

The Canyon Master Development Plan & Davis Garden TIF District Final Plan Amendment

Economic Development Committee

May 16, 2011



Office of Economic Development
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Purpose

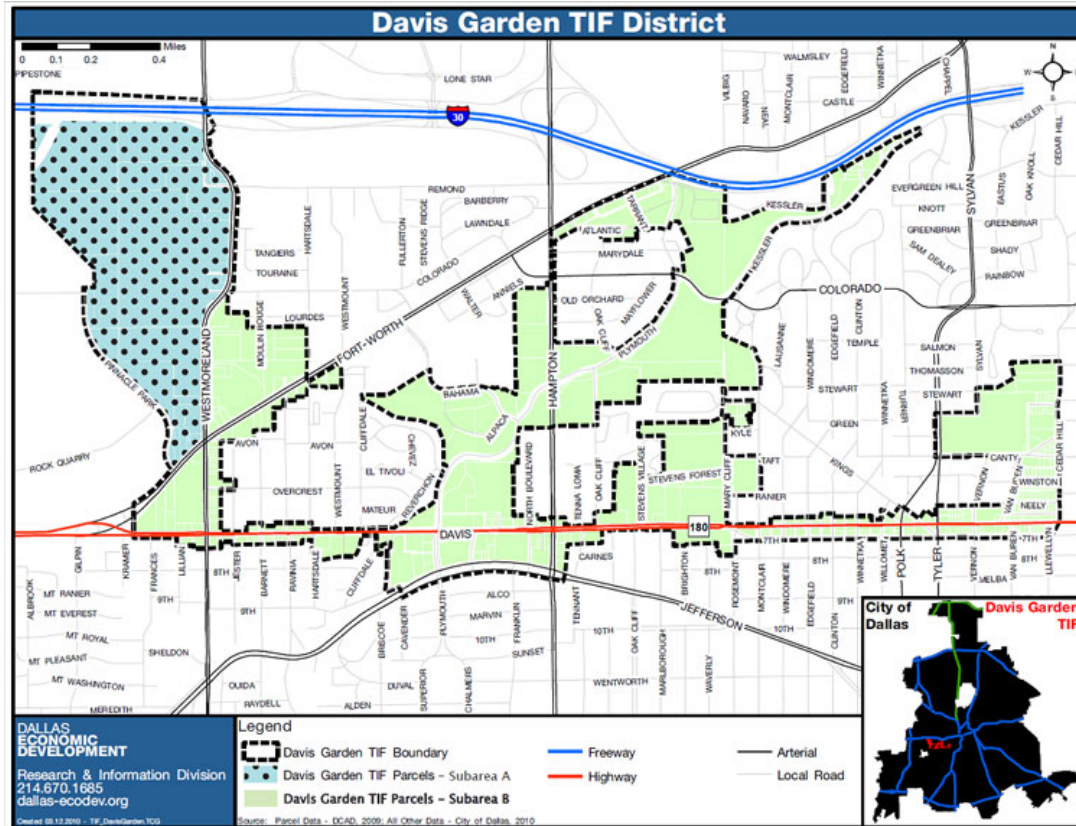
- ◆ Review the proposed plan amendment for the Davis Garden TIF District and the proposed master development agreement for 'The Canyon' sub-district.
- ◆ Obtain Economic Development Committee approval for consideration of both items by City Council on June 8, 2011.

Davis Garden TIF District Background

- ◆ Formed in 2007 to assist in redevelopment of several large apartment communities near Kidd Springs Park and Stevens Park Golf Course
- ◆ Also included commercial property along Davis Street, and 'The Canyon' area (196 acres of undeveloped property located southwest of the intersection of IH-30 and North Westmoreland)
- ◆ Development of The Canyon not part of the original TIF Project/Finance Plan due to a lack of firm development plans
- ◆ Original TIF District geographic boundaries expanded in December 2008 to include 105 acres of adjacent properties (total land area = 690 acres)



Davis Garden TIF District Boundary Map



Davis Garden TIF District: Current Status

- Six aging apartment complexes in the Kidd Springs Park/Stevens Park Golf Course area demolished and sites prepared for redevelopment (\$4M in TIF funding allocated for demolition, environmental remediation and infrastructure improvements)
- Changing financial conditions delayed vertical development of these properties
- Kessler Theater renovation and Twelve Hills Nature Center improvements completed (with TIF funding support)
- Influx of new investment on Davis Street not requiring public assistance

