

Memorandum



CITY OF DALLAS

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 **Downtown Connection TIF District Plan Amendments**

BACKGROUND

On June 8, 2005, the City Council authorized the establishment of Tax Increment Financing Reinvestment Zone Number Eleven (Downtown Connection TIF District) by Ordinance No. 26020, as amended to focus on catalyst projects to create a greater density and critical mass of development within the Main Street core area.

On April 14, 2009, the Downtown Connection TIF District and the Downtown Dallas Development Authority Board of Directors approved amendments the Project Plan and Reinvestment Zone Financing Plan (the Project Plan"). These modifications to the Project Plan are to (1) amend the Affordable Housing Policy to (a) permit additional assistance in the form of affordable housing economic development grants to those projects providing affordable housing units, (b) extend the eligibility date for additional affordable housing assistance to projects which are approved by City Council from December 31, 2008 to December 31, 2011, (c) update the household income limit charts contained within to reflect the Dallas Area Median Household Income Limits for 2009; and (2) revise the budget to (a) reprogram \$515,000 from the Retail Initiative/ Streetscape Improvements budget line item to a new Downtown Area Plan budget line item, and (b) update Exhibit G to reflect the reprogramming and new budget line item

The proposed modifications to the Downtown Connection TIF District's Affordable Housing Policy is to encourage the construction of additional affordable housing units within the Downtown Connection TIF District area. The City's goal is the development of 10,000 residential units, within the Central Business District, including 1,000 affordable units. Currently there are 5,849 residential units completed, under construction and/or planned within the Central Business District. Unfortunately, today there are no existing affordable housing units downtown. A total of 200 affordable units are under construction as part of the CityWalk project (located at 511 N. Akard Street) and 23 affordable units are planned as part of the Atmos Complex redevelopment.

The rising cost of housing has expanded the financial gap between market rate and affordable housing rates, making it prohibitively expensive for the private sector to take on the development of affordable housing without assistance from the public sector. The proposed amendment would allow for additional financial assistance to be granted to projects that provide needed affordable housing. By providing assistance to reduce the financial gap, the City can help create more affordable workforce housing opportunities within the Central Business District.

On April 22, 2009, the City Council will consider amending the Downtown Connection TIF District Project Plan.

The recommended Plan Amendments will further contribute to the objectives of the Downtown Connection TIF District to develop downtown as a vibrant and diverse, destination neighborhood.

