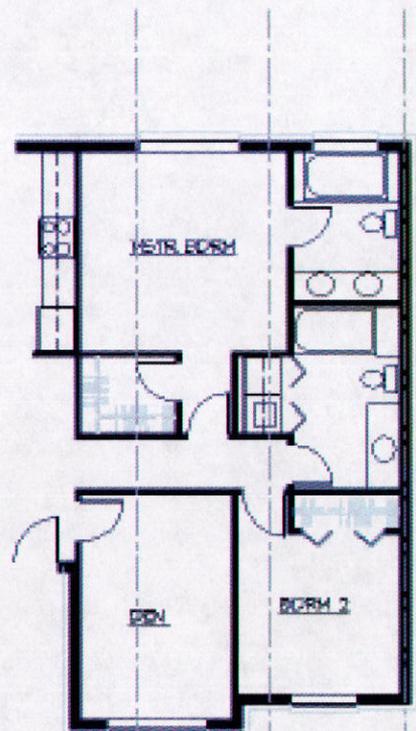


The Whitmoore

- Area available: 1100sf-1400sf
- Width : 48'-0"
- Depth : 40'-0"
- optional kitchen layouts
- optional 2 or 3 bedroom layouts
- optional fireplace



Floor Plan



optional bedroom layout

Sizes:

- Area available: 1060sf-1340sf
- Width : 40'-0"
- Depth : 36'-0"

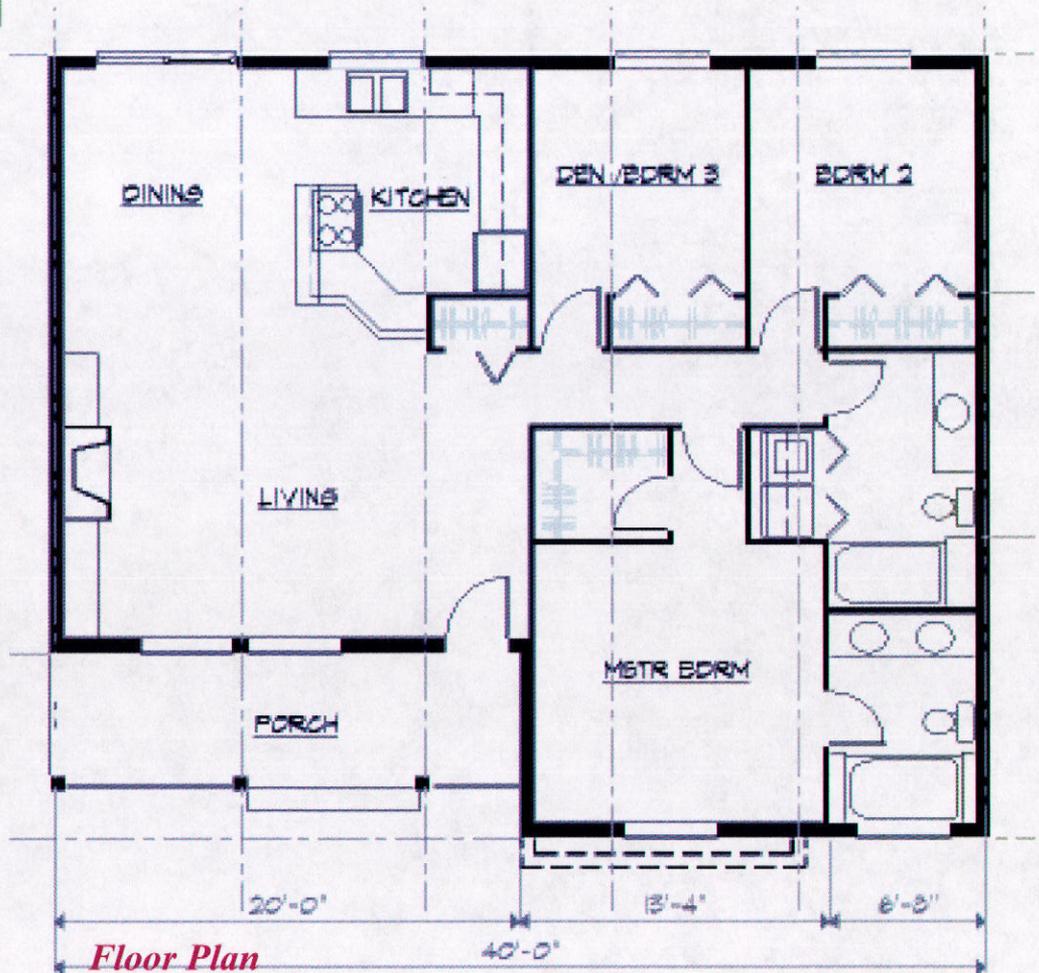
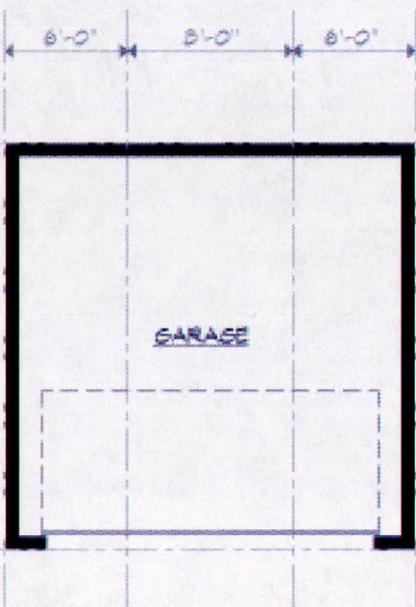


