Memorandum

CITY OF DALLAS

DATE January 12, 2018

TO The Honorable Members of the Economic Development and Housing Committee: Tennell Atkins (Chair), Rickey D. Callahan (Vice-Chair), Lee M. Kleinman, Scott Griggs, Casey Thomas, II, B. Adam McGough, Kevin Felder, and Omar Narvaez

SUBJECT **Market Value Analysis (MVA): City of Dallas**

On January 17, 2018, the City Council will be briefed on the citywide Market Value Analysis (MVA). The MVA is a data-based tool to assist policymakers, residents and other stakeholders to understand the local residential real estate market and help inform its policies around housing program design, production levels, and incentives. Utilizing a spatial and statistical cluster analysis, the MVA categorizes census block groups across the city into distinct market types. This is based on ten variables that make up the algorithm to reflect market strength or weakness as well as other key factors that can help public officials and private investors target intervention strategies more effectively.

The MVA has been conducted by Reinvestment Fund (RF), a socially responsible non-profit organization that focuses on building wealth and opportunity for low-wealth communities and low and moderate-income individuals through promotion of socially and environmentally responsible development. RF has conducted MVAs in over 30 cities and states around the country, included Houston and San Antonio in Texas. It has been used in other jurisdictions to inform decision making related to issues such as focused code enforcement efforts, developing effective land banking strategies, evaluating development opportunities, and guiding federal Neighborhood Stabilization Program investments. RF is AA rated by S&P and AAA+1 by Aeris.

Since 1999, Dr. Goldstein has led the policy team at RF. He is the President of Policy Solutions at Reinvestment Fund. Dr. Goldstein has conducted detailed spatial and statistical analyses in many cities and regions across the US. Those studies are used by local government to craft policy responses and allocate scarce resources based on local conditions. He also has conducted studies of mortgage foreclosures and abusive lending practices. His work supported civil rights and consumer protection cases brought by federal, state and local governments.

RF has worked with a local Steering Committee selected by the Economic Development and Housing Council Committee which has helped secure data, provide input on data

limitations, contribute local knowledge and helped validate models and methods. The Steering Committee consisted of representatives of the following organizations:

Gables Residential	HMK	The Real Estate Council
Dallas Area Habitat for Humanity	Builders of Hope CDC	East Dallas Community Corporation
Frazier Revitalization	Inclusive Communities Project	Mathews Southwest
Dallas City Center	South Dallas Fair Park Innercity CDC	TR Hoover CDC
Citywide CDC	Opportunity Dallas	South Fair CDC
Poverty Task Force	Hines	Metro Tex

The City of Dallas does not currently have an objective geographic analytical tool to serve as a transparent basis for evaluating policies, program investments to provide a benchmark to measure progress over time. The MVA is a tool that can help fill this gap. While RF will do a variety of additional overlays to the MVA (e.g., school district boundaries), we will have all the data and mapping files gathered and cleaned by RF and expect to incorporate it into our workflow going forward.

Should you have any questions, please contact me at (214) 671-5257.

Raquel Favela
Chief of Economic Development & Neighborhood Services

c: Honorable Mayor and members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Bilierae Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Jo M. (Jody) Puckett, Assistant City Manager (Interim)
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

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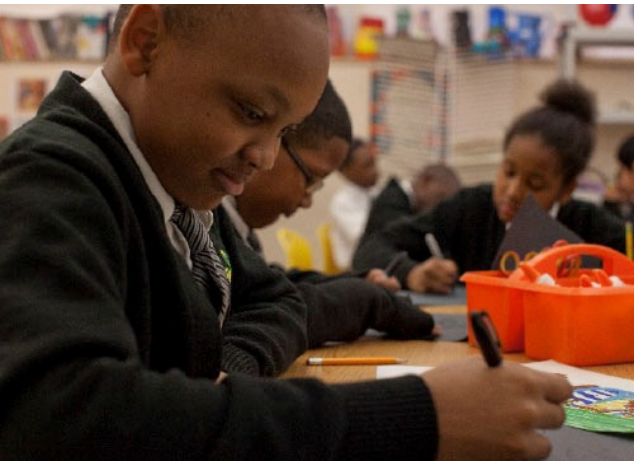

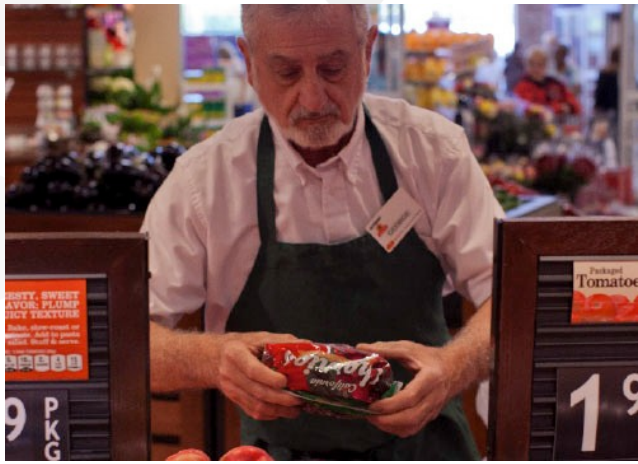

Market Value Analysis (MVA): City of Dallas

January 17, 2018

Reinvestment Fund builds wealth and opportunity for low-wealth communities and low and moderate income individuals through the promotion of socially and environmentally responsible development.

We achieve our mission through

Capital.
Grants, loans, and equity investments

Knowledge.
Information and policy analysis

Innovation.
Products, markets, and strategic partnerships

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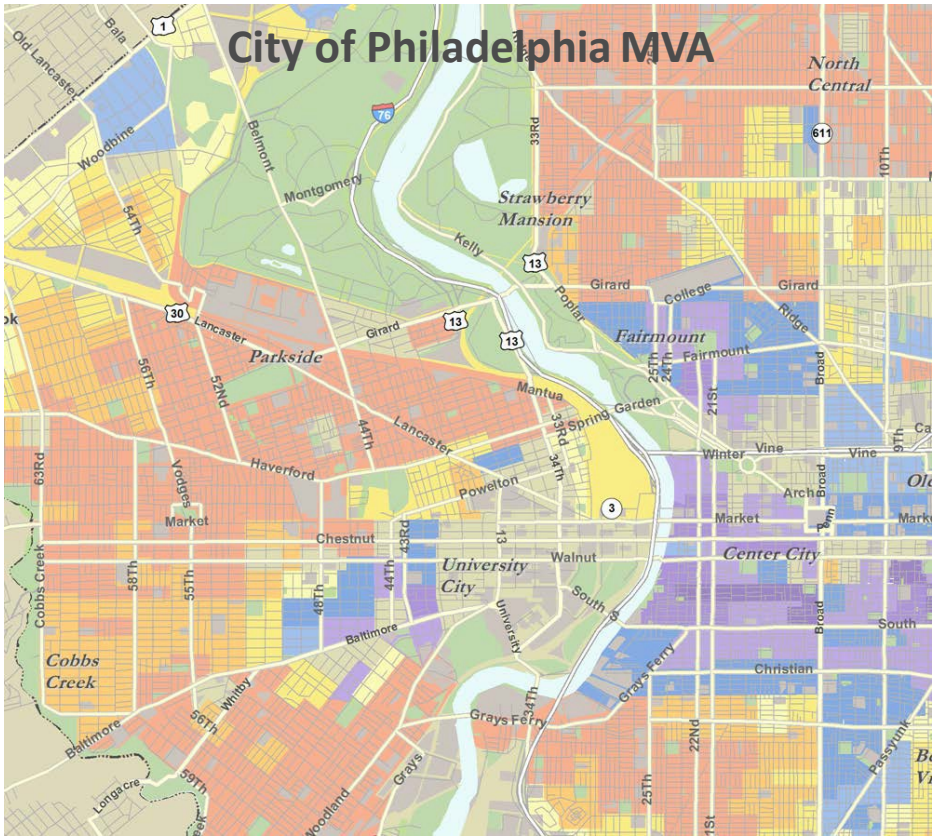
The Market Value Analysis

The **Market Value Analysis** (MVA) is a tool to assist residents and policymakers identify and understand the elements of their local real estate markets. It is an objective, data-driven, tool built on local administrative data and validated with local experts.

With an MVA, public officials and private actors can more precisely target intervention strategies in weak markets and support sustainable growth in stronger markets.



Who is Using the MVA

MVAs have been funded by government agencies, local foundations, and financial institutions in cities and counties around the country:

- Philadelphia, PA
- Washington, DC
- Baltimore, MD
- San Antonio, TX
- Camden, NJ
- Newark, NJ
- Selected (8) NJ regions
- Kansas City, MO
- New Orleans, LA
- State of Delaware
- Detroit, MI
- Houston, TX
- Milwaukee, WI
- Pittsburgh, PA
- St. Louis, MO
- Atlantic City, NJ
- Allegheny County, PA
- Reading Area, PA
- Jacksonville, FL
- Wilmington, DE
- Prince George's County, MD
- Indianapolis, IN
- Selma, AL
- Dallas, TX
- Bethlehem, PA

How Cities are Using the MVA

- Component of a local land banking strategy (Phila., NOLA, Wilmington)
- Guide capital budget (Detroit)
- Focus code enforcement (Phila., Baltimore, Indianapolis, NOLA)
- Benchmark quality of life measures (Phila.)
- Transportation planning (St. Louis)
- Target statewide Strong Neighborhoods Revolving Loan Fund (DE/DSHA)
- Inform LIHTC QAP (DE/DSHA)
- Develop CDBG ConPlan / Comprehensive plan (Detroit, Wilmington, St. Louis)
- Assessment of Fair Housing (Phila.)
- Assess changes in the market over time (Phila., Baltimore, Pittsburgh)
- Evaluate development opportunities (Pittsburgh, Phila., Houston, Detroit, St. Louis, cities in NJ)
- Target demolition and acquisition activities (Baltimore, Phila., Detroit, NOLA)
- Select transformative tipping point projects (Phila., Baltimore, Pittsburgh, NOLA)
- Engage partners – philanthropic, non-profit, government – in coordinated efforts to rebuild neighborhoods (Baltimore, Milwaukee, NOLA)
- Guide federal Neighborhood Stabilization Program Investment (States of PA & NJ, Houston, Detroit)

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Preparing an MVA

1. Acquire **local administrative data** and geocode to Census block group geographies.
2. Manually inspect and **validate data layers** by driving the area.
3. Use statistical **cluster analysis** to identify areas with common attributes.

Iterative

4. Manually inspect areas for conformity with **local experts** to assess fit
5. Alter parameters; **re-solve and re-inspect** until model accurately represents area
6. Summarize and describe the characteristics of each market

Lessons from 15+ years of experience

Validating Data is Critical.

Researchers must visit the city to understand the data

Geographic Scale Matters.

Census tract and MSA geographies are too large to accurately reflect real markets.

One Size Does Not Fit All.

Measurement scales and the appropriate number of clusters are different in every city.

Integrate Local Knowledge.

All Models are tested with local experts to incorporate qualitative feedback from each geography.

Incorporating Local Knowledge and Expertise

The **Local Steering Committee** works with the Reinvestment Fund team to help adapt the MVA methodology to the local context, review interim findings, and affirm final results.

Tasks and Responsibilities

Help Team Secure Local Housing Data	Help Validate Models and Methods	Contribute Local Knowledge of Markets
Advise on Data Issues and Limitations	Support Dissemination with Community	Recommend Strategic Actions for Public & Private Actors

Organizations on the Dallas Steering Committee

- Gables Residential
- HMK
- The Real Estate Council
- Dallas Area Habitat for Humanity
- Builders of Hope CDC
- East Dallas Community Organization
- Frazier Revitalization
- Residential Strategies
- Inclusive Communities Project
- Matthews Southwest
- Dallas City Center
- South Dallas Fair Park Innercity CDC
- City of Dallas: Planning, Housing, Econ. Dev., Code Compliance, & Fair Housing Depts.
- TR Hoover CDC
- City Wide CDC
- Opportunity Dallas
- SouthFair CDC
- Poverty Task Force
- Hines
- MetroTex

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I. Market Characteristics

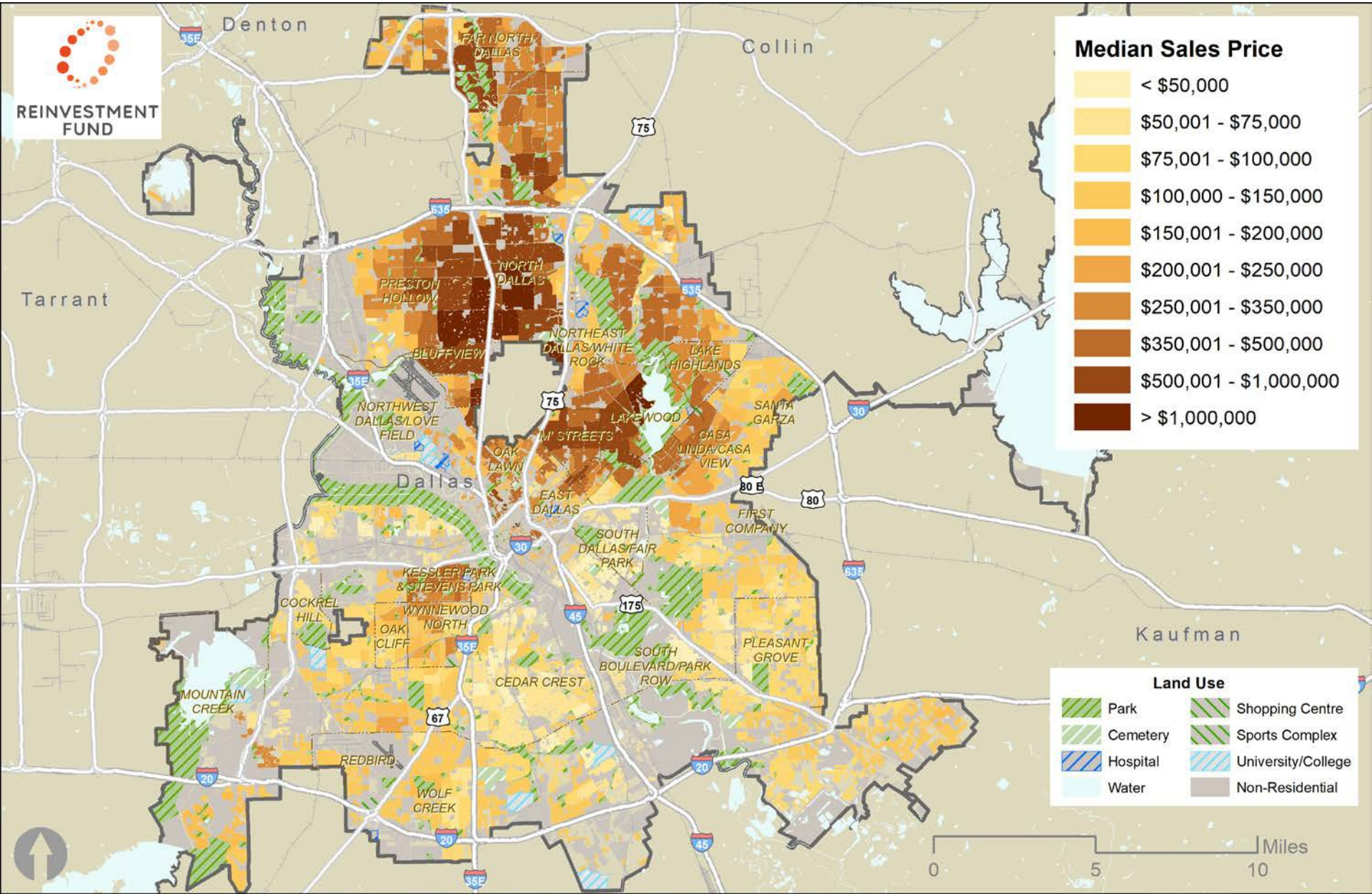
Analyzing the characteristics of the residential real estate market in Dallas, Texas.

- Market Indicators

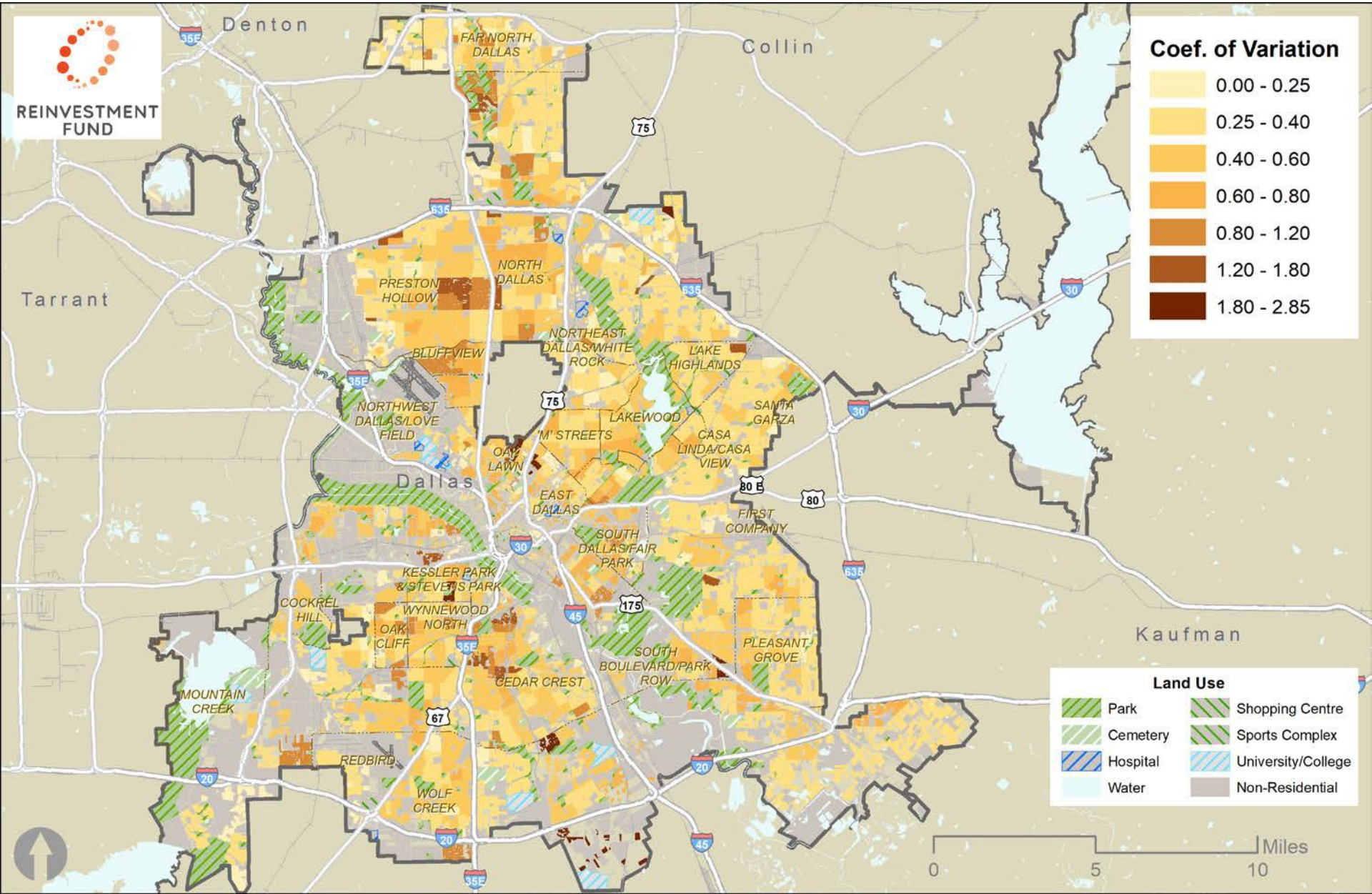
Dallas MVA Variables

		Possible Dallas MVA Indicators
Value	Evaluating recent real estate transactions	*Median Home Value 2015q3-17q2 (InfoUSA)* *Price to Rent (ACS, Zillow)* *Variance of Sales Prices 2015q3-17q2 (InfoUSA)*
Investment and Stress	Leading indicators of growth or decline	*Foreclosures as Share of Owner Occupancy 2015q3-17q2 (Foreclosure Listing Service, Inc.)* *Share of Homes with Permits over $1k 2015q3-17q2 (City of Dallas)* *Share of New Construction Permits 2015q3-17q2 (City)*
Blight and Vacancy	Quantifying market distress and strength	*Share of Homes with Code Violation Lien 2015q3-16q2 (City)* *Share of Vacant Residential Properties 2016 (Valassis)*
Ownership and Housing Characteristics	Understanding occupancy and housing stock	*Percent Owner Occupied Households (ACS, 2015)* *Share of Rentals with Subsidy (City, HUD, ACS)*