FISCAL INFORMATION

No cost consideration to the City

COUNCIL DISTRICT

2, 14

DEVELOPER INFORMATION

N/A

MAP

Attached

AFFORDABLE HOUSING PLAN and EXHIBIT G

Attached

STAFF

Vernaë Martin, Assistant Director
Bryan Haywood, Manager

RECOMMENDATION

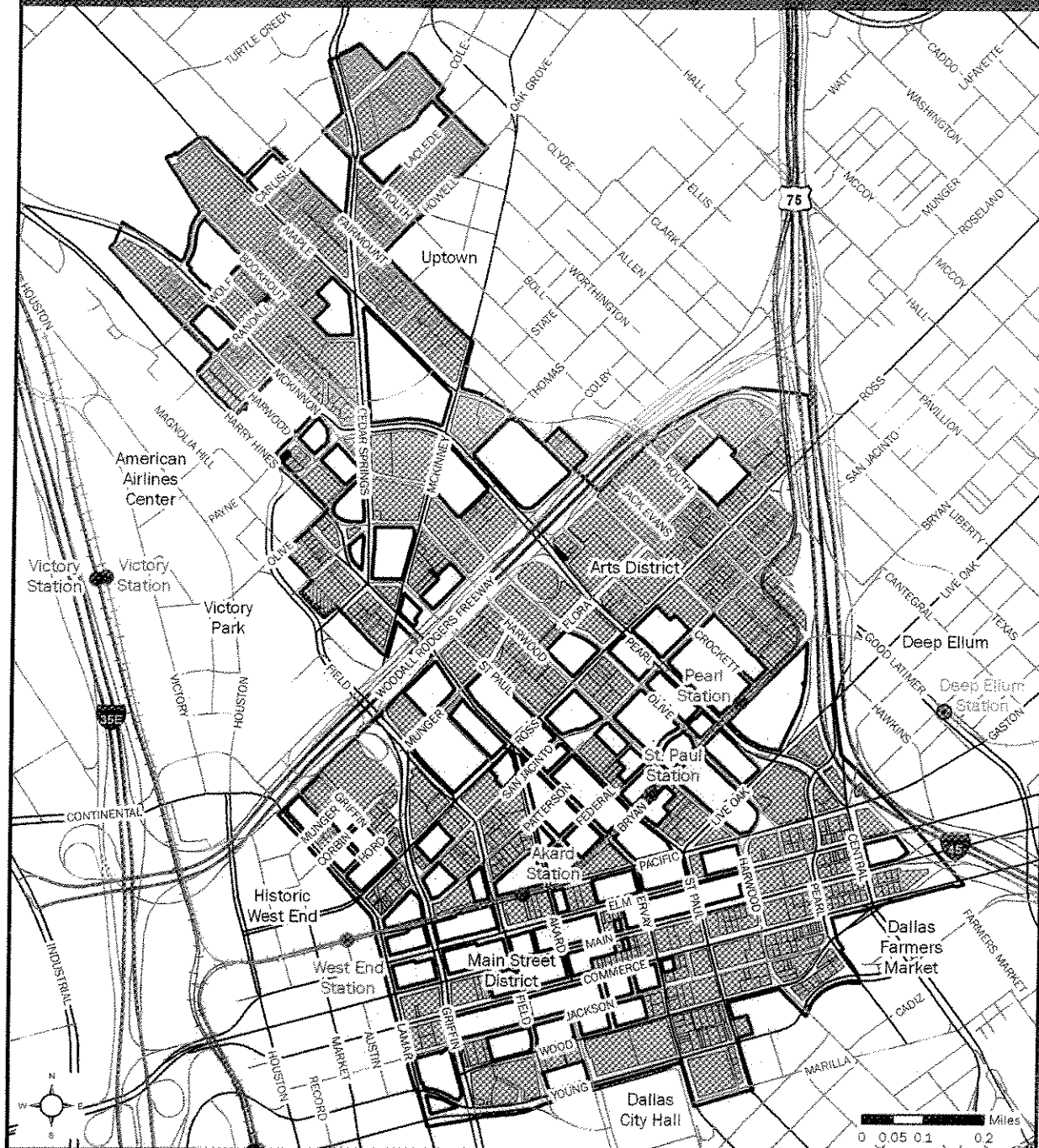
Staff recommends approval of the subject item. Please contact me if you have any questions.



A.C. Gonzalez
Assistant City Manager

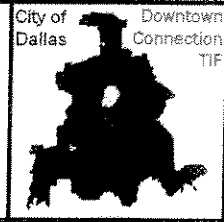
- c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Interim Assistant City Manager
Ramon Miguez,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

Downtown Connection TIF District



City of Dallas
Office of Economic Development
 Research & Information Division
 (214) 670-1685
<http://www.Dallas-EcoDev.org>
City of Dallas
Created 12/28/2006, Last Updated 10/31/2008 - DO Web Map Tool

- Legend**
- Downtown Connection TIF Boundary
 - Downtown Connection TIF Parcels
 - DART Rail Stations
 - DART Green Line (Under Construction)
 - Downtown Connection TIF Amendment 11/10
 - Primary Highway
 - Secondary Highway
 - Major Arterial
 - Local Streets
 - DART Red Line
 - Trinity Rail Express
 - DART Blue Line
- Sources: Rail - DART 2007; Parcels - DCAD, 2005; All Other Data - City of Dallas, 2007-08