The Chadwick



Features

- optional 2 or 3 bedroom layouts
- optional fireplace
- separate or attached garage
- optional carport



Project Team

Developer:

Frison Development, LLC

Herb Frison, President

7605 McCallum Blvd. Suite 203

Dallas, Texas 75252

(972) 381-8588

Consultant Developer:

Pacific Rim Development Group International

Tacoma, Washington

Dr. Charles A. Horne, President/CEO

John Eddie "JJ" Jones, Senior Vice President

(253) 473-0515

Architects:

Snodgrass Freeman Associates, AIA, Inc.

Gig Harbor, Washington

Kenneth D. Snodgrass, Principal Architect

David J. Freeman, Principal Architect

(253) 851-8383

Site Development Engineering:

Pate Engineers, Inc.

8150 Brookriver Drive,

Suite S-700

Dallas, Texas 75247

(214) 357-2981

Insurance Services:

Herb Frison Insurance Agency,

Herb Frison, President/Senior Principal

7605 McCallum Blvd. Suite 203

Dallas, Texas 75252

(972) 381-8588

Dilworth Estates



Appendix

Dallas Affordable Housing Partnership

Helping Families Build Assets: Nonprofit Homeownership Programs

Dallas Affordable Housing Partnership

Helping Families Build Assets: Nonprofit Homeownership Programs

Program Highlights

Target Area:	City of Dallas (population 1,036,309)
Program Goal:	Assist low-income home buyers
Major Elements:	Deferred payment second mortgage loans First mortgage loans from lender consortium Referral to home buyer counseling and training
Average Client Incomes	\$24,000
Typical Home Price:	\$63,000 (existing); \$75,000 (new) before subsidies
Year Started:	1991
Other Programs:	Capacity-building with nonprofit housing providers Hope 3 program Loans to multifamily housing projects
Staffing:	5 fulltime equivalent staff members
Annual Output: (1995-1996)	400 clients buying homes
Funding:	HOME funds from City of Dallas State housing trust fund CDBG program income Fees from participating banks Lender consortium (first mortgages) Federal Home Loan Bank

Overview

The Dallas Affordable Housing Partnership (DAHP) began in 1991 as an initiative of The Enterprise Foundation, the City of Dallas, and a consortium of private lenders. The intent was to bring more private financing into affordable housing programs in Dallas.

Five years later, DAHP is among the nation's highest-volume nonprofit-sponsored programs that assist low-income home buyers. In fiscal year 1995-1996, 400 home buyers received financial help. From the program's beginning in 1991 through September 1996,

1,021 deferred payment second mortgage loans have been made with over \$7.5 million in funds provided by the City of Dallas, leveraging over \$40 million in private financing.

As initially designed, DAHP was a separate legal entity that originated first mortgage loans for a consortium of local lenders. It was staffed by The Enterprise Foundation. Initially, DAHP originated single-family first mortgage loans using a line of credit from one of the participating lenders. DAHP also made soft second mortgage loans using HUD subsidy funds provided by the City.

As the program evolved, DAHP's managers learned that it was more efficient for the participating lenders to originate the first mortgage loans. Today, the program focuses exclusively on providing second mortgage financing for low-income home buyers in tandem with first mortgage lending from DAHP member-lenders.

The program is very streamlined. DAHP markets the program to banks and real estate brokers, who in turn help DAHP market the program to clients. Loan officers of the lending institutions take the applications for the program. Outside agencies provide counseling and training to prospective homeowners. Property inspections are performed by certified home inspectors, while an Enterprise inspector audits and reviews inspections.

As with most second mortgage programs, DAHP's helps to overcome the inability of clients to make conventional down payments. The borrower needs to contribute only three percent of the purchase price, while the DAHP second mortgage loan makes up another 20 percent. And because the first mortgage principal is reduced and no payments are due on the second mortgage loan until resale of the homes, the buyers' monthly housing payments are made more affordable.