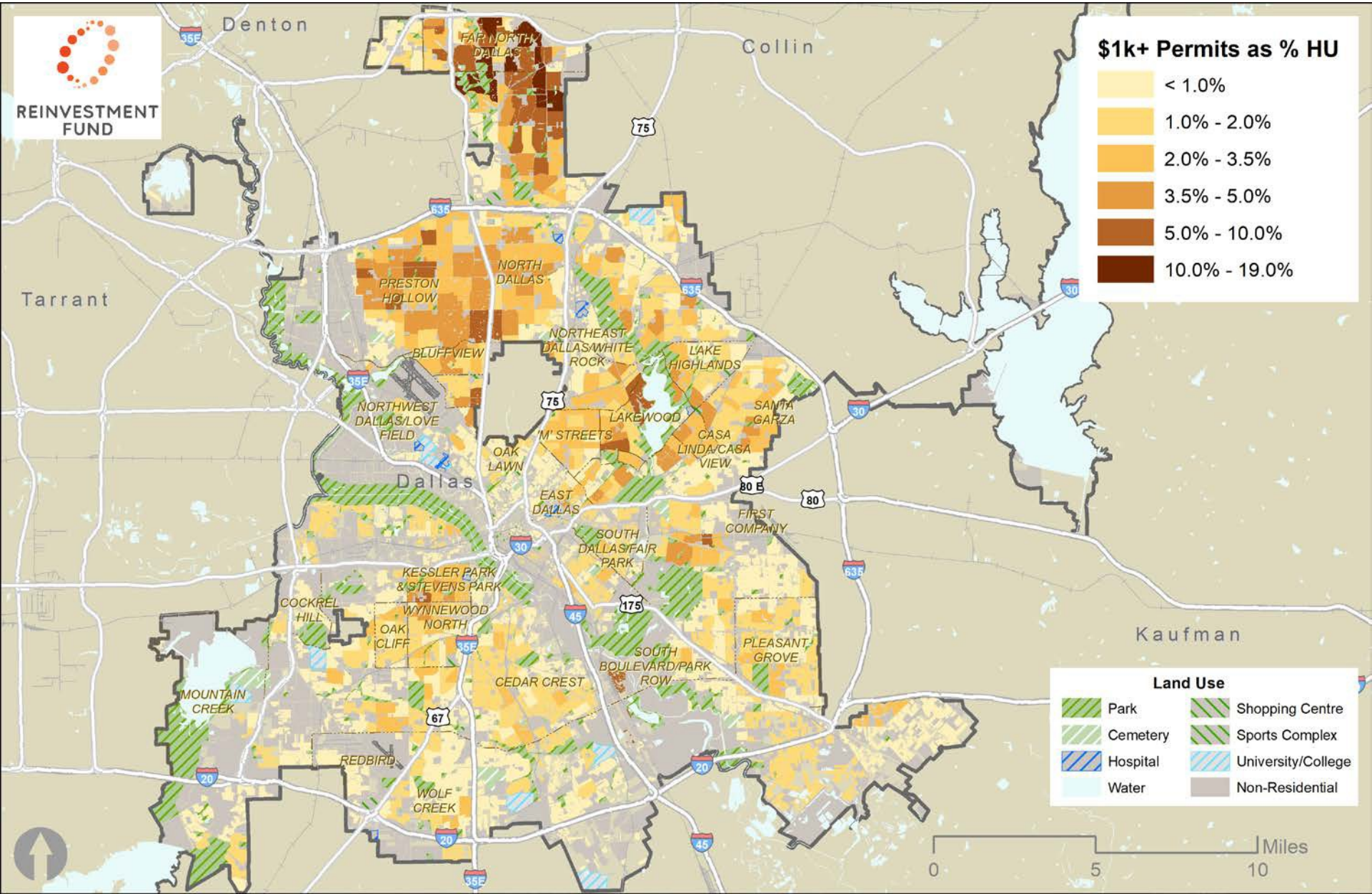
Median Sales Price 2015q3 – 2017q2; Price to Rent



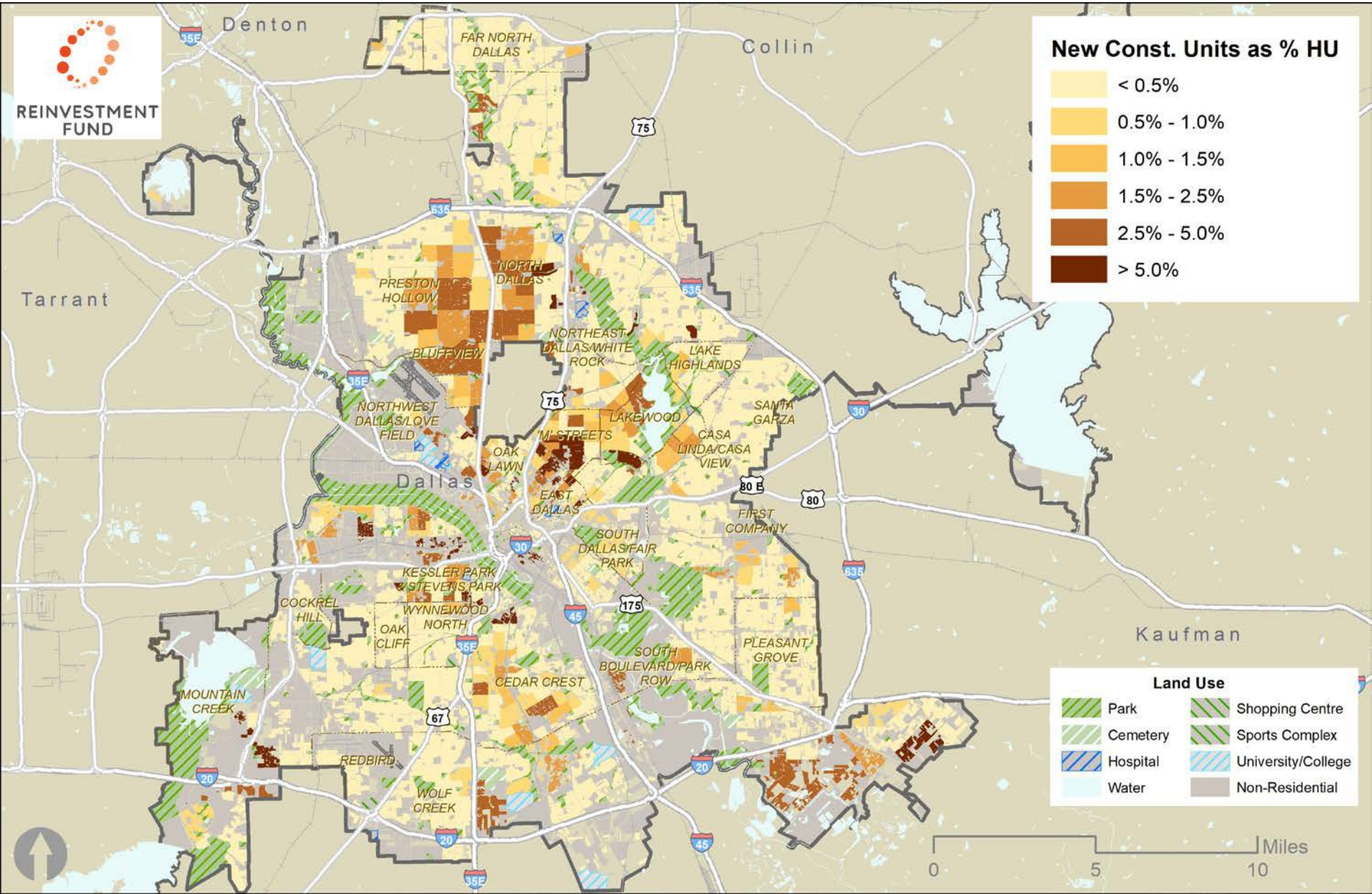
Sales Price Variation 2015q3 – 2017q2



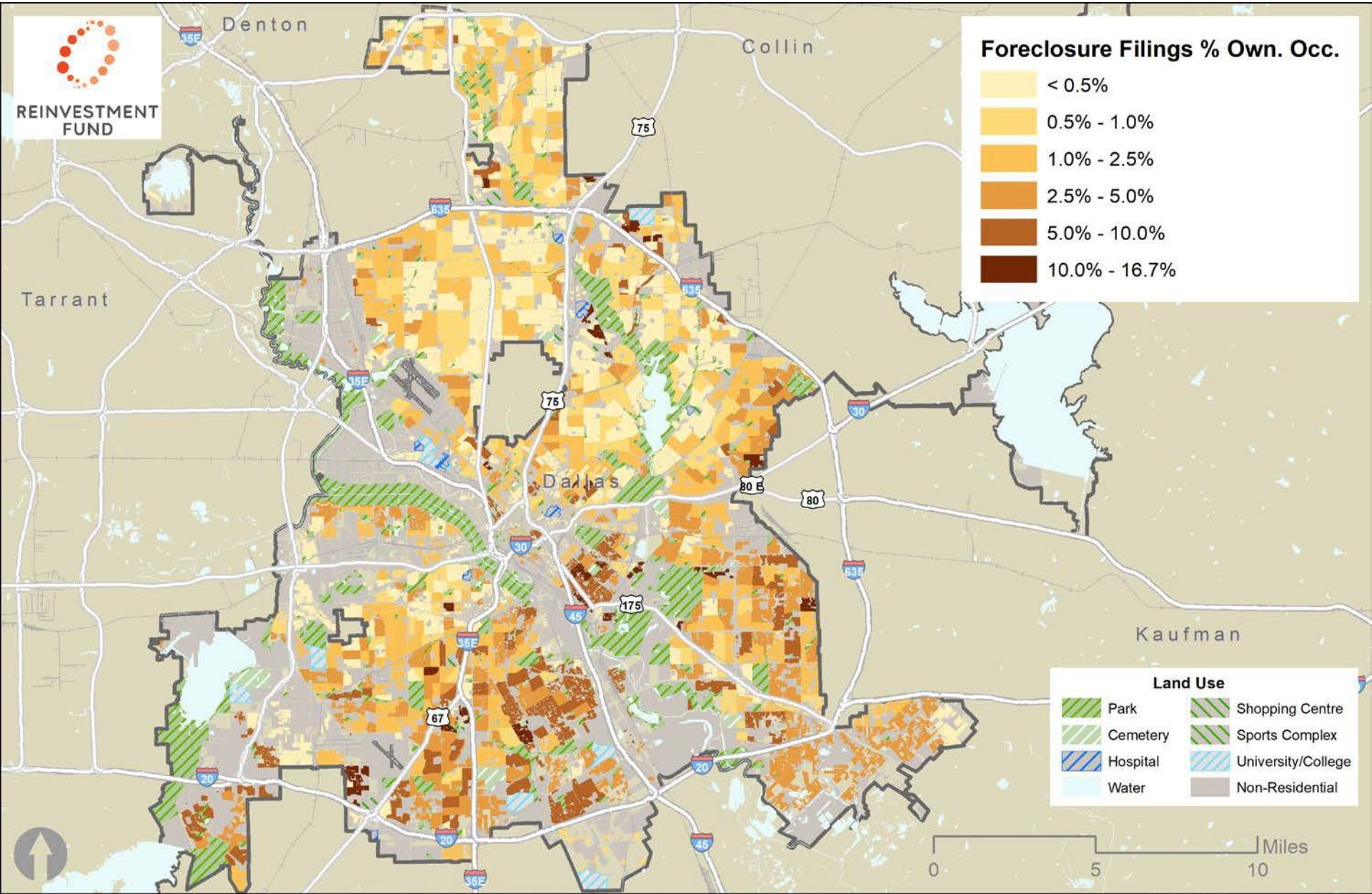
Share of Homes with Permits over $1k 2015q3 – 2017q2



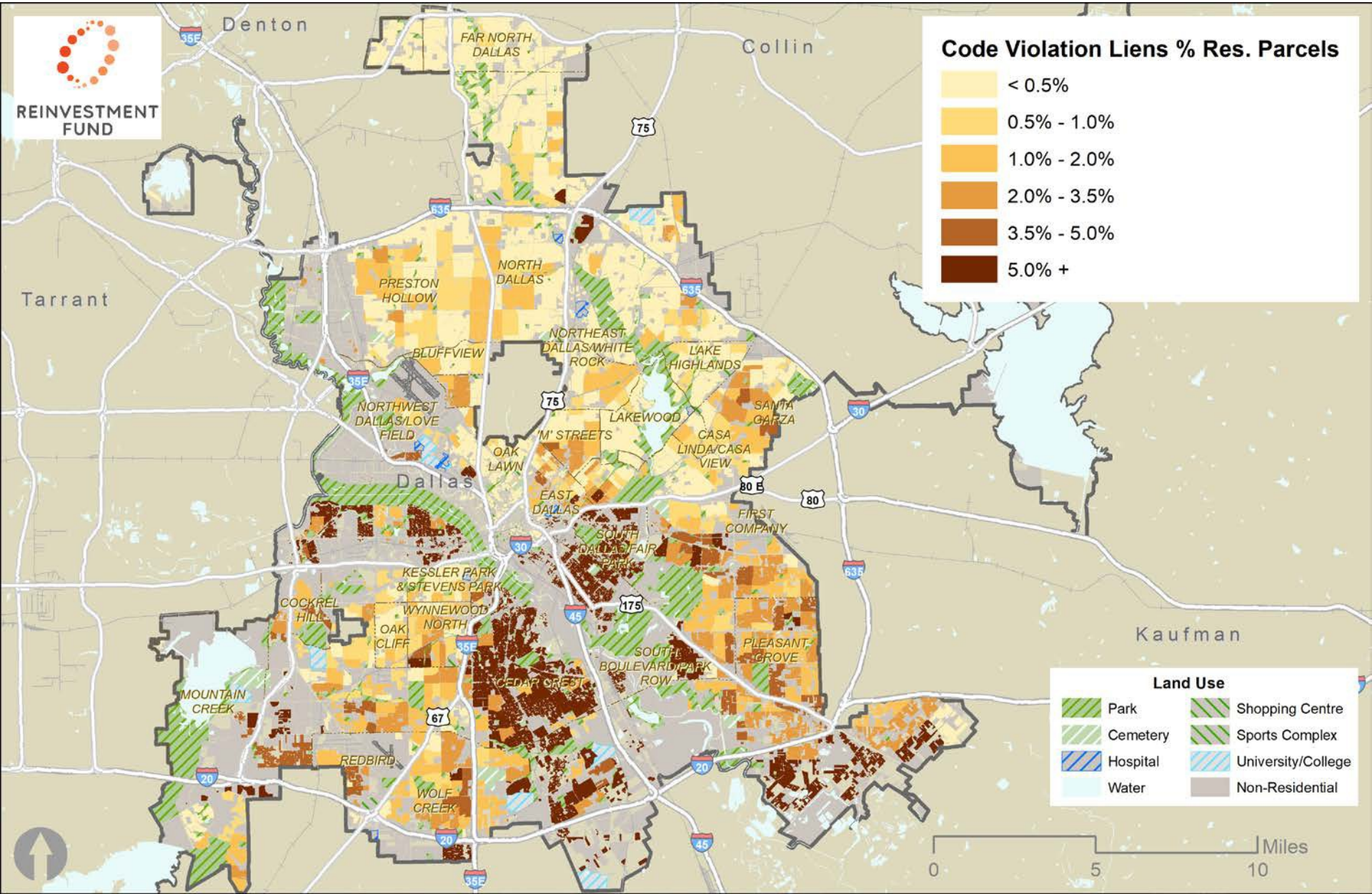
Share of New Construction Permits 2015q3 – 2017q2



