

# Lake Highlands Town Center Project *Skillman Corridor TIF District*

- ◆ Economic Development and Housing Committee
- ◆ June 4, 2007



# Purpose

- ◆ Present PC LH Land Partners, LP's (an affiliate of Prescott Realty Group) proposed Lake Highlands Town Center (LHTC) Project to the Economic Development & Housing Committee for input and discussion.
- ◆ On May 30<sup>th</sup>, the Skillman Corridor TIF Board voted to recommend a development agreement and dedication of future TIF revenues for the LHTC project.
- ◆ On June 13<sup>th</sup>, City Council will consider authorizing a development agreement for the LHTC project and dedication of future TIF revenues in an amount not to exceed \$23 million.

# Background

- ◆ The Skillman Corridor TIF District was established by the City on October 26, 2005.
- ◆ The idea for forming a TIF District in this area originated by local residents concerned about the future of the Skillman Corridor, declining property values, and the quality of schools.
- ◆ Neighborhood residents presented a petition to initiate a TIF District in the area. Unfortunately, the primary development project for the proposed petition-initiated TIF District was unable to move forward.

# Background (continued)

- ◆ Based on the initial TIF proposal staff developed a new City-initiated TIF District for the area that:
  - Expanded the boundaries of the proposed TIF District to include property in the Skillman Corridor from Medallion Center to just north of LBJ and some other property with related concerns.
  - Allocated 40% of the TIF District budget to provides incentives for a Lake Highlands Town Center project as the catalyst for the District.
- ◆ This is the first Dallas TIF District within the Richardson ISD and negotiations with RISD resulted in a commitment to contribute the debt service portion of their tax increment up to \$10 million (net present value) or \$16.6 million in total dollars.

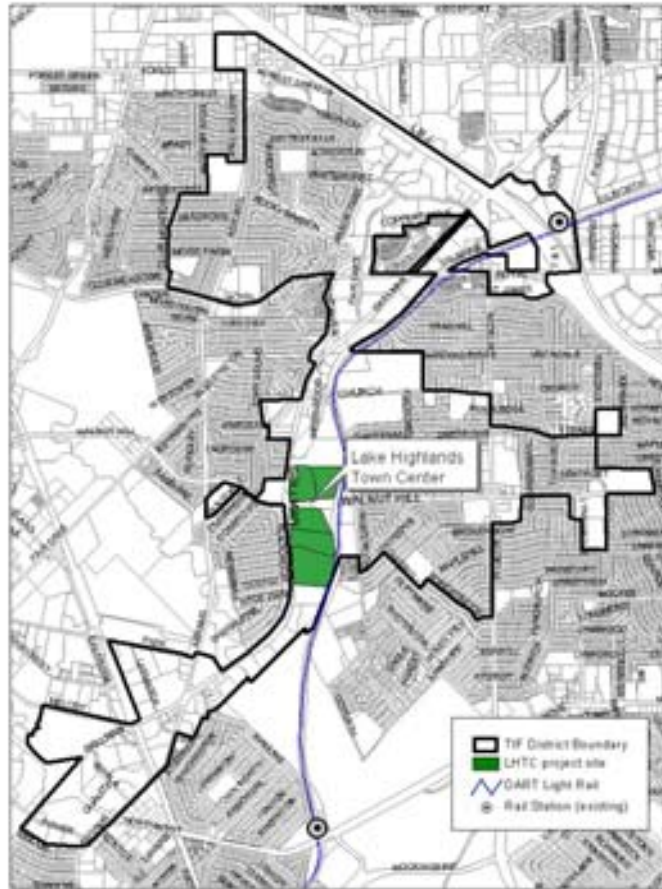
# Background (continued)

- ◆ A Final Project and Financing Plan for the Skillman TIF was approved on December 13, 2006 along with authorizing participation agreements with Dallas County and RISD.
- ◆ Conditions associated with the RISD participation agreement include:
  - Developing a program for relocation assistance/student retention for families that may be displaced by TIF-related development. \$1 million in the TIF budget will be set aside for this program.
  - Funding for RISD facility improvements of \$5 million will be set aside to improve or modify educational and training facilities.

# Background (Continued)

- ◆ The Skillman Corridor TIF District represents the City's effort to provide a model for redeveloping urban corridors and replacing structurally obsolete apartments to take full advantage of the expanding DART Light Rail system.
- ◆ Much of the property in the Skillman Corridor was constructed during the 1960s and 1970s and is structurally obsolete due to changing market conditions and deferred reinvestment in the property.
- ◆ The current mixture of housing in the corridor does not seem to fit with community needs – approximately 70% of all housing renter occupied.
- ◆ The average vacancy rate of rental properties in the TIF District is 20%.

# Lake Highlands Town Center Project Site & TIF Boundary



# Lake Highlands Town Center Project Site & surrounding uses





# Lake Highlands Town Center Project Overview

- ◆ When the TIF District was created, the Lake Highlands Town Center project was envisioned as a catalyst development in the heart of the Skillman corridor that would redevelop obsolete apartments into a mixed-use, transit-oriented environment with a mix of housing types.
- ◆ PC LH Land Partners, LP (PC LH) is not the first developer to propose a redevelopment at this site and it's a challenging redevelopment due to the cost of demolition and abatement of deteriorated apartment complexes and floodplain on portions of the site.