Davis Garden TIF District: Current Status

- Two new affordable housing developments (Taylor Farms and Hillside West) under way in The Canyon area will total 290 new units
- Appraised values in the Davis Garden TIF District increased by \$21.7M since 2007, despite delays in new construction

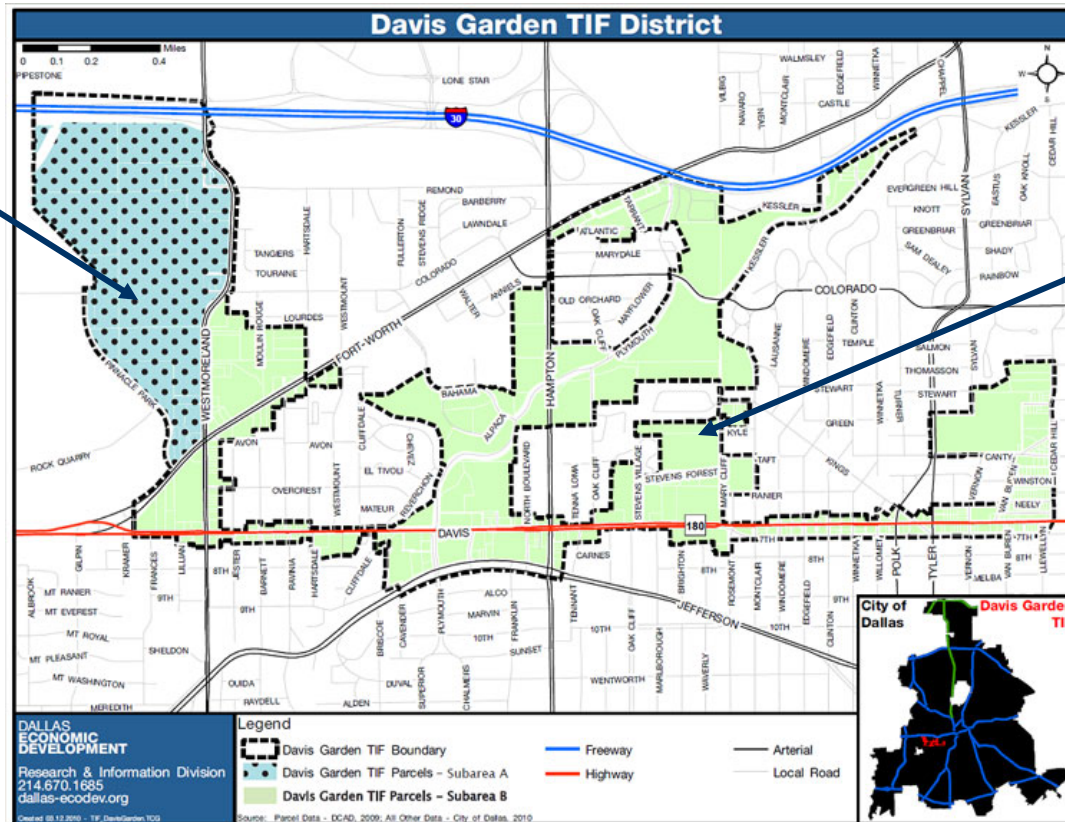
Davis Garden TIF District: Current Status

- Stratford Land Fund ('SLF'), owners of The Canyon, has proposed a master development plan for this undeveloped, 196 acre property, located at southwest corner of IH-30 and North Westmoreland Road and adjacent to Pinnacle Park
 - Not currently served by public utilities and streets
 - Build out creates potential for \$700M in private investment
 - Requires significant public investment to support infrastructure improvements
 - Increases scope of original TIF Project and Financing Plan
 - Generates need to create a separate sub-district and master development agreement for The Canyon

Davis Garden TIF District Boundary Map

Sub-District A – The Canyon

Sub-District B – Davis Garden



Davis Garden TIF District Final Plan Amendment

- ◆ Proposed Plan amendment increases current budget from \$38.3M NPV (an estimated \$60.1M in total funds) to \$103.7M NPV (a total of \$286.8M in total funds) and divides the TIF District into two sub-districts.
 - Sub-District A is the Canyon area
 - Sub-District B includes the remainder of the TIF District including the six apartment sites
- ◆ Increment generated by the Canyon sub-district will first reimburse existing outstanding obligations (\$4M related to the clearing of the 6 apartment sites; and approximately \$200K related to the redevelopment of the Kessler Theater. Twelve Hills improvements to be reimbursed out of District wide set aside.
- ◆ Amended TIF Plan creates a new budget category including \$46.0M NPV (\$128.9M in total dollars) to cover all improvements related to The Canyon sub-district. Reimbursement will be governed by the proposed master development agreement for the Canyon and funded by increment generated in Canyon sub-district
- ◆ Improvements in remainder of TIF District – sub-district B – will be funded by increment generated from development in that sub-district



