

Memorandum



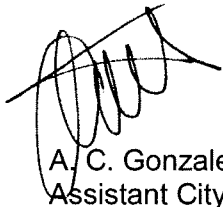
DATE: May 13, 2011

TO: Members of the Economic Development Committee:
Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Jerry R. Allen, Sheffie Kadane,
Ann Margolin, Linda Koop, and Steve Salazar

SUBJECT: **Final plan for TIF Reinvestment Zone Number Nineteen (Cypress Waters TIF District), creation of a grant program, and Cypress Waters Phase I development agreement**

During the Monday, May 16, 2011 Economic Development Committee meeting, you will be briefed on the Final Plan for Cypress Waters TIF district, the creation of a grant program, and the proposed Cypress Waters Phase I development agreement. A copy of the briefing is attached.

Please contact me if you need additional information.



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, Jr., City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge Municipal Court
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, 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

Cypress Waters TIF District Final Plan and Phase I Development Agreement



Economic Development Committee

May 16, 2011

Overview

- ◆ Cypress Waters TIF District was created December 8, 2010. It is located north and east of the intersection of LBJ Freeway (I-635) and Belt Line Road.
- ◆ On June 8, 2011, Council will consider approving (1) the final plan for the district, (2) a grant program, and (3) a TIF funding agreement in an amount not to exceed \$9,757,267, plus a grant in lieu of interest, for water, sewer, and roads to support Cypress Waters Phase I.



Cypress Waters TIF District Boundary Map

- ◆ The Cypress Waters TIF District is generally bounded by East Belt Line to the north, South Belt Line Road to the west, Ranch Trail Drive and Hackberry Road to the south, and the City of Irving to the east.
- ◆ The entire Cypress Waters area includes approximately 1,661 acres.
- ◆ The district contains approximately 939 acres (excluding public rights-of-way).
- ◆ The area is adjacent to a lake and a former power plant.
- The lake will be reduced to approximately 362 acres.



Cypress Waters TIF District Overview – Existing Conditions



The entire Cypress Waters area is 1,661 acres of undeveloped land, including a lake and 939 acres in the TIF district.

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Cypress Waters TIF District Overview – Existing Conditions



Predominantly open, undeveloped land.

Cypress Waters TIF District Overview – Existing Conditions



Former power plant.



Radio equipment.

Cypress Waters TIF District Overview – Background

- ◆ Provisions of the Cypress Waters TIF District were negotiated to follow these guidelines:
 - The district has a significant minimum project commitment (approximately \$2.6 billion in added value).
 - The project will create new multi-family and single-family neighborhoods as well as commercial and retail areas. It will follow a Traditional Neighborhood Development planning system.
 - The developer will maintain extensive, publicly accessible green space on the site along the lake edge and along power line easements in addition to multiple parks, hike and bike trails, and pedestrian connections throughout the site.



Cypress Waters TIF District Overview – MMD

- ◆ On February 9, 2009, Council supported and consented to the State's creation of the Cypress Waters Municipal Management District.
- ◆ On June 19, 2009, the Cypress Waters MMD was created by the State of Texas.
- ◆ MMDs are self-governed, political subdivisions of the State of Texas. With the approval of a majority of the eligible voters in the district, they have the power to levy taxes and assessments to property owners in the district. In addition, MMDs can supply additional services that are supplemental or complementary to regular municipal services.
- ◆ The MMD provides another financing tool, in addition to the proposed TIF district, to enhance redevelopment in the Cypress Waters area.



Cypress Waters TIF District Overview – TIF Final Plan Goals

- ◆ **Goal 1** – To create additional taxable value attributed to new private investment in projects in the Cypress Waters TIF District totaling approximately **\$2.2 billion over 30-year life** of the TIF district.
- ◆ **Goal 2** – To attract new private development adding approximately **10,000 new residential units, 4 million square feet of commercial space, and an estimated 150,000 square feet of pedestrian-oriented retail space**, all of which are estimated to create an estimated **9,000 on-site jobs**.
- ◆ **Goal 3** – To improve ridership on DART via the planned expansion along the Cotton Belt Line.
- ◆ **Goal 4** – To improve recreational opportunities for the community and the future residents within the TIF district via extensive, publicly accessible green space on the site along the lake edge and along power line easements in addition to multiple parks, hike and bike trails, and pedestrian connections throughout the district. Additional open space may be available through the utilization of Coppell ISD land and as part of an MMD and/or TIF-funded public amenity center.