APPENDIX C
AFFORDABLE HOUSING PROGRAM

I. GENERAL REQUIREMENTS AND DEFINITIONS

- A. Downtown Connection TIF District Affordable Housing Requirement. Ten percent of all housing units to be constructed in the Downtown Connection TIF District assisted with TIF funds must comply with the Affordable Housing criteria (hereinafter defined) as established by the City of Dallas. The Affordable Housing requirements as described herein shall be set out in the Development Agreement as a condition of TIF assistance for residential projects in the Downtown Connection TIF District. TIF subsidies shall not be payable unless and until the Affordable Housing requirements have been met by the owner/developer.
- B. “Affordable” or “Affordable Housing” is defined herein as residential units that are occupied by a household that is either Low- or Moderate-Income. Low Income Households (“LIH”) are those whose income at the time of initial occupancy is, according to family size, 50 percent or below of the annual median family (or household) income (“AMFI”) for the Dallas Metropolitan Statistical Area (“MSA”) as determined annually by the U.S. Department of Housing and Urban Development (“HUD”), with adjustments for family size and published as its “Dallas, Texas – HUD Metro Fair Market Rent Area” ,median family income table. Moderate Income Households (“MIH”) are those at 80 percent to 51 percent of AMFI for the Dallas MSA per HUD with adjustments for family size. The income limits for 2009 are as follows:

Household Size	Income at 100% of AMFI	Income at 80% of AMFI	Income at 50% of AMFI
1 Person	\$47,350	\$37,900	\$23,700
2 Person	\$54,100	\$43,300	\$27,050
3 Person	\$60,900	\$48,700	\$30,450
4 Person	\$67,600	\$54,100	\$33,800
5 Person	\$73,050	\$58,450	\$36,550

- C. Rental Affordable Housing. Owners/developers of projects assisted with TIF funds and developed in the Downtown Connection TIF District as rental housing must set aside, ten percent of the residential units within the project as Affordable Housing for a period of 15 years (the “Affordability Period”) pursuant to the requirements of Option 1 (described herein).
- D. Owner-occupied/Condominium Affordable Housing. Owners/developers of projects assisted with TIF funds in the Downtown Connection TIF

District developed for owner-occupancy (e.g. condominium or townhouse projects) must set aside ten percent of the residential units within the project as Affordable Housing for a term of 40 years. Owners/developers may select one of three options to comply with the Affordable Housing requirement. The owner/developer must select one of these options no later than six months prior to the date agreed for the issuance of a certificate of occupancy for the project as described in the Development Agreement. The options are:

1. Provide the Affordable Housing units in the property that is to be assisted with Downtown Connection TIF District funds; or
2. Pay a Release Fee, as described herein, to the City of Dallas (Downtown Connection TIF District); or
3. Transfer the Affordable Housing units (as determined by the applicable set aside requirement for the TIF-assisted project) to another property within the downtown freeway loop bounded generally by Central Expressway, I-30, I-35 and Woodall Rodgers Freeway (the "Central Business District" or "CBD"), the "Transfer Option".

In addition:

1. Affordable Housing that is for purchase by a LIH or MIH qualifies as affordable housing only if the housing purchased from the owner/developer has a purchase price by the initial LIH or MIH that does not exceed a sales price, exclusive of closing costs, of up to \$140,000 per unit. However, the required ten percent of residential units set aside as Affordable within a project by the owner/developer may be priced up to \$190,000 if homeownership loans up to \$40,000 and HOME Investment Partnership Program and Community Development Block Grants up to \$10,000 (see Downtown Connection TIF District Plan for additional loan and grant information) are available to LIH and MIH to assist in securing an Affordable housing unit. Resale is restricted to subsequent LIHs and MIHs.
2. Affordable Housing that is for rent to LIHs or MIHs qualifies as Affordable Housing only if rents do not exceed 30% of the household income for the unit:

<u>Unit Type</u>	<u>**Monthly Maximum Rents</u>		<u>Monthly Maximum Rent (Excluding Utilities)</u>
	<u>30% of 80% of AMFI (Including Utilities)</u>	<u>***Utility Allowance</u>	
Efficiency	\$ 948.00	\$115	\$833.00
1 Bedroom	\$ 1,015.00	\$144	\$871.00
2 Bedroom	\$ 1,218.00	\$177	\$1,041.00
3 Bedroom	\$ 1,407.00	\$212	\$1,195.00

(Effective March 19, 2009)

* Income limits are for 2009 and are subject to change annually upon notification from HUD. Figures listed are actual calculated figures. HUD allows for rounding to the nearest \$50 in determining eligibility.