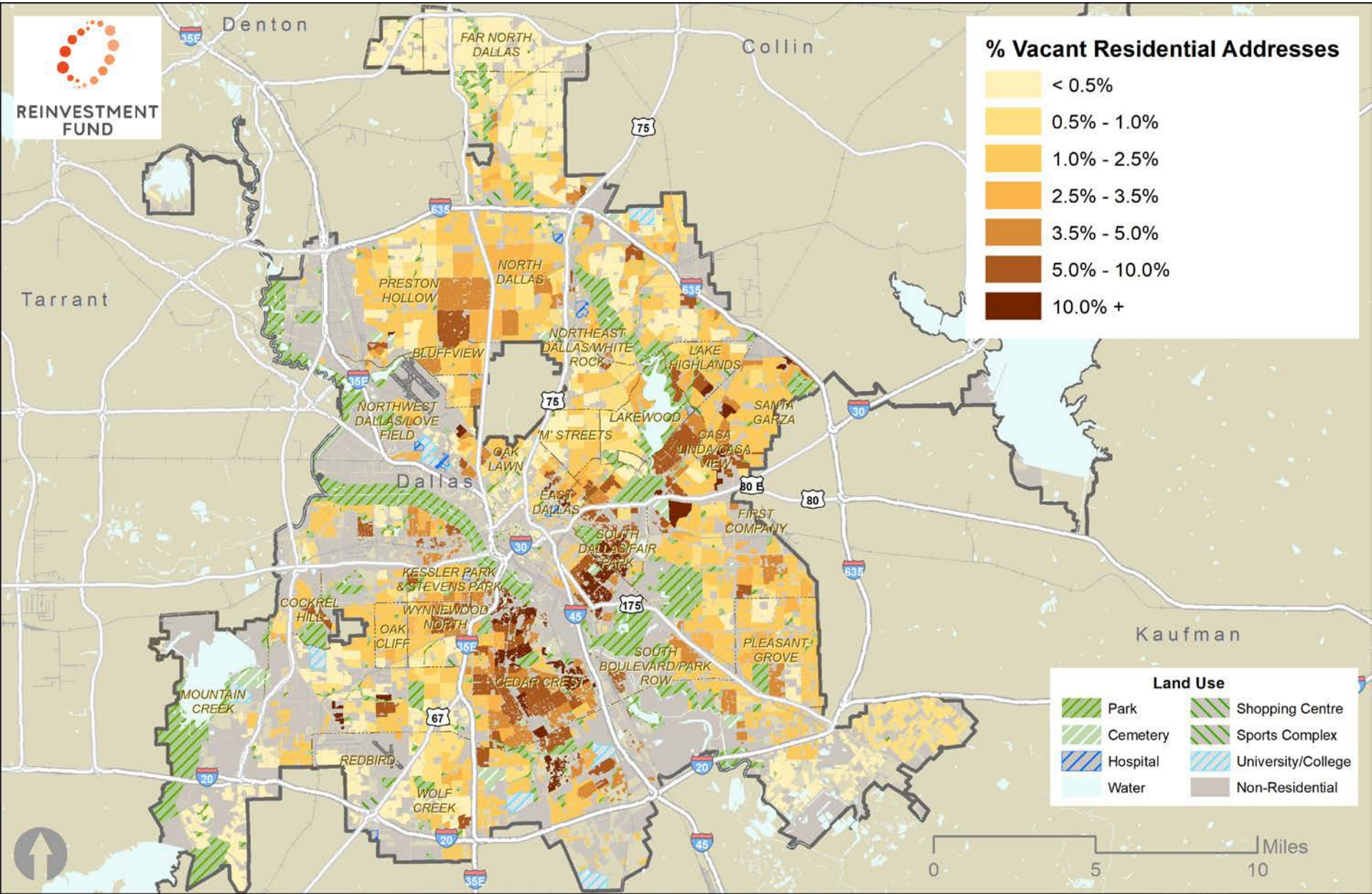
Foreclosure Filings as a Share of Owner Occupied Properties 2015q3-2017q2



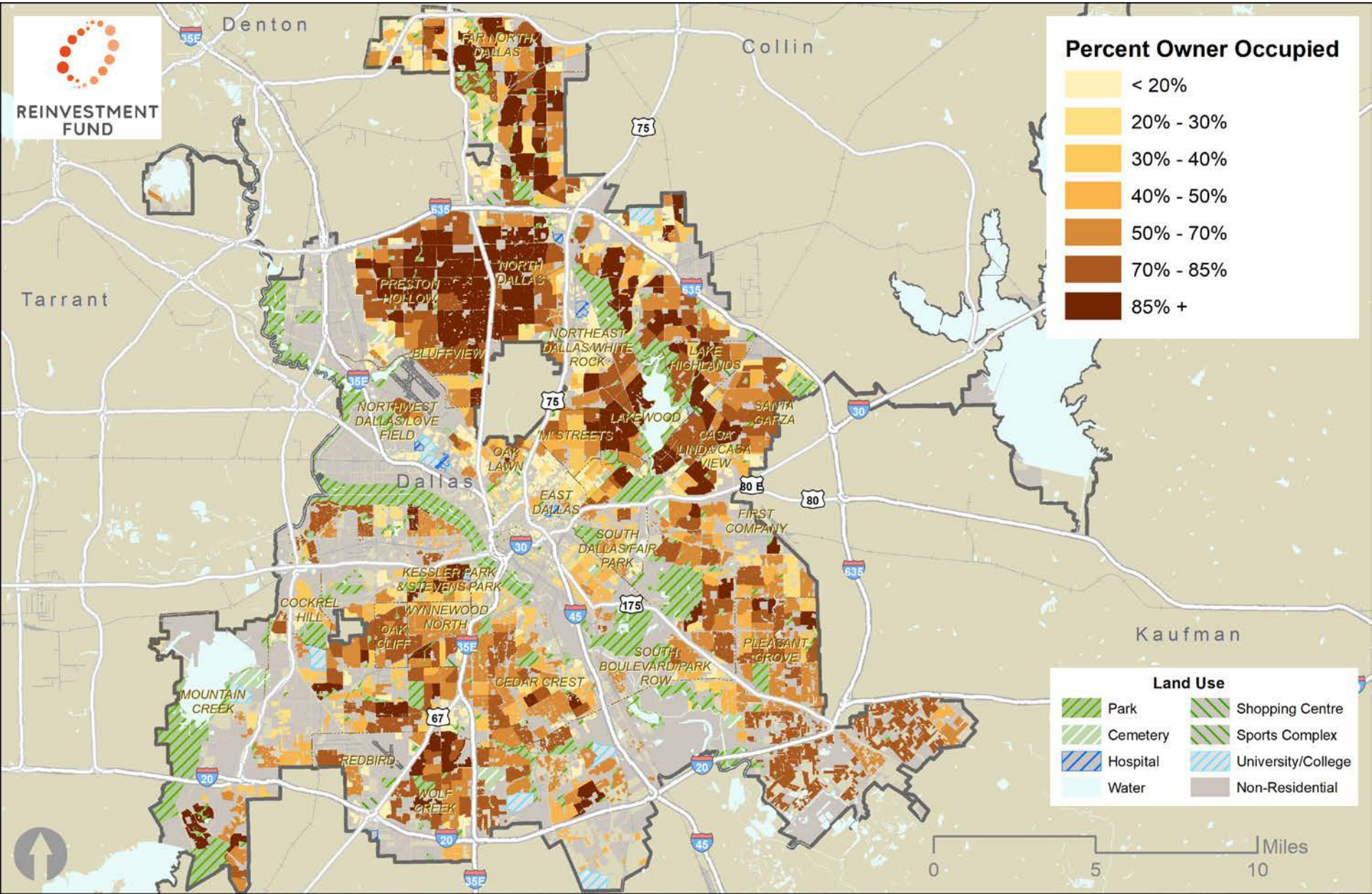
Share of Properties with Code Violation Liens 2015 – 2017q2



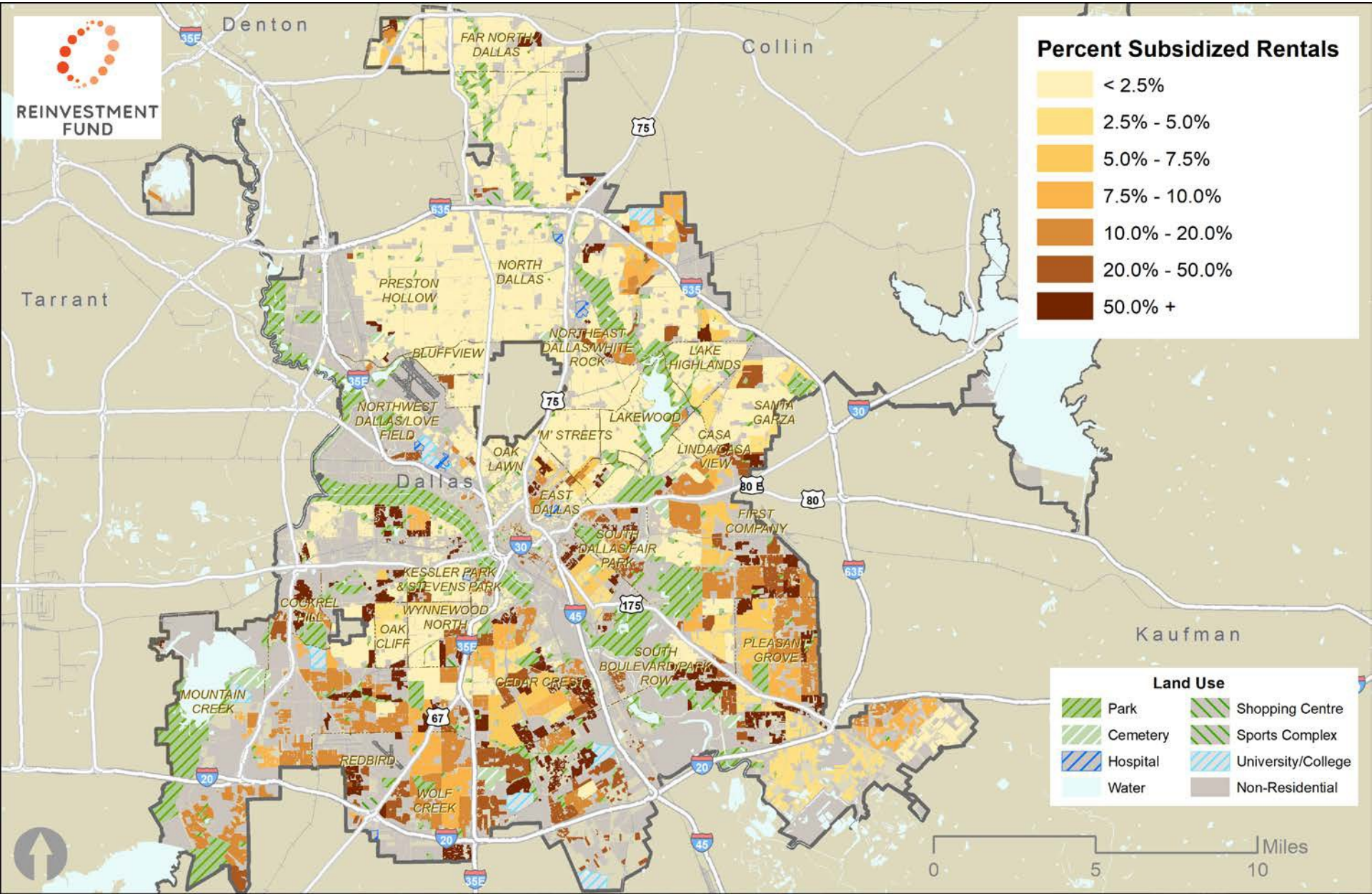
Share of Vacant Residential Properties



Percent Owner Occupied Households



Share of Rental Units with Public Subsidy



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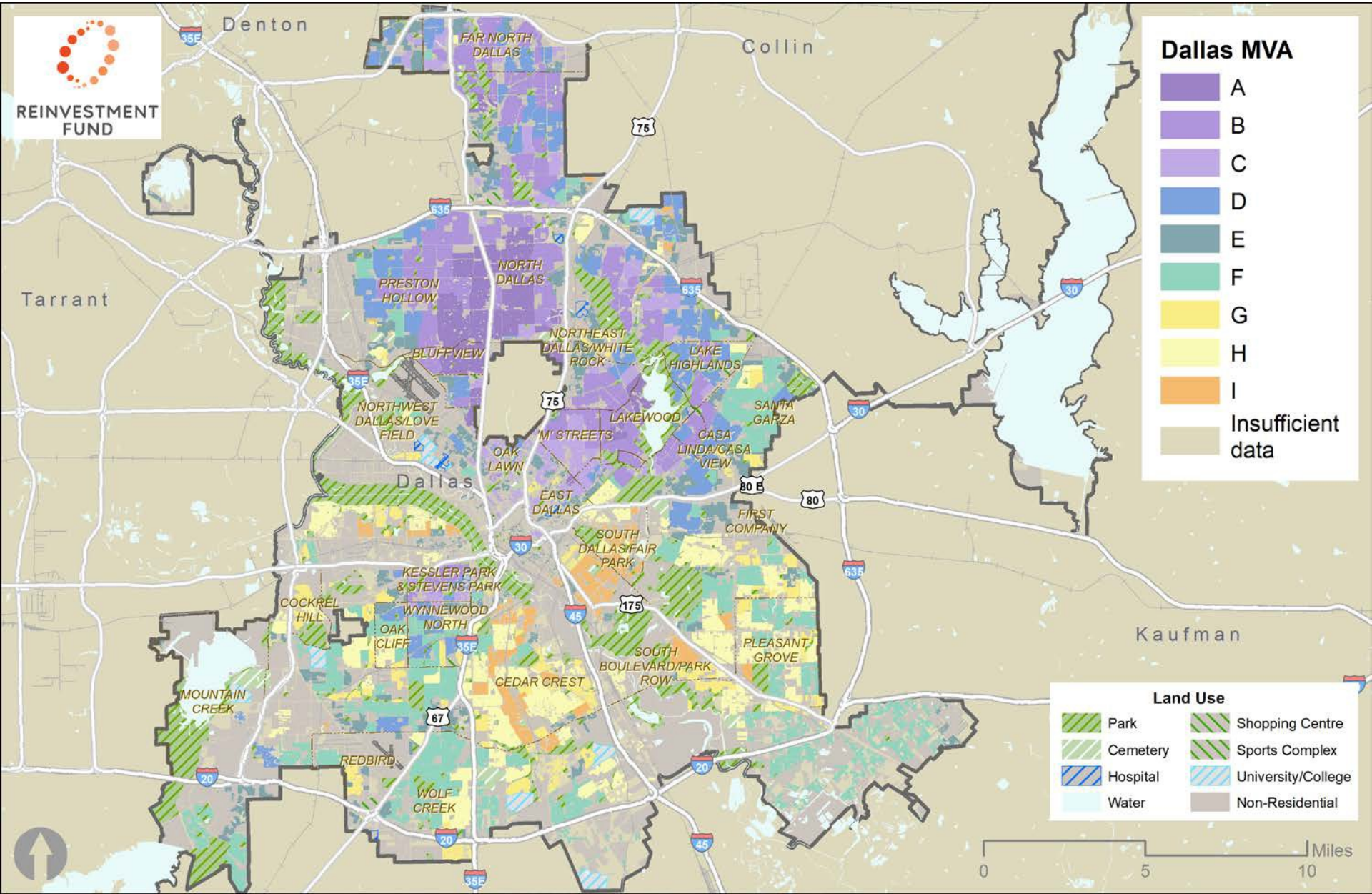
II. Market Value Analysis Results

Characterizing the strength of residential real estate markets in Dallas, Texas

- Interpreting the MVA
- Market Characteristics
- Dallas Maps

Dallas MVA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NORTHEAST DALLAS/WHITE ROCK
LAKE HIGHLANDS
BLUFFVIEW
NORTHWEST DALLAS/LOVE FIELD
LAKEWOOD
SANTA GARZA
M' STREETS
CASA LINDA/CASA VIEW
OAK LAWN
EAST DALLAS
FIRST COMPANY
SOUTH DALLAS/FAIR PARK
KESSLER PARK & STEVENS PARK
COCKRELL HILL
WYNNEWOOD NORTH
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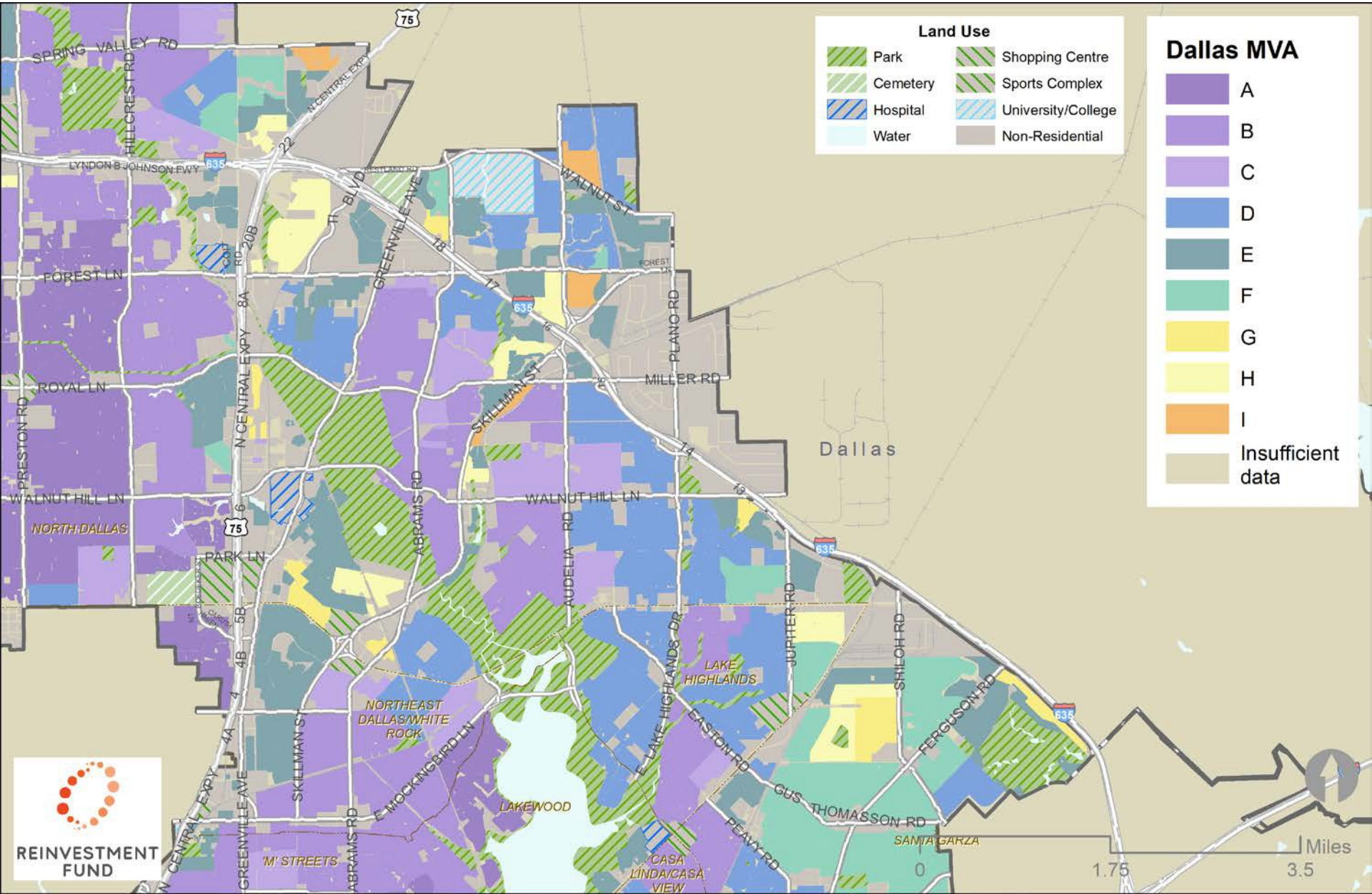
Average Characteristics for Dallas Market Types

*Hous ehold 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%
Avg. Dallas Block Group	$133,300	0.44	8.5	48%	0.9%	1.6%	12%	3%	2.6%	1%

