



Simply put, Downtown Dallas needs more – a lot more – housing. Critical for 21st-century competitiveness, city centers must embrace a diverse array of housing types to attract and sustain a diverse residential base. The increase in residents will be a vital part of the transformation of Downtown.

A diversity of housing for many types of households will help to achieve the overarching housing goal for the Downtown Dallas 360 plan: to build as much quality housing as can be accommodated by the physical space of Downtown and the market demand for urban living. As important as employment, cultural facilities, transit, and other attributes of a Downtown may be, none may have the sustained impact of an active and engaged community of local residents. The past decade has seen numerous additions to the city center’s housing stock – both in new construction and renovations of older buildings. The 360 plan aims to build on that momentum and expand the market by showcasing the many advantages that urban living can provide to households of all types.

A VISION FOR DOWNTOWN HOUSING

Downtown Dallas should strive to be a home for all types of urban dwellers, including students and young adults, families, empty nesters, and retirees. Downtown living should also be accessible to a wide range of income levels, including lower-income and middle-class households as well as the wealthier residents of luxury condominiums and apartments. Residents will become an even more vital part of the urban fabric, supporting new retail and entertainment development, utilizing new recreation facilities, and enhancing security through their round-the-clock presence and engagement. The diversity of residents will also ensure a welcoming and inclusive environment to transform Downtown Dallas into an urban environment on par with other world cities, attracting many cultures, education levels, and economic and artistic pursuits.

EXISTING ECONOMIC REALITIES

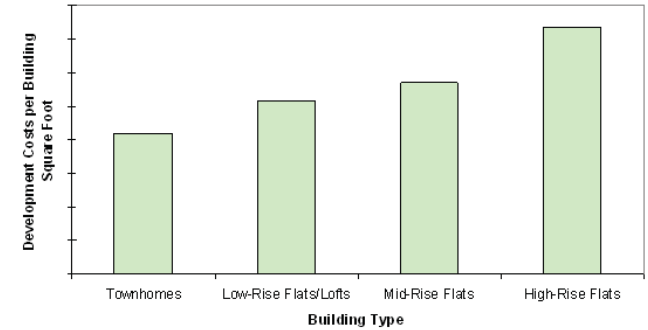
The high prices and successful absorption of recently constructed housing in Downtown Dallas are reflective of two factors: 1) strong demand for Downtown housing among higher-income households, and 2) the costs of development of urban housing types. While the first factor is a positive indicator for future housing growth in Downtown, the second factor is a key constraint on city center housing. Various types of subsidies are available to support housing construction for lower-income households (at or below 60 percent of median income), but more average households do not benefit from most existing subsidy sources. Neither households at the City of Dallas’s median income (approximately \$40,000) nor mean income (approximately \$66,000) can afford most newly constructed units Downtown, due to the high cost of construction. In fact, nearly 40 percent of Dallas households have incomes between \$35,000 and \$100,000 – too high for most units financed with tax credits, but too low to pay prices that typically can support the costs of new construction or rehabilitation.

To understand the financial realities affecting middle-income housing opportunities, it is instructive to understand the costs of housing construction versus the prices and household incomes required to support such costs. While every individual project will have unique design and cost attributes, the chart at right illustrates the comparative costs of development for various newly constructed residential building types, including:

- Townhomes – two- to three-stories with private parking and small private yards
- Low-rise flats/lofts – four- to five stories, woodframe construction and structured parking
- Mid-rise flats – six to 10-stories with concrete and steel construction and podium parking
- High-rise flats – 11+ stories, concrete and steel construction with underground parking

Illustrative Development Costs for Various Residential Types

*Comparative total costs per building square foot including labor and materials, indirect costs, and developer profits, but excluding land
Sources: Dallas area developers, contractors, and EPS



The chart indicates that as the density of the housing increases, the development costs per square foot also increase. This means that lower-density units can be sold profitably at lower prices per square foot than can higher-density units, and therefore represent more feasible housing opportunities for lower- and middle-income households. Still, it is important to recognize that even lower-cost construction types are out of reach for many middle-income households. Due in part to the high costs of construction and land acquisition in certain locations, local developers have reported that most of the newly constructed for-sale housing units Downtown in recent years have been affordable only to households earning \$100,000 or more, which comprise a small segment (about 16 percent) of the City’s overall population. Even for projects built in areas with lower land costs and/or where units have been offered for-rent rather than for-sale, the development costs typically have required household incomes well above average for the City of Dallas.