Davis Garden TIF Plan Amendment

- ◆ In order to adopt the Development Agreement for the Canyon project, it is necessary to amend the Davis Garden TIF District Plan
 - Initial Davis Garden Final Plan did not anticipate immediate development in the Canyon area. The proposed Project and Financing Plan will create sufficient increment to fund the infrastructure and environmental improvements both sub-districts
 - The plan amendment also allows the TIF District to commit future funds to assist with the extension of the North Oak Cliff Streetcar line to the TIF District
 - The plan amendment protects and increases the budget for the remainder of the TIF District to better encourage redevelopment of the six apartment sites in sub-district B

Davis Garden TIF District Final Plan Amendment

- ◆ Other proposed amendments needed to facilitate The Canyon project and ultimate redevelopment of the remainder of the TIF District (complete list of amendments in Appendix 1):
 - Duration of the Davis Garden TIF District extended by 10 years – from December 31, 2029 through December 31, 2039.
 - Participation Rate for the City of Dallas would increase from a variable rate of 55 to 85% to a flat rate of 90%.
 - Participation Rate for Dallas County would increase from 55% to 75%
 - Affordable Housing Line modified as follows: current 20% priority set aside of increment (after administration) limited to Sub-District B after reimbursement of Taylor Farms and Hillside West
 - Establish Grant Program to facilitate implementation of Project and Financing Plan
 - Modify Districtwide Set aside to dedicate future TIF revenues to facilitate extension of North Oak Cliff streetcar system to Davis Garden TIF District in amount not to exceed \$3M

Davis Garden TIF District Final Plan Amendment

- Project Plan Budget and Categories – the current budget and categories for the Davis Garden TIF District Final Plan are provided below –

(a)	Current Budget	(b)	(c)
Category		Estimated TIF Expenditure (npv)	Estimated TIF Expenditure (actual)
Infrastructure Improvements		\$22,074,732 <u>\$33,219,568</u>	\$34,687,115 <u>\$94,266,832</u>
Environmental Remediation/ <u>Demolition</u>		\$6,131,870 <u>\$4,300,000</u>	\$9,635,310
Affordable Housing		\$7,072,911 <u>\$11,920,435</u>	\$11,114,014 <u>\$32,330,314</u>
Historic Façade Restoration		\$536,539 <u>\$1,946,858</u>	\$843,090 <u>\$5,495,954</u>
<u>District Wide Improvements</u> - Parks, <u>Open Space</u> , <u>Trails</u> , <u>streetscapes</u> <u>Trolley/Streetcar</u>		\$1,303,023 <u>\$4,358,953</u>	\$2,047,504 <u>\$12,329,769</u>
Administration and Implementation		\$1,148,008 <u>\$1,877,595</u>	\$1,803,922 <u>\$3,832,657</u>
<u>The Canyon in Oak Cliff Improvements ***</u>		\$46,035,132	\$128,875,756
Total Project Costs (excluding interest)		\$38,267,083 <u>\$103,658,541</u>	\$60,130,955 <u>\$286,766,592</u>

* All values discounted to 2008 dollars at 5% annually. Actual expenditure value will depend on timing of project cost.