In 1995, the maximum home price was increased from \$65,000 to \$80,000 and the maximum second mortgage loan amount from 10 percent to 20 percent. The maximum borrower income has been raised from 50 percent of median income to 80 percent.

The program is staffed and administered by The Enterprise Foundation's Dallas office, with the City, lenders, foundations, and Enterprise covering the operating costs. The Dallas Enterprise office also provides technical assistance and financing to local nonprofit housing developers with funding from HUD's HOME program, the National Community Development Initiative, and other sources. For every new home built for sale by nonprofits (these are currently small in number) DAHP generally provides first and second mortgages to the buyer.

Prior to the creation of the DAHP program, the City and lenders were frustrated in their efforts to increase homeownership among low-income families in Dallas. The City has a remarkably low rate of homeownership (44 percent versus 64 percent nationally), and the prevalence of homeowners tends to be even lower in low-income, inner-city neighborhoods.

In the early 1980s, the City had little involvement in housing development, even though it directly operated home repair programs financed with HUD funds and helped finance moderate-priced housing by issuing mortgage revenue bonds.

During much of the 1980s, the City searched for an effective strategy to expand its housing efforts and help revitalize declining areas. By the late 1980s, some growth in affordable housing production began to occur, particularly by nonprofits working with Enterprise. Even then, the production was mostly focused on multifamily housing. Because so much of the housing stock in low-income areas is investor-owned, many apartment buildings were distressed and crying out for attention, and the apartment buildings were easier to package and finance than scattered site single-family homes.

Pioneering in a Challenging Environment

In the mid- to late 1980s, the City had several contracts with nonprofit organizations and private lenders to help assist more low-income home buyers. But output was meager, and the City searched for other solutions. One of the obvious problems at that time (as in many cities) was the lack of any organized system for marketing first mortgage loans to low-income buyers and tying in special second mortgage financing. Community investment loan products were virtually unknown in Texas in the 1980s, and lenders were very shy about making loans to families with marginal incomes.

So in 1990, Enterprise proposed a new system to the City and a group of interested lenders. It was modeled after other successful homeownership assistance programs operated by Enterprise-affiliated organizations, in these ways.

- The soft second mortgages resembled those used in Baltimore and a number of other cities that had achieved success with inner-city housing development programs.
- The DAHP group of lenders was similar to lending consortia being launched in a number of cities at that time.
- A small but growing stream of single-family loans from community reinvestment programs was being sold to the secondary market, a nationwide trend that promised nearly limitless sources of capital for these programs.

Fannie Mae was closely involved in the design of the program, and as a result promised to buy its loans. Even so, the soft seconds and low down payments, which were approved by Fannie Mae, were thorny issues for local lenders. Some were concerned that foreclosures would be higher than average because buyers would have very small financial stakes in their new homes.

During the program's startup in the early 1990s, there were other complications. In Texas, overbuilding in the 1980s led to a decline in the real estate and banking industries. This regional real estate recession was more severe than the national one. As a result, some banks failed, and many others were bought out by larger banking firms. The turmoil in the

industry made it appealing for Enterprise to originate the first and second mortgage loans and sell the first mortgage loans to Fannie Mae.

But by 1993, the participating lenders had all developed "affordable" lending products. Enterprise then could convince lenders to take on more program functions. Enterprise stopped originating first mortgage loans. Instead, clients were referred directly to lenders. Now, the lenders also process much of the paperwork for the second mortgage loans.

Enterprise coordinates the overall effort, certifies client incomes, ensures that the homes are properly inspected, approves the second mortgage, and manages the portfolio of second mortgages.

Market Analysis

The City

Dallas, with just over one million residents, has grown steadily over the years to become the nation's seventh largest city. Along with Fort Worth and Arlington, it is situated in one of the country's major metropolitan areas, which has a population of over four million.

The following table lists key demographic and economic data for the city:

	Dallas	USA
City population	1,006,877	
Population growth, 1980s:	13%	12%
Percent African American:	29%	12%
Percent Hispanic:	21%	9%
City median income, 1990s:	\$27,489	\$30,056
Metro median income, 1996:	\$48,300	\$41,600
Unemployment rate:	6.9%	6.7%
Poverty rate:	18%	13.1%
Median home value:	\$78,800	\$79,900
Home value increase, 1980s:	78.3%	67%
Median monthly rent:	\$426	\$447
Homeownership rate:	44.1%	64.2%
U.S. Census, 1990; 1996 median income from HUD.		

In the 1900s, Dallas grew and thrived on the prosperity of the oil, land development, and cattle-raising businesses. But as with many cities in Texas and the West, much of its growth occurred during and after the war-time 1940s.