Some of the recent and future housing development opportunities in Downtown Dallas have been adaptive reuse in older buildings. These projects are important as they make use of existing materials and help to preserve the history and character of Downtown. However, they frequently are more costly and risky than are new



Innovative, small-lot urban infill projects like some located in the Cedars are likely to be viable housing types for middle-income households in southern and eastern parts of the Downtown area.



Adaptive re-use projects such as the Adam Hats building in Deep Ellum retain historic structures but often require significant investment and financial assistance to be economically viable.

construction projects, because of building conditions that must be mitigated and a variety of factors that become apparent only as the projects are underway, rather than being predictable as new construction tends to be. As such, adaptive reuse projects often require even higher prices and income levels than do new construction projects.

Some of the factors contributing to the high cost of Downtown units may change as other improvements occur in Downtown and as urban living becomes still more desirable in Dallas. At the present time, much of Dallas's existing urban housing stock offers larger floor areas than may be found in other cities' downtowns, which may be attributable to the ample opportunities for much larger homes outside of the urban center. To the extent that smaller unit sizes become increasingly acceptable to the market, the costs of construction per unit and the prices at which units can be profitably offered will diminish. Likewise, to the extent that housing with reduced parking or even no parking can be marketable (given the recent and planned improvements to the transit system and/or emerging "niche" markets for car-free households), the costs of development can be diminished by tens of thousands of dollars per unit, bringing development costs closer to levels where middle-income households can afford the units.

EXISTING POLICY AND PROGRAM REALITIES

Dallas already has several programs intended to promote an economically diverse housing stock. For example, housing developments that receive Tax Increment Financing (TIF) have been required to provide 10 percent of their units at prices affordable to households earning 80 percent or less of Area Median Income, or to contribute money so that the City can subsidize similar units on other sites. The City has also used Section 108 loans to support provision of affordable units in private developments and supported private and non-profit developers' applications for State and Federal funding for affordable housing projects. And Downtown Dallas, Inc. has convened a Housing Task Force of experts and stakeholders charged with guiding policy discussions for housing generally and affordable and supportive housing in particular. The 360 plan supports the continuation of all of these initiatives.

The existing Downtown TIF Districts have limited capacity to issue new debt or support new investment in the next few years, due to previous commitments of their resources. However, starting in 2015, more TIF money should become available from these existing districts. The 360 plan recommends that the TIF Districts should be extended. This money can be offered on a competitive basis to housing projects that offer unique advantages such as the incorporation of below-market-rate units, the reuse of a valued existing building, or the development of a catalytic site that is especially important to defining the desired character of a particular District. The TIF resources should be reserved for uniquely beneficial projects with a demonstrated need for subsidy, not just any infill development that seeks assistance. This competitive funding approach can help to avoid the problem of the TIF resources being oversubscribed for projects that do not need them or have marginal benefit for Downtown.

KEY STRATEGIES

With an understanding of the existing realities and trends for the 21st century, the 360 plan recommends the following strategies for growing and diversifying Downtown housing:

1. Create an intown affordable housing development strategy and public private incentive guidelines and criteria for Downtown and its surrounding districts

Downtown Dallas Inc.'s Housing Task Force and the City's Housing and Economic Development Departments should collaborate on a policy framework and document that will guide developers and staff as to the consideration of the levels of incentives for their projects. The finite resources should be allocated according to several criteria, including the proven need for subsidy (via a developer's proforma, as vetted by City staff and outside consultants as necessary), the catalytic effect of each particular development (e.g. is it a rehab of an important older building? Is it on a key site that can help to transform an area?), the number of units created at various income levels, the diversity of those unit types (for singles, couples, families, seniors, etc.), and the total amount of the subsidy and subsidy per unit. Such incentives may include public participation through tax increment financing from existing or new TIF Districts, tax abatements, development fee rebates, new market tax credits, a new TOD incentive level, new City bonds, EB 5, and philanthropic donations that augment the investment of the private housing developers. Where publicly owned property may be offered for housing development, a write-down of the land value may also be appropriate in addition to or instead of actual cash subsidies.

