Cityplace Area TIF District
History and Overview

Economic Development and Housing Committee
June 13, 2006
Purpose

• Review the history of the Cityplace Area TIF District. (Where have we been?)
• Review current status of the Cityplace Area TIF District including the review of a pending project – Fairfield on McKinney. (Where are we now?)
• Review strategies for closing out Cityplace Area TIF District. (Where are we going?)
Cityplace Area – Where have we been?

- Southland Corporation assembled approximately 160 acres on both sides of Central Expressway at Lemmon in the mid-to late 1980s. This represented over 1,000 individual pieces of property. The area was envisioned to be a high density, multi-use, primarily office development.

- Southland, strapped by large interest payments form a 1987 leveraged buyout, entered into a pre-packaged bankruptcy in 1990. As part of the settlement, Southland elected to sell all of the Cityplace property except the office tower and 10.4 acres surrounding the tower to Oak Creek Partners, Ltd.

- Oak Creek Partners, Ltd. hired Cooper, Robertson & Partners to develop a master plan for the area and a TIF plan. This firm was known for planning the urban redevelopment plan for Battery Park in New York City.

Cityplace Area – Where have we been?

• The TIF Budget was set at approximately $45 million for public infrastructure improvements. The $45 million in TIF spending was anticipated to generate $475 million in private investment over the 20-year term of the TIF District.

• The Cityplace Area TIF Project Plan and Reinvestment Zone Financing Plan included the following development goals:
  • 2,550 units of housing
  • 850,000 square feet of office space
  • 485,000 square feet of retail space

• The TIF budget included funding for Central Expressway Bridges, Street, Utility and Intersection Improvements, Blackburn Mall, Extension of the McKinney Avenue Trolley Service, Eastside Retail Entry, Landscape Improvements, Freedman’s Park and Cemetery, DISD School Improvements, Improvement of JW Ray Park, and improvements to Public Open Space.
Cityplace Area – Where have we been?

- The Cityplace Area TIF District is one of two City of Dallas TIF Districts that have negotiated financial participation from all other local taxing entities.
- Financial participation agreements were negotiated in 1992-3 with DISD, Dallas County, Dallas County Hospital District and Dallas County Community College District.
  - DISD agreed to participate at a rate of $0.43087 per $100 valuation
  - Dallas County agreed to participate at 100% of their total increment – this rate is currently $0.2139 per $100 valuation
  - Dallas County Hospital District agreed to participate at 100% of their total increment – this rate is currently $0.254 per $100 valuation
  - Dallas County Community College District agreed to participate at 100% of their total increment – this rate is currently $0.0816 per $100 valuation
- City of Dallas contribution to the TIF fund represents only 43% of total increment collected.
Cityplace Area – Where have we been?

This aerial photograph shows the Cityplace TIF District prior to the construction of West Village. The TIF boundary is shown in yellow.
Cityplace Area – Where have we been?

- In November 1996, the City and OCP entered into a contract to resolve certain issues concerning the funding of the Lemmon Avenue/Blackburn Bridges over North Central Expressway. That contract required that:
  - the City to notify Oak Creek Partners, Ltd. of any public actions that could limit development within the Cityplace Area TIF District
  - the issuance of bonds must be in conformance with the Financial Management Performance Criteria (FMPC)
  - reimbursement priorities for the TIF District be on a first-come, first served basis
  - the City of Dallas should use ‘reasonable efforts’ to sell TIF bonds for the District, subject to FMPC requirements and a request for the bond sale by Oak Creek Partners, Ltd.
  - Oak Creek Partners, Ltd. pay $2,589,909 to reimburse the City of Dallas for half the cost of improvements to the Lemmon Avenue and Haskell/Blackburn bridges over North Central Expressway (a separate resolution approved a development agreement for this project)
  - Oak Creek Partners, Ltd. provide a first lien deed of trust in favor of DART to secure partial funding of the DART Cityplace Station
Cityplace Area – Where have we been?

- Oak Creek Partners, Ltd. advanced funds to the City for all the initial public infrastructure in the Cityplace Area TIF District.
- The City issued three series of TIF Bonds to reimburse Oak Creek Partners, Ltd. initially and other developers later for public infrastructure improvements.
  - The first series of Cityplace Area TIF Bonds was issued in February 1998. The total proceeds of the bond sale was $5 million, with net proceeds of approximately $4.2 million.
  - A second series of bonds was issued in October 2000 in the amount of $7.6 million. Bond proceeds were approximately $6.6 million.
  - In February 2004, the third series of Cityplace Area TIF Bonds was sold in the amount of $7.5 million. The net proceeds were approximately $6.7 million.
Cityplace Area – Where have we been?

