

Memorandum



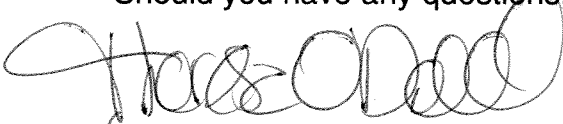
DATE April 17, 2009

TO Members of the Economic Development Committee: Ron Natinsky (Chair),
Tennell Atkins (Vice-Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane,
Mitchell Rasansky, Linda Koop, Steve Salazar

SUBJECT **Lancaster Corridor Update**

On Monday, April 20, 2009, you will be briefed on the Lancaster Corridor Update.
Attached is a copy of the briefing.

Should you have any questions, please contact me at (214) 670-3314.



for A.C. Gonzalez
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Director, Budget & Management Services
David Cook, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

Lancaster Corridor Update

Economic Development Committee

April 20, 2009



Today's Focus for Action

- **Authorize** use of **public funding** to **assist** in **development** in the **Lancaster Corridor Neighborhood Investment Program Area**
 - \$3M from Public Private Partnership Program
 - \$2M 2006 General Obligation Bond (Prop 8) Funds
- In the form of
 - **Forgivable Loans**, Secured by a **first mortgage** not to exceed Fair Market Value (independent appraisal)
 - **Costs above Fair Market Value paid by Developer/Borrower**
- Development will include a Dallas Urban League **skills training center** and **mixed used TOD development** to include residential, retail, and medical office.