# Lake Highlands Town Center Project Overview (Continued)

- ◆ Advantages that the PC LH project has over past proposals include:
  - Additional property under contract on the north side of Walnut Hill allowing for more density.
  - A commitment from DART to add a light rail station.
  - The Skillman TIF District is now established with a Final Plan and participation agreements with Dallas County and RISD.
  - There have been other public funding commitments from the 2006 City bond program, (\$4.6 million) and Dallas County, (\$3.4 million). Funding for transit connections and other improvements is also being sought from the North Central Texas Council of Governments (NCTCOG).

# Lake Highlands Town Center Existing Conditions



Existing apartments



Units with fire damage



Area is inhospitable for pedestrians

# Lake Highlands Town Center Existing Conditions (Continued)

- ◆ The site is 69 acres and contains 1,334 existing class C apartments and a small veterinary clinic.
- ◆ The current taxable value of all properties in the LHTC site is \$21 million (2006 DCAD).
- ◆ PC LH has all the property under contract and is scheduled to close in late June.

# Lake Highlands Town Center Development

- ◆ The project has two components:
  - 1) Horizontal development involving the demolition and abatement of existing buildings, floodplain mitigation, and adding public infrastructure. This initial work is anticipated to last 18 months.
  - 2) Vertical development that will be likely be phased over a four year period after horizontal work is completed. PC LH will complete a portion of the development and the remaining sites will be sold or partnered with other developers.

# Lake Highlands Town Center Development

- ◆ The PC LH development plan has approximately 1.8 million square feet of development including:
  - ◆ 1,482,509 square feet of residential development (or 1,719 units) with a mix of apartments, condo, and for-sale units.
  - ◆ 282,694 square feet of retail space.
  - ◆ 24,456 square feet of office space.
  - ◆ 20 acres of parks, trails, and open space
- Total private investment is anticipated to be \$350 million.



# Lake Highlands Town Center Development Site Plan



# Lake Highlands Town Center Conceptual Elevation



*Lake Highlands Town Center*  
Dallas, TX  
Respective View  
Of Whitefront



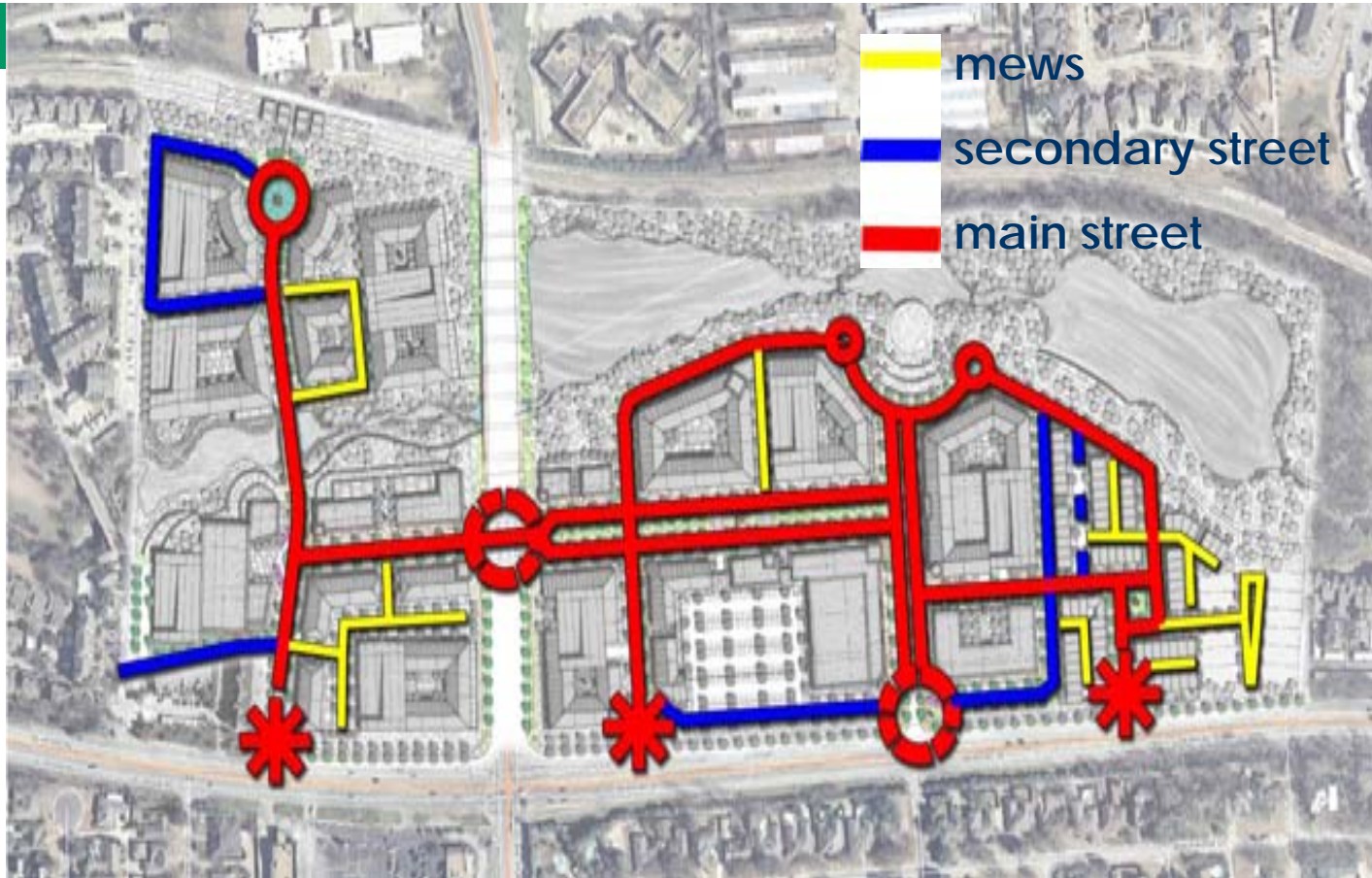
RTKL PARTNERS



# Lake Highlands Town Center Conceptual Elevations



# Lake Highlands Town Center Proposed street/pedestrian network



# Lake Highlands Town Center Pro Forma

- ◆ Public participation is critical to the viability of this project. Without TIF assistance, the project's rate of return is negative.
- ◆ Based on committed/anticipated public funding from the 2006 City Bond Program, TIF District, and Dallas County the rate of return is estimated at 7.5%.
- ◆ Additional funding from NCTCOG will help strengthen the finances of the project; however, a commitment has not yet been secured.
- ◆ More detailed financial information is shown in Appendix A.