2. Create design and development guidelines that promote diverse, context-sensitive housing throughout Downtown

Downtown's significant population growth in recent years has largely been through additions to upper-income housing stock. For example, even in the currently depressed housing market, over half of the homes for sale in ZIP Code 75201 (including the Farmer's Market, Main Street, Arts District, Victory, and Uptown)

are listed at prices of \$500,000 or more – prices that typically require buyers to have income levels well over \$100,000. While higher-income households may provide the greatest support for upper-end shops, restaurants, and cultural venues, other desired results may be achieved best by providing housing for middle- and lower-income households. Numerous Downtown employers have indicated that the lack of housing attractive and affordable to entry-level employees is a major deterrent to the start-up and growth of creative and professional services in Downtown. Lower- and middle-income workers also have a greater tendency to make use of public transit, so the major transit investments ongoing and envisioned for Downtown could be best supported through the addition of these likely riders.

Looking forward, Downtown Dallas is projected by the North Central Texas Council of Governments (NCTCOG) to grow by as many as 20,000 new households over the next 20 years, indicating demand for many new housing units to meet a variety of needs and price points. However, when planning for how to realize the projected housing demand, Downtown should not be thought of as a homogenous area. In support of a diversity of housing stock and households for an active and inclusive city center, it is appropriate to acknowledge the physical form and economic conditions of various Districts and create neighborhoods that offer a particular character and lifestyle, not merely a random selection of housing options. Appropriate housing types and pricing strategies can differ from District to District, based on factors such as the physically appropriate product types, the types of amenities and services provided, the value of land, etc.

In general, higher density housing is most appropriate in areas where land values are high, neighboring development is of high density and/or quality, and transit is highly accessible now or will be in the future. Such housing typically appeals to upper-income professionals and empty-nesters, who capitalize on the urban and cultural amenities of Downtown living. Lower density housing is more appropriate in areas where existing development is of a smaller scale and where the value of land is lower. More than the higher-density housing types, townhomes and low-rise flats tend to be more appealing to families with children, in addition to the core market of young and older singles and couples.



High-rise condominium towers are most suitable in areas such as Uptown, Victory Park, the Dallas Arts District, and the Reunion/Union Station District, where land values support high-end construction.

Illustration of Appropriate Product Types by District (inside the loop only)

Product Type	Typical Height (Stories)	Typical Density (Units/Acre)	District	Dallas Arts District	Dallas Civic Center	Dallas Farmers Market	Commercial Center	Main Street District	Reunion/Union Station	South Arts District	West End Historic Dist.
High-Rise Flats	10+	100+		■	□	■	■	■	■	■	■
Mid-Rise Flats	5-10	60-100		■	□	■	■	■	■	■	■
Low-Rise Flats/Lofts	3-5	40-75		□	■	□		□	□	■	■
Townhomes	2-3	15-30		□	■						■

■ = Generally appropriate
 □ = Appropriate at select locations

Recommended housing types for each Core District in the CBD.



Townhomes are appropriate housing types in districts such as Farmers Market, Baylor, Cedars and Uptown.

As identified in the chart at left, the 360 plan recommends that areas with lower land costs such as the Farmers Market, Cedars, and Deep Ellum be targeted areas for middle-class housing, while areas with higher land values such as Main Street and the South Arts District should be targeted toward upper-income households. To some extent, these outcomes are likely to be supported by market forces even without significant planning intervention. However, public decisions regarding project and design approvals, infrastructure investments and designs, and financial assistance for private projects should refer to the chart below as indicators of the types of housing and urban environments that may be appropriate and worthy of support.