** Rents assume 1.5 persons per bedroom

*** Utility allowances are based on HUD's Section 8 allowances and assume that units are all electric; tenant pays for electric and water/sewer/trash collection; and the landlord furnishes the kitchen range and refrigerator.

3. The City's Director of the Office of Economic Development may, with the concurrence of Dallas County, approve increases in these maximum purchase prices or rent limits in writing upon a showing of good cause (example: HUD updates/ changes in MSA median family income) and in his sole judgment.

E. Additional Assistance for Affordable Housing. On a case-by case basis, additional TIF subsidies may be available to assist with meeting the affordable housing goals of the Downtown Connection TIF District. Additional subsidies may be made available to TIF-eligible projects which will provide affordable housing units.

Such funds may be available if approved by City Council on or before December 31, 2011. Consideration may be given for an extension of the additional assistance for affordable housing based on the findings of a twelve month review. The amount of TIF subsidy will be determined by the cost of providing the affordable units as follows:

For-Sale Projects - Subtract \$190,000 from the market rate unit price of those units to be dedicated as Affordable units within the project. The difference/delta is the amount of Affordable housing assistance as described in the following example:

If each of the units dedicated as affordable units have comparable market unit prices of \$255,000 and there are 250 total units, 25 affordable, then the assistance would be \$1,625,000 [$\$255,000 - \$190,000 = \$65,000 \times 25 = \$1,625,000$]. Note that in this example, each of the Affordable units are the same size and have been attributed the same value. For an actual project, it is anticipated that each unit will have a unique market price.

Rental Project - Subtract the monthly HUD standard Affordable unit rent from the monthly market unit rent, multiply by the number of affordable units above the minimum requirement, multiply by 12 and then divide by the capitalization rate. [Capitalization rate is defined as the rate equal to the cost of equity x (the equity amount/ total project cost) + the cost of debt x (the amount of equity/total project cost)]. The market rent calculations are to be based on the actual units to be dedicated as affordable units. The calculation will not include adjustments for appreciation in market or affordable incomes/rents over time. As an example:

If each of the units dedicated as Affordable units have comparable market rental rates of \$1,600 per month (assumption: each is two bedroom, 1,000 square feet and would rent for \$1.60 per square foot), there are 250 total units including 25 eligible affordable units at an Affordable rental rate of \$1,028 per month. The one year difference in providing the Affordable units instead of market rate units would be \$171,600. Using the current capitalization rate, in this example 7 percent, the additional assistance request would be \$2,451,429 ($\$171,600 / 7\%$). Also, it should be noted that in this example, each of the Affordable units are the same size and have been attributed the same rental rate. For an actual project, it is anticipated that each unit will have a unique market price.

Market rate units will be analyzed for reasonableness based on comparable project proformas. Assistance for Affordable housing will be in the form of TIF subsidies as such funds become available and in accordance with all TIF District policies and procedures. The assistance for Affordable housing will be calculated in current dollars; no net present value (NPV) adjustments will be made.

If at any time during the affordable set-aside period after the TIF subsidy has been paid, the owner/developer chooses to pay a release fee or transfer the units to an alternative property (see options two and three below), an amortized recapture of the Additional Assistance for Affordable Housing shall apply.

- F. Marketing. Owners/developers shall market their residential properties pursuant to an Affirmative Fair Housing and Marketing Plan approved by City and shall make available to all prospective tenants information pertaining to the City of Dallas' Downtown Homeownership Loan Program including contact information on all residential marketing materials.
- G. Monitoring/Reporting Requirements. Owners/developers shall comply with all program requirements developed by the City to enforce the Affordable Housing requirements described herein. Owner/developer shall monitor and report to the City on the Affordable Housing provided in the property or in a substitute property pursuant to the Transfer Option to ensure such property is occupied by income-eligible households throughout the Affordability Period. The reporting requirements in **Exhibit A** shall be completed by the owner/developer and submitted to the Department of Housing, with copy to the Office of Economic Development, semi-annually, for the term of the Affordability Period.
- H. Use of Funds. Downtown Connection TIF District Affordable Housing funds will be used for various forms of Affordable Housing subsidies as described in the Downtown Connection TIF District Project and Financing Plan including:
 - 1. Homeownership Loans for LIHs and MIHs
 - 2. Developer Loans/Grants
 - 3. Additional subsidies for projects providing affordable housing units.
 - 4. Additional subsidies for projects specifically targeting LIHs within the CBD.