• In November 2001, the Cityplace Area TIF Project Plan and Reinvestment Zone Financing Plan was amended to re-allocate funding between budget categories. These changes were needed so that TIF funding could adapt to changing market conditions, particularly the lack of immediate market for office space in the area.

• These plan improvements allowed the developer to modify the TIF development plan to adapt to a transit-oriented development plan featuring mid-to-high density housing, office/hotel space potentially as a final phase of the development of the area and a much higher concentration of retail uses.

• From 2001 to 2004 major changes occurred in the Cityplace Area landscape. The completion of the construction of Cityplace West Boulevard, the DART Cityplace Light Rail Station, the McKinney Avenue Trolley extension and other related projects led to the construction of West Village.
Cityplace Area – Where have we been?

This map shows public infrastructure that was funded using Cityplace Area TIF District funds. While West Village received no direct financial assistance from the Cityplace Area TIF District, it benefited from TIF infrastructure that was in place.
Cityplace Area – Where are we now?

- The original Cityplace Area TIF District Project Plan and Reinvestment Zone Financing Plan had a budget of approximately $45 million. What is the status of this budget?
  - TIF Increment Collected: Approximately $25 million
  - Projects funded and other financial commitments such as debt service: $30 million
  - Future Projects – Not yet approved by City Council: $13 million (including $3 million for pending Fairfield project)
  - Anticipated Interest Savings (TIF funded prior in 2009 compared to 2012): $2 million (Total TIF project is approximately $43 million)
Cityplace Area – Where are we now?

Accomplishments vs. Goals

• The Cityplace Area TIF District is an example of how TIF incentives can transform the real estate market in a defined area.
  • Total Property Value in the TIF District is up by 675%, an increase of over $300 million
  • New infrastructure has been funded by developers and reimbursed with TIF Funds – No general revenue bond funds are needed in the Cityplace Area
  • Public Infrastructure exceeds city standards to feature tree-lined boulevards, wide sidewalks, open spaces, public transit connections and well designed buildings that create a sense of place
Cityplace Area – Where are we now?

- Project Goals set in 1992 for 2012 are close to being met:
  - Goal: 2,550 housing units  
    Actual: **2,287 housing units**
    completed or in process
    Planned: an additional 1,325 units

  - Goal: 850,000 s.f. office space  
    Actual: **230,000 square feet of office space**
    Planned: an additional 1.1 million square feet of office/hotel space

  - Goal: 485,000 s.f. retail space  
    Actual: **510,000 square feet of retail space**
    Planned: an additional 135,000 square feet of retail space
Cityplace Area – Where are we now?

Additional Financial Information

- The Cityplace Area TIF District was originally set up to collect funds through 2012. Current estimates indicate that TIF District will be fully funded by 2009 after 3 more years of collections.
  - Cash from Increment Currently Available: $6.1 million
  - Cash from 2004 Bond Sale: $2.5 million
    - Approximately $1 million set aside for commitment to DISD
    - Approximately $1.5 million set aside for extension of Noble Avenue
  - Debt Service Obligations: $12.7 million
  - Projected Increment Collections:
    - May 2007: $5.8 million
    - May 2008: $6.5 million
    - May 2009: $5.9 million (reaches TIF funding cap)
    - Total remaining increment to collect: $18.2 million
Cityplace Area – Where are we now?

Additional Financial Information

- Total Cityplace Area TIF Budget (all in current dollars)
  - Original Budget: $45 million
  - Less: Interest Saving from early collections: ($2 million)

- Current Budget: $43 million
  - Less: Total Approved TIF Obligations (including interest): $30 million

- Remaining TIF Funds: $13 million
  - City Contribution to Remaining TIF Funds: $5.5 million
Cityplace Area – Where have we going?

The Cityplace Area Project Plan does not specifically identify any projects, however, the remaining $13 million in TIF funds were set aside to be used to fund the remaining infrastructure needs in the TIF District and facilitate the redevelopment of the remaining 7 development parcels in the TIF District. The anticipated value of projected development on these sites is $665 million – twice the value of all the properties currently in the Cityplace Area TIF District.