During the 1980s, despite a decline in the oil industry that led to a severe regional recession, Dallas' population still grew by about 1.3 percent a year--about the same rate as the nation as a whole.

As the statistics indicate, Dallas is a multicultural city. Like many of the larger midwestern and Texas cities in this study, Dallas has been a mecca for African Americans emigrating from the agricultural areas of East Texas and the deep south--largely as a result of the mechanization of cotton-growing and other agricultural businesses after World War II. Spanish-speaking people from rural Texas and Mexico have followed similar paths, leaving subsistence farms for the lure of jobs in the city.

The DAHP program almost exclusively serves minority home buyers. In September, 1996, 88 percent of clients approved for loans were Hispanic, and 11 percent were African American.

Boom and Bust Cycles

Historically, housing affordability in Dallas has been subject to wide swings as the city has experienced the notorious Texas boom and bust cycles. Economic prosperity (as in the oil boom of the early 1980s) quickly attracts new residents in search of jobs and tightens up the housing market. The real estate industry then over-builds, leading to sometimes dramatic drops in rents and home values. For example, during the 1980s, the number of households grew by 13 percent, but the number of housing units grew six percent faster.

These ups and downs have had major effects on low-income families and neighborhoods. For example, in 1984, over 2,000 families had federal Section 8 rental subsidy certificates in hand but could rarely find apartments that would accept them--and then almost never in the suburbs. In contrast, by 1990, suburban apartment owners experienced high vacancy rates and were advertising for Section 8 tenants.

Home values increased by 78 percent from 1980 to 1990, the second highest increase of any city in this study (only neighboring Fort Worth had a bigger increase). A much larger increase occurred before 1987, only to be reduced by a deflation in housing values during the late 1980s.

While the over-building of the late 1980s brought a little relief to low-income families, it had some negative effects on inner-city neighborhoods. Some stable, long-time residents found less expensive housing elsewhere and moved out. This created a negative winnowing effect that left the inner city with a higher percentage of families in poverty and resulting social problems. Some pockets of West Dallas and South Dallas experienced serious abandonment of housing. Today, most of that abandoned housing has been rehabbed, torn down, or reoccupied, although much of it is still in substandard condition.

Many housing developers and their lenders were also hurt by the housing recession in the late 1980s. Until recently, the Dallas-Fort Worth housing market had one of the largest inventories of foreclosed homes, apartment properties, and residential land in the country.

The housing market has since stabilized with the lower interest rates and steady economic growth of the 1990s. But despite a better environment for homeownership, Dallas is still a city of renters. As of the 1990 census, its homeownership rate was the second lowest of any city in this study.

But a low percentage of homeowners is more an opportunity than a problem in an entrepreneurial city that knows how to build and sell homes in large numbers.

Operations and Financing

Marketing

Since DAHP has always aimed to be a high-volume program, marketing is a high priority. When the program was originating both first and second mortgages, the enormous task of marketing a new program to the entire city was one of the factors that held back the program's growth. Also, because the program was trying to "do everything," it got a reputation with real estate brokers as being slow and cumbersome.

These marketing problems have lessened since the program was approved by Fannie Mae, lenders began originating the first mortgage loans, and the second mortgage loan processing was streamlined.

The 15 participating lenders market the program through all their branch offices. Enterprise staff members train the staff of participating lenders. And on a monthly basis, the lenders and Enterprise conduct seminars for real estate brokers, who bring most of the clients to the program. The seminars are used to explain the income criteria, the formula for funding second mortgages, and other aspects of the program.

Enterprise staff also attend housing fairs sponsored by various organizations in Dallas and pass out fliers at public celebrations and neighborhood events, often on a weekly basis.

Financing of Homes

The lender-members of DAHP are as follows (those marked with asterisks were founding members):

Bank of America, Texas*
Bank One, Texas*
Bank United of Texas*
Comerica Bank*
Compass Bank*
Fannie Mae

GMAC Mortgage Corporation
Guaranty Federal Bank*
Jefferson Mortgage
NationsBanc Mortgage Corporation(Now Bank of America)*
Norwest Mortgage
Savings of America
Summit Mortgage
Sunbelt National Mortgage Corporation
Texas Commerce Bank*
Wells Fargo Bank (formerly First Interstate* in Texas)

The majority of DAHP first mortgage loans have low market interest rates. In addition, some members offer portfolio products (held in their own portfolios and not sold right away) with rates as much as a percentage point below market. Many of the members waive some fees. About 90 percent of the loans are sold to Fannie Mae.

All of the participating lenders offer very low-down-payment products, requiring only three to five percent of the purchase price. Fannie Mae requires only a three percent down payment.