With the chart at left as a guideline, different areas of Downtown can take on different character and roles. The Farmer’s Market area, for instance, would become the primary location for family living inside the Loop in Downtown Dallas, and could be augmented with plazas and parks with play areas, as well as family-friendly retail and businesses. The Reunion/Union Station area, meanwhile, would transform from an underutilized area to a new urban neighborhood – potentially one of the nation’s most unique and attractive new districts, given its proximity to jobs, transit, and the amenities of the Trinity River. As noted on the chart, no district is envisioned to be home to just one type of housing. Rather, each may have a general character (higher or lower heights and densities, more family-friendly or more geared toward smaller households) but still offer a diversity of building styles. Also as noted, certain product types may be “appropriate at select locations,” meaning the unique circumstances of specific sites may dictate a departure from the types that are generally appropriate. For example, a site near a transit station or key intersection in the Farmers Market area may be appropriate for higher density development than may otherwise be envisioned for the district, while a site adjacent to historic buildings in other districts may be appropriately developed with lower density than otherwise envisioned, so that the new buildings may complement rather than overpower the placemaking landmarks of the district.

The districts and neighborhoods outside the Loop can play important roles in supporting the residential growth and diversity of Downtown Dallas. Again,

appropriate housing types and price points will vary by district, reflecting the economics of development in each area. For example, higher-density luxury housing has been feasible in the Victory Park and Uptown areas in the past decade due to strong demand and higher achievable home prices, while areas south and east of the Loop have seen more modest development projects reflecting their lower land costs and less intense existing development patterns. Indeed, MetroTex Association of Realtors data reveal that average home prices in the zip codes just south and east of the Loop (Cedars, Deep Ellum, etc.) are a fraction of those inside the Loop and in the Victory Park and Uptown areas. These less dense southern and eastern areas tend to have lower land costs and provide prime opportunities for new development and/or renovations that may be feasible at lower price points – such as duplexes, townhomes, and low-rise multifamily buildings – that can then be an appropriate housing stock for middle-income households.

Overall, each area, both inside and outside the loop, should strive to offer a unique and coherent character of housing as well as other uses, as outlined in Chapter III: A Downtown of Districts. Even as each district evolves into a unique neighborhood, it is important to ensure that housing for lower-income households be distributed among all the Downtown districts – either as small, well-designed stand-alone projects or as integrated into otherwise market-rate projects – rather than concentrated in one district or another. This income diversification will help to mitigate concerns about concentrations of lower-income households and also to mitigate certain negative effects of gentrification as redevelopment occurs in existing neighborhoods.

In addition to new construction projects, adaptive reuse of existing commercial buildings should continue to be pursued as a source of housing in Downtown. These projects can pose feasibility challenges, as the costs of conversion and the future value of the units can vary widely from building to building. However, landmark buildings and architectural heritage are key aspects of a unique urban environment, and Downtown Dallas would benefit from the conversion of obsolete commercial buildings to housing where feasible.

3. Enhance financial incentives to improve the feasibility of market-rate and below-market-rate housing Downtown, with particular emphasis on middle-income households

At the present time, the costs of construction and land acquisition for most Downtown units – reflecting the current market expectations for unit sizes and parking offerings – require that buyers or renters have incomes well above average for Dallas. Without some form of subsidy, it frequently is infeasible to build new housing units in Downtown, and in many cases to rehabilitate older buildings, that then are sold or rented to middle-income households. To fill in the market gap, accelerate the area’s revitalization, and support the housing needs of Downtown businesses, the City of Dallas should identify sources of funding to subsidize construction of units for middle-income households ranging from 60 to 175 percent of Median Family Income (currently, about \$35,000 to \$100,000 annual income for a two-person household).