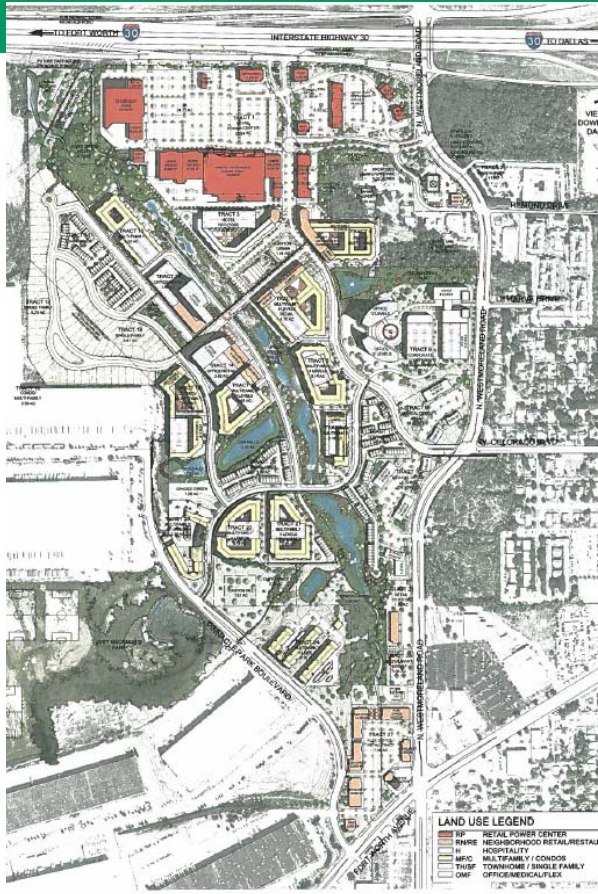
** All values in column (c) are estimated expenditures based on Annual TIF Project Costs and Debt Service schedules. These values depend on timing of projects and will fluctuate. An interest rate of 5% is used throughout the TIF term.

*** These amounts will be reduced if other sources of improvement funds are identified and allocated to The Canyon.

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The Canyon Development Agreement Overview



- The recommended TIF Funding commitment for the Canyon project is \$69.8 million plus interest (in the form of the grant) (not to exceed TIF maximum budgeted amount of \$128.9M)
- ◆ The project's current build out plan is significant. It includes:
 - Approximately 2,881 residential units
 - 529 for-sale units
 - 2,352 rental units
 - Approximately 516,000 square feet of retail space
 - Approximately 1,245,200, square feet of office/medical space
 - 310 key full-service hotel
- ◆ Potential private investment of approximately \$700 million.

The Canyon Development Agreement Overview

- The current build-out plan includes the following major public infrastructure improvements:

The Canyon Master Development Plan Infrastructure Summary	
Street Improvements	\$20,254,000
Water and Wastewater Improvements	\$5,278,000
Storm Water Drainage Improvements	\$5,902,000
Utility Infrastructure Improvements	\$3,517,000
Soil Remediation Improvements	\$5,794,000
Hike and Bike Paths Improvements	\$3,232,000
Open Space Improvements	\$18,353,000
Other Infrastructure	\$7,478,000
Total Infrastructure Improvements	\$69,808,000

Notes: 1) This amount is less than the proposed budget, in nominal dollars, for Canyon area improvements in the pending amendment to the Davis Garden TIF District Project Plan and Reinvestment Zone Financing Plan; and 2) A separate TIF Development Agreement will be required to provide \$3 million in funding to support the extension of the trolley system to the Davis Garden TIF District. These funds will be allocated out of the District Wide Improvement budget line item in the pending amendment to the Davis Garden TIF Plan.

The Canyon Development Agreement Overview

- ◆ Proposed development agreement for the Canyon includes standard TIF requirements
 - SLF to construct DWU improvements and eligible for cost participation under DWU policy (not reimbursable by the TIF)
 - Streets constructed by SLF to meet City standards
 - A minimum of 20% of the project's residential units will be set aside to meet the District's affordable housing requirements for a period of 15 years. Affordable units in Taylor Farms (160 units) and the Hillside West projects (130 units) will count toward this goal
 - SLF agrees to 20 year O&M agreement for non-standard infrastructure improvements
 - Although the infrastructure work will be privately bid, the Owner has agreed to work with the City's Procurement Office on M/WBE goals for both the public improvements and the private work
 - Affirmative Fair Housing Marketing rules will apply.

The Canyon Development Agreement Overview

- ◆ Construction must comply with conceptual site plan
- ◆ Owner dedicates future TIF revenues from District wide set aside to support extension of North Oak Cliff Trolley to Davis Garden TIF District in amount not to exceed \$3M
- ◆ No specific private development is required but, the initial infrastructure expenses are significant and will be borne by the property owner.
- ◆ SLF will develop a phasing schedule for public infrastructure (reimbursement may begin upon completion of each phase as accepted by the City)
- ◆ Without private investment of approximately \$500M, full reimbursement of infrastructure costs will not occur

Davis Garden TIF District: Term Extension Criteria

- ◆ This request to extend the term of the Davis Garden TIF District meets the Council adopted criteria
 - Complies with the City Financial Management Performance Criteria
 - Necessitated by changing market conditions
 - An additional \$100 million of private development is planned; meets specific infrastructure needs; and generates new investment from other taxing entities
 - Contains an area with an abundance of undeveloped land and substandard infrastructure