# Lake Highlands Town Center TIF Assistance

- ◆ Requested TIF assistance is \$23 million, approximately 5.8% of total project cost.
- ◆ The Skillman Corridor TIF Plan has a budget category for “Skillman/Walnut Hill TOD Town Center” that allows a variety of TIF-eligible improvements necessary for the creation of the town center. The following table shows approximate costs for various improvements:

TIF Improvement Category	Amount
<b><u>Skillman/Walnut Hill TOD Town Center</u></b>	
• Demolition & Environmental Remediation	\$ 4,066,858
• Design, Engineering, Construction Management	\$ 1,215,000
• Land Acquisition	\$ 3,076,846
• Street, Utility, Streetscape & other public improvements	\$14,441,296
• Student Retention/Relocation Assistance	\$ 200,000
<b>TOTAL TIF REQUEST</b>	<b>\$23,000,000</b>

# Lake Highlands Town Center Sources of Public Participation

Source	Amount	Timing
<b>Existing or anticipated commitments:</b>		
<b>Skillman Corridor TIF</b> <i>Assistance for a variety of eligible public improvements</i>	\$23,000,000	Pledge of future TIF revenue
<b>City 2006 Bond Funds – Prop 8</b> <i>Public infrastructure support for a transit-oriented development at Skillman/Walnut Hill</i>	\$4,642,202*  <i>*assumes 0.75% deducted from \$4,677,262 bond allocation for Arto funding</i>	November 2007 bond sale
<b>Dallas County</b> <i>Assistance for bridge work, thoroughfare streets, DART connectivity and/or trails</i>	\$3,421,846	FY 2008 budget
<b>Other sources being sought</b>		
<b>North Central Texas Council of Governments (NCTCOG) – programs TBD</b> <i>Assistance with transit, pedestrian, bicycle connectivity, thoroughfare/connector streets, and other improvements</i>	\$10,000,000	Unknown

- DART has also committed \$10 million to add a light rail station at Skillman/Walnut Hill, estimated to open in 2011.



# Lake Highlands Town Center Agreement Provisions

- ◆ Major provisions that are recommended for the development agreement are outlined below. Detailed terms are listed in Appendix B.
  - A minimum \$230 million in private investment based on new land acquisition and hard costs.
  - A minimum 1.5 million square feet of residential, retail or office space.
  - Development requirements have been divided into 2 phases with payment triggers attached to each phase.

# Lake Highlands Town Center Agreement Provisions (Continued)

- PC LH will become eligible to begin TIF reimbursement based on available increment upon Phase I completion (estimated to be under \$500,000).
- Reimbursement will cease if Phase II requirements are not met by December 2014.
- Based on initial projections, absent a TIF bond sale, it is estimated that PC LH will not be fully reimbursed the remaining \$22.5 million until tax year 2019.
- Staff may recommend a TIF bond sale at a future date, if it is in the best financial interests of the City. Based on current projections we anticipate a total bond sale of \$16,000,000 could be considered in 2012 subject to independent City Council approval and City financial policies.

# Lake Highlands Town Center Agreement Provisions (Continued)

- The developer pays for all TIF public improvements upfront and must wait to be reimbursed if and when TIF revenue is generated, or TIF bonds are authorized. City funds will not be contributed unless the development occurs according to the terms of the development agreement.
- TIF increment available for reimbursement will be based on the increment generated by the LHTC project and a proportion of any general increment that may be available. Since the LHTC is a catalyst project, it will be eligible for the greater of a proportional share or 75% of any general increment not allocated to other projects.



# Lake Highlands Town Center Agreement Provisions (Continued)

## Phase I – Requirements to begin TIF reimbursement:

- ✓ \$60 million in private investment and 260,000 square feet of development at a minimum by December 2010.
- ✓ 60,000 square feet of commercial space must be 50% occupied or pre-leased or two anchor commercial spaces secured.
- ✓ Residential development includes 25% for-sale units **or** 10% for-sale units and other consideration.
- ✓ Residential space must be 25% pre-leased or sold.

# Lake Highlands Town Center Agreement Provisions (Continued)

## Phase II – Requirements for remaining TIF reimbursement:

- ✓ \$170 million in private investment and 1,240,000 square feet of development at a minimum by December 2014.
- ✓ Overall residential development must comprise at least 35% as for-sale units.
- ✓ Residential space must be 25% pre-leased or sold.
- ✓ Commercial space must be 25% occupied or pre-leased.

# Lake Highlands Town Center Agreement Provisions (Continued)

- ◆ PC LH will comply with M/WBE Good Faith Effort and Fair Share Guidelines for public and private construction.
- ◆ PC LH will make efforts to promote the hiring of neighborhood residents for any new jobs created.
- ◆ 20% of residential units will meet affordable housing requirements.