While not aiming to precisely prescribe the appropriate distribution of price points for the future housing development in Downtown, the 360 plan provides the following general recommendations for diversifying the housing product mix:

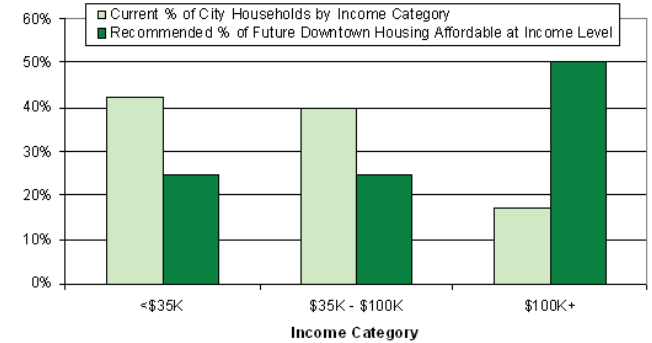
If future Downtown Dallas housing were provided as suggested above, half of all new housing would still only be affordable to households earning \$100,000 or more. However, the other half of new units would be split among middle class households (earning \$35,000 to \$100,000 per year) and lower-income households for whom tax credits and other funding subsidies are already available. While this targeted income distribution would improve upon the recent production of housing in Downtown (which has skewed toward the upper income levels), it does not reflect the same proportions of household incomes found in the City overall. However, such differences are reasonable because Downtown has higher land costs and more expensive types of construction than are found in most of the remainder of the City, and because new construction will represent only a portion of the overall housing available in Downtown Dallas, and existing units may become more affordable to middle-income households as the units age.

The total subsidy required to accomplish this diversification goal may be substantial. With roughly 20,000 new households projected to be added in and around Downtown Dallas over the coming decades, the 25 percent share of units in the middle-income range would be roughly 5,000 units. The subsidy can be minimized if middle-income units are generally located in lower-cost housing types (like townhomes or low-rise apartments), in neighborhoods with lower land costs, and with design parameters such as smaller unit sizes and reduced parking ratios that can minimize construction costs. With these cost-conscious approaches, households in the upper-end of the intended income range (say, \$75,000 to \$100,000) may be able to pay the full costs of development in certain areas of Downtown. Still, it is likely that many units for middle-income households will require a subsidy to the developer and/or the homebuyer, especially to reach the lower end of the targeted income level (say, \$35,000 to \$75,000). Even a modest average subsidy of \$10,000 to \$20,000 per unit for 5,000 middle-income units would still amount to \$50-100 million.

Funding options include City participation through tax increment financing from existing or new TIF Districts; tax abatements; new City bonds; land value write-downs where housing is proposed on land currently owned by the City; reductions, reimbursements or deferrals of permit fees for adaptive reuse buildings, etc. These would augment external funding sources such as historic or low-income housing tax credits, HUD Section 108 loans, new markets tax credits, and potentially philanthropic donations that augment the investment of the private housing developers. See Chapter VI: Implementation for a list of specific implementation actions.

Other helpful actions to reduce construction costs – such as building smaller units and reducing or eliminating parking – may require no direct subsidy, but will require a shift in the market’s acceptance of more urban product types. These changes are likely to occur as Downtown becomes a more desirable living location, and residents are more willing to trade unit size and parking for the other attributes of Downtown living.

City of Dallas Income Distribution vs. Recommended Distribution of Downtown Housing Affordability
Source: U.S. Census Bureau; EPS



Housing for those households earning less than \$100,000 needs to be a priority going forward to ensure diversity and realize forecasted population growth in the Downtown area.



Playgrounds and tot lots are essential components of urban neighborhoods and should be planned and integrated into residential areas such as the Farmers Market, Baylor and Cedars districts.



Existing and new school facilities are increasingly critical to support and attract families and to sustain a broad, diverse Downtown population.

4. Leverage the value of publicly owned property to generate more housing at diverse price points

Each of the districts identified in Downtown Dallas has some property owned by public sector landowners including the City of Dallas, Dallas County, DART, DISD, the Dallas Housing Authority, and the State of Texas. Over time, some of these properties may be considered for redevelopment, either because they are currently vacant land or because their existing buildings become obsolete. On properties (buildings or land) currently owned by the public sector that is appropriate for new housing development, such new housing could be required to incorporate lower-income and middle-class units, or offered to developers of affordable or supportive housing. Where such public property may be more appropriate for uses other than housing (such as office or hotel uses), the sale or lease revenue and/or tax increment generated by disposition and development of the property could be dedicated toward the production or retention of diverse housing on other Downtown sites.