Dallas MVA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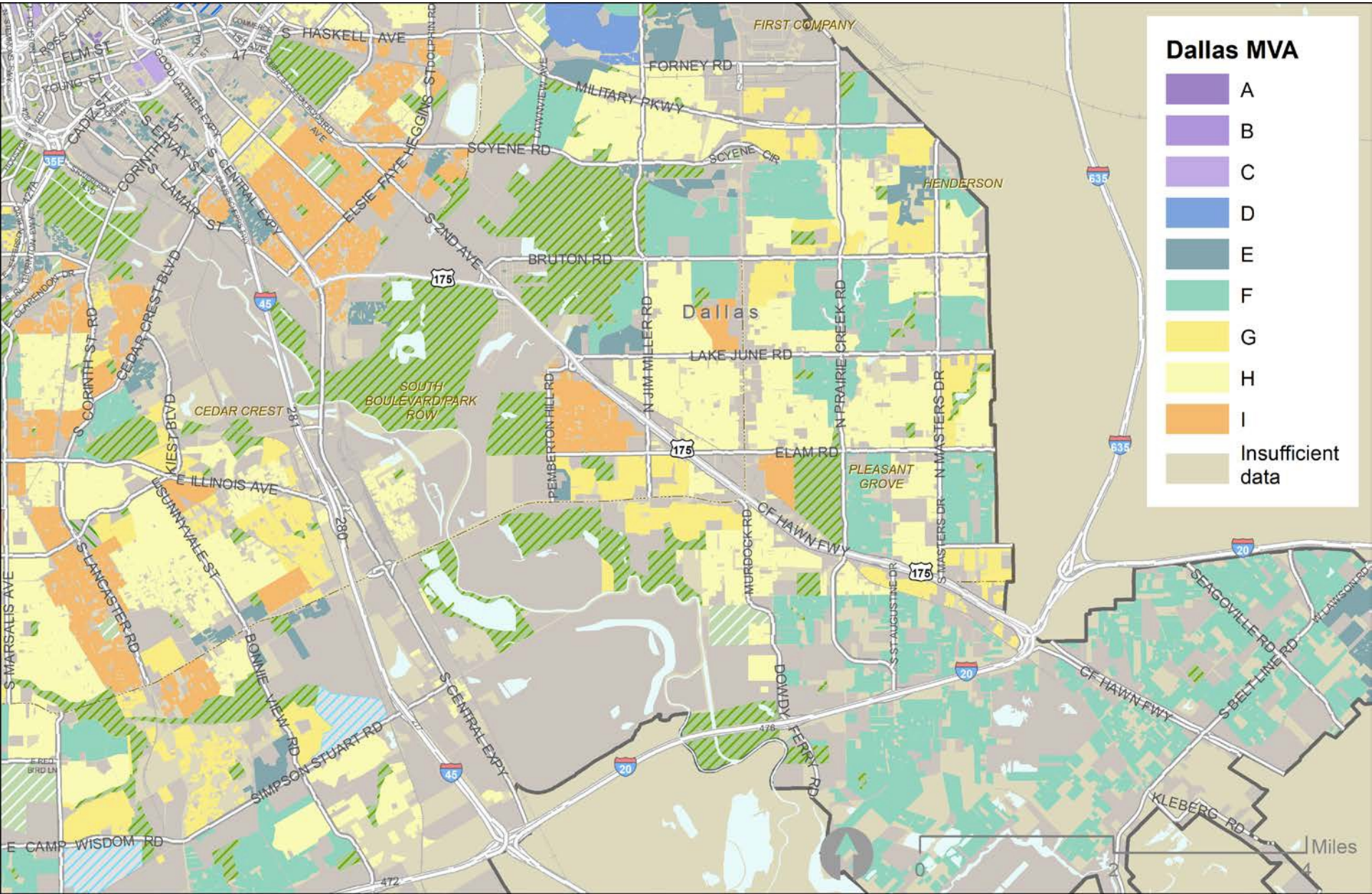
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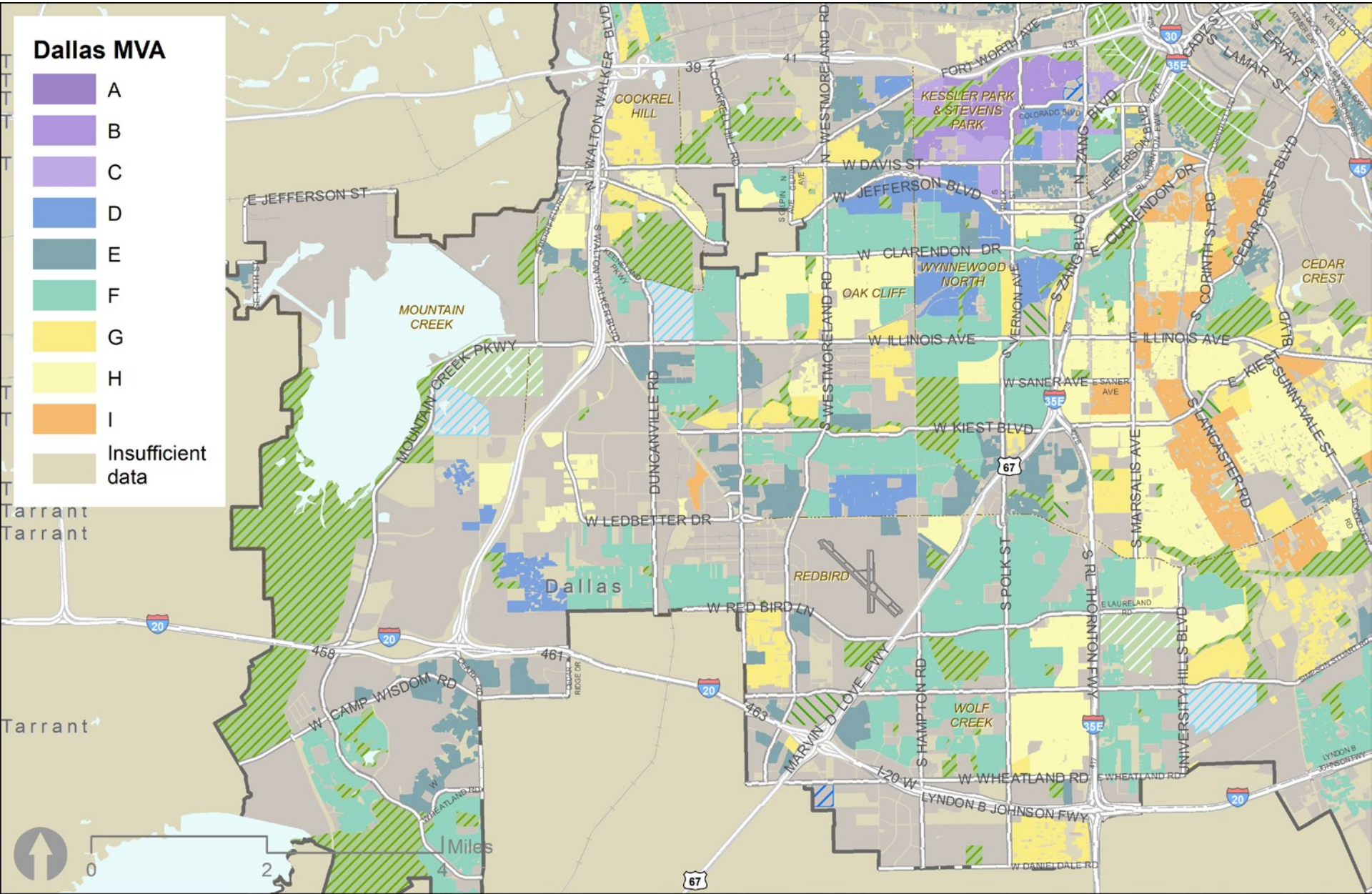
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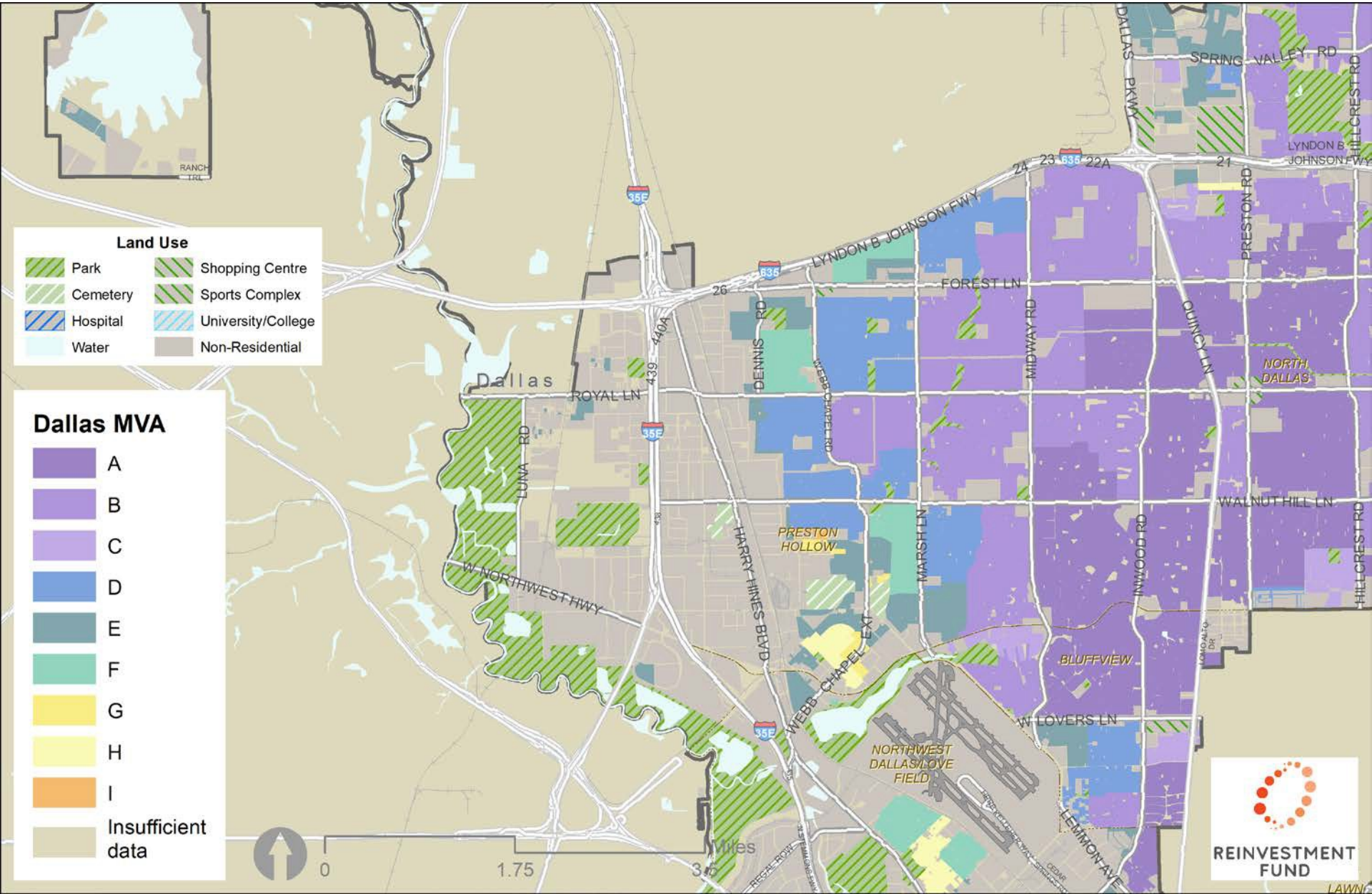
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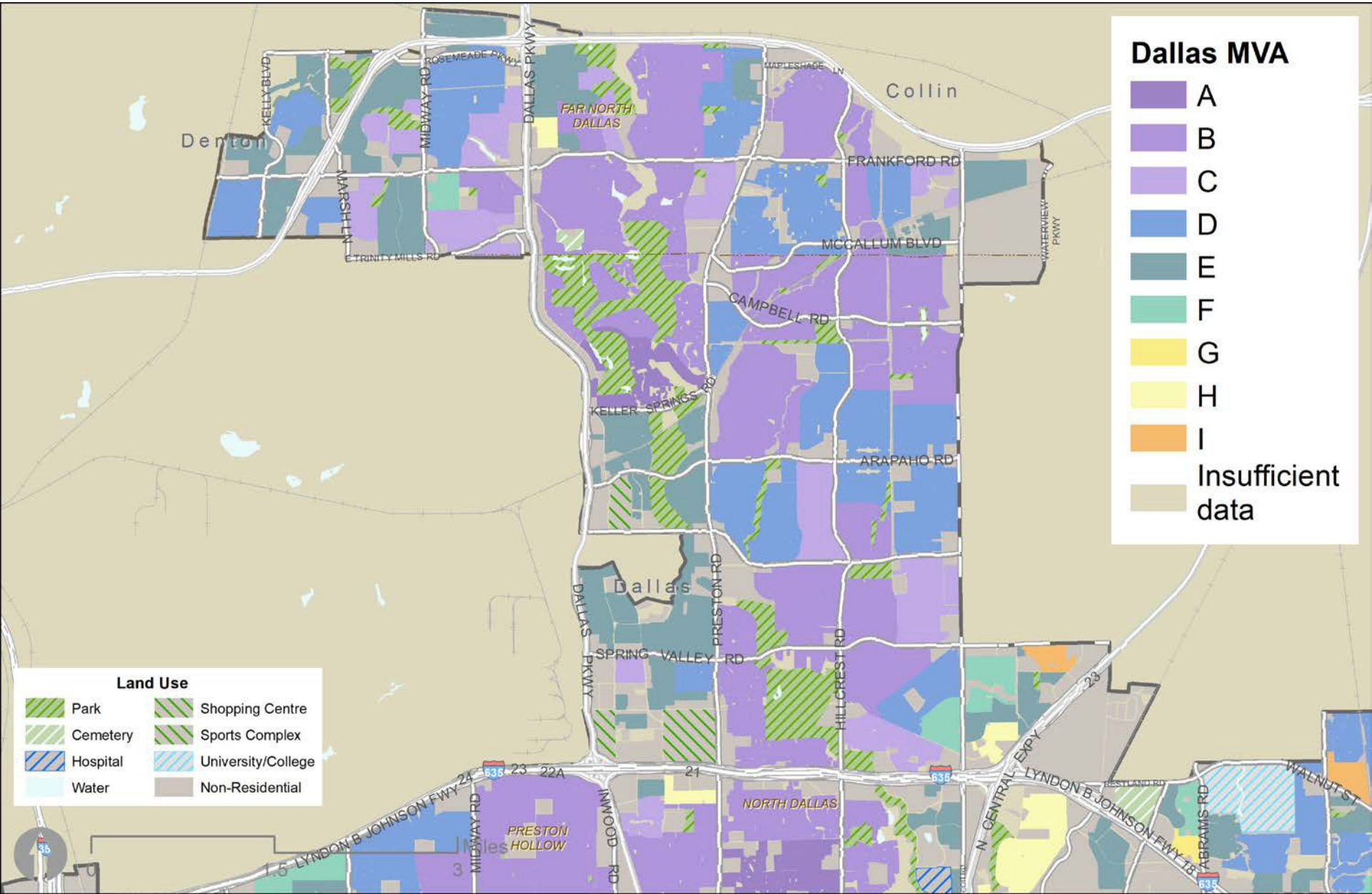
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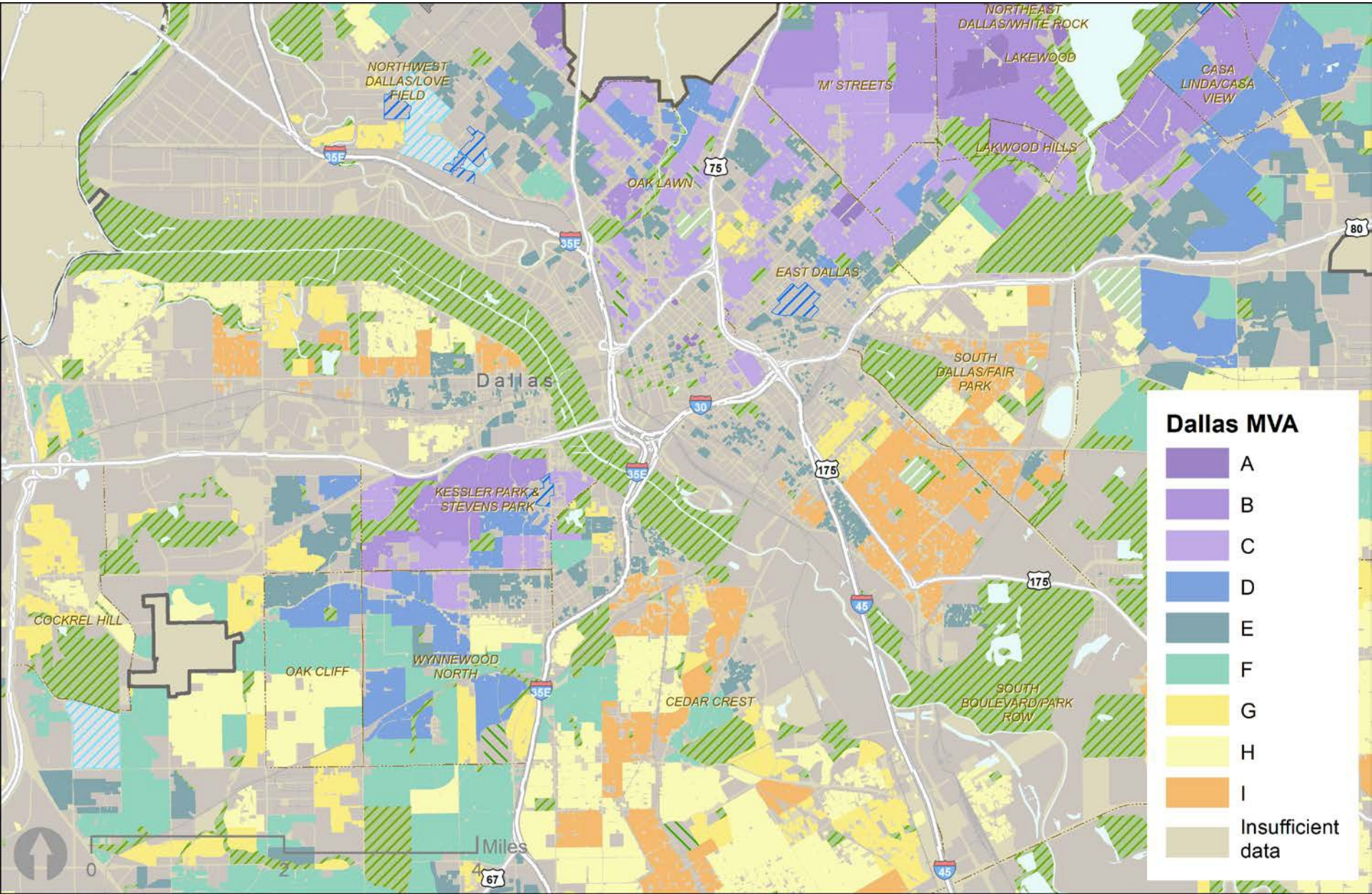
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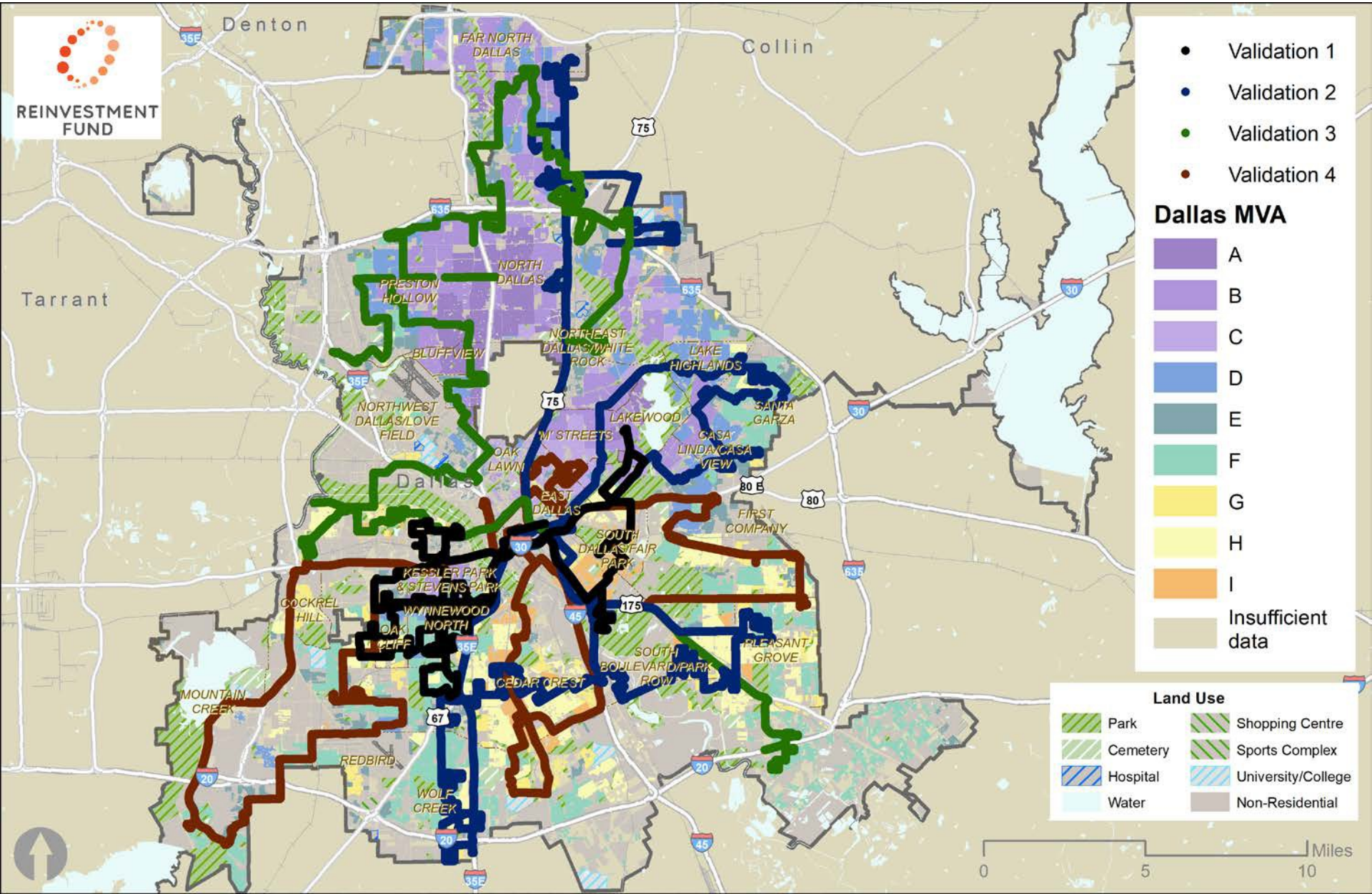
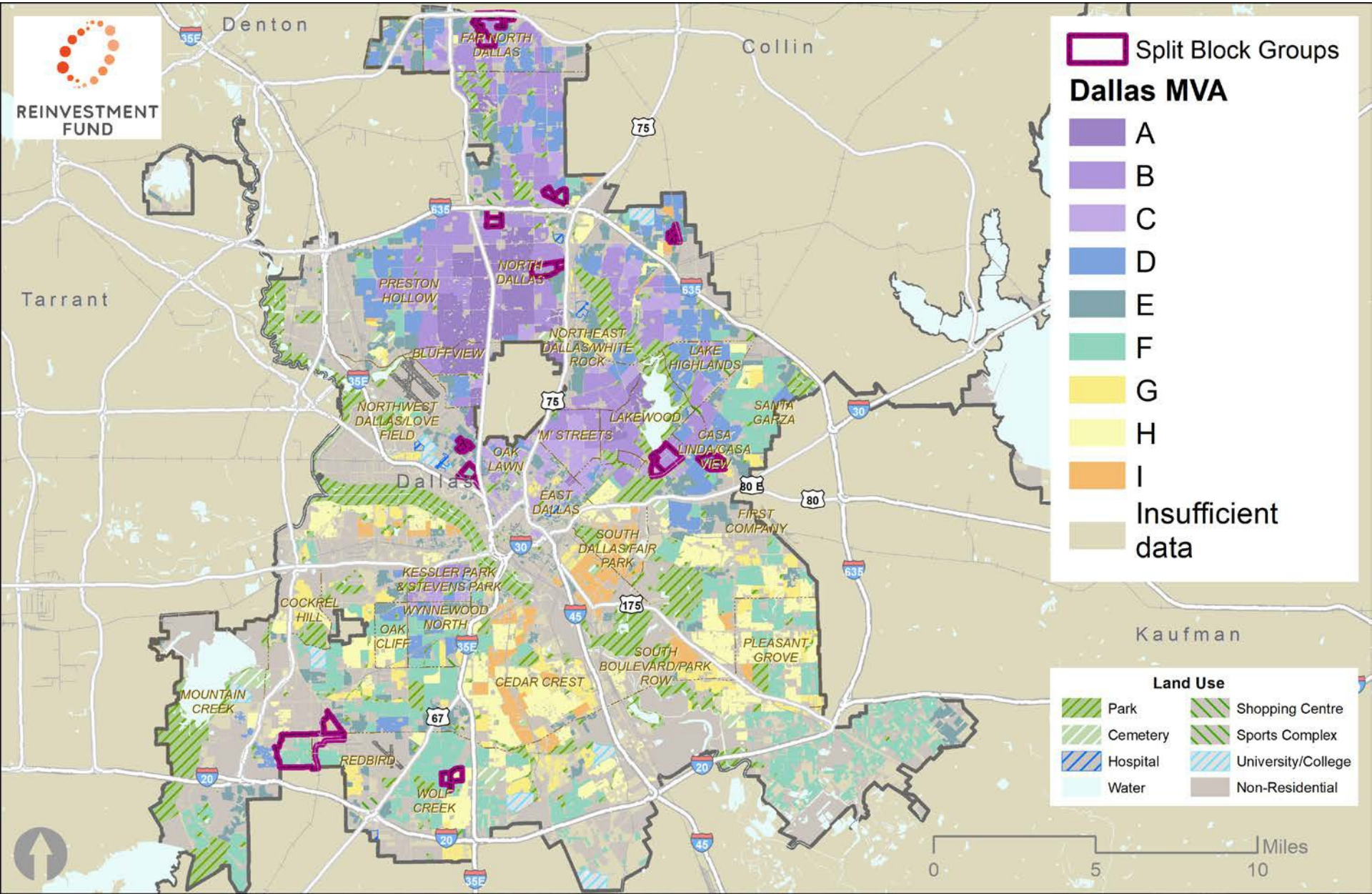
Validation Routes