Cypress Waters TIF District Overview – Final Plan Goals (continued)

- ◆ **Goal 5** – To create a model for exceptional development standards in terms of its complexity, scope, design, environmental sensitivity, and connectivity.
- ◆ **Goal 6** – To develop the property in a manner where fiscal impacts for the remainder of the City are limited and a development pattern is secured that is a net benefit to the City from a fiscal, land use and community standpoint.
- ◆ **Goal 7** – To generate an NPV of **\$65** million or approximately \$160 million in total dollars in TIF revenues over the 30-year life of the district.



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Cypress Waters TIF District Overview – Financial Plan

- ◆ The estimated **2010 base value** for the district is \$75,672 (land is all currently under agricultural exemption). It is anticipated to **grow to approximately \$2.6 billion** by 2040.
- ◆ City participation is expected to be 0% in the first year and then increase to 85%. It is anticipated that the district budget will be met in 24 years.
- ◆ **Dallas County** participation is anticipated at 0% for the first three years and **55%** for the next 20 years of the TIF district, starting in 2014.



Cypress Waters TIF District Overview – TIF Budget

| Category | Total Estimated TIF Expenditure (NPV - 2010 Dollars)* | Estimated TIF Expenditure (Total)** |
|------------------------------------|--|--|
| Infrastructure Improvements | \$58,198,583 | \$146,736,338 |
| Public Safety Improvements | \$6,000,000 | \$11,313,895 |
| Administrative & Implementation*** | \$1,500,000 | \$2,065,585 |
| Total Project Costs | \$65,698,583 | \$160,115,818 |

* All values discounted to 2010 dollars at 5% annually. Total dollar expenditure value will depend on timing of project cost.

** All values are estimated 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.

***Admin is calculated at \$60,000 per active year, in 2010 dollars. Estimated total admin is inflated at 3% per year

Note: in addition, DWU may agree to fund up to 30% of TIF-eligible water and sewer improvements.

Cypress Waters TIF District Development Plan

- ◆ 10,000 new residential units
- ◆ 4,000,000 square feet of commercial space
- ◆ 150,000 square feet of pedestrian-oriented retail space
- ◆ Traditional Neighborhood Development (TND)
- ◆ Proposed transit station on northwest side of the development
- ◆ Anticipated additional taxable value is \$2.6 billion



Cypress Waters TIF District Phase I Project – Existing Conditions



Cypress Waters TIF District Phase I Project Details

- ◆ Master planned rental community using Traditional Neighborhood Development design
- ◆ Approximately 675 units in 3 and 4 story buildings (584,004 square feet)



Cypress Waters TIF District Phase I Project Details

- ◆ Approximately 675 multi-family units
- ◆ Temporary facilities to house police and fire services
- ◆ Publicly accessible green space
- ◆ \$78 million total investment
- ◆ Water, sewer, roadway improvements
- ◆ Concealed and controlled parking: on street, tuck under, garage, podium, and surface
- ◆ Buildings frame streets and unit doors open to street.