# Lake Highlands Town Center Agreement Provisions (Continued)

- ◆ PC LH will comply with Relocation Assistance/Student Retention Guidelines.
  - The Skillman TIF Board has adopted Relocation Assistance/Student Retention Program Guidelines based on the work of a committee that included RISD representatives.
  - During the time PC LH has had the LHTC properties under contract, at least two of the existing apartment owners have offered relocation packages for tenants to move to other complexes in the area. Existing leases are being honored but tenants have the option to move earlier.
  - Once PC LH takes ownership of the properties, any remaining tenants will be offered relocation assistance.
  - Communication with RISD and families with children in RISD schools are a major focus of the Guidelines.

# Lake Highlands Town Center TIF program enhancements

- ◆ The Skillman Corridor TIF District was created under existing TIF criteria adopted by Council in 2005.
- ◆ The LHTC proposal also addresses new TIF program enhancements including:
  - ✓ Larger minimum project commitment of over \$200 million.
  - ✓ TIF incentives tied to targeted return on investment of 12% or less.
  - ✓ A more sustainable mix of for-sale and rental housing along with mixed use densities.
  - ✓ Redevelopment opportunity with focus on mixed-income affordability and relocation priorities.
  - ✓ Higher design standards and commitment to parks and open space.
  - ✓ Implementation of *forwardDallas!*

# Lake Highlands Town Center Conclusion

- ◆ The Lake Highlands Town Center project will be the catalyst development for the Skillman Corridor TIF District and surrounding Lake Highlands community and set the standard for future TIF-funded projects.
- ◆ Taxable property value of the site is expected to grow from \$21 million to over \$255 million.
- ◆ TIF funds will leverage at least \$230 million in private investment and \$18 million in other public funding for the project.
- ◆ The project will foster transit-oriented development at a major infill site.
- ◆ The City and private funds will leverage a significant amount of funding from other sources.

# Lake Highlands Town Center Conclusion (Continued)

- ◆ A more sustainable mix of rental and for-sale housing will be provided.
- ◆ Public open space and new trail connections are other benefits.
- ◆ Public participation is critical to the viability of LHTC project and Council consideration of a development agreement is scheduled for June 13, 2007.
- ◆ Council will also consider a PD (Planned Development) zoning designation for the project on June 13<sup>th</sup>.

**Appendix A-1**  
**Lake Highlands Town Center**  
Skillman/Walnut Hill  
**Horizontal Development**  
May-07

The following scenario is based on PC LH Land Partners, LP preparing the site for development by completing all horizontal development. PC LH plans to develop about 60% of vertical building; however, their initial analysis was based on preparing the land for development and selling at approximately \$30/sf to other developers.

**Private Costs**

<b>Land/Building:</b>	<i>Acres</i>	<i>S.F.</i>	<i>\$/S.F.</i>	<i>Amount</i>
Land Cost (Acquisition)	68.98	3,004,769	\$ 13.78	\$ 41,410,000
Due Diligence Costs			\$ 0.08	\$ 250,000
Less Pad/Land Sales				
<b>Total Land Basis</b>	<b>68.98</b>	<b>3,004,769</b>	<b>\$</b>	<b>41,660,000</b>

<b>Hard Costs:</b>	<i>PSF/%</i>	
Dirt work/excavation/floodplain	\$ 2.28	\$ 6,850,000
Structure Demolition	\$ 0.92	\$ 2,760,000
Environmental Remediation	\$ 1.50	\$ 4,500,000
Paving/public streets/sidewalks/trails	\$ 1.83	\$ 5,500,000
Utilities	\$ 0.68	\$ 2,050,000.00
Hardscape/landscaping/irrigation	\$ 3.13	\$ 9,400,000
Construction management/misc	\$ 0.18	\$ 550,000
<b>Total Hard (total construction)</b>	<b>\$ 10.52</b>	<b>\$ 31,610,000</b>

<b>Soft/Other Development Costs:</b>	<i>PSF/%</i>	
Architects/Engineers	\$0.08	\$ 250,000
Civil Engineering	\$0.12	\$ 350,000
Specialty/environmental consulting	\$0.24	\$ 710,000
Permits & Fees	\$0.02	\$ 63,000
Construction Testing	\$0.04	\$ 122,000
Printing. Reimbursiibles	\$0.01	\$ 40,000
Developer Fee/Project Administration	\$0.85	\$ 2,564,450
Impact/utility fees	\$0.10	\$ 300,000
Legal Fees	\$0.11	\$ 335,000
Ad Valorem Taxes (construction)	\$0.70	\$ 2,100,537
Construction Interest	\$1.45	\$ 4,367,909
Financing Costs	\$0.30	\$ 903,911
Marketing/Start		
Up/Relocation/Maintenance	\$0.24	\$ 710,000
<b>Total Soft Costs</b>	<b>\$4.27</b>	<b>\$ 12,816,807</b>



**Appendix A-2**  
**Lake Highlands Town Center**  
Skillman/Walnut Hill  
**Vertical Development Hypothetical**  
May-07

The following scenario is based on PC LH Land Partners, LP preparing the site for development by completing all horizontal development and hypothetical assumptions for 1.8 million sf of vertical development that would have a sales value of \$233/sf on average. PC LH plans to develop about 60% of the vertical development and then sell or partner with other developers to build the remaining vertical development. The vertical development mix is conceptual at this stage and actual development will vary with market conditions.

