



AGENDA MEMORANDUM

First Reading for the City Council Meeting of May 21, 2024
Second Reading for the City Council Meeting of June 11, 2024

DATE: April 30, 2024
TO: Peter Zaroni, City Manager
FROM: Dan McGinn, Director of Planning and Community Development
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Sale and Conveyance of surplus land in the amount 1.1175 acres to DSW Homes, LLC.

CAPTION:

Ordinance authorizing the conveyance of 7 lots (0.46 acres total) of surplus land located at or near 2203 Morris Street and 715 19th Street to DSW Homes, LLC for \$10 per lot and development of affordable housing; and authorizing an option to purchase contract and related sale and conveyance with DSW Homes, LLC for the purchase of 10 lots (0.66 acres-total) of surplus land located at or near 2211, 2217 2219, 2307, 2309, and 2311 Morris Street for \$10 per lot and development of affordable housing.

SUMMARY:

This ordinance sells and conveys approximately 1.1174 acres of City-owned land to DSW Homes, LLC in two tranches for \$10 per developable lot and for their use in the future development of single-family housing; consisting of:

Tranche 1

- Summit Addition Portion of Lot 1, all lots 2 & 3 of Block 6, and Summit Addition Lots 38 thru 42 of Block 6; (7 lots, approximately 0.4570 acres).

Tranche 2

- Summit Addition Block 6 lots 8-13, 18-21; (10 lots, approximately 0.6605 acres)

DSW Homes, LLC will assume property maintenance responsibilities for their assigned Tranches 1 and 2, including mowing and litter abatement upon execution of the agreement.

Project Parameters

- Undeveloped lots are not transferrable.
- From sale/release of each tranche all certificates of occupancy for units in tranche must be issued within 24 months.
- Affordability Period of 10 years
 - Max sales price and value limited to "Home and Housing Trust Fund Homeownership Sales Price Limits" for newly constructed units, established and published by HUD annually under Part 92.254(a)(2)(iii), Title 24 CFR (currently \$253,000), or similar HUD program should HOME/HTF Purchase Price Limits

- cease to be published in the future;
- Or max Fair Market Rent established and published by HUD annually in Part 888, Title 25 CFR (currently \$1,763 for a 3-bedroom, and \$2,066 for a 4-bedroom unit).
- If property is sold or rented above affordability restrictions within the 10-year period, a cost recapture must be paid to the City in the amount of \$5.15 per square foot of land within 90 days of the sale or rental.
 - If cost recapture not paid, the property reverts to the City.

BACKGROUND AND FINDINGS:

Project History

- May 2023: The Ed Rachal Foundation gifted the former Lamar Elementary School site to the City along with 55 smaller parcels in the vicinity of the larger site.
- Recognizing the unique opportunity to implement the recently adopted Westside Area Development Plan by attracting new development investments, addressing residents' request for a variety of housing options, stabilizing this established neighborhood, and delivering public safety improvements for area residents, City staff issued a request for letters of interest (RFI) to work with one or more experienced housing developers.
- August 2023: RFI Outreach and Marketing
 - RFI published on City Website in early August 2023
 - City News Release and Council Memo issued August 4, 2023
 - Email notification sent to over 50 housing development contacts.
 - Staff presentation at the Development Services Task Force meeting on August 18, 2023
- The RFI period closed on September 11, 2023. Five proposals were submitted.
- December 2023: City Council approved the sale and conveyance of a 3.47-acre parcel of City-owned land, including the former Lamar Elementary School Site to TG 110 Inc. for the development of affordable housing.
- Winter 2023 through Spring 2024: Engagement with single-family housing developers that responded to the RFI.

Next Steps

- Planning Division and Development Services to present rezoning cases in support of infill housing development of lots included in the RFI.
- Planning Division staff will provide technical assistance to developers as needed to facilitate the Development Services permitting process.

ALTERNATIVES:

Awarding purchase contracts to all single-family developers that submitted letters of interest in response to the Lamar Elementary RFI presents a strategic approach to expedite infill housing construction support synergistic investments benefiting all parties, including current neighborhood residents.

The City can choose to allocate the property to RFI respondents in an alternate configuration and/or distribution.

The City can choose to not sell the property, but it will remain vacant and will require ongoing city-funded site maintenance.

FISCAL IMPACT:

Though the vacant land was gifted to the City, there are ongoing maintenance costs such as mowing and litter abatement as well as more difficult to quantify service cost impacts on the surrounding neighborhood caused by the preponderance of vacant lots.

The City ordered an appraisal of property. An appraisal of the 0.0733-acre lot at 536 19th street was conducted by Lowery Property Advisors, LLC on April 26, 2024, and the property has an appraised value of \$5.15 per square foot. For comparison, the Nueces County Appraisal District 2023 land valuation of all the surplus land included in the RFI averages \$4.45 per square foot.

The fiscal impact is revenue payment to the City in an amount of \$10.00 per developable lot, amounting to \$170.00 in total, to be deposited into the General Fund as well as the assumption of property maintenance by DSW Homes, LLC of their assigned Tranche 1 and 2 lots. The developed property will be placed back on the property tax rolls.

Funding Detail:

Fund: 1020 General Fund
Organization/Activity: 11020 General Governmental Revenue
Department: 888 Revenue
Project # (CIP Only):
Account: 343590 Sale of Scrap/City Property

RECOMMENDATION:

City staff recommends approval of the Ordinance for the sale and conveyance of City surplus property at or near 2203 Morris Street; 715 19th Street; and 2211, 2217, 2219, 2307, 2309, and 2311 Morris Street; to DSW Homes, LLC for the purpose of site redevelopment into single-family housing.

LIST OF SUPPORTING DOCUMENTS:

Ordinance
Ordinance Exhibit A - Request for Interest
Real Estate Contract
Option Agreement
Appraisal
Letter of Support
Presentation