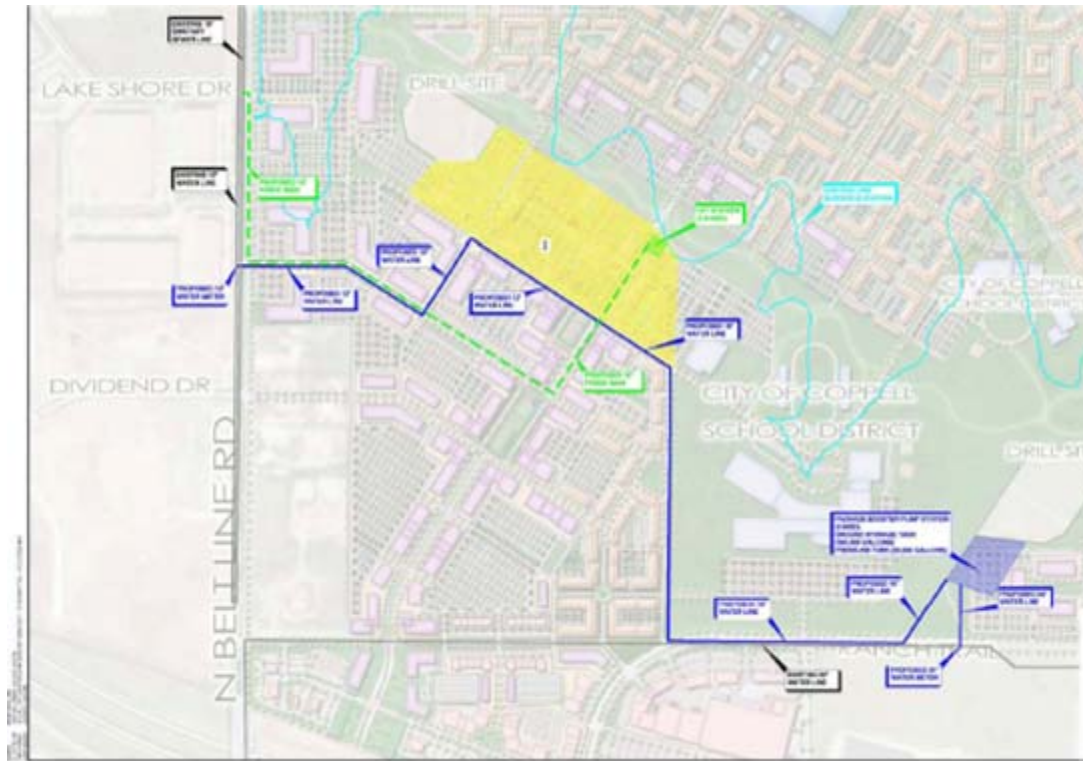
Cypress Waters TIF District Phase I TIF Improvements

Proposed TIF-funded (red) and privately funded (blue) roadways:



Cypress Waters TIF District Phase I TIF Improvements

TIF-funded water and sewer:



Cypress Waters TIF District Phase I TIF Improvements

TIF project budget:

| Description | TIF Amount |
|--|--------------------|
| Public Infrastructure | |
| Water transmission improvements | \$2,930,200 |
| Sewer transmission improvements | \$1,543,360 |
| Primary roadway improvements | \$5,283,707 |
| Total | \$9,757,267 |
| <p>Note: reimbursements may be moved between categories as long as the total TIF expenditure does not exceed \$9,757,267. Note: All amounts are based on 2011 cost estimates and do not reflect interest.</p> | |

*See appendix for total project budget, funding sources, etc. A portion of current TIF-funded improvements will serve additional phases, up to 1,500 units total.

Cypress Waters TIF District Phase I Project Required Elements

Required elements:

- ◆ Minimum of 495,000 square feet of residential space
- ◆ Temporary facilities to house police and fire services
- ◆ Publicly accessible green space
- ◆ Minimum of \$45 million in private investment
- ◆ Water, sewer, and roadway improvements to fully support the first phase and, additionally, to partially support up to 1,500 units total.



Cypress Waters TIF District Design Concepts



Conclusion & Next Steps

- ◆ Staff recommends approval of the final plan for the Cypress Waters TIF District, the grant program, and TIF funding for Cypress Waters Phase I.
- ◆ Council consideration on June 8, 2011

Appendix

- ◆ District information:
 - Financial information
 - Projected development schedule
 - Increment chart
- ◆ Phase I
 - Sources and uses
 - Additional information