**Horizontal Costs**

Land/Infrastructure/Public improv.	Acres	S.F.	\$/S.F.	Amount
<b>Private</b>	68.98	3,004,769	\$ 18.38	\$ 55,237,679
<b>Public:</b>				
Skillman TIF TOD budget (TIF eligible)			\$ 7.65	\$ 23,000,000
City 2006 Bond Program			\$ 1.54	\$ 4,642,202
Dallas County			\$ 1.14	\$ 3,421,846
<b>Total Public</b>				<b>\$ 31,064,048</b>
<b>Total Horizontal</b>	68.98	3,004,769	\$ 28.72	<b>\$ 86,301,727</b>

	net SF saleable/rentable			
<b>Vertical Private Costs</b>	1,789,550			
<b>Hard Costs:</b>				
		PSF/%		
General Construction - Building Shell		\$ 95.78	\$	171,405,392
General Construction - Above Grade Parking		\$ 24.29	\$	43,476,585
Special Systems - Communications		\$ 0.08	\$	136,617
Special Systems - Security		\$ 0.05	\$	93,632
Graphics		\$ 0.05	\$	88,470
Hardscape/landscaping/irrigation		\$ 1.80	\$	3,225,548
<b>Total Hard (total construction)</b>		\$ 122.06	\$	<b>218,426,244</b>

		PSF/%		
<b>Base Building Soft Costs:</b>				
Architects/Engineers/Design		\$6.84	\$	12,244,239
Civil Engineering		\$0.14	\$	241,647
Specialty Consultants		\$0.17	\$	299,869
Permits & Fees		\$0.15	\$	274,488
Construction Testing		\$0.21	\$	366,941
Survey		\$0.04	\$	76,114
Printing. Reimbursibles		\$0.51	\$	920,534
<b>Total Base Building Soft Costs</b>			\$	<b>14,423,832</b>

<b>Other Development Costs</b>				
Developer Fee/Project Administration		\$4.55	\$	8,145,690
Legal Fees		\$0.57	\$	1,020,371
Insurance		\$1.99	\$	3,561,409
Construction Interest		\$11.88	\$	21,264,549
Ad Valorem Taxes (construction)		\$1.38	\$	2,464,223
Financing Costs		\$2.97	\$	5,311,091
Marketing/Start Up/Tenant Improvements		\$12.16	\$	21,758,510
<b>Total Other Development Costs</b>		\$35.50	\$	<b>63,525,843</b>

<b>Contingency</b>		\$ 6.12	\$	<b>10,949,670</b>
<b>Total Private Costs</b>			\$	<b>362,563,268</b>

**Appendix B**  
**Lake Highlands Town Center Project**  
**Development Agreement Terms**  
**May 2007**

1. Owner. A Texas limited partnership known as PC LH Land Partners, LP, (“Owner”), will, directly or indirectly, control the Project.

2. Project.

A. The project (the “Project” or “LHTC”) will include redevelopment of the site on the eastern side of Skillman Street at Walnut Hill Lane (includes 7070, 7120, 7140, 7160, 7210, and 7218 Skillman Street). The town center style development will contain approximately 1,482,509 square feet of residential space with a mix of apartment, condo and for-sale units (approximately 1,719 units); 282,694 square feet of retail; and 24,456 square feet of office space.

B. The Project includes both initial horizontal build out requirements and vertical development:

(i) The private horizontal development costs are estimated at \$45.2 million consisting of a) \$33.9 million in Land and Due Diligence Costs, b) \$10.6 million in Development Costs, (c) \$150,000 in Marketing Costs and d) \$360,000 in Start-Up/Operating Costs. Public improvement costs estimated at \$41.1 million for horizontal development includes requested TIF funds of \$23 million and other public sources.

(ii) Vertical development of the Project will be partially completed by Owner with certain finished lot parcels sold to other developers for purposes of expediting the development of the entire Project. The private vertical budget is estimated at 307.3 million consisting of: a) \$218.4 million in Hard Costs, b) \$14.4 million in Soft Costs, c) \$41.8 million in Development Costs, iv) \$3.4 million of Marketing Costs, v) \$18.4 million in Start Up / Operating Costs and \$10.9 million in Contingency.

The Total Project Cost of \$393.6 million includes private horizontal and vertical development of \$352.5 million and public improvement costs of \$41.1 million The estimated net appraised value (based on DCAD) will be approximately \$255 million based on comparable values by use.

C. Required elements for TIF participation: (i) redevelopment totaling a minimum of 1,500,000 square feet as residential, retail or office use; (ii) a minimum private investment of \$230 million for new property acquisition cost and hard costs for construction; (iii) demolition or construction started by December 31, 2008; (iv) the development shall be completed with minimum requirements as follows:

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- a. Owner will become eligible for tax increment payments upon completion of the following for Phase I of the LHTC project by December 31, 2010:
  - Investment of a minimum of \$60 million in private investment for acquisition and hard costs.
  - Evidence of certificates of occupancy, with or without tenant finish out, for a minimum of 260,000 square feet of development.
  - Residential development must comprise at least 25% as for-sale units **or** at least 10% for-sale units and completion of a clock tower (turret or spire) landmark feature in this phase. This landmark feature will be located on the tract south of Walnut Hill with a maximum height of 99' and built with materials such as brick, stone or stucco that complement the LHTC development.
  - Residential space must be 25% pre-leased or sold.
  - A minimum of 60,000 square feet of commercial space will be 50% occupied/pre-leased **or** at least two anchor commercial spaces secured.
  - For public infrastructure improvements associated with Phase I, a final certificate of acceptance must be issued by the City's Public Works and Transportation Department.
  - An operating and maintenance agreement must be executed and funded for non-standard public improvements associated with Phase I.
  
