Uneven Recovery—
Urban Dallas
By Norman Henry

Everyone in Dallas is excited about the economic boom that’s happening in housing prices. Builders in northern parts of Dallas are seeing rapid growth, and increased sales. In some parts of the MetroPlex, new home prices are rising each month.

The economic boom has not been the same in the southern and western parts of Dallas. Urban low-income communities have not seen the growth in prices and sales of new homes.

Federal Reserve Chairman, Ben Bernanke in his April 12, 2013 speech said, ”Housing remains depressed in many low-income neighborhoods even though the overall home market is making gains. The approach to revitalizing urban areas must be holistic requiring multipronged approaches that address housing, education, jobs and quality of life issues.”

Builders of Hope has understood the importance of the holistic approach, and the need for multipronged approaches by providing neighborhood based crime and beautification projects, affordable housing, life skills and mentoring for ex-offenders, financial literacy and working in collaboration with various coalitions to improve educational, health and overall quality of life issues affecting low income communities.

However, the foundation for strong communities and families is a safe, decent, affordable place to live. Having a stable and affordable home is critical to building strong families, high educational outcomes and healthy communities.

The challenges of housing, education, family fragmentation, and economic development in urban America require a different strategy than the traditional model being employed in northern Dallas neighborhoods and suburban areas.

For example, affordable housing builders like Builders of Hope are not able to raise our prices due to the new methodology used by appraisals, the low income of the families we serve, and the financial crisis impact on the area.
The FHA appraisal process has been changed to allow appraisals to include short sales, foreclosed sales and cash sales in the compilation of the appraised values for new homes. Many low income areas have faced large numbers of foreclosures and short sales being purchased by investors at a discount, thus resulting in lower valuation of appraisals for new homes. Therefore, new home builders are not able to raise the sales prices to cover the true costs of building homes. The economic boom is causing labor and material costs to rise faster than the builders can raise their home prices. Consequently, private builders have decided not to build in southern Dallas since the costs of building exceeds the appraised values. They don’t face this challenge in subdivisions where there are no foreclosures or short sales. Nonprofits are needed in these neighborhoods to fill the void where the private sector is unable to do so.

The Southern Sector neighborhoods like South Dallas and West Dallas need soft equity and grants to the builder in order to fill the gap between the low appraisals and the costs of building the homes, and down payment funds for the family to make the home affordable.

For example, in the West Dallas area our costs of building an average affordable home (including lot, soft, hard, closing and selling costs) is around $115,000 per home. The actual appraised value is around $95,000. So the gap is $20,000. Normally the City of Dallas, through the Federal HOME program fills the gap of $20,000, and we are able to sell the home for $95,000 and make a developer fee to help sustain our organization. Without the HOME Funds of $20,000 grant, we would take a loss on each home. This is why for profit builders are unable to build in southern Dallas.

The Federal Government has been cutting the HOME Program for low income families every year. Since 2010, the Home Program has been cut 50%, and we are expecting another 17% cut in 2013-14. This will hinder the ability of all nonprofits involved in building affordable housing for homeownership. The Federal Sequestration cutbacks are unfairly hurting the poor. One of the best programs the government has for helping low to moderate income families own their own home is facing the largest cuts.

Builders of Hope has a model that requires a small grant equity investment ($20,000 per unit), employs local men in the transformation process, and provides a method whereby the private sector can develop middle income homes, and the homes are sold at replacement costs to ensure that eventually the free market can take over the process of building and selling homes.

Texas has 58% of its residents that need an affordable place to live, with home prices not to exceed $125,000. Yet, less than 2% of the new homes being built in the Dallas MetroPlex are affordable to the majority of Texans. In the future, this will result in more homelessness, lack of new home development in urban areas and make Texas uncompetitive for future employers.