Next Steps

- Call for a Public Hearing – Davis Garden TIF District Plan Amendment: **May 25, 2011**
- Public Hearing and Council Consideration of Plan Amendment to the Davis Garden TIF District Final Plan Amendment: **June 8, 2011**
- Council's authorization for the establishment of the Davis Garden TIF District Grant Program to implement the Davis Garden TIF District Project Plan and Reinvestment Zone Financing Plan: **June 8, 2011**
- Council's review and consideration of Master Development Agreement with SLF III – The Canyon TIF, L.P for development of The Canyon in an amount not to exceed \$69,808,000 plus interest: **June 8, 2011**

Next Steps

- ◆ Review and consideration of a Development Agreement with SLF III – The Canyon TIF, L.P related to a grant to facilitate the extension of the North Oak Cliff Streetcar system to the Davis Garden TIF District in an amount not to exceed \$3,000,000, such funding to be distributed from the District Wide Improvement Set-Aside: **June 22, 2011**

◆ Appendices

Appendix 1 – Summary of Plan amendments

- Total budget. Increase the District budget's from \$38,267,083 to \$103,658,541 (in 2008 dollars)
- Budget Categories. Modify the names of budget categories from Environmental Remediation to Environmental Remediation/Demolition, and from Parks, Open Space, Trails, Streetscape to District-wide Improvements – Parks, Open Space, Trails, Trolley/Streetcar
- Budget Amounts. Amend budget categories to: increase Infrastructure Improvements from \$22,074,732 to \$33,219,568, decrease Environmental Remediation/Demolition from \$6,131,870 to \$4,300,000, increase Affordable Housing from \$7,072,911 to \$11,920,435, increase Historic Façade Restoration from \$536,539 to \$1,946,858, increase District-wide Improvements – Parks, Open Space, Trails, Trolley/Streetcar from \$1,303,023 to \$4,358,953, and increase Administration and Implementation from \$1,148,008 to \$1,877,595
- New Budget Category for Canyon. Add a budget category to the TIF Project for The Canyon in Oak Cliff in an amount of \$46,035,132 (in 2008 dollars)
- Affordable Housing – currently after administrative expenses have been paid, 20% of all remaining annual tax increment received by the District is set aside for affordable housing. However, upon the reimbursement of the Taylor Farms and Hillside West projects' TIF obligations, the direct allocation of tax increment to the Affordable Housing category will stop for Subarea A (the area within the District that comprises The Canyon Master Development Plan) but be retained in Subarea B (the District's remaining area).

Appendix 2:

SLF III – The Canyon in Oak Cliff, L.P.

- ◆ SLF III – The Canyon in Oak Cliff, L.P. is an investment of Stratford Land, a real estate investment fund with holdings throughout the United States. Stratford Land is led by Phillip Wiggins, CEO and founder, and Kevin Watson, President. The contact for The Canyon in Oak Cliff project is Ocie Vest, Sr. Vice President of Entitlements.
- ◆ Stratford Land focuses on high growth corridors in Texas, Arizona, southern California, Colorado and the eastern seaboard from Virginia to Florida. The firm maintains offices in Dallas, Phoenix, Atlanta, and Raleigh with other offices opening soon in Denver and Jacksonville, Florida.

Appendix 2: SLF III – The Canyon in Oak Cliff, L.P. (continued)

- ◆ Stratford Land creates value by positioning land to its highest and best use. Stratford acquires land in the path of growth, providing innovative structures for land buyers and sellers, and seeks to add value through envisioning, planning, entitlement and pre-development work.
- ◆ In May of 2010, Stratford launched a new \$850 million fund to invest in real estate ventures nationwide. In total, Stratford Land manages investment funds totaling over \$1.2 billion.