- b. Total build out of vertical development is anticipated to last at least four years upon completion of the horizontal build out requirements. Tax increment payments shall cease on December 31, 2014 unless additional improvements to the Project are completed as follows:
  - An additional \$170 million in private investment for acquisition and hard costs occurs.
  - Evidence of certificates of occupancy, with or without tenant finish out, for an additional 1,240,000 square feet of residential, retail, or office space.
  - Overall residential development must comprise at least 35% as for-sale units.
  - Residential space must be 25% pre-leased or sold. Any commercial space must be 25% occupied or pre-leased.
  - For public infrastructure improvements associated with Phase II, a final certificate of acceptance must be issued by the City's Public Works and Transportation Department.
  - An operating and maintenance agreement must be executed and funded for non-standard public improvements associated with Phase II.

If there a delay resulting from unforeseen circumstances the City Manager, upon approval of the Skillman Corridor TIF Board of Directors, may grant a deadline extension up to 6 months. Minor modifications to the project including development mix may also be authorized.

(v) at least 20 percent of housing units will meet affordability criteria for at least 10 years or comply with the alternative provisions outlined in Appendix A; (vi) compliance with TIF District Student Retention/Relocation policies, Appendix B; (vii) the LHTC development will be consistent in general form and character with the conceptual site plan and elevations submitted with final site layout and building features that may vary; (viii) compliance with City M/WBE Good Faith Effort and Fair Share Policies; (ix) Owner agrees to cause the residential development of the Property to be marketed pursuant to the affirmative fair housing marketing plan approved by the City; and (xi) Owner agrees to

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make reasonable efforts to promote the hiring of neighborhood residents for any new jobs created.

3. Developer's Fees. The approved budget for the Project will provide for a development fee in an amount equal to approximately \$8,145,690 equal to 3.5% of the private hard and soft costs. with some development likely to be completed by other developers.
4. TIF Funding. TIF funding in the amount of a maximum of \$23,000,000 will be available as a reimbursement for public, TIF-eligible improvements under the "Skillman/Walnut Hill TOD town center" TIF budget category with estimated costs for the following items: (i) Land acquisition - \$3,076,846; (ii) Demolition and Environmental Remediation - \$4,066,858; (iii) Paving, utilities, streetscape, and other public infrastructure - \$14,441,296; (iv) Design, Engineering, Construction Management - \$1,215,000; and (v) Student Retention/Relocation Expenses - \$200,000. Expenditures may be shifted from one eligible TIF-eligible item to another as long as the total amount of TIF funding does not exceed \$23,000,000. The TIF financial contribution to the project could be less if the actual cost of eligible TIF costs related to the project are less.

Our staff will be willing to consider an arrangement where, subject to M/WBE guidelines, these improvements are completed by contractors selected by Owner and the City reimbursement begins upon completion of all work, if and when TIF funds are available. Unlike TIF projects requiring a public bid process and advance of funds to the City, **no interest** will be paid on this award since funds are not advanced to the City for these improvements.

5. Other Sources of Public Funding. It is understood that other sources of public funding to support the project are being sought including: (i) 2006 bond program funds for park land acquisition or other eligible improvements - \$4,677,282; (ii) Dallas County funding for paving or trail improvements - \$3,421,846; and (iii) North Central Texas Council of Governments (NCTCOG) funding for transit and other infrastructure improvements - \$10,000,000. In addition DART has committed to adding a light rail station at the Skillman/Walnut Hill site.

The total TIF incentive is a fixed not to exceed amount, regardless of the outcome of other pursued public funding. Any future request for additional TIF incentives would be evaluated based on the project having additional private development and the overall financial status of the TIF District.

Bond program funding for park land acquisition is also subject to the following conditions:

- a. The City will require that park land be improved and functional with preference to have improvements completed upfront. However, improvements as a condition of sale may be considered. An independent appraisal will determine the fair market value for the purchase.
- b. A specific Park Development Agreement will need to be developed with the City's Park and Recreation Department.
- c. A "park development plan" will be required and will be reviewed by City staff, have a public input component, and be subject to Park Board approval.
- d. Owner will pursue an easement with an adjacent property owner for a trail connection to the south of the project site to facilitate a complete trail connection along White Rock Creek.

- e. Maintenance responsibility for the new park space will need to be committed to by Owner or assigned to a public improvement district (PID) or non-City entity.

It is understood that other City-related items are critical to the completion of the project as proposed including a) the need to secure two traffic signals into the development, b) permission to include a triangular shaped parcel of City-owned land at the northeast corner of the development into the Park Plan, and c) permits for proposed work in the floodplain and exemptions from tree mitigation for construction of infrastructure and the proposed lakes/water retention areas in the park/public areas as recommended by the City Plan Commission.

6. Project Prioritization and Reimbursement. Since the town center project will serve as a catalyst for the District, staff is willing to recommend a TIF bond sale at a future date based on significant new taxable value from the project on the tax roll. We anticipate that if the project is 85% complete by January 1, 2011 a total bond sale of \$16.0 million could be considered in 2012 subject to independent City Council approval. A bond sale based on a lower percentage of project completion may be considered; however, the bond sale amount may be impacted.

Bond financing will be based on the City and County portion of tax increment generated by the project and there is no use of increasing debt service payments. Any amount of TIF incentive not covered by bond financing will be paid when other increment is available.

TIF bond financing is also subject to City financial policies (see Appendix C) and future City Council approval. Any delay in project completion or a reduction in project scope will result in a delay in bond financing and a potential reduction in bond financing available.