II. OPTION ONE: PROVIDE AFFORDABLE HOUSING UNITS WITHIN THE PROJECT ASSISTED WITH DOWNTOWN CONNECTION TIF DISTRICT FUNDS

- A. This option may be selected for a TIF-assisted rental housing or owner-occupied (condominium or townhouse) project. If Option One is selected for the TIF-assisted project, the owner/developer shall set aside ten percent of the residential units within his or her project as Affordable Housing.
- B. Prior to the sale of any of the Affordable Housing units in a condominium or townhouse project, the owner/developer shall secure deed restrictions on each of the affordable units to ensure purchase and subsequent resale of the unit only to LIHs or MIHs. The deed restrictions shall be for a 40 year term and in the form required by the City, executed by the property owner, consented to in writing by all lienholders, and recorded in the real property records of the county in which the property is located. Such deed restrictions shall govern the sale and resale of such units as Affordable, use and occupancy as the purchaser's principal residence, and maintenance of such units during the term of the deed restrictions.

- C. A portion of the Downtown Connection TIF District subsidy provided as part of the financing of the development of a rental project to a developer shall be a loan with the owner/developer executing a note payable to the City of Dallas in the amount of the TIF subsidy and secured by a deed of trust lien on or pledge of the project's real property to ensure the continued provision of Affordable Housing in the property in the event of sale or transfer of the property during the Affordability Period. The owner/developer of the project shall also execute deed restrictions on the property that provide that 10% of the project units will meet the Affordable Housing requirements. Such deed restrictions shall be for a 15 year term and in the form required by the City, executed by the property owner, consented to in writing by all lienholders, and recorded in the real property records of the county in which the property is located. Should the property be converted to owner-occupied housing during the fifteen year period, the property owner may choose to pay the release fee (see option two) at the time of conversion. The release fee may be reduced by the loss in revenue that resulted in providing the affordable housing units during the rental period.

III. OPTION TWO: PAY THE RELEASE FEE

- A. Under this option, owners/developers of owner-occupied (condominium or townhouse) projects shall pay a Release Fee as determined by the applicable set aside requirement for Affordable units in lieu of providing the Affordable units within the project.
- B. The total Release Fee shall be an amount equal to fifty percent of the property's median sales price for the market units in the project multiplied by the number of set-aside units required for the property (For example: An owner of a project that has 150 units and a median market-rate unit sales price of \$350,000 would pay a Release Fee equal to: 50% x \$350,000 x 15 set aside units, or \$2,625,000).
- C. The median unit price shall be determined by a certified price list to be provided to the City on the date on which the certificate of occupancy is issued.
- D. The Release Fee shall be paid to the City of Dallas in part at the time residential units in the property are sold in the amount of one percent of the median price of each unit at the closing of the sale of each unit. The balance of the Release Fee shall be finally due and payable to the City no later than eighteen months after the certificate of occupancy has been issued for the Project. The Developer shall have paid the total Release Fee by this date whether or not all the residential units have been sold.
- E. Release Fees will be deposited into the Downtown Connection TIF District fund and earmarked for Affordable Housing development in the Downtown

Connection TIF District along with the \$3,000,000 previously set aside for this program.