Cypress Waters TIF District

Appendix: TIF Increment Chart

| PROJECTED TIF INCREMENT SCHEDULE | | | | | | | | | | | | |
|----------------------------------|----------------------|----------------------------|------------------|------------------------|--------------------|--------------------------------|-------------------------|------------------------|-----------------------|------------------------|----------------------------|--|
| Tax Year | Property Value Total | Anticipated Captured Value | Part'n Rate City | TIF Contribution City* | Part'n Rate County | TIF Contribution Dallas County | TIF Contribution School | TIF Contribution DCCCD | TIF Contribution DCHD | Total TIF Contribution | TOTAL TIF 2009 NPV @ 5.00% | |
| Base 2010 | \$75,672 | \$0 | | \$0 | | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| 1 2011 | \$75,672 | \$0 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| 2 2012 | \$75,672 | \$0 | 85.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| 3 2013 | \$75,672 | \$0 | 85.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | |
| 4 2014 | \$69,890,107 | \$69,814,435 | 85.00% | \$720,233 | 55.00% | \$147,996 | \$0 | \$0 | \$0 | \$888,229 | \$680,280 | |
| 5 2015 | \$98,747,605 | \$98,671,933 | 85.00% | \$755,585 | 55.00% | \$155,260 | \$0 | \$0 | \$0 | \$910,845 | \$1,359,967 | |
| 6 2016 | \$154,867,048 | \$154,791,376 | 85.00% | \$1,304,064 | 55.00% | \$267,964 | \$0 | \$0 | \$0 | \$1,572,028 | \$2,477,178 | |
| 7 2017 | \$187,577,926 | \$187,502,254 | 85.00% | \$1,376,893 | 55.00% | \$282,929 | \$0 | \$0 | \$0 | \$1,659,823 | \$3,600,611 | |
| 8 2018 | \$304,482,272 | \$304,406,600 | 85.00% | \$2,501,639 | 55.00% | \$514,046 | \$0 | \$0 | \$0 | \$3,015,685 | \$5,544,549 | |
| 9 2019 | \$338,162,421 | \$338,086,749 | 85.00% | \$2,388,436 | 55.00% | \$490,785 | \$0 | \$0 | \$0 | \$2,879,221 | \$7,312,141 | |
| 10 2020 | \$469,349,167 | \$469,273,495 | 85.00% | \$3,676,371 | 55.00% | \$755,435 | \$0 | \$0 | \$0 | \$4,431,806 | \$9,903,326 | |
| 11 2021 | \$507,248,126 | \$507,172,454 | 85.00% | \$3,547,883 | 55.00% | \$729,032 | \$0 | \$0 | \$0 | \$4,276,915 | \$12,284,873 | |
| 12 2022 | \$651,207,944 | \$651,132,272 | 85.00% | \$4,946,901 | 55.00% | \$1,016,508 | \$0 | \$0 | \$0 | \$5,963,409 | \$15,447,396 | |
| 13 2023 | \$693,684,947 | \$693,609,275 | 85.00% | \$4,809,232 | 55.00% | \$988,219 | \$0 | \$0 | \$0 | \$5,797,451 | \$18,375,503 | |
| 14 2024 | \$848,715,093 | \$848,639,421 | 85.00% | \$6,317,544 | 55.00% | \$1,298,153 | \$0 | \$0 | \$0 | \$7,615,697 | \$22,038,783 | |
| 15 2025 | \$896,115,767 | \$896,040,095 | 85.00% | \$6,187,321 | 55.00% | \$1,271,394 | \$0 | \$0 | \$0 | \$7,458,716 | \$25,455,707 | |
| 16 2026 | \$1,062,958,196 | \$1,062,882,524 | 85.00% | \$7,803,552 | 55.00% | \$1,603,503 | \$0 | \$0 | \$0 | \$9,407,055 | \$29,559,974 | |
| 17 2027 | \$1,115,651,127 | \$1,115,575,455 | 85.00% | \$7,681,695 | 55.00% | \$1,578,464 | \$0 | \$0 | \$0 | \$9,260,159 | \$33,407,761 | |
| 18 2028 | \$1,295,094,915 | \$1,295,019,243 | 85.00% | \$9,422,730 | 55.00% | \$1,936,218 | \$0 | \$0 | \$0 | \$11,359,949 | \$37,902,883 | |
| 19 2029 | \$1,353,473,098 | \$1,353,397,426 | 85.00% | \$9,300,386 | 55.00% | \$1,911,079 | \$0 | \$0 | \$0 | \$11,211,464 | \$42,128,366 | |
| 20 2030 | \$1,546,357,365 | \$1,546,281,693 | 85.00% | \$11,154,028 | 55.00% | \$2,291,972 | \$0 | \$0 | \$0 | \$13,446,000 | \$46,954,705 | |
| 21 2031 | \$1,610,839,742 | \$1,610,764,070 | 85.00% | \$11,051,942 | 55.00% | \$2,270,995 | \$0 | \$0 | \$0 | \$13,322,937 | \$51,509,149 | |
| 22 2032 | \$1,818,056,751 | \$1,817,981,079 | 85.00% | \$13,035,991 | 55.00% | \$2,678,685 | \$0 | \$0 | \$0 | \$15,714,676 | \$56,625,396 | |
| 23 2033 | \$1,889,089,847 | \$1,889,014,175 | 85.00% | \$12,945,463 | 55.00% | \$2,660,083 | \$0 | \$0 | \$0 | \$15,605,545 | \$61,464,175 | |
| 24 2034 | \$2,111,588,294 | \$2,111,512,622 | 80.89% | \$14,339,207 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$14,339,207 | \$65,698,583 | |
| 25 2035 | \$2,189,647,947 | \$2,189,572,275 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 26 2036 | \$2,428,436,455 | \$2,428,360,783 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 27 2037 | \$2,512,402,398 | \$2,512,326,726 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 28 2038 | \$2,532,987,023 | \$2,532,911,351 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 29 2039 | \$2,553,880,417 | \$2,553,804,745 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 30 2040 | \$2,575,087,213 | \$2,575,011,541 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 31 2041 | \$2,596,612,110 | \$2,596,536,438 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 32 2042 | \$2,618,459,880 | \$2,618,384,208 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 33 2043 | \$2,640,635,367 | \$2,640,559,695 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 34 2044 | \$2,663,143,487 | \$2,663,067,815 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 35 2045 | \$2,685,989,228 | \$2,685,913,556 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 36 2046 | \$2,709,177,655 | \$2,709,101,983 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 37 2047 | \$2,732,713,909 | \$2,732,638,237 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 38 2048 | \$2,756,603,207 | \$2,756,527,535 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 39 2049 | \$2,780,850,844 | \$2,780,775,172 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 40 2050 | \$2,805,462,195 | \$2,805,386,523 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| 41 2051 | \$2,830,442,717 | \$2,830,367,045 | 0.00% | \$0 | 0.00% | \$0 | \$0 | \$0 | \$0 | \$0 | \$65,698,583 | |
| | | | | \$135,267,096 | | \$24,848,722 | \$0 | \$0 | \$0 | \$160,115,818 | | |
| NPV | | | | \$55,221,551 | | \$10,477,032 | \$0 | \$0 | \$0 | \$65,698,583 | | |