Split Block Groups



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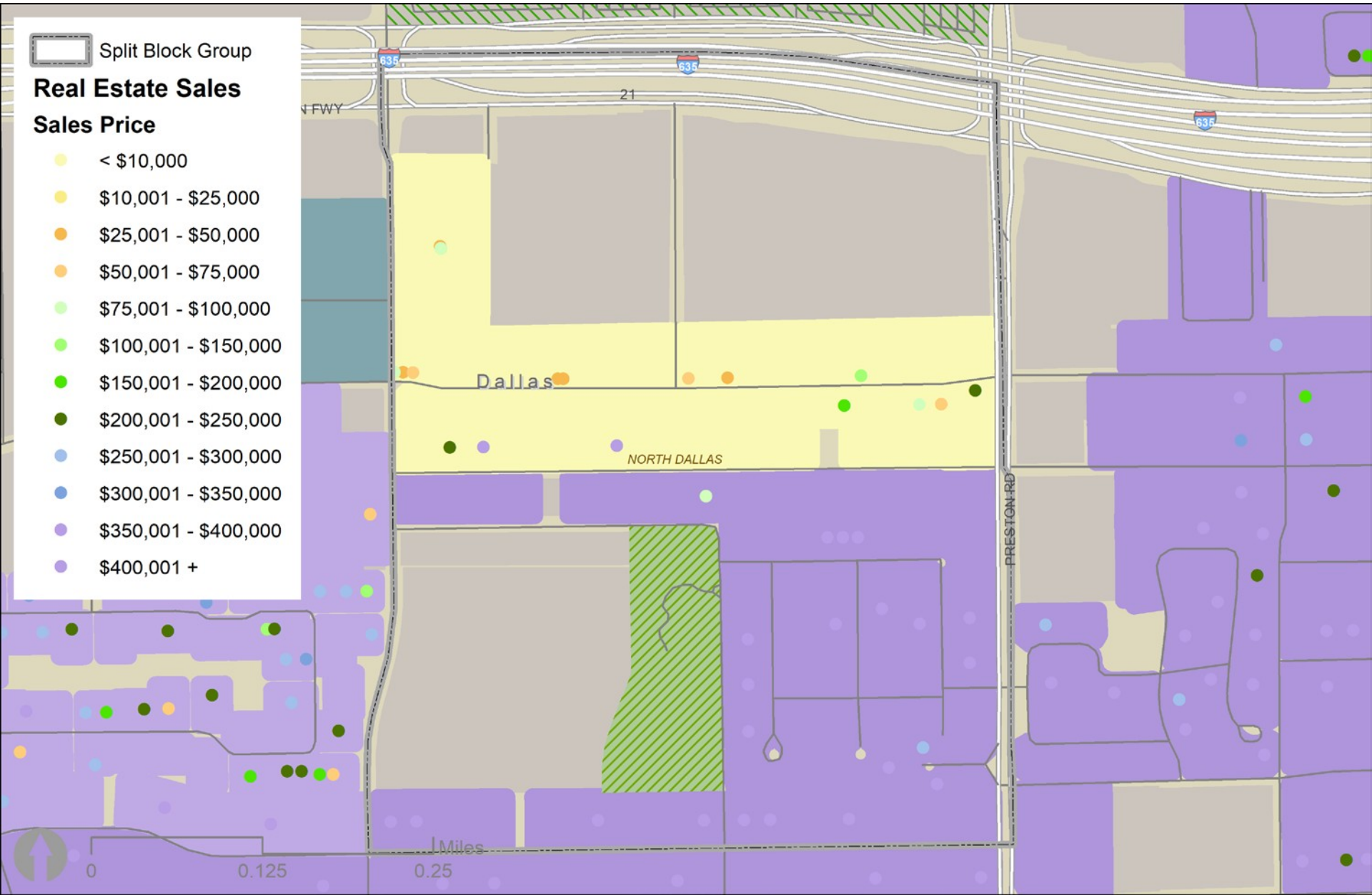

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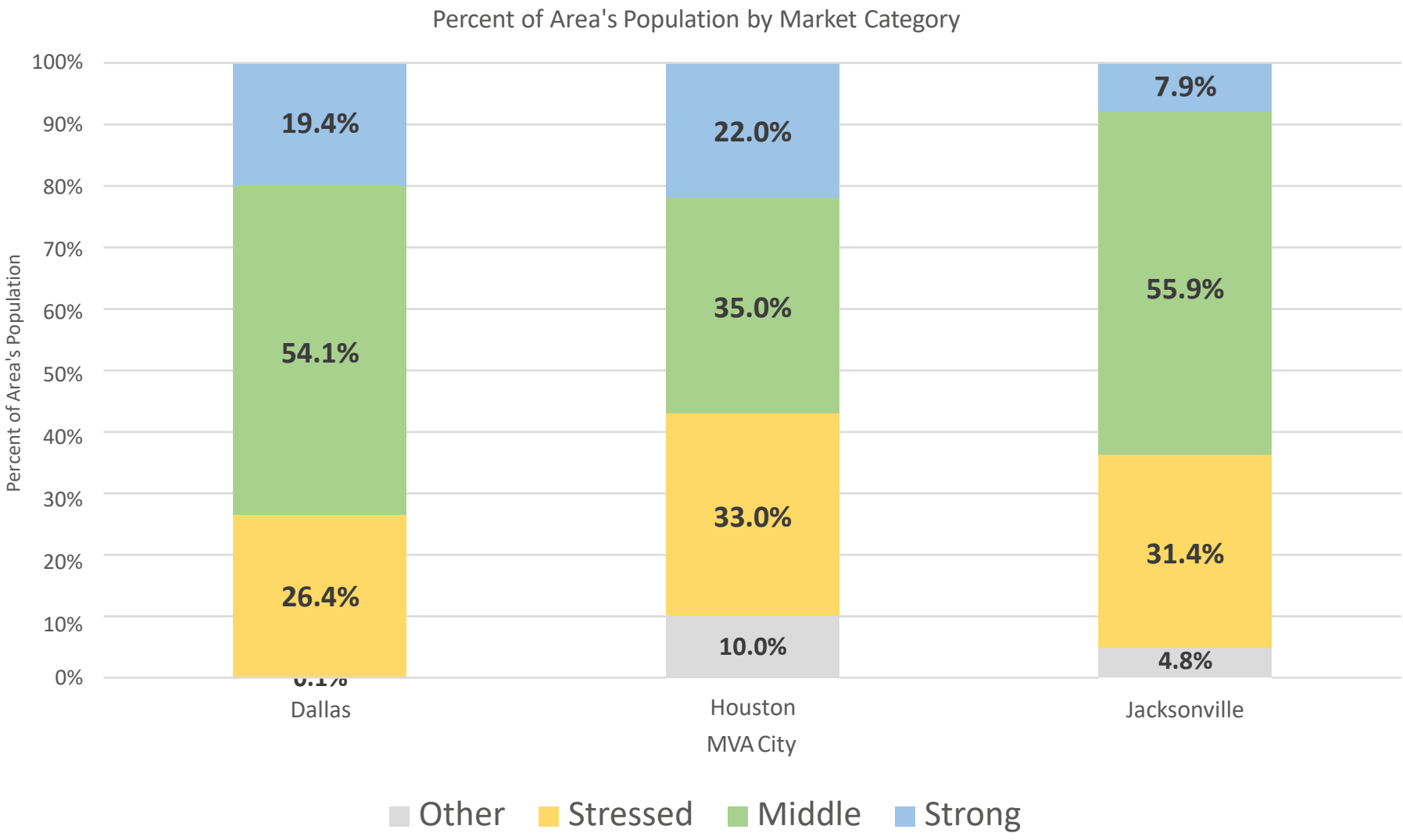
III. Supplemental Analyses

Contextualizing social and economic outcomes with housing market characteristics.

Share of Population Living in Market Types



*Strong block groups are those in MVA Categories A, B, and C; Middle are those in D, E, and F; and Stressed are those in G, H, and I.

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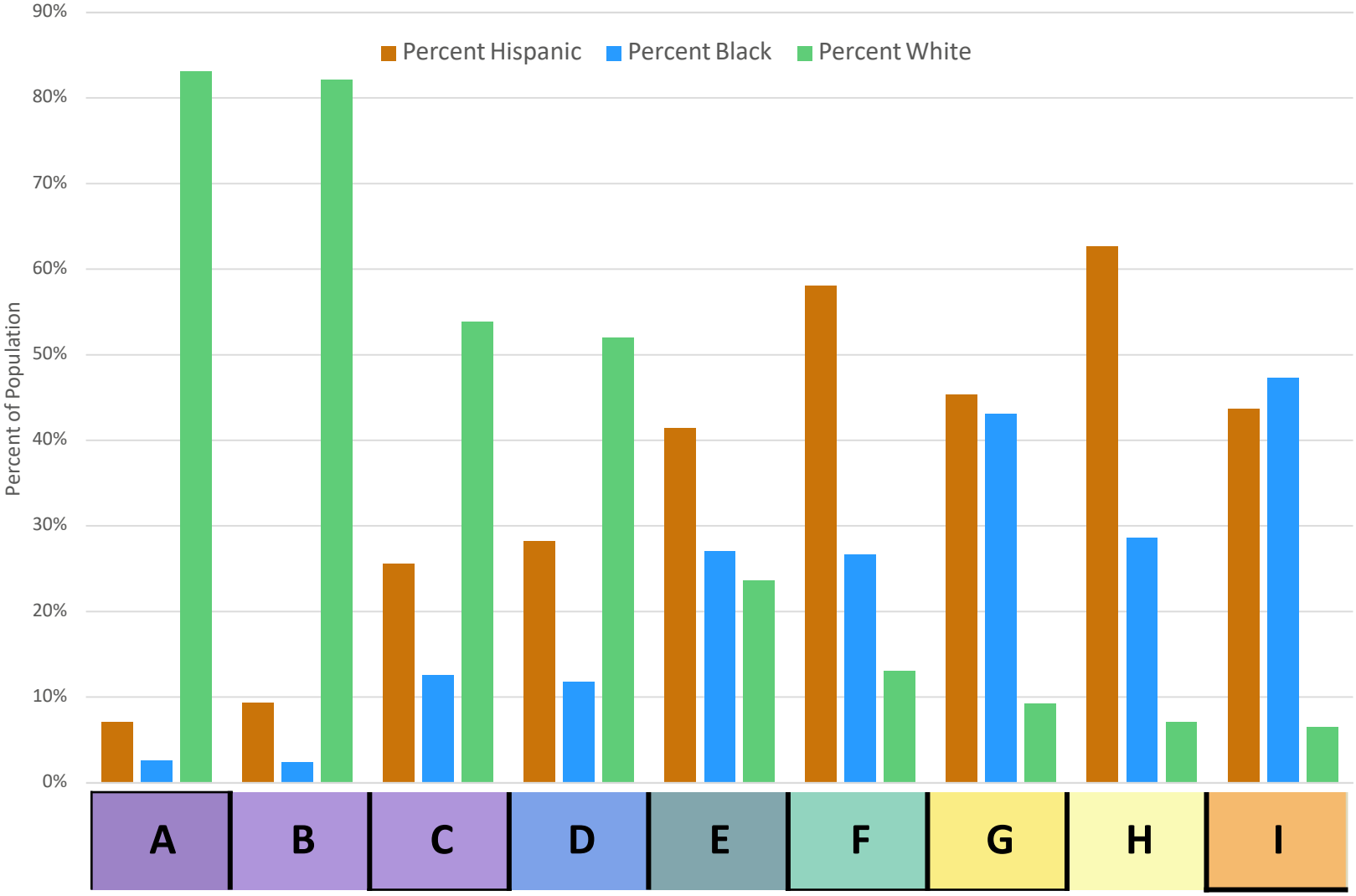
Race/Ethnicity by Market Type