For qualified low-income clients, DAHP makes a second mortgage loan for up to 20 percent of the sale price of the home, or appraised value (whichever is lower). Since home purchase prices are capped at \$80,000, the maximum loan amount is \$16,000. The average second mortgage loan is about \$11,500. The loans are made at zero percent interest, with all repayments deferred until the property is resold, leased, or the title is transferred. The loans are funded with federal HOME funds passed through the City of Dallas to the program.

Currently, these loans must be repaid when homes are resold, but the City is considering a change that would make the loans forgivable over time.

Typically, a minimum three percent down payment is required by lenders. On a \$60,000 home, closing costs (including prepaid interest, homeowner's insurance, and property taxes) average about \$2,800. Down payments average about \$1,800, for a total average cash requirement of about \$4,600. About 90 percent of DAHP clients get \$2,000 in closing cost assistance from the City, bringing the cash-to-close down to about \$2,600.

The City has asked Enterprise to consider merging DAHP second mortgages and closing cost assistance into a one-stop program.

Most of DAHP's second mortgage loans are funded with the City's HOME entitlement grant. DAHP is a component of a broader HOME-funded and Enterprise-managed program called the Revolving Loan Fund. Also, Enterprise uses program income from repayments of multifamily project loans that were made with Community Development Block Grant (CDBG) funds.

Qualification for Assistance; Underwriting Criteria

To qualify for assistance, a client's household income must be below 80 percent of median income. This translated to \$38,650 for a family of four in 1996.

To qualify for the DAHP second mortgage loan, the home purchased must be a one- to four-family structure located within Dallas. The home must appraise for at least 100 percent of the combined first and second mortgage amounts.

The standard Fannie Mae product offered by many of the lenders has flexible underwriting ratios--a maximum 33 percent of income for housing payments and 38 percent for all installment debt.

Other eligibility requirements for the second mortgage loan are as follows.

- Borrowers must successfully complete either a home buyer training course provided by a DAHP-approved organization or a take-home workbook.
- Borrowers must provide at least \$500 out of pocket toward the purchase or meet the member-lender's minimum requirement. This requirement applies to clients who are using special portfolio first mortgage loan products that require very low cash-to-close amounts.

Intake and Screening

Most prospective DAHP clients have a home under contract when they apply for the program. Real estate brokers refer their lower-income clients to DAHP and perform a limited amount of prescreening. Most clients could not buy the homes without DAHP assistance, so brokers must be able to plug in the correct second mortgage amount and roughly screen for income eligibility.

Formal intake and screening functions for DAHP are performed by the lender in tandem with the application for a first mortgage loan. Funds for a DAHP second mortgage can be reserved for clients by a faxed application from the lender. The bank then forwards an abbreviated loan package to The Enterprise Foundation office, which is responsible for certifying that clients' incomes are at or below the maximums allowed by the HOME program and approves the second mortgage. In some cases, the lender's information is considered sufficient for qualification. If there are any inconsistencies, Enterprise staff asks the bank to perform further verifications.

When purchase contracts are being negotiated and loan applications made, Enterprise staff fields a high volume of phone calls from real estate agents and lenders to explain the fine points of the program.

Homeownership Training and Counseling

DAHP does not directly offer financial counseling or homeownership training. Instead, clients are referred to DAHP-approved training programs or they complete a take-home workbook published by Fannie Mae. The majority of clients complete the workbook rather than attend training. About 30 percent complete training and counseling offered by the Dallas County Home Loan Counseling Center. Smaller numbers of clients attend training offered by other nonprofit groups.

The County program consists of two to four hours of classroom training, plus referral to individual counselors in some cases.

Home Selection and Inspections

To date, DAHP has almost exclusively financed older, existing homes in the \$50,000 to \$80,000 price range. In late 1996, the average price of existing homes was about \$60,000. More recently, builders have begun producing homes in new subdivisions and on infill lots that meet the program's cost guidelines. A total of about 30 new homes have been financed, with prices ranging from \$65,000 to \$79,000.

The 1,021 homes financed by DAHP up to September 1996, are located throughout Dallas, with no obvious concentrations in any one neighborhood.

Before any client can close on a home purchase, the property must be certified as meeting HUD's Housing Quality Standards (HQS). An approved inspector must conduct the home survey, which costs about \$150 and is paid as a closing cost expense. In addition, a termite inspection company, paid by the seller, must certify that an existing home is termite-free. For new homes, the builder must provide evidence of soil treatments and other measures taken to prevent termite infestations.