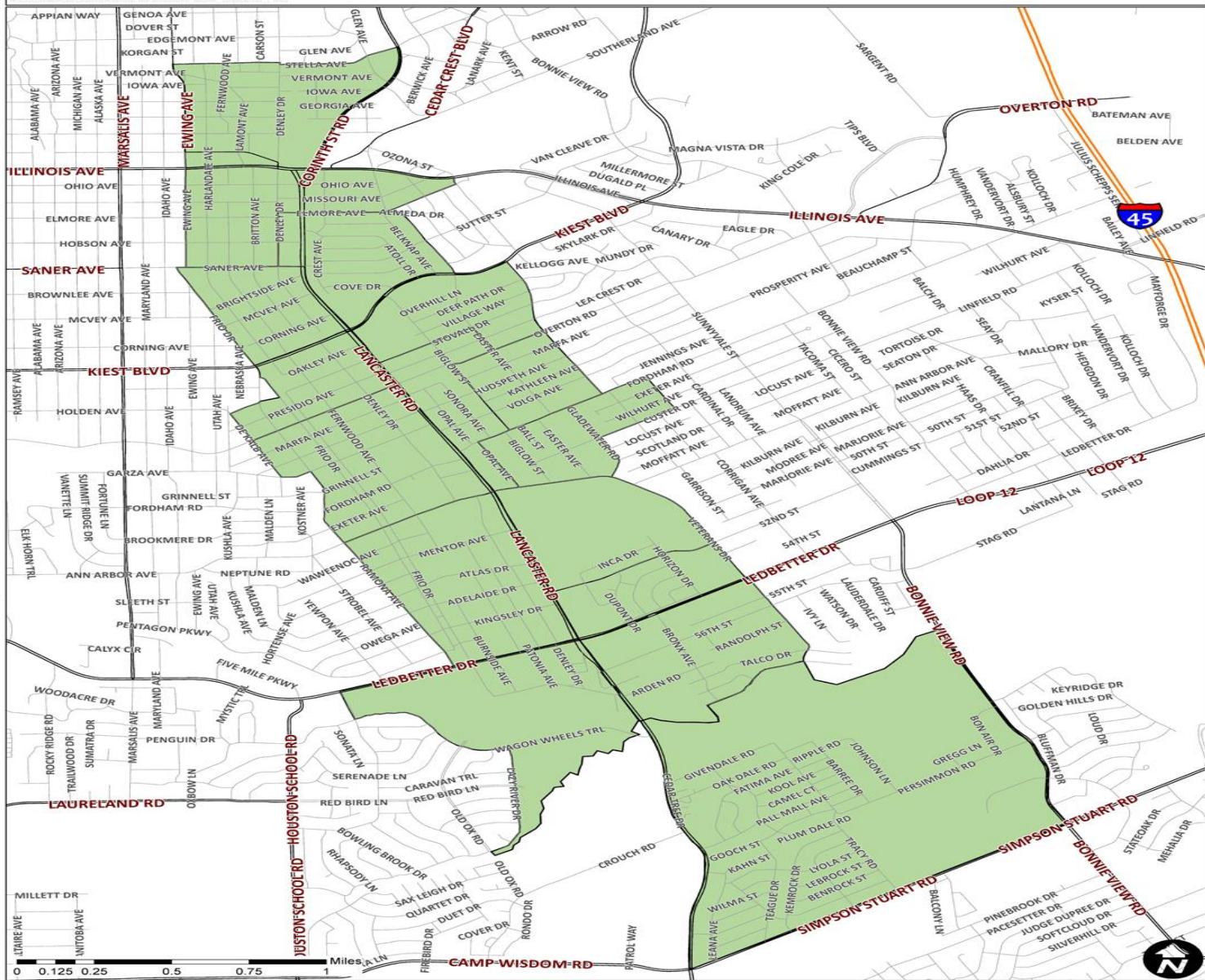
Today's Focus for Action

- The **Lancaster Corridor** is a vital main street in South Central Dallas and is a **high priority** for the **Southern Sector Task Force** and **City Council** for redevelopment that will improve communities in the Lancaster Road area.
 - **Key Focus Areas** for Task Force's **South Central Oak Cliff Working Team** are: **Quality Retail, Mixed Income Housing Options, Distressed Neighborhoods** and **Lack of Investment**.
- The Lancaster Corridor (Lancaster NIP area):
 - Extends from **Stella Ave** (2 blocks north of Illinois) on the North to **Simpson Stuart/Camp Wisdom Road** on the South
 - Includes four (4) southern most DART Blue Line rail stops

Today's Focus for Action

- Building the **Dallas Urban League Work Force Training Center** is a critical **first step** to meet area needs and attract future investors.
- **Public assistance** is required.
- Partners include **City Wide Community Development Corporation, Catalyst Development, Sapphire Road Holdings and Development, Dallas Urban League, Veterans Hospital** and **McCormack Baron Salazar**.
- **MBS** will develop an **action plan** for **economic development** in a to be defined area of the Lancaster Corridor NIP area as part of a TREC Foundation Grant approved by Council on February 25, 2009.

NEIGHBORHOOD INVESTMENT PROGRAM - LANCASTER CORRIDOR



Who are the Partners?

- **City Wide** Community Development Corporation (501 (c)3 non-profit)
 - **Sherman Roberts**, President
 - Focus is Southeast Oak Cliff
 - 25 year non profit development (single family and apartments)
 - **Chairman, Southern Sector Task Force Working Group for South Central Oak Cliff**
- **Catalyst Development**
 - **Paris Rutherford**, President
 - 30 years team experience
 - Master planned communities
 - Large urban mixed use
 - TOD and infill
 - Build to suit offices
 - \$4 billion prior investment

Who are the Partners?

- **Sapphire Road Holdings and Development**

- **Igal Lelah**, President
- 15 years in real estate development
- Built several hundred homes
- Affordable housing
- Prior project with City of Denton

- **Dallas Urban League**

- Over 40 years in Dallas
- One of the largest social and training service providers for low, moderate income citizens in Dallas and surrounding areas.
- President/CEO is **Dr. Beverly Mitchell Brooks**, highly regarded and well known community leader in Dallas.

Who are the Partners?

- **Veterans Hospital**
 - 63 acre Dallas Campus
 - **3rd largest VA Health Care System Hospital in U.S.**
 - **Over 3,000 employees**
 - Key business expansion needs
 - **100,000 sq. ft. medical office requirement**, new Neuro Cranial Facility and **parking**

Who are the Partners?

- **McCormack Baron Salazar**
 - A **national development** and **property management company**, specializing in rebuilding distressed urban communities
 - Completed **124 developments** totaling nearly 4,000 units and over 1,000,000 sq. ft. of retail in **28 U.S. cities**
 - Key principals include:
 - **Richard Baron**
 - **Tony Salazar**
 - **Kevin McCormack**

Terms and Conditions

- **Borrowers:** City Wide Community Development Corporation (\$3M) and Sapphire Road Holdings and Development (\$2M)
- **Debt Facility:** Forgivable Loan
- **Funding Source:** \$3M from PPP Program; \$2M from 2006 GO Bonds (Prop 8)
- **Maturity:** 5 years
- **Acceleration/Reversion:** For failure to:
 - Commence Demolition, if necessary, within one (1) year from the initial advance
 - Commence redevelopment within two (2) years from the date of the initial advance
 - Complete construction of improvements within five (5) years from the date of the initial advance
- **Interest:** 0%
- **Security:** First Lien Deed of Trust on Real Property acquired
- **Maximum Loan Amount/Land Parcel:** Fair Market Value as determined by an independent appraisal
 - Land purchase cost in excess of appraised Fair Market Value will be paid by borrower

Terms and Conditions

- **Purpose:** Acquisition of improved and unimproved properties and predevelopment expenses for appraisals, surveys, environmental assessments and demolition of existing improvements (Boundaries Lancaster Corridor NIP Area.) To construct residential, retail, commercial or mixed use projects as part of Economic Development Plan for Lancaster Corridor.
- **Deed Restrictions:** To assure their redevelopment as part of the Economic Development Plan for the Lancaster Corridor and prevent property sale to ownership not acceptable to the City.