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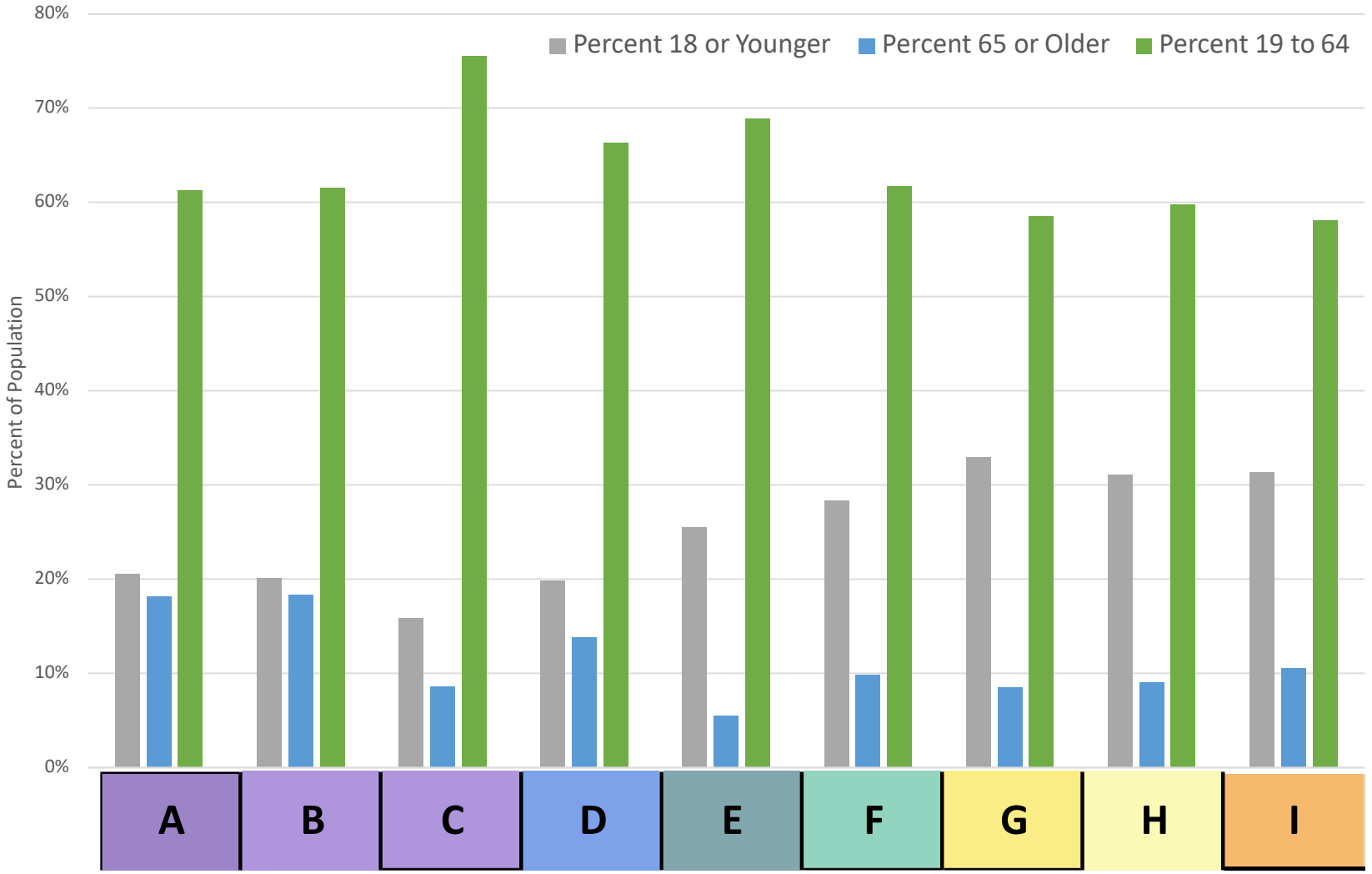
Age by Market Type



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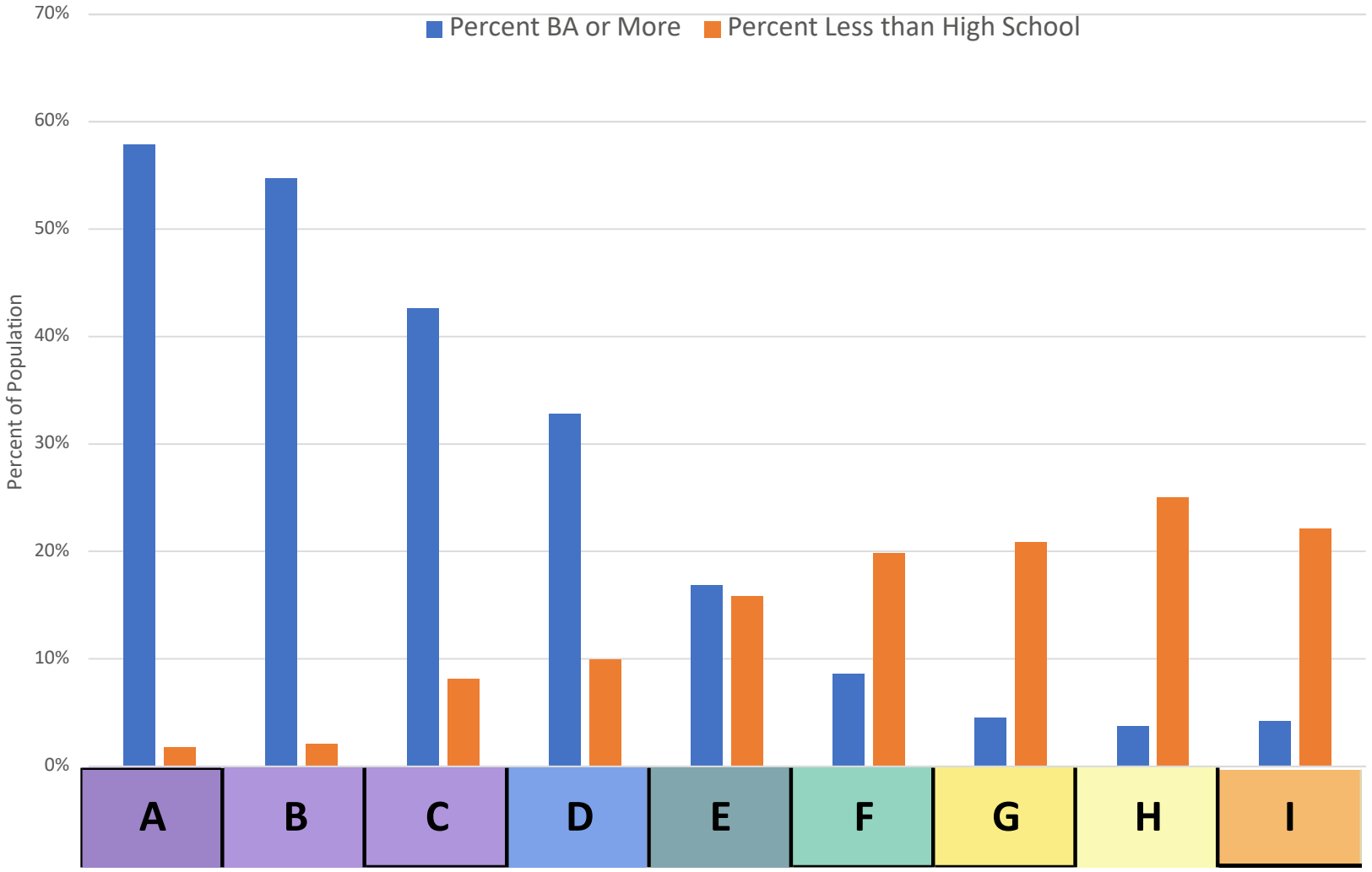
Education by Market Type



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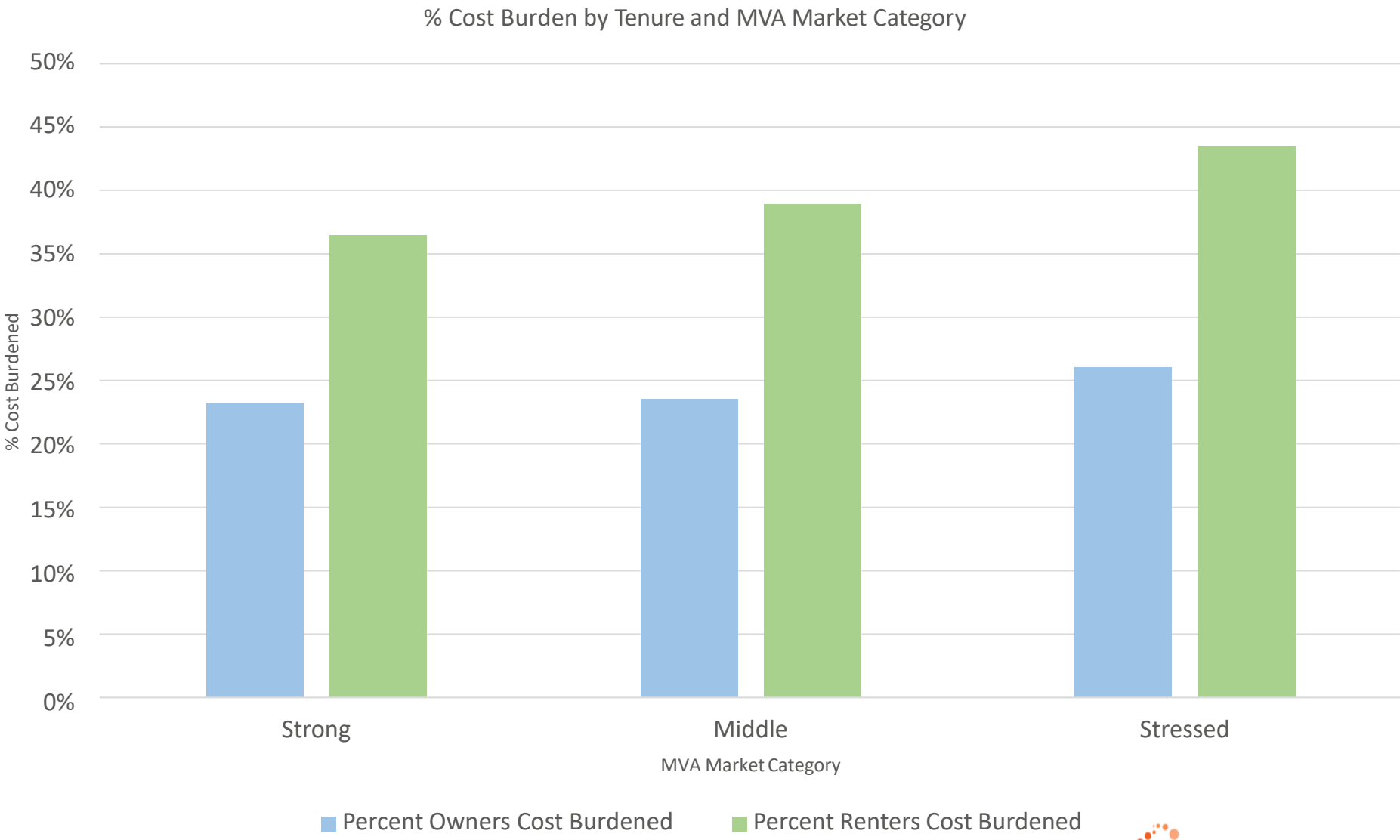
Significant Portions of Owners and Renters are Cost-Burdened; Especially in Stressed Markets



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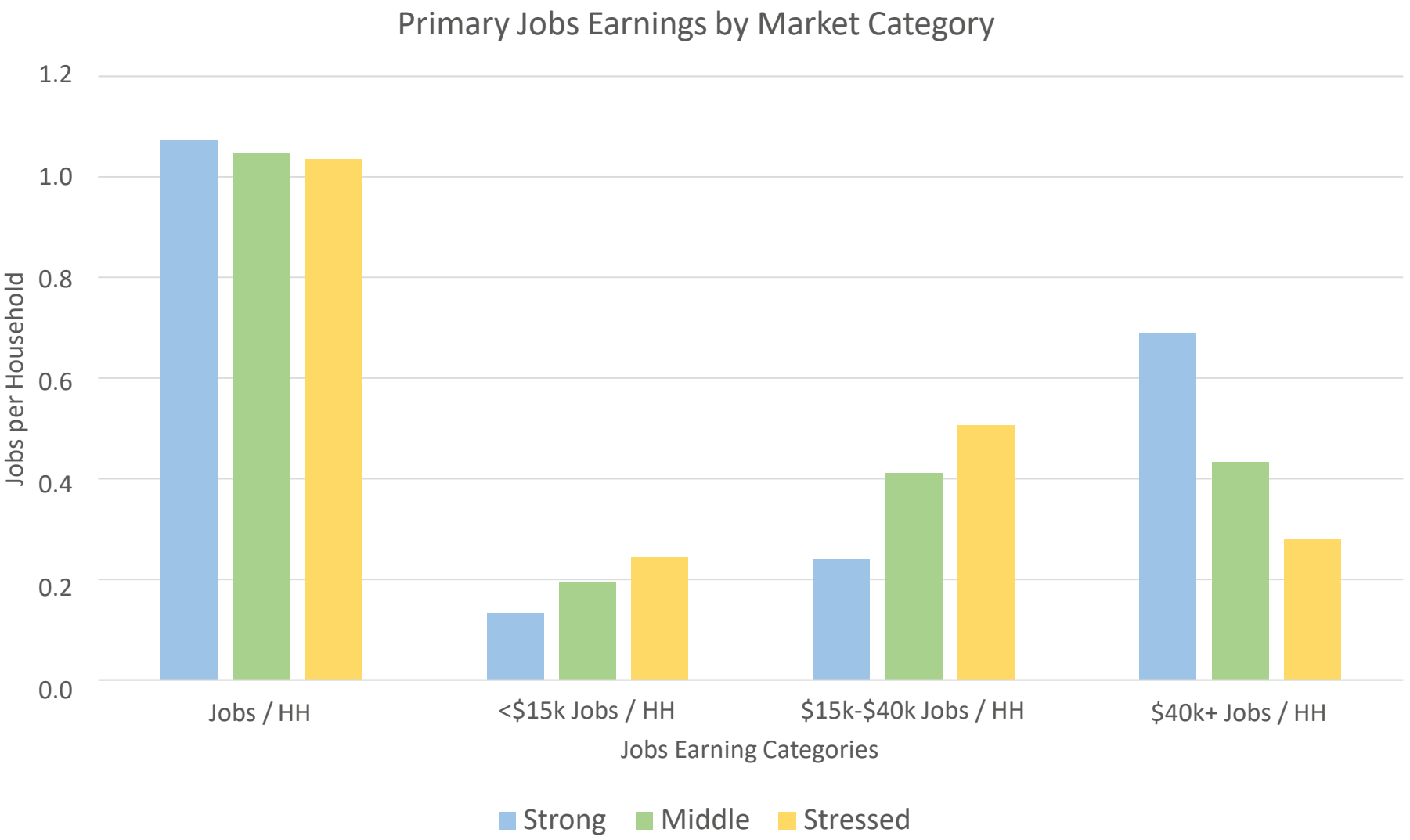
Primary Job Earnings by Market Category



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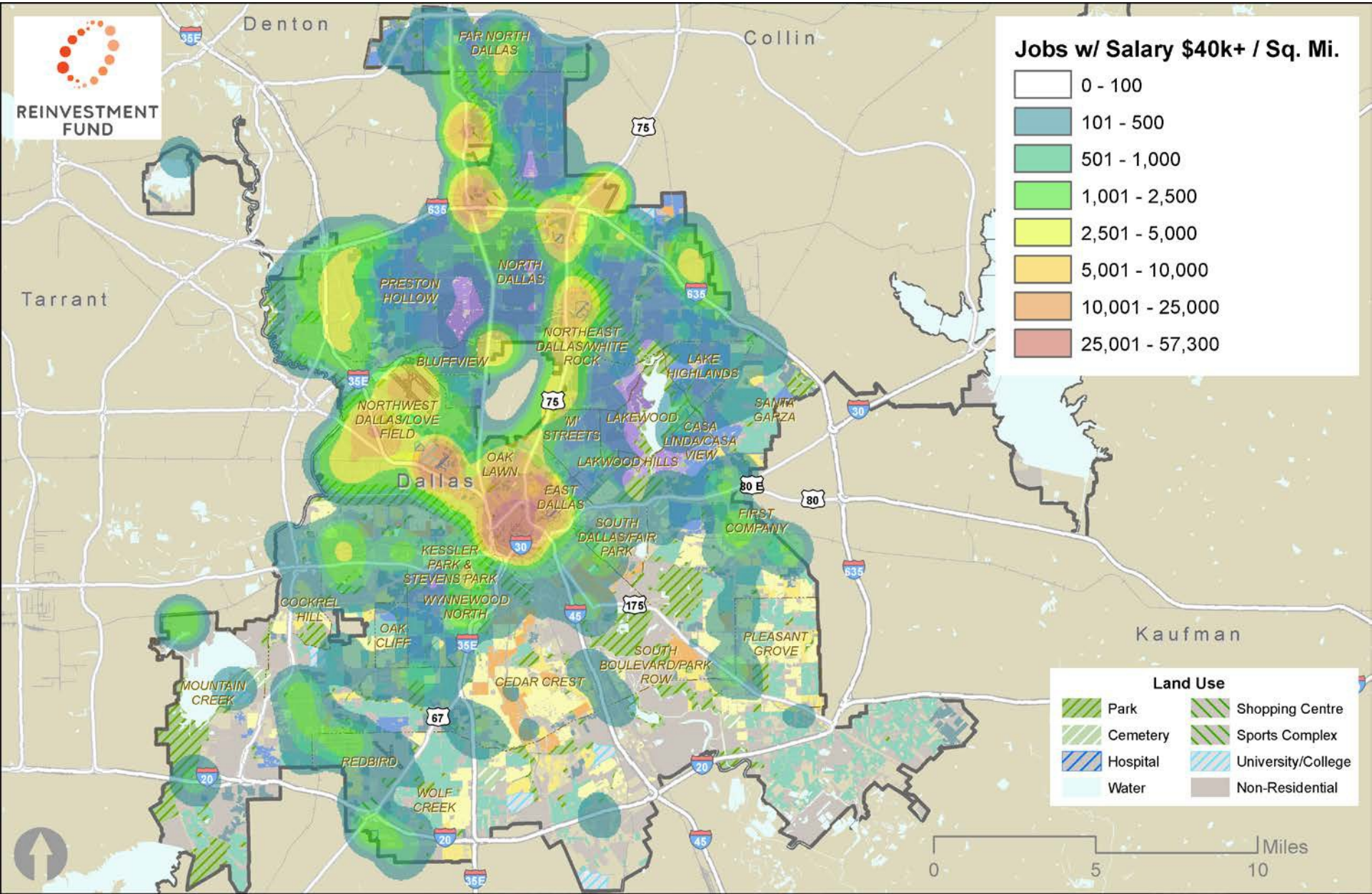
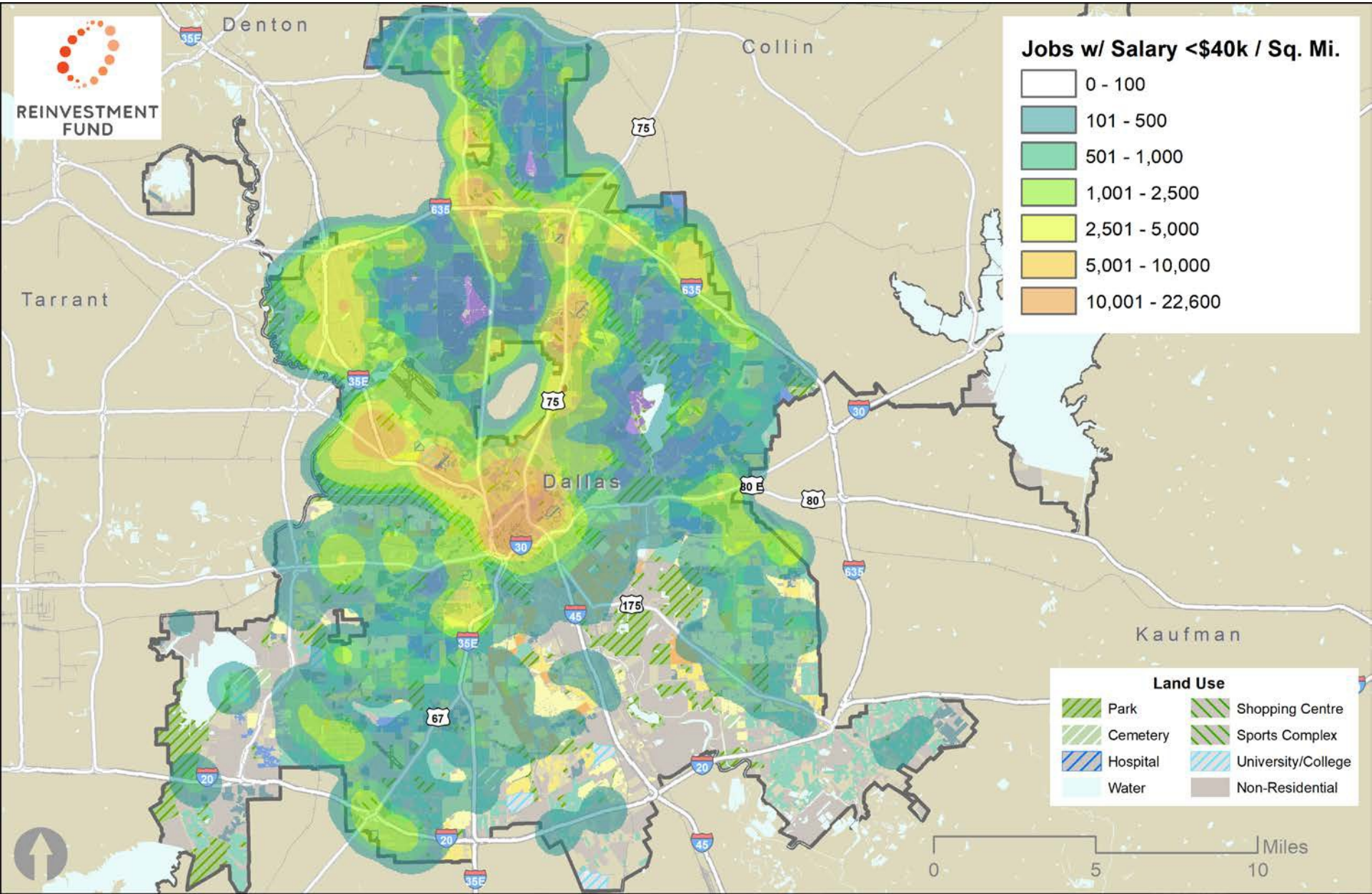
Informing a Workforce Strategy