Appendix 3: TIF Revenue Projections

Tax Year (Appraisals for Jan. 1.)	Anticipated Value of New Private Development	DCAD Taxable Real Property Appraisal for City	Captured Appraised Value for City	City Deposit to TIF Fund	County Deposit to TIF Fund	Total Deposits TIF Fund
Base 2007		\$120,395,392	\$0	\$0	\$0	\$0
1 2008		\$146,619,100	\$8,784,503	\$0	\$0	\$0
2 2009		\$156,040,688	\$18,206,091	\$39,705	\$17,915	\$57,620
3 2010		\$159,427,518	\$159,427,518	\$94,653	\$29,724	\$124,377
4 2011		\$159,427,518	\$21,592,921	\$118,660	\$28,490	\$147,150
5 2012	(\$8,460,809)	\$150,966,709	\$13,132,112	\$92,784	\$23,655	\$116,439
6 2013	\$11,835,773	\$165,066,982	\$27,232,385	\$192,408	\$48,978	\$241,386
7 2014	\$81,341,286	\$248,884,273	\$111,049,676	\$784,611	\$199,506	\$984,117
8 2015	\$110,840,547	\$363,458,084	\$225,623,487	\$1,594,121	\$405,269	\$1,999,390
9 2016	\$107,755,271	\$476,665,225	\$338,830,628	\$2,393,976	\$608,578	\$3,002,553
10 2017	\$139,780,391	\$623,595,595	\$485,760,998	\$3,432,098	\$872,450	\$4,304,548
11 2018	\$241,302,693	\$874,252,222	\$736,417,625	\$5,203,089	\$1,322,605	\$6,525,694
12 2019	\$97,089,644	\$984,455,649	\$846,621,052	\$5,981,721	\$1,520,519	\$7,502,240
13 2020	\$187,629,986	\$1,186,852,470	\$1,049,017,873	\$7,411,736	\$1,884,004	\$9,295,740
14 2021	\$238,865,166	\$1,443,520,423	\$1,305,685,826	\$9,225,199	\$2,344,954	\$11,570,153
15 2022	\$0	\$1,465,173,229	\$1,327,338,632	\$9,378,185	\$2,383,841	\$11,762,026
16 2023	\$0	\$1,487,150,828	\$1,349,316,231	\$9,533,466	\$2,423,310	\$11,956,776
17 2024	\$0	\$1,509,458,090	\$1,371,623,493	\$9,691,075	\$2,463,372	\$12,154,447
18 2025	\$0	\$1,532,099,962	\$1,394,265,365	\$9,851,049	\$2,504,034	\$12,355,084
19 2026	\$0	\$1,555,081,461	\$1,417,246,864	\$10,013,423	\$2,545,307	\$12,558,730
20 2027	\$0	\$1,578,407,683	\$1,440,573,086	\$10,178,232	\$2,587,199	\$12,765,431
21 2028	\$0	\$1,602,083,798	\$1,464,249,201	\$10,345,514	\$2,629,718	\$12,975,232
22 2029	\$0	\$1,626,115,055	\$1,488,280,458	\$10,515,304	\$2,672,876	\$13,188,180
23 2030	\$0	\$1,650,506,781	\$1,512,672,184	\$10,687,642	\$2,716,681	\$13,404,323
24 2031	\$0	\$1,675,264,383	\$1,537,429,786	\$10,862,564	\$2,761,144	\$13,623,708
25 2032	\$0	\$1,700,393,349	\$1,562,558,752	\$11,040,110	\$2,806,273	\$13,846,383
26 2033	\$0	\$1,725,899,249	\$1,588,064,652	\$11,220,320	\$2,852,079	\$14,072,399
27 2034	\$0	\$1,751,787,738	\$1,613,953,141	\$11,403,233	\$2,898,572	\$14,301,805
28 2035	\$0	\$1,778,064,554	\$1,640,229,957	\$11,588,889	\$2,945,763	\$14,534,651
29 2036	\$0	\$1,804,735,522	\$1,666,900,925	\$11,777,330	\$2,993,661	\$14,770,991
30 2037	\$0	\$1,831,806,555	\$1,693,971,958	\$11,968,598	\$3,042,278	\$15,010,876
31 2038	\$0	\$1,859,283,653	\$1,721,449,056	\$12,162,735	\$3,091,624	\$15,254,359
32 2039	\$0	\$1,887,172,908	\$1,749,338,311	\$12,359,784	\$0	\$12,359,784
33 2040	\$0	\$1,915,480,501	\$0	\$0	\$0	\$0
34 2041	\$0	\$1,944,212,709	\$0	\$0	\$0	\$0
35 2042	\$0	\$1,973,375,900	\$0	\$0	\$0	\$0
	\$1,207,979,947			\$231,142,213	\$55,624,379	\$286,766,592
	\$740,879,951			\$83,166,845	\$20,491,696	\$103,658,541

Avg. from 2009 through 2039): m 2009 through 2038):

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