In places such as the Reunion/Union Station district, the redevelopment of publicly-held parcels may face some significant costs to improve the land and prepare it for development. The economics of development may require that the land value be maximized through primarily upper-end housing prices, rather than including lower-priced units that may reduce the land's value. In these instances, dedicating a portion of the tax increment generated from the public parcels' development to Downtown housing initiatives may be preferable to requiring on-site lower-price housing. Still, the costs and benefits of diverse pricing should be carefully considered in that and other areas where publicly held land might be made available, with the default position being that on-site pricing diversity should be prioritized unless there is an overwhelming public benefit from another approach.

5. Encourage, construct or require family-friendly amenities (pocket parks, play areas, public art, daycare, schools, etc.) in the Farmers Market and Cedars areas

Development of context-sensitive housing types in the Farmer's Market and Cedars areas may be feasible more quickly than in other areas of Downtown, because the appropriate product types (townhomes and low-rise multifamily units) are less costly to construct, and land values are lower than in other Downtown districts. Development is more likely to occur in these areas before some other, higher-cost districts in the near term. However, to fully capitalize on the economic opportunities presented in these Districts, certain improvements may substantially enhance the attractiveness of the areas to potential residents – especially families. Attraction of such families will help to provide not only economic but demographic and lifestyle diversity to Downtown Dallas. Public and private investment in place-making infrastructure (parks, plazas, streetscape improvements, etc.) can signify the public's long-term commitment to the area. Likewise, recruitment and support of family-friendly businesses and services (daycare, convenience retail, quality schools, etc.) can help to ensure that new residents have the support they need to make Downtown family living a viable option to a more suburban lifestyle. Improvements to schools – in terms of both proximity and quality – can be among the most critical factors to attract families, and should be high priorities.

6. Work with other major Texas cities to lobby for “Urban Core” exemptions from the State’s restrictions on funding affordable housing tax credits projects within close proximity

The Texas Department of Housing & Community Affairs has several rules that limit the availability of tax credits for lower-income housing projects. The State does not approve such funding for projects that are a) within one linear mile of a similar project that received Tax Credit funding within the preceding three years unless specifically allowed by a vote of the local jurisdiction’s governing body, or b) within one linear mile of another project receiving Tax Credits within the same calendar year. These restrictions may not be appropriate within areas that are dense, diverse, and well-served by public services and transit. The 360 plan recommends that the Dallas City Council make efforts to expressly and frequently support the tax credit applications of worthy projects for Downtown Dallas and its surrounding districts, and work with other major cities throughout Texas to amend the State program to allow financing of more than one project per mile per year in “Urban Core” -environments. In addition, we recommend City staff work with TDHCA staff in confirming the qualification of all districts in and around Downtown Dallas as “Urban Core” areas per the State’s Qualified Allocation Plan, and exploring innovative ways for the City to meet the needs of affordable housing in the Urban Core, including potential refinements to the State’s regulations or definitions as well as actions or programs the City can lead.

7. Work with other major Texas cities to lobby for elimination or reduction of the State’s sales tax requirements for adaptive re-use buildings

Local developers indicate that rehabilitation of existing properties – which often involves great expense and a higher level of risk than new construction – is made still more expensive by high permit fees and a State requirement of sales taxes on both materials and labor (new construction pays only on materials). The permit fees issue may be addressed through reductions, waivers, or deferrals at the local level, while the sales tax issue may require coordination with other Texas cities to lobby for a legislative change. Arguably, there is public interest in having lower sales tax requirements for adaptive reuse projects, not higher requirements.



Downtown’s many older office towers offer tremendous opportunities for adaptively re-using buildings for residential uses.