Informing a Workforce Strategy



Analyzing Mortgage Lending Activity

From 2014 to 2016, 39,775 **home purchase applications** were filed in Dallas. Citywide, 75% of applications were approved, however, approval and denial rates varied considerably between market types.

In purple ("A", "B", and "C") markets, 78% of applications were approved and only 7% were rejected. In orange ("I") markets, only 58% of applications were approved while 22% were rejected.

From 2014 to 2016, 34,002 **home refinance applications** were filed in Dallas. Citywide, 56% of applications were approved, however, the approval and denial rates varied considerably between market types.

In purple ("A", "B", and "C") markets 65% of applications were approved and 19% were rejected. In orange ("I") markets, only 34% of applications were approved while 49% were rejected.

Home Purchase Applications, 2014-2016*

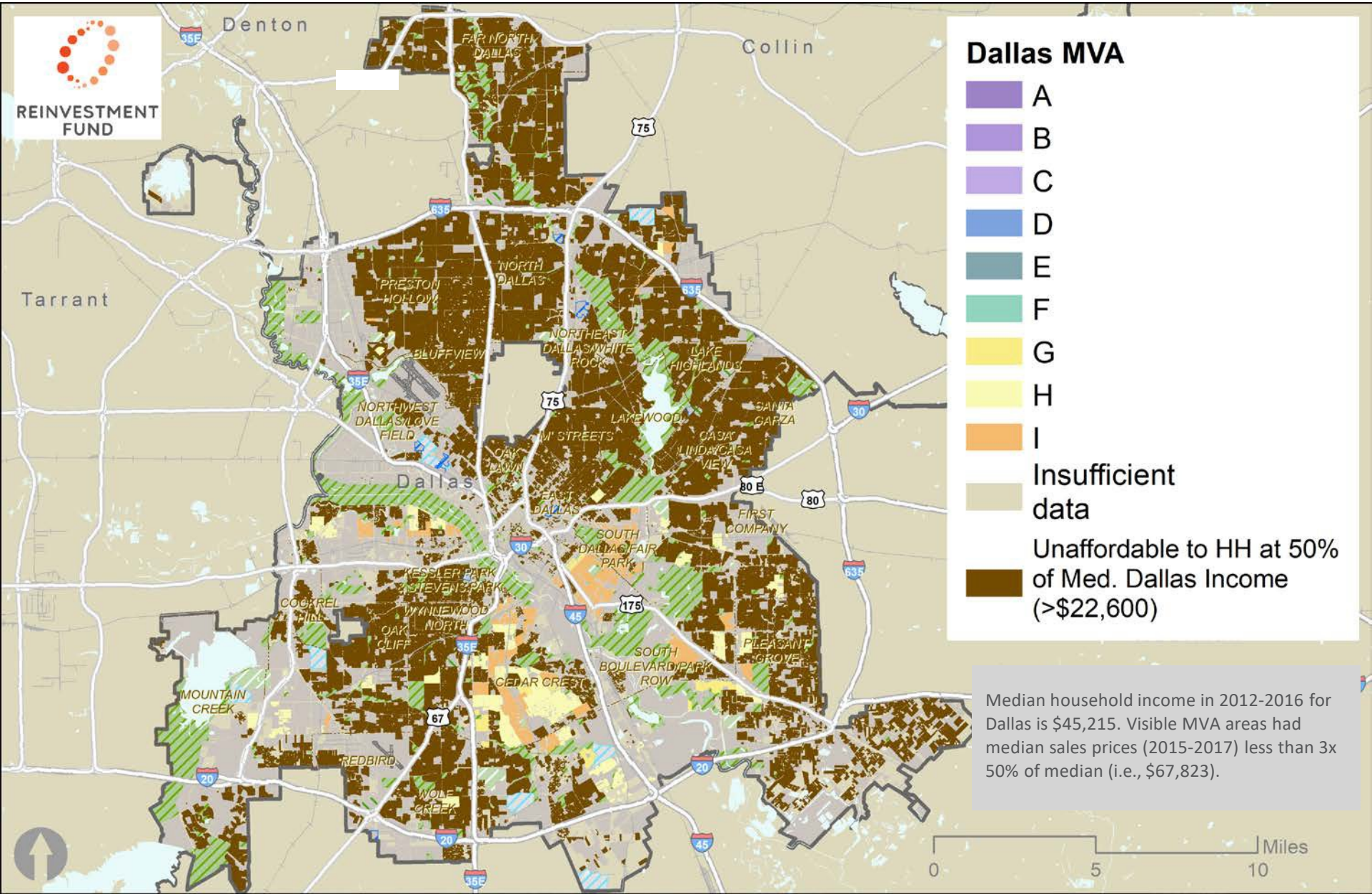
	Approved Apps	Rejected Apps	Withdrawn Apps	Total Apps
Purple Markets	13,859 (78%)	1,264 (7%)	2,607 (15%)	17,730 (100%)
Blue Markets	5,525 (78%)	509 (7%)	1,086 (15%)	7,120 (100%)
Green Markets	8,831 (72%)	1,577 (13%)	1,933 (16%)	12,341 (100%)
Yellow Markets	1,610 (70%)	359 (16%)	344 (15%)	2,313 (100%)
Orange Markets	158 (58%)	60 (22%)	53 (20%)	271 (100%)
All Markets	**29,983 (75%)**	**3,769 (10%)**	**6,023 (15%)**	**39,775 (100%)**

Home Refinance Applications, 2014-2016*

	Approved Apps	Rejected Apps	Withdrawn Apps	Total Apps
Purple Markets	9,188 (65%)	2,645 (19%)	2,215 (16%)	14,048 (100%)
Blue Markets	3,580 (60%)	1,385 (23%)	999 (17%)	5,964 (100%)
Green Markets	5,208 (47%)	3,833 (34%)	2,090 (19%)	11,131 (100%)
Yellow Markets	973 (36%)	1,227 (46%)	474 (18%)	2,674 (100%)
Orange Markets	62 (34%)	91 (49%)	32 (17%)	185 (100%)
All Markets	**19,011 (56%)**	**9,181 (27%)**	**5,810 (17%)**	**34,002 (100%)**

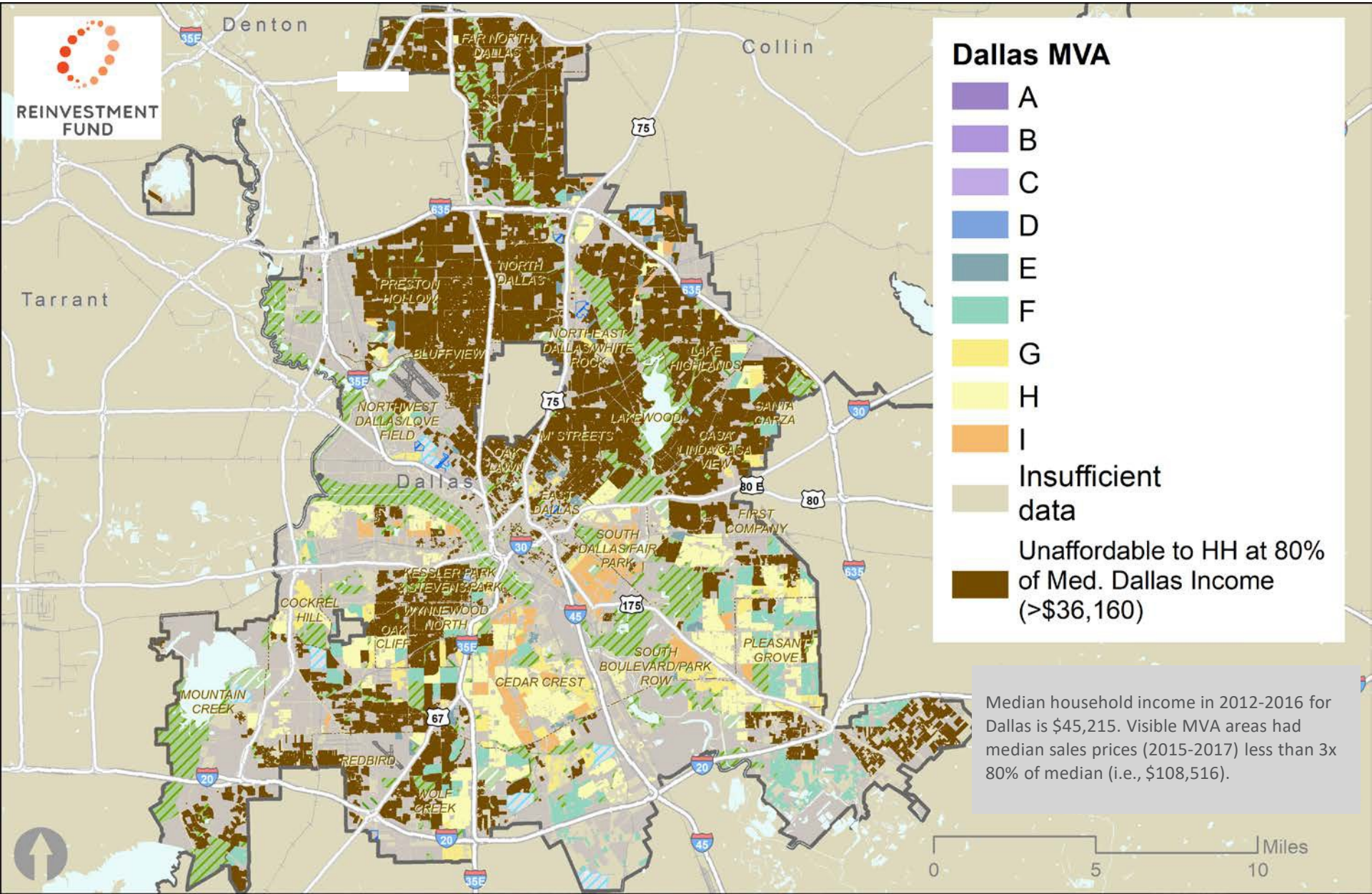
*Only includes first lien, home purchase and refinance applications for single family homes

Areas Affordable at up to 50% Median Household Income



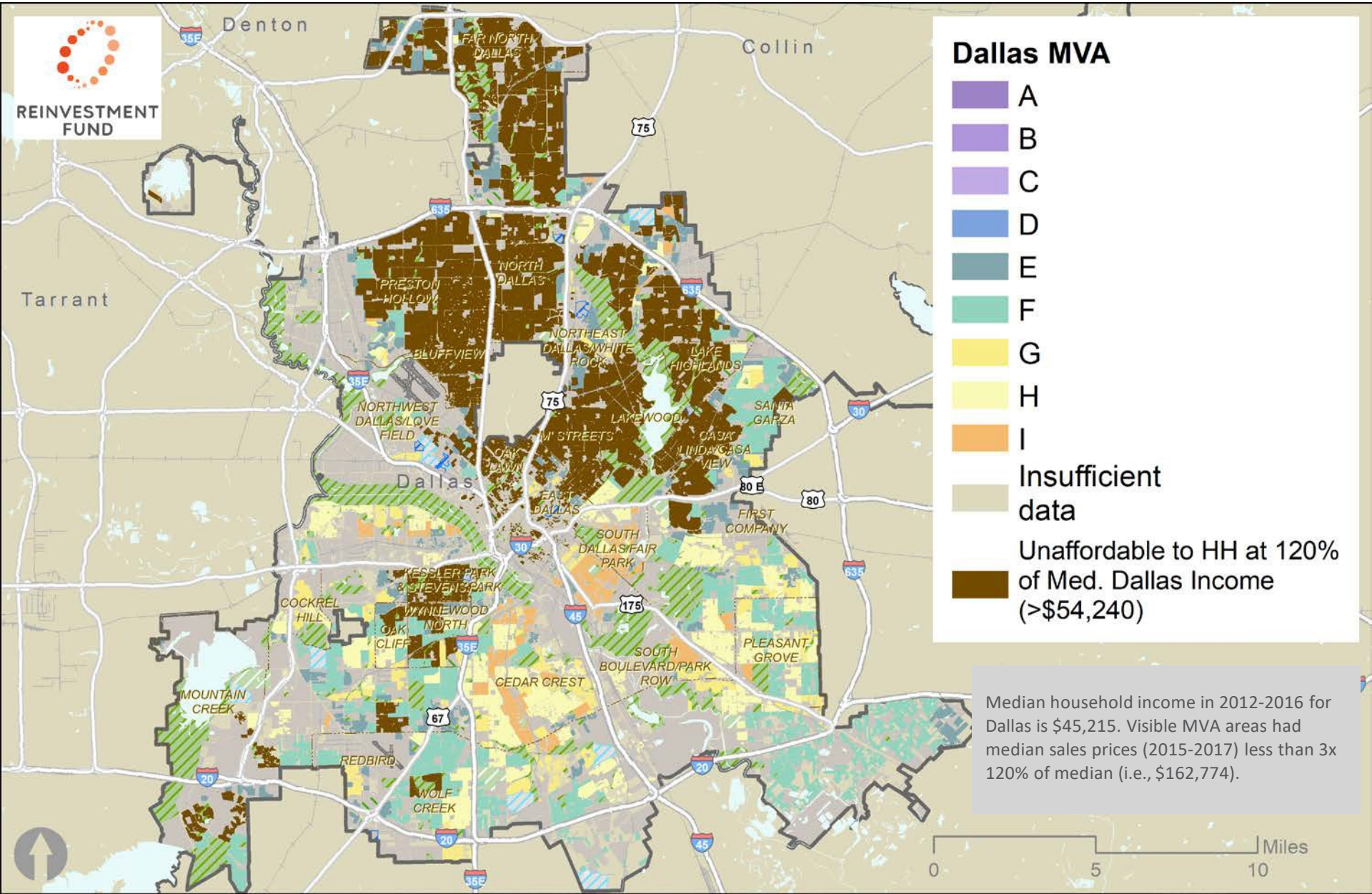
Median household income in 2012-2016 for Dallas is $45,215. Visible MVA areas had median sales prices (2015-2017) less than 3x 50% of median (i.e., $67,823).