It is important for the City of Dallas to encourage as many projects as possible in the Skillman Corridor TIF District. In general, TIF District funds are allocated to projects on a pari passu basis, dependent on the portion of the increment created by the project and other projects in the District by the same developer. Any TIF incentive separate from potential bond financing would be subject to the following.

- a. Annually, after 1) administrative fees have been paid, 2) 30% of the RISD tax increment is reserved for RISD facility improvements in the TIF Budget until a \$5 million total dollar amount has been allocated, and 3) a portion of the increment, as determined by the TIF Board, has been set aside for District-wide improvements, Owner will be eligible to receive the portion of the increment that the Project creates (the Individual Increment). The Individual Increment for this Project upon completion is estimated to be approximately \$2.4 million annually, but may be more or less depending on the appraised value of the Property as determined by Dallas Central Appraisal District.
- b. In addition to this increment, the project is eligible to receive a portion of the Shared Increment, if any, from the entire Skillman Corridor TIF District funds. Shared Increment is defined as the annual amount deposited into the TIF fund from the participating jurisdictions (Total Increment) less 1) expected legal and administrative fees, 2) 30% of the RISD tax increment is reserved for RISD facility improvements in the TIF Budget until a \$5 million total dollar amount has been allocated, 3) the portion set aside for district-wide improvements, if any, and 4) the sum of the Individual Increments of all eligible projects. The proportion of the Shared Increment allotted to this project shall be the greater of the proportion

of each eligible project's Individual Increment to the sum of the Individual Increments for that year or 75% of any Shared Increment available. This shall not preclude future projects from being eligible to be awarded a portion of future Shared Increment.

- c. If the appraised value of the remaining property in the TIF District decreases in value, the TIF subsidy for that year may be reduced or unpaid. Likewise, if the sum of 1) administrative fees, 2) RISD increment, 30% set aside for facilities, 3) District-wide improvements, and 4) the sum of the Individual Increments is greater than the Total Increment, then the Individual Increments shall be allotted on a pari passu basis dependent on the proportion of each eligible project's Individual Increment to the sum of the Individual Increments for that year.

Final project prioritization and reimbursement terms, upon approval of the TIF Board and City Council, will be set in the development agreement.

Reimbursement is subject to the availability of tax increment. Nothing in this letter shall be construed to require the City to approve payment from any source of City funds other than the Skillman Corridor TIF District Fund. Any funds, under the development agreement, that have not been reimbursed upon termination of the Skillman Corridor TIF District, due to lack of or unavailability of Skillman Corridor TIF District funds shall no longer be considered project costs of the Skillman Corridor TIF District, and the obligation of the Skillman Corridor TIF District or the City to pay Owner shall automatically expire.

7. Rate of Return. Based on committed public funding, Owner's rate of return is estimated at 8%. However, if the actual rate of return were to exceed 12% based on a pre-construction review of proforma by OED staff, the City may reassess the level of TIF incentives.
8. Timing. Time is of the essence and Owner's ability to timely perform is a material inducement to the City to provide financial incentives for the Project. A TIF Board meeting to consider the project for recommended TIF incentives and City Council review of the project is to be determined. In addition, there will be a design review process for the project. The Owner will be asked to meet with the TIF District's Design Review Committee prior to beginning construction.
9. City Council. Owner acknowledges and agrees that deadlines and additional conditions may be imposed by the City Council and, once established, will require further action of the City Council to modify such deadlines and additional conditions. Be aware, that any change in the minimum private investment, scope of the project or timing of the project will require TIF Board and City Council approval. City commitments to the project may be re-evaluated at that time if project completion is delayed or the scope of the project is reduced in any manner.

The City will use reasonable efforts to present this nonbinding letter of intent to the City Council as soon as reasonably practicable.

### Appendix A – Alternative Affordable Housing Provisions

The following are allowable provisions for the Project to meet the TIF District affordable housing requirement:

- (1) 20% of the units would have to be affordable for ten years; or
- (2) A payment to the City in lieu of providing units on site based on one of the following scenarios. The base year housing payment amount will be determined based on the “gap” between the proposed rent and affordable rent at the time the development agreement is approved by the City Council

a) RENTAL UNIT (if "gap" between proposed rent and affordable rent is less than 20% and if total affordable housing payment is made within three years of City approval of project): \$15,000/ affordable unit

The schedule going forward if the buyout occurs later rather than up-front (i.e. affordable units are provided up-front for some period of time) would be:

(\$15,000)

Yrs Remaining	Payment Amt
9	\$14,200
8	\$13,200
7	\$12,200
6	\$10,900
5	\$ 9,600
4	\$ 8,000
3	\$ 6,300
2	\$ 4,500
1	\$ 2,300

b) RENTAL UNIT (if "gap" between proposed rent and affordable rent is 20% or greater and/or if total affordable housing payment is made three years of City approval of project ): \$20,000/ affordable unit The schedule going forward if the buyout occurs later rather than up-front:

(\$20,000)

Yrs Remaining	Payment Amt
9	\$18,900
8	\$17,600
7	\$16,200
6	\$14,600
5	\$12,800
4	\$10,700
3	\$ 8,500
2	\$ 5,900
1	\$ 3,100

**Appendix A – Alternative Affordable Housing Provisions (Page 2)**

c) CONVERSION OF ON-SITE AFFORDABLE RENTAL UNIT TO CONDO: Based on the aforementioned rental unit gap of either less than or more than 20%, the initial year conversion figure will be either \$15,000 or \$20,000. The payment schedule over the remaining years if the buyout occurs later will follow the same schedules as shown above for the rental scenarios a or b.

The payment for condo conversion would be due within 90 days after the sale or no later than one year after a unit became vacant, regardless of whether it has been sold.