In the early days of the program, Enterprise staff performed all the home inspections. As the volume of loans increased, a decision was made to use certified inspectors rather than add new inspectors to the staff. To control quality, the Enterprise inspector accompanies outside inspectors on the first five houses they inspect and audits 20 percent of their visits thereafter. Also, to be approved for the program, inspectors must successfully complete a training session with the Enterprise construction manager. In this way, inspectors new to the program receive on-site training in HQS compliance.

If HQS-related repairs are needed, sellers are required to complete them before closing (often as a condition of the sales contract). In this event, a certified and Enterprise-trained and approved inspector must certify HQS compliance before closing can take place.

Loan Collections and Post-Purchase Counseling

No formal study has been done to determine delinquency and default rates among DAHP clients. Staff members say that lenders are reporting these problems at normal rates.

Long-Term Affordability Controls

Each home purchased with a DAHP second mortgage is subject to a 15-year resale restriction (20 years for new construction) that tracks the requirements of the federal HOME program. If the home is sold during that period, it must be sold to a purchaser earning 80 percent or less of the Dallas area median income. However, if the second lien is repaid in full before resale, the income restriction is lifted.

Administration

Management and Staffing

The Enterprise Dallas office has a staff of 10, of which five fulltime equivalent positions are assigned to work on the DAHP program, as follows:

Dallas office director (half-time)
Single-family program manager
Loan administrators (2)
Single-family construction manager
Administrative assistant (half-time)
Two of the staff members are African American and one is Hispanic.

Board of Directors

In the early days of the DAHP program, its board of directors oversaw a separate legal entity. While administered by Enterprise staff, all funds passed through this separate corporation. But when the program stopped originating first mortgage loans, this separate legal and financial entity was no longer needed.

Nonetheless, the 15-member DAHP board has continued meeting and remains active in advising the program. The board makes decisions on admitting new lender-members. Out of concern for the long-term quality of the program, a group of board members is currently evaluating the homeownership training and counseling component. There is a consensus that this could become more effective.

Administrative Costs and Funding

The annual administrative cost of the program is about \$300,000. Salaries and other personnel-related costs total about \$220,000.

Most of the administrative costs of the program are funded with HOME dollars from the City of Dallas. The administrative costs of the program were not made available.

Lessons Learned

Strengths of the Program

Among all local nonprofit-sponsored programs that offer special financing to low-income home buyers, DAHP may well have the highest annual output, having helped 400 families in its most recently completed fiscal year.

Several factors contributed to this success:

- Turning over origination of first mortgage loans to individual lenders in the DAHP program, rather than trying to centralize this function.
- The strong support of Fannie Mae, which buys about 90 percent of the first mortgage loans.
- Substantial funding for the second mortgages from the City of Dallas. In the last fiscal year, over \$4 million in HOME funds were made available and used.
- Raising the maximum loan amounts, maximum allowed home prices, and maximum income limits for the program.
- Streamlining the processing of the second mortgage loan--primarily by using a portion of the first mortgage loan application package as the application for the second mortgage.

The program has also been resourceful in adapting to changing conditions. When the program began, the local lending industry was in the throes of consolidation and had very few special lending products to offer low-income home buyers. Thus, the program directly originated loans for a period of time and sold the loans to Fannie Mae.

As lenders added more flexible loan products, DAHP stopped originating first mortgage loans and began its move toward streamlining. More than any program in this study, DAHP relies on the energy of private, for-profit businesses to propel the program forward.

Achievement of Goals

DAHP sets annual goals as part of its contract with the City of Dallas. While in the past these goals were sometimes not achieved, 1996 saw the full effects of the streamlined approach. The program promised to close 375 loans in the past program year and exceeded that goal by 25 loans.

Hopes and Fears for the Future

Looking toward the future, the program's managers and the lenders on its advisory board will try to move in two directions: 1) further streamlining, and 2) increases in quality.

With regard to streamlining, the City of Dallas in mid-1996 asked Enterprise to develop a proposal for a one-stop program that would incorporate closing cost assistance, a deferred-

payment second mortgage, and home buyer education. A plan is being worked on and will be presented to the City.

Regarding quality, DAHP wants to improve the training and counseling offered to clients. There is some concern that the take-home workbook is not sufficient to prepare all the clients. Also, DAHP wants to comply with any new lead hazard inspection and abatement procedures that may be required by federal laws and regulations.

Success has created some other challenges. Because of the high volume of loans being made, additional funding sources will be needed for the second mortgage loans.

As it confronts these opportunities and challenges, DAHP will continue to be a useful model for assisting large numbers of clients with very low internal overhead costs.

Information Sources

For more information, contact:

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While the forgoing section on the low-income community is dealing with “The Enterprise Foundation Enterprise Resource Database’s **Dallas Affordable Housing Partnership Helping Families Build Assets: Nonprofit Homeownership Programs;**” the Dilworth Estates Planned Unit Development, the Herb Frison Insurance Agency and the Herb and Rita Frison Family are simply a part of the for-profit private citizens community who recognize a problem and offer assistance to provide a viable and profit oriented solution.