IV. OPTION THREE: TRANSFER AFFORDABLE HOUSING UNITS TO ANOTHER PROPERTY WITHIN THE CBD

- A. The owner/developer shall provide the same number of units required in the TIF-assisted project to be designated for Affordable Housing in an alternative downtown project within the CBD, subject to the approval of the Director of the Office of Economic Development and Dallas County.
- B. Transfer Provision Criteria. The alternative downtown project (the "Transfer Property") providing the required number of affordable housing units must:
1. be located within the CBD (stronger consideration will be given to projects within or adjacent to the Main Street core area);
 2. contain a minimum of 25 residential units;
 3. have no more than 30% of the building's residential units as Affordable units;
 4. have a minimum of 550 square feet of rentable, livable area;
 5. be disbursed among the building floors and have comparable views as the market rate units;
 6. be commensurate in quality to the building's market-rate units;
 7. remain affordable for fifteen (15) years;
 8. obtain a certificate of occupancy on the building, including all Affordable units prior to the disbursement of any TIF funds related to the TIF assisted project.
- C. Transfer Provision Enforcement Instruments. A portion of the Downtown Connection TIF District subsidy provided as part of the financing of the development of a project shall be in the form of a loan secured with a note and deed of trust lien on the TIF-assisted property by the owner to enforce the continued provision of Affordable Housing in the Transfer Property in the event of sale or transfer of either the TIF-subsidized property or the Transfer Property during the Affordability Period. The owner/developer of the project shall also execute deed restrictions on the TIF-subsidized property to enforce the requirement that the number of affordable units required in the TIF-assisted project are actually provided in the Transfer property. Such deed restrictions shall be approved by the City, contain the consent of the owner/developer's lien holder, be recorded in the real property records of the county in which the property is located and continue for a period 15 years.
- D. Monitoring of the Transfer Provision. Two copies of the monitoring report shall be provided to the City of Dallas twice a year. The copies shall be submitted to the Department of Housing and the Office of Economic Development. The reports shall verify the incomes of the

individuals/households in the alternative affordable units and shall also include the price for which each unit was rented.

- E. Adjustments to Increase Effectiveness. Adjustments may be made to the Affordable Housing Policy, subject to the consent of the Dallas County, should such changes improve the effectiveness of implementing and providing affordable housing in downtown Dallas.
- F. Default or Violation of Obligation. Any violation of the deed restrictions or other failure to maintain the Affordable units in the Transfer Property in the alternative downtown project will be considered a default of the development agreement.

Exhibit G: TIF Project Plan Improvements

Project costs are those costs paid or reimbursed by TIF that are eligible to be treated as project costs under Chapter 311, Texas Tax Code. Project costs may be changed in subsequent project and financing plan.

(a) CATEGORY	(b) Estimated TIF Expenditure (in 2006 Dollars)	(c) Estimated TIF Expenditure (actual, anticipated*)
Total TIF District Budget	\$190,322,592	\$361,155,295
Interest		\$150,363,000
Catalyst Projects: Environmental remediation, demolition, historic façade restoration, street and utility improvements and streetscape improvements, acquisition, and non-project costs including, but not limited to, machinery, equipment, materials and supplies	\$68,000,000	\$68,000,000
Redevelopment of Vacant/Underutilized Downtown Buildings/ Development of Underdeveloped Parcels and Existing Surface Parking Lots: Environmental remediation, demolition, historic façade restoration, street and utility improvements, streetscape improvements, land acquisition, TIF Grants, affordable housing	\$90,882,206	\$104,591,545
Uptown/Downtown connection improvements	\$20,500,000	\$23,726,823
Park and plaza design and acquisition	\$1,500,000	\$1,736,109
Affordable Housing	\$3,000,000	\$3,472,218
<u>Retail Initiative/ Streetscape Improvements</u>	<u>\$1,985,000</u>	<u>\$1,985,000</u>
<u>Downtown Area Plan</u>	<u>\$515,000</u>	<u>\$515,000</u>
Administration and implementation	\$3,940,386	\$6,765,600

Note: All values in column (b) discounted to 2006 dollars at 5% annually.

Note 2: All values in column (c) are estimated expenditures based on Annual TIF Project Costs and Debt Service schedules. These values depend on timing of projects and will fluctuate. An interest rate of 5% is used throughout the TIF term. Includes non project costs.

*If increment is collected sooner than anticipated, the total TIF budget (actual) will be reduced.