Terms and Conditions

- **Other Terms and Conditions**

- City not obligated to replat properties or approve zoning changes on acquired properties
- City must approve permitted uses
- To receive City approval to expend funds
Developer/Borrower must provide:
 - Property survey
 - Title Commitment
 - Environmental Assessment
 - Independent Appraisal (acceptable to City at City's sole discretion)

Terms and Conditions

- Evidence of funding for purchase costs in excess of appraised value as determined by the City
 - First Lien Deed of Trust in favor of City of Dallas on each parcel purchased
- If Developer/Borrower fails to comply with loan requirements, must convey to City of Dallas Fee Simple Title Free Liens/Encumbrances

Next Steps

- **Recommend Economic Development Committee endorsement to City Council to:**
 - Authorize a **Chapter 380 economic development forgivable loan agreement** with **City Wide Community Development Corporation** in an amount **not to exceed \$3,000,000** for development and related cost including land assemblage for a skills training center for the Dallas Urban League, mixed use retail, housing, office and other commercial use in the Lancaster Corridor Neighborhood Investment Program area from Stella Ave on the north of Lancaster Road to Simpson Stuart/Camp Wisdom Road on the south of Lancaster Road.
 - Total not to exceed \$3,000,000

Next Steps

- **Authorize a Chapter 380 economic development forgivable loan agreement with Sapphire Road Holdings and Development** in an **amount not to exceed \$2,000,000** for development and related cost including land assemblage for a skills training center for the Dallas Urban League, mixed use retail, housing, office and other commercial use in the Lancaster Corridor Neighborhood Investment Program area from Stella Ave on the north of Lancaster Road to Simpson Stuart/Camp Wisdom Road on the south of Lancaster Road.
 - Total not to exceed \$2,000,000

Financing: 2006 Bond Funds (\$2,000,000) and Public Private Partnership Funds (\$3,000,000)

Appendix

Lancaster Corridor Community:

- Is poorer than Southern Dallas overall
- Largely African American
- Has much lower education levels than the City average

2007 Estimates	Lancaster Community	Southern Sector	City of Dallas
Population	11,333	554,397	1,280,500
Population Density (pop/acre)	3.88	3.33	4.75
Percent of High School Degrees +	60.0%	61.9%	71.4%
Percent of Bachelor's Degrees +	7.3%	12.1%	28.5%
Median HH Income	\$30,158	\$35,616	\$44,916
Employment (jobs in the area per resident)	0.16	0.20	0.85
Establishments (in the area per 1,000 residents)	30.0	21.3	47.2
Commercial Real Estate (Sq. ft. in million)	0.6	81.2	353.4

Appendix

Lancaster Corridor

- Home to the two (2) aged retail centers
 - Lancaster-Kiest Shopping Center
 - Crest Plaza Shopping Center
- Home to Veterans Administration (VA) North Texas Health Care System
 - Major employer
 - Continued expansion
- Home to Cedar Crest Golf Course
 - City owned/operated public golf course

Appendix

Lancaster Corridor (cont'd)

- Home to the Urban League of Greater Dallas and N. Central Texas, Inc.
 - Provides programs and services that help to solve various challenges for disadvantaged groups in the areas of employment, health, housing, education, technology, and economic and community development.
- Significant commercial development at southern most end of the corridor
 - Minyards Grocery and retail strip
 - Wal-Greens
 - Fast foods franchises

Appendix

- **Lancaster Corridor Recent Activity**

- TOD TIF approved by City Council that extends along the rail line from Mockingbird Station down Lancaster Road to Atlas Drive
- Non Profit organization City Wide Community Development Corporation acquired and demolished two undesirable motels in the 4300 and 4400 blocks of Lancaster Road using Chapter 380 economic development forgivable loan from the City of Dallas
- McCormack Baron Salazar, nationally renowned for rebuilding physical and human infrastructure in urban communities across the U.S., entered into a consulting agreement with The Real Estate Council (TREC) to prepare individual development action plans in Council designated priority areas which includes the Lancaster Corridor

Appendix

- **Lancaster Corridor Recent Activity (cont'd)**

- Housing Department has designated the Lancaster Corridor a Neighborhood Investment Program (NIP) area
 - Public and streetscape improvements
 - Land banking
 - Mixed use infill development
- Housing Department has provided a deferred payment loan in the amount of \$500K to City Wide Community Development Corporation for the acquisition and demolition of parcels on Lancaster Road, between Illinois and Ledbetter for the development of mixed income housing and retail.
- Other Housing Programs
 - People Helping People
 - Mortgage Assistance Program
 - Home Repair