Respectfully submitted,

Herb Frison,

Dilworth Estates

Site Development Costs

Direct Site Costs

Water Distribution System		unit	quantity	unit price	TOTAL
1	PVC Waterline	LF	565	10.00	\$9,040.00
2	Waterline by Bore	LF	0	125.00	\$0.00
3	8" Gate Valve & Box	EA	2	700.00	\$1,400.00
4	8" x 8" Tapping Sleeve & Valve	EA	1	1,900.00	\$1,900.00
5	Connect to Existing Waterline	EA	0	650.00	\$0.00
6	Fire Hydrant Assembly	EA	1	2,200.00	\$2,200.00
7	3/4" Single Water Service	EA	0	350.00	\$0.00
8	1" Single Water Service	EA	16	400.00	\$6,400.00
9	2000psi Concrete Encasement	LF	0	20.00	\$0.00
10	Adjust Existing Service	EA	0	600.00	\$0.00
11	Remove & Replace Conc. Pvmt	SY	0	75.00	\$0.00
12	Trench Safety	LF	565	0.25	\$141.25
13	Testing (excluding Geo-Tech)	LF	565	0.50	\$282.50
14 Subtotal Water Distribution System					\$21,363.75
Sanitary Sewer System					
1	8" PVC Pipe (0'-10' deep)	LF	580	17.00	\$9,860.00
2	Sanitary Line by Bore	LF	35	150.00	\$5,250.00
3	Additional Line Depth (1LF per VF)	VF	0	2.00	\$0.00
4	4" Service Lines	EA	16	350.00	\$5,600.00
5	4" Diameter Manhole	EA	1	2,200.00	\$2,200.00
6	Cleanout	EA	2	400.00	\$800.00
7	4" MH Over Existing Line	EA	1	2,500.00	\$2,500.00
8	2000 PSI Concrete Encasement	LF	0	25.00	\$0.00
9	Remove & Replace Conc. Pvmt.	SY	0	75.00	\$0.00
10	Trench Safety	LF	580	0.25	\$145.00
11	Testing (excluding Geo-Tech)	LF	615	0.50	\$0.00
12 Subtotal Sanitary Sewer System					\$26,355.00
Storm Sewer System					
1	18" RCP	LF	0	31.00	\$0.00
2	21" RCP	LF	0	33.50	\$0.00
3	24" RCP	LF	30	38.00	\$1,140.00
4	Concrete Flume	SY	0	50.00	\$0.00
5	2-Grate Combination Inlet	EA	0	2,500.00	\$0.00
6	4-Grate Combination Inlet	EA	1	3,200.00	\$3,200.00
7	Junction Box	EA	0	7,500.00	\$0.00
8	Connect to Existing Storm Line	EA	1	750.00	\$750.00
9	Remove & Replace Conc. Pvmt.	LF	0	75.00	\$0.00
10	Trench Safety	LF	30	0.25	\$7.50
11 Subtotal Storm Sewer System					\$5,097.50

Site Development Costs

Street and Alley Paving		unit	quantity	unit price	TOTAL
1	6" Reinforced Concrete Street PVM	SY	1,542	21.50	\$33,145.91
2	6" Asphalt Pavement	SY	25	15.00	\$375.00
3	6" Lime Subgrade Incl. Lime	SY	1,665	3.00	\$4,995.00
4	Temp 6" Asph Transition	SY	0	25.00	\$0.00
5	Concrete Curbs & Gutter	LF	0	7.00	\$0.00
6	Pavement Header	LF	25	8.00	\$200.00
7	Barrier Free Ramps	EA	0	700.00	\$0.00
8	Street Barricade	EA	0	1000.00	\$0.00
9	Guardrail	LF	0	20.00	\$0.00
10	Sawcut & Remove Exist. Curb	LF	65	10.00	\$650.00
11	Pavestone Pavers	SF	0	7.00	\$0.00
12	Traffic Handling	MO	1	3000.00	\$3,000.00
13 Subtotal Street and Alley Paving					\$42,365.91

Excavation

1	Clearing & Grubbing	ACRE	3	750.00	\$2,332.50
2	Mass Grading	CY	15,058	1.70	\$25,598.14
3	Street & Right-of-Way Excavation	CY	771	1.70	\$1,310.41
4	Rough Lot Grading	LOT	16	200.00	\$3,200.00
5	Final Lot Grading	LOT	16	75.00	\$1,200.00
6	Erosion Control	LOT	16	350.00	\$5,600.00
7 Subtotal Excavation					\$39,241.05