Development Plan for each of the remaining developable sites:
- Site 7A – Fairfield on McKinney - $100,000,000 valuation; 20-story mixed use facility
- Site 6A – Apartment complex – $75,000,000 valuation; 300 units
- Site 6C – Mixed Use Development - $100,000,000 valuation; 20-story mixed use facility
- Site 7B – Trammell Crow Residential - $100,000,000 valuation; 20-story mixed use facility
- Site 8B – Transit Oriented Development - $140,000,000 valuation; 43-story mixed use facility
- Site 8A – Transit Oriented Development - $100,000,000 valuation; 20-story mixed use facility
- Site 8C – Mixed Use Development - $150,000,000 valuation; 43-story mixed use facility
Cityplace Area – Where are we going?

- Public Infrastructure Plan for each of the remaining developable sites:
  - Site 7A – Fairfield on McKinney - $3,000,000 expenditure; extension of Noble Avenue, streetscape improvements, utility relocation, construction of public open space
  - Site 6A – Apartment complex – $500,000 expenditure; streetscape improvements, utility work
  - Site 6C – Mixed Use Development - $800,000 expenditure; streetscape improvements, utility work
  - Site 7B – Trammell Crow Residential - $1,250,000 expenditure; extension of Oak Grove Avenue, streetscape improvements, utility work
  - Site 8B – Transit Oriented Development - $1,500,000 expenditure; construction of new street dividing 8B and 8C, streetscape improvements, utility work
  - Site 8A – Transit Oriented Development - $750,000 expenditure; streetscape improvements, utility work
  - Site 8C – Mixed Use Development - $750,000 expenditure; streetscape improvements, utility work
  - Unity Plaza – $3,000,000 expenditure; Seed funds needed to create open space and better connection to DART Cityplace Light Rail Station
Cityplace Area – Where are we going?

- Fairfield on McKinney Project – This project was approved by the Cityplace Area TIF Board of Directors
  - Development Plan –
    - Calls for a 20-story tower with adjacent 9- and 5-story towers
    - 265 apartment units averaging 1,200 s.f. per unit (440,000 s.f.)
    - 43,000 s.f. of ground floor retail space
    - 35,000 s.f. of office space
    - 890 parking spaces (365,000 s.f.)
    - Total private investment of $100,000,000 (880,000 s.f. of space total)

- TIF Eligible Expenditures – $3,000,000 requested for Public Infrastructure
  - Street construction – Noble Avenue extension* $700,000
  - Utility Relocation/Burial/Improvement* $950,000
  - Streetscape (McKinney, Blackburn, Cityplace West Blvd.) $400,000
  - Paving, Streetscape, Intersection Improvements and Lighting (Noble Ave. & Corner Park) $700,000
  - Construction Management, Design Engineering and Contingency $250,000
  - Total Proposed TIF Improvements $3,000,000

* Bond Funding allocated for this expenditure
Cityplace Area – Where are we going?

Fairfield on McKinney
Cityplace Area – Where are we going?

• Legal Issues
  • The City is committed to fund certain DISD improvements as a condition of their participation in the TIF District
  • The City is committed to fund certain infrastructure commitments per approved bond ordinances (e.g. Noble Avenue extension)
  • The City is not committed, however, to fund any future projects not listed in approved Cityplace TIF bond documents. Accordingly, TIF bonds can be defeased early, to some extent.
  • The City cannot be compelled to approve bonds for the Cityplace Area TIF District
  • State laws provides that the Project Plan and Reinvestment Zone Financing Plan may be amended by the Cityplace Area TIF Board of Directors. Such amendment becomes effective upon approval by the City Council
Cityplace Area – Options for use of Remaining TIF funds

- Option I – Fully fund TIF and complete outstanding infrastructure projects
  - TIF Increment Collections: $18.2 million
    - City of Dallas share: $7.9 million
    - Projected Final Increment Collection: May 2009
  - Anticipated additional Private Development: $665 million
  - Final improvements include work on Unity Plaza – a green space designed to increase accessibility to DART Cityplace Light Rail Station and additional green space associated with the Fairfield on McKinney project
Cityplace Area – Options for use of Remaining TIF funds

- Option II – Liquidate Cityplace Area TIF District
  - TIF Increment Collections: $6.8 million
    - City of Dallas share: $2.9 million
    - Projected Final Increment Collection: May 2008
  - Anticipated additional Private Development: unknown if this action will change the scope or timing of proposed development in the area
  - The City of Dallas will not have to pay approximately $5.5 million to the Cityplace Area TIF fund if the TIF District is closed down early.
  - The TIF District will not collect approximately $7.5 million from other taxing jurisdictions for TIF infrastructure projects.