Cypress Waters TIF District

Appendix: Phase I Sources and Uses

Funding Sources:

| | |
|-------------------|--------------|
| Equity | \$28,277,624 |
| Construction loan | \$49,809,351 |

Total Development Funding **\$78,086,975**

| Development Costs: | Soft Costs | Hard Costs | Total Costs |
|--|--------------------|---------------------|---------------------|
| Private Costs | \$7,263,523 | \$55,519,735 | \$62,783,258 |
| Public Costs (Non Reimbursed) | \$418,755 | \$3,210,455 | \$3,629,210 |
| Public Costs (Reimbursed*) | \$1,347,059 | \$10,327,449 | \$11,674,507 |
| Total Development Costs (Private plus Public) | \$9,029,337 | \$69,057,638 | \$78,086,975 |

*Reimbursed public costs include \$1.9M in potential DWU infrastructure cost participation as well as TIF-funded infrastructure.

Cypress Waters TIF District

Appendix: Phase I Additional Information

| | |
|---|-------------------|
| Total square footage required | 495,000 |
| Developer fee | \$1,428,370 |
| Required private investment – site acquisition, preparation, and hard costs of construction | \$45,000,000 |
| Total project cost including site acquisition, hard costs of construction, all soft costs, and TIF expenses/other public. | \$78,068,975 |
| TIF funding requested | \$9,757,267 |
| % TIF funds to total project cost | 12.5% |
| Rate of return with TIF funds | 1.57% |
| Rate of return without TIF funds or other public assistance | 1.38% |
| Deadline to purchase properties | Already purchased |
| Deadline to start demolition and/or construction | June 30, 2012 |
| Deadline to complete construction, all phases | December 31, 2014 |

Note: rate of return is calculated as return on cost after all infrastructure, debt service, etc. is included.