Miscellaneous Items

1	Gas	EA	16	450.00	\$7,200.00
2	Street Light	EA	3	2500.00	\$7,500.00
3	4' Electric Conduit	LF	25	10.00	\$250.00
4	Street Signs	EA	2	125.00	\$250.00
5	4' Concrete Sidewalk	LF	146	12.00	\$1,752.00
6	Rock Gravity Wall (3' high)	LF	381	40.00	\$15,240.00
7	Entrance Gate and Fencing	LS			\$24,000.00
8	Thin Screening Wall	LF	381	70.00	\$26,670.00
9	Platting Fee	LS	1	1758.00	\$1,758.00
9 Subtotal Water Distribution System					\$84,620.00

10 TOTAL DIRECT SITE COSTS					\$219,043.21
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Indirect Site Costs

1	Construction Management	6.0% of direct costs			13,142.59
2	Platting Fees	1.0% of direct costs			2,190.43
3	Inspection Fees	2.0% of direct costs			4,380.86
4	Contingency	5.0% of direct costs			10,952.16
5 TOTAL INDIRECT SITE COSTS					\$30,666.05

16 Units

6 TOTAL SITE DEVELOPMENT COST					15,606.83 /unit	\$249,709.26
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Residence Costs

1,300 sf avg.

Direct Costs:		Material	Labor/ Equipment	TOTAL Single Unit
1	Temp. Power		210.00	210.00
2	Clearing / Excavation		1,000.00	1,000.00
3	Footings & Foundation	1,500.00	1,000.00	2,500.00
4	Garage Floor	300.00	300.00	600.00
5	Framing Material	22,500.00		22,500.00
6	Framing Labor		4,500.00	4,500.00
7	Roofing (shingles / vents)	700.00	400.00	1,100.00
8	Windows/Sliders	1,270.00	175.00	1,445.00
9	Exterior & Garage Doors	1,400.00	175.00	1,575.00
10	Siding	1,500.00	1,540.00	3,040.00
11	Plumbing (Rough)	1,150.00	750.00	1,900.00
12	Electrical (Rough)	900.00	600.00	1,500.00
13	HVAC	1,200.00	200.00	1,400.00
14	Insulation	1,250.00	500.00	1,750.00
15	Drywall / Tape / Texture	1,450.00	1,000.00	2,450.00
16	Downspouts & Gutters	250.00	150.00	400.00
17	Exterior Painting	500.00	800.00	1,300.00
18	Interior Painting	550.00	1,000.00	1,550.00
19	Carpets	900.00	750.00	1,650.00
20	Lino /Tile / Vinyl	350.00	100.00	450.00
21	Plumbing Finish	400.00	200.00	600.00
22	Electrical Finish	600.00	180.00	780.00
23	Interior Doors / Trim	800.00	150.00	950.00
24	Cabinets / Hardware	4,500.00	1,500.00	6,000.00
25	Finish Hardware	200.00	100.00	300.00
26	Appliances	500.00	150.00	650.00
27	Concrete Steps/ Drive /Patio	630.00	800.00	1,430.00
28	Clean up		500.00	500.00
29	Landscaping		500.00	500.00

16 Units

30	TOTAL DIRECT COSTS		\$64,530.00	\$1,032,480.00
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49.64 /sf

Indirect Costs

31	Construction Management	6.0% of direct costs		3,871.80
32	Permits	2.5% of direct costs		1,613.25
33	Builders Risk			432.00
34	Contingency	5.0% of direct costs		3,226.50

16 Units

35	TOTAL INDIRECT COSTS		\$9,143.55	\$146,296.80
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7.03 /sf

16 Units

36	TOTAL DIRECT and INDIRECT COST		\$73,673.55	\$1,178,776.80
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56.67 /sf

Cost Summary

Hard Costs

1	Site Development Costs				\$249,709.26
2	Residential Costs				\$1,178,776.80
3	Estimated Hard Costs:				\$1,428,486.06

\$89,280 /unit

Soft Costs

1	H.E.A.T. Consultant	3.0%	of hard costs		\$42,854.58
2	Site Development Engineering	2.0%	of hard costs		\$28,569.72
3	Site planning/ Architectural/ Structural	5.0%	of hard costs		\$71,424.30
4	Estimated Soft Costs:				\$142,848.61

\$8.928 /unit

TOTAL PROJECT COST

\$1,571,334.67

\$98,208 /unit

Sales Projection Summary

Average Sales Price	\$120,000
Average Cost per Unit	(\$98,208)
Gross Profit per unit	21,791.58
Less approximate sales expense	(\$3,600)
Less interest expense per unit	(\$2,946)
Net profit per unit	15,245.33
Net profit 16 units	243,925.29