Areas Affordable at up to 80% Median Household Income



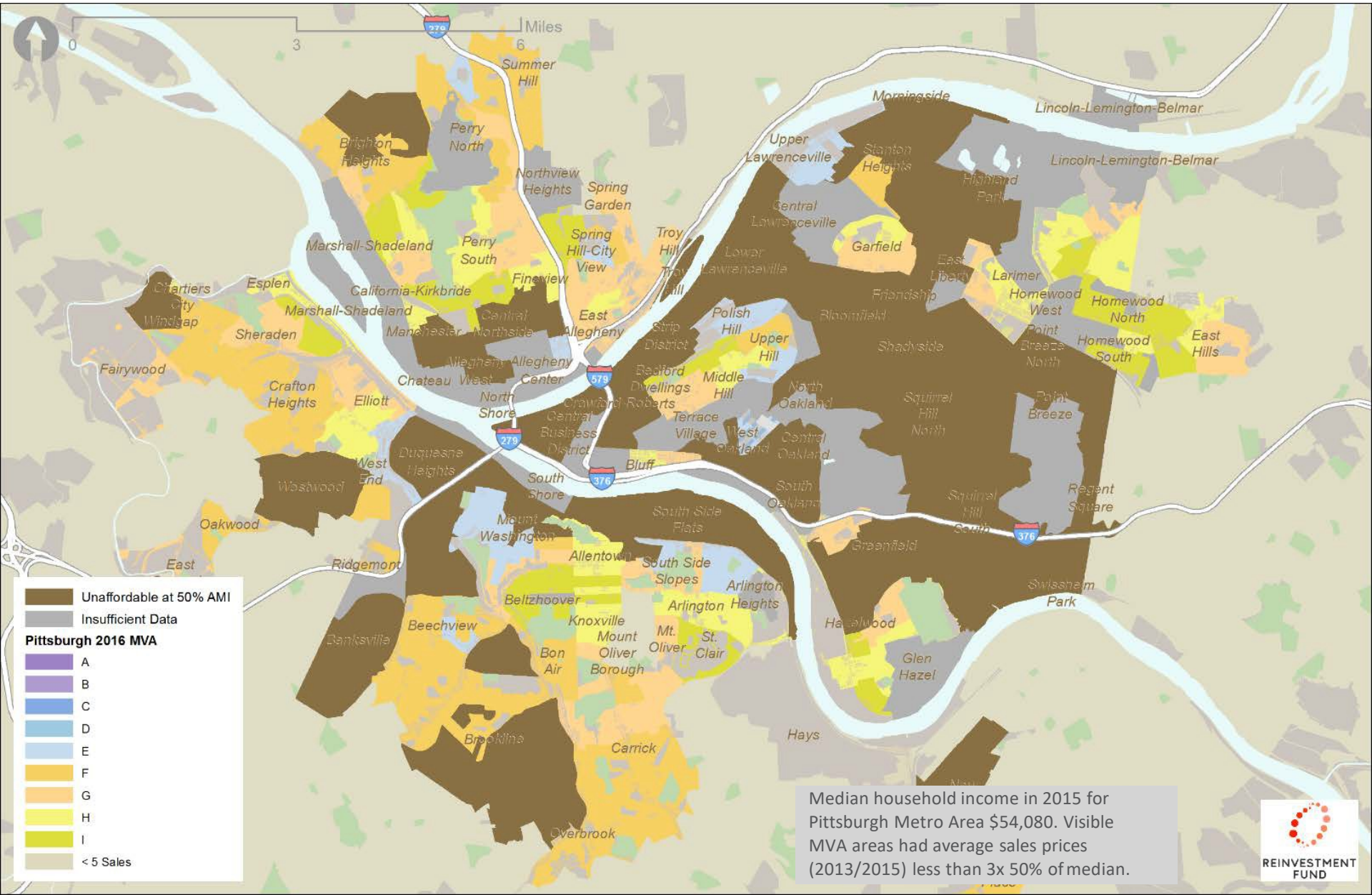
Median household income in 2012-2016 for Dallas is $45,215. Visible MVA areas had median sales prices (2015-2017) less than 3x 80% of median (i.e., $108,516).

Areas Affordable at up to 120% Median Household Income

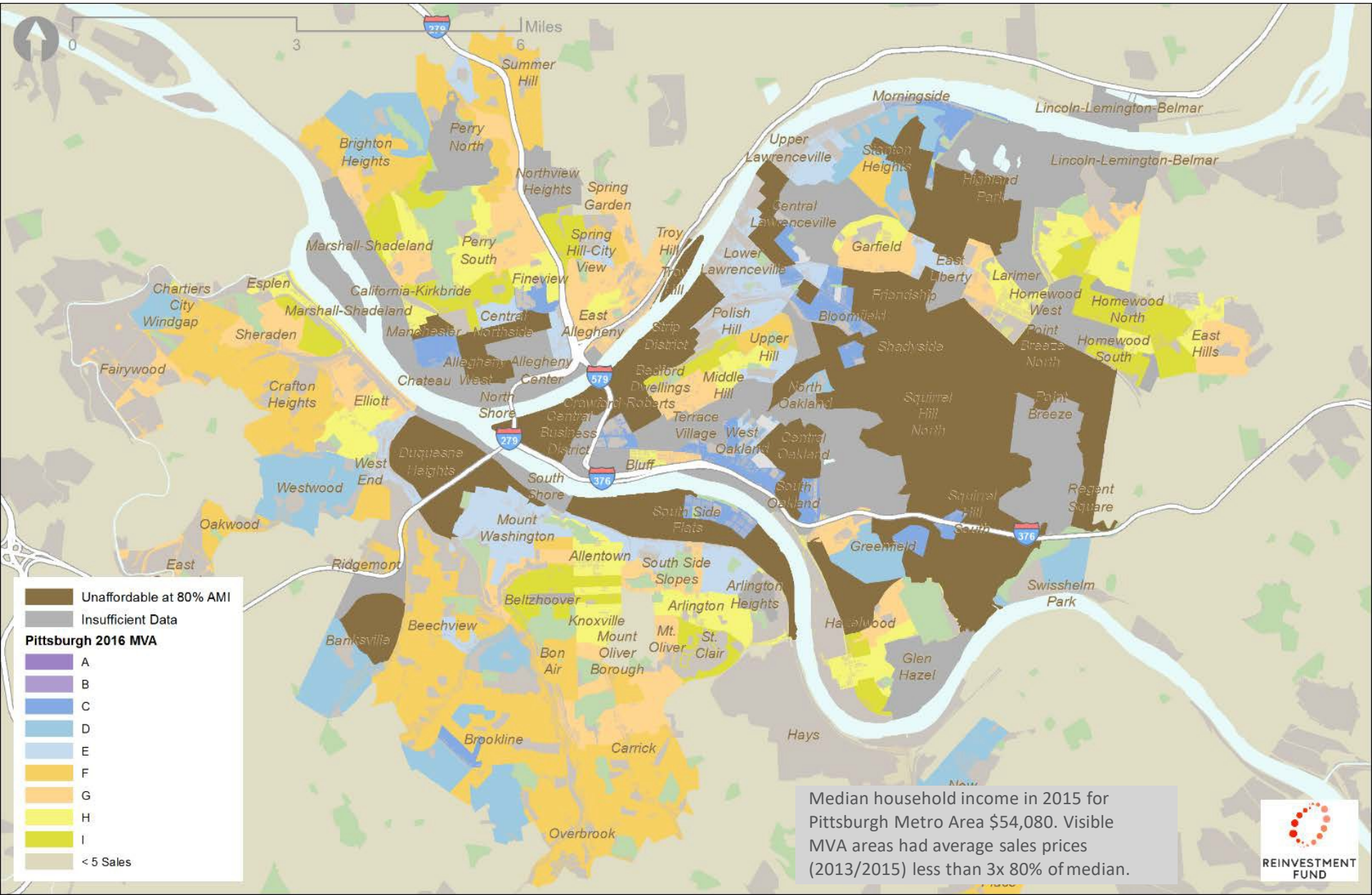


Median household income in 2012-2016 for Dallas is $45,215. Visible MVA areas had median sales prices (2015-2017) less than 3x 120% of median (i.e., $162,774).

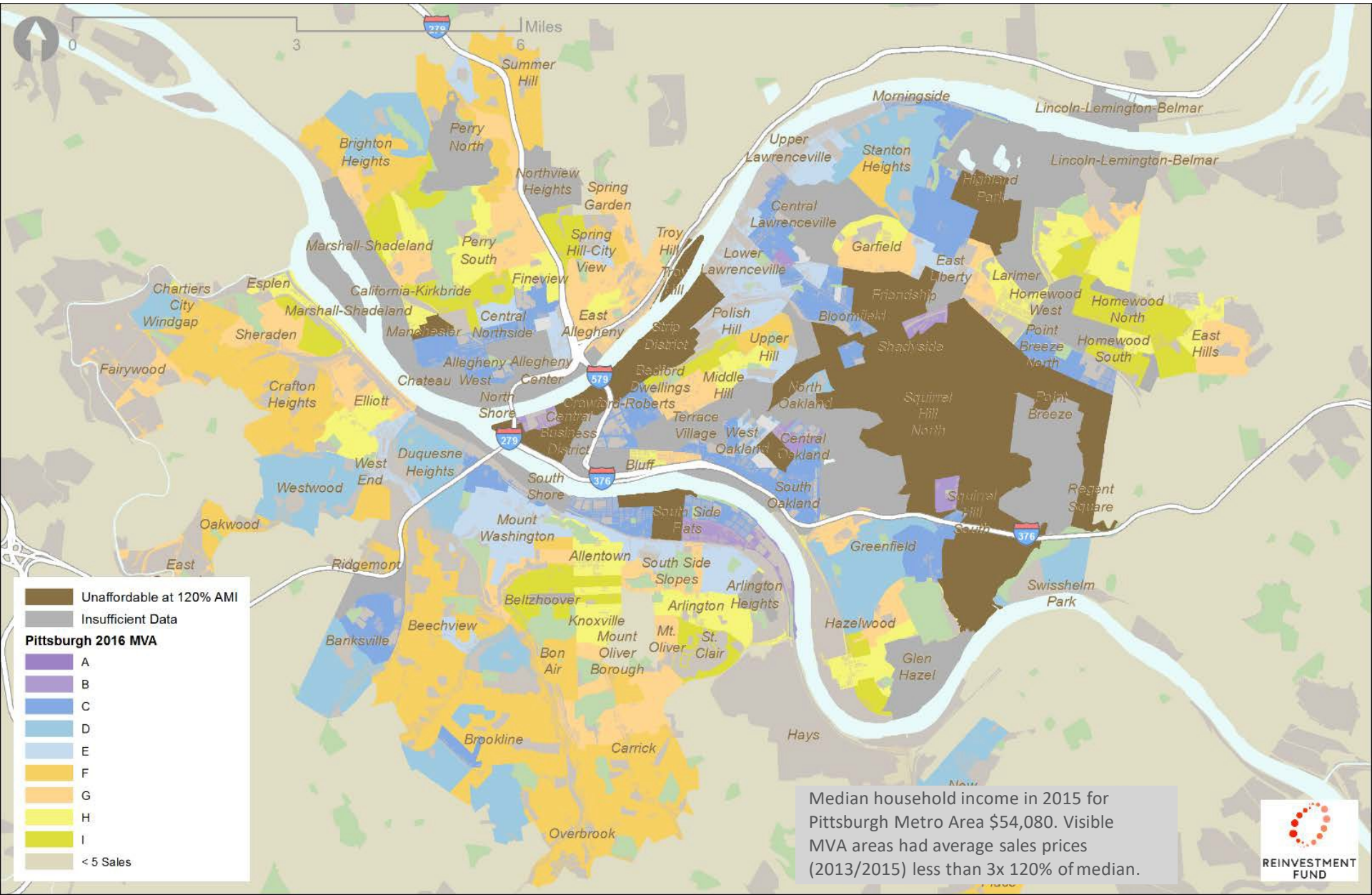
Areas Affordable at up to 50% AMI in Pittsburgh



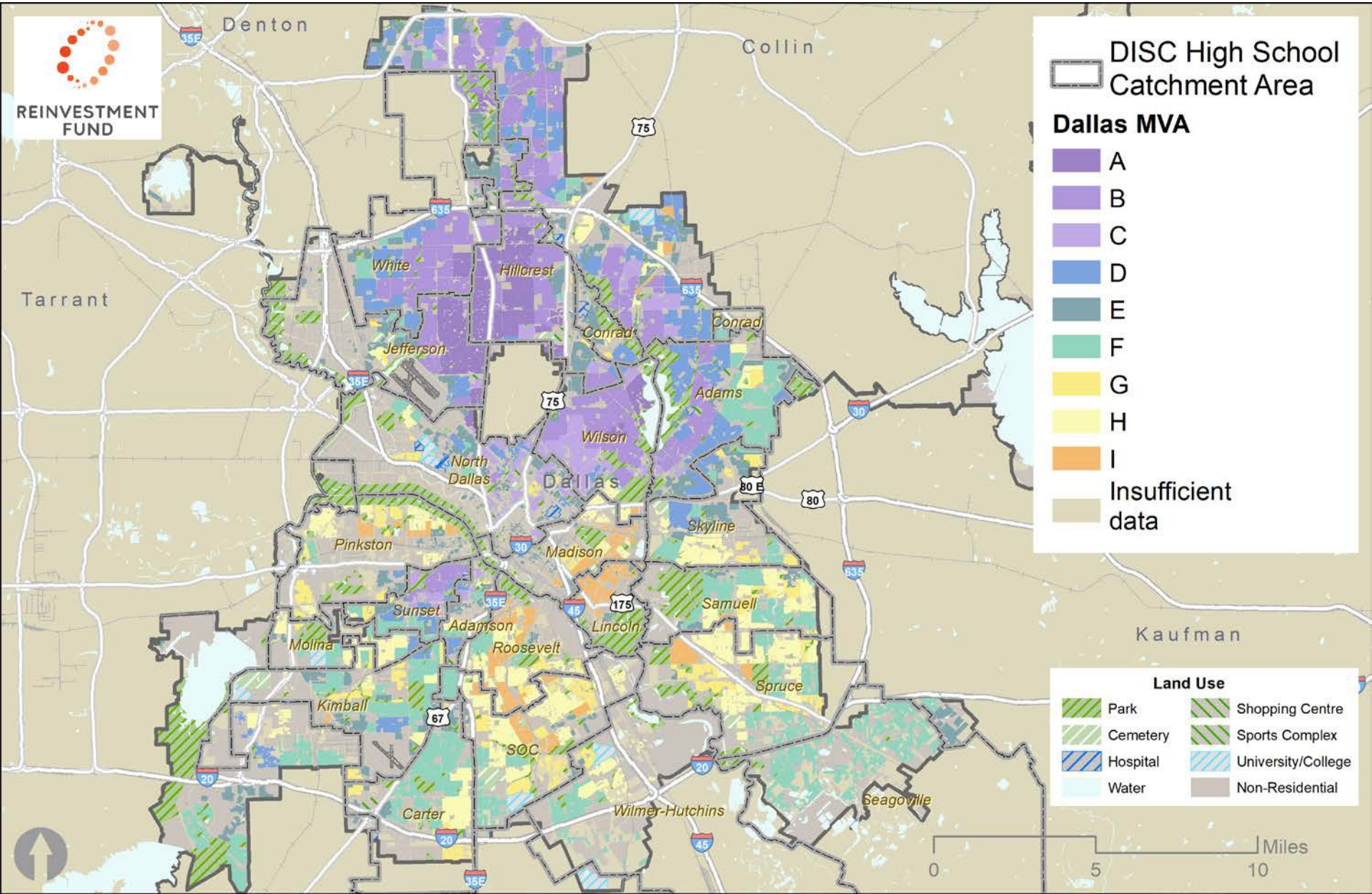
Areas Affordable at up to 80% AMI in Pittsburgh



Areas Affordable at up to 120% AMI in Pittsburgh



Comparing School Catchment Areas to Market Types



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IV. Next Steps and Discussion

Setting Priorities by Market Cluster

MVA Market Types

Sample Activities	A	B	C	D	E	F
Demolition of Dangerous Properties						
Encapsulation: Acquisition/Rehab						
Large Scale Housing Development (e.g., LIHTC)						
Land Assembly for Redevelopment						
Selective Enhancement of Lots						
Quality of Life Code Enforcement (broken window syndrome)						
Nuisance Abatement						
Arts & Culture Programming						
Neighborhood Marketing Campaign						
Enhanced Public Safety Measures						
Support Nutrition Services						
Income Maintenance Programs						

Each activity can be connected to different responsible organizations, including city agencies, commissions, non-profits, etc.

Some activities represent annual ***expenses***; others represent ***investments*** with an expectation of longer term returns beyond the immediate beneficiaries. Some are "universal" while others are best targeted.

The Market Value Analysis allows for a coordination across organizations, agencies and funding sources (CDBG, CSBG, philanthropic, etc.).

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MVA Roll Out and Dissemination

Examples of Prior-MVA Dissemination Campaigns

Public Forums

Jacksonville (2015)

- Led local foundation
- Public document created for lay-audiences
- Held multiple community meetings sharing results and implementation ideas

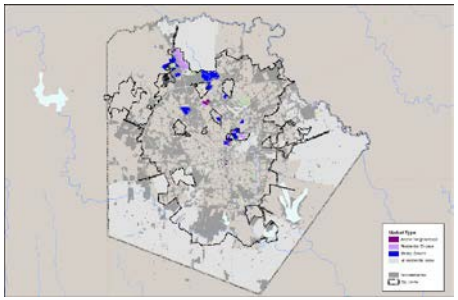
Targeted Outreach

New Orleans (2016)

- Led by city agency
- Presentation created for internal stakeholders
- Coordinated meetings with internal groups to share results and discuss collaboration opportunities

Community Workshops

San Antonio (2009)



- Led by city agency
- Presentation created for community groups
- Hosted workshops with public, private, nonprofit stakeholders discussing strategies for using the MVA

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Market Value Analysis: MVA
City of Dallas

City Council Briefing

January 17, 2017

Raquel Favela,
Chief of Economic Development & Neighborhood Services

City of Dallas

Market Value Analysis
Next Steps

Develop a Comprehensive Housing Policy

On March 12, 2017 the Dallas City Council Housing Committee set out 3 goals for a comprehensive strategy for housing:

1. Create and maintain available and affordable housing throughout Dallas
2. Promote greater fair housing choices
3. Overcome patterns of segregation and concentrations of poverty through incentives and requirements

A Public Input Process

Everyone is a stakeholder in achieving these goals and the strategies used for achieving them.

City cannot fix the housing problem alone

MVA provides a base understanding of what the housing problems are in Dallas to begin discussions

Factors Affecting Affordability

- Development Costs
  - Appraisals, market analysis, labor, construction costs, Land acquisition, zoning, permitting, environmental, development fees, insurance, payment & performance bonds, and construction financing.
- Access to Capital
  - In market areas where new construction has not occurred, lenders are less willing to lend for upfront costs in development because risks are too high.
  - This requires an Equity investment that exceeds what a developer is feasible to invest for the Return that the project can provide.
- Cost of Capital
  - Because of the perceived risks in unproven markets, interest rates can be high and construction periods can drag out longer and that means higher carrying costs which = less return on investment.

Why do those 3 factors matter?

Because of the relationship between:

- **Cost** – all of those 3 make up the cost to build
- **Value** – how much houses (units) sell/rent for in that market? This is a function of demand. Demand for housing in Dallas is high. and
- **Affordability** – how much can our target market afford?

Current Income Limits Set by HUD

100% HUD estimate of the median family income for the Dallas Area for a family of 4*	$73,400
80%	58,700
60%	$44,000
50%	$36,700
30%	$22,000

Housing Programs / Tools

- Home Repair
- Development Incentives: HOME Investment Partnership, CDBG, HUD 108, Tax Exempt Bonds, Tax Increment Financing, and 2017 Bonds.
- Neighborhood Empowerment Zones
- Land Bank
- Community Land Trust
- Low Income Housing Tax Credits
- Opportunity Zones
- EnVision Centers
- Rental Assistance Demonstration (RAD)Program

Public Meeting Topics

Topics
How Residential Development gets Financed
How to Reduce Development / Rehab Costs
How to Increase Access to Capital
Programs, Tools and strategies to increase housing production

Dates, Times and Locations to be Announced on Friday, January 20, 2018.

- 2 meetings per topic; 1 of those in a virtual meeting format to allow for maximum participation
- Meetings will take place through the end of February 2018.

Market Value Analysis: MVA
City of Dallas

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