5/2/2007

**Appendix B**  
**SKILLMAN CORRIDOR TIF DISTRICT**  
**RELOCATION ASSISTANCE/STUDENT RETENTION PROGRAM GUIDELINES**

**OBJECTIVE:**

Minimize the impact that may occur for people who have to move because of potential projects incentivized with TIF funding, and ensure that as many existing RISD students as possible remain within RISD.

**CRITICAL ISSUES:**

1. Timing. The timing of any relocation of RISD families is of paramount importance. Arranging the timing so that students can relocate over the summer is strongly preferred.
2. Communication. From the point of initial interest in potential TIF funding, regular communication from the Developer to RISD and the City's Office of Economic Development (OED) as to the timing and location of planned redevelopment and resident relocation initiatives is required to will help RISD in its allocation of resources and in its efforts to assist the relocating families. Regular communication from RISD to the Developer regarding identification of affected families and schools will help the Developer in its allocation of resources and its efforts to assist the relocating households.
3. Communications with affected families. Many of the relocating households may not be native English speakers. The availability of bilingual communication, both verbal and written, from both the Developer and RISD is essential in order to reach all of the area's relocating households.

**DEVELOPER REQUIREMENTS:**

1. From initial interest in TIF funding:
  - a. Designate an individual to serve as its principle point of contact on all relocation matters
  - b. Notify RISD and coordinate to develop a list of existing tenants with children in RISD schools
  - c. Provide OED/RISD with a list of other property owned in the area by current property owner(s) and/or developer

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2. Upon having contract on property:
  - a. Notify OED and RISD
  - b. Notify tenants
    - Developer interest in redevelopment, potential sale date, and direct effect to property owners
    - Relocation program and possible incentives
    - Earliest leases may expire
  - c. Identify bilingual contact for tenants
  - d. Establish a plan to work with existing owners on relocation. Provide information on any relocation assistance or incentives being offered to tenants
  
3. Upon purchase of the property:
  - a. Notify OED and RISD
  - b. Notify tenants
    - Confirmation of purchase
    - Details of relocation programs
    - Earliest leases may expire and provide tenant with at least 60 days advance notice when current lease will not be renewed
    - Contact person and phone/email
  
  - c. Prepare a Relocation Budget identifying the number of units and/or households that may require relocation assistance, the type of assistance, the amount of assistance per unit/household and the timing of these projected cash outlays.
  
  - d. Provide information to OED/RISD on any existing relocation assistance or incentive programs being offered to tenants.
  
  - e. For eligible households not receiving other relocation assistance, make a lump sum of \$500 per household available during a scheduled application period for those providing evidence of a lease or purchase upon moving within the RISD boundary.
  
  - f. Advance as needed to the TIF Relocation program, if sufficient TIF funds are not currently available, the necessary relocation funds to be disbursed to the eligible affected households. Developer will be reimbursed by the TIF at a later date when sufficient increment is generated.
  
  - g. Communicate closely with both the City of Dallas and RISD on its schedules for acquiring property, requiring tenants to vacate their units, demolition, and construction; provide both RISD and the City with reports at least every thirty days and participate in meetings that RISD and/or the City holds for TIF district residents.
  
  - h. Provide bilingual housing availability information to tenants that will have to move on to other residential properties in the area that it may own; seek to relocate these tenants to these properties.

**FORMS OF ASSISTANCE:**

1. Information on the availability of other housing in the general area.
2. Financial assistance for moving expenses, rental reimbursement, rent deposits, etc. will be available on a first-come, first-served basis.

**ELIGIBILITY CRITERIA:**

1. Information on the availability of other housing within the general TIF area will be available to all residents currently living within the TIF district that will have to move because of an approved TIF activity.
2. Financial assistance will be available to households: a) that are currently in good standing with their rent payments (i.e., no arrears) b) not receiving any other relocation financial assistance, and c) who must move because of an approved TIF activity with children and who have a child currently enrolled in an RISD school at the time of application and d) can show evidence of a lease or purchase within the RISD boundary and proof of enrollment in an RISD school.

**ROLE OF RISD:**

1. Designate an individual to serve as its principle point of contact on all relocation matters.
2. Provide City and developer with information pertaining to the number of RISD students living within residential developments that will be closed/vacated because of approved TIF activities.
3. Utilize up to ten percent of the funding provided for this program to administer its financial assistance component (which includes conducting client out-reach/intake, determining client eligibility, and requesting assistance payments), to answer general relocation questions, and to provide housing availability information to people who will have to move.

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**IMPLEMENTATION SCHEDULE:**

1. Information on existing tenants with RISD children provided by developer will be forwarded to RISD by the City as soon as available.
2. The developer will advance funds to the program administrator at the time of closing based on the projected number households eligible for financial assistance and the related 10% program administrative overhead.
3. The administrator will accept applications for assistance distribute funds during the set program period and send progress reports to the developer and City.

## **Appendix C – City Financial Management Performance Criteria FY 2006-07 related to TIF Bond Sale**

35. All adopted PID or TIF debt issuances supported by a district's revenues, are subject to the following criteria:

- Coverage Tests – The project should provide for revenues, net of overlapping taxes, of 1.25 times maximum annual debt service requirement. The issuance of TIF bonds may be considered prior to achieving the coverage ratio of 1.25 if:

< a developer or property owner provides a credit enhancement such as a letter of credit or bond insurance from an AAA-rated financial institution for the entire amount of the debt issue; and

< in the event that there is insufficient TIF increment revenues to retire TIF bonds, which event consequently requires that the credit enhancement mechanism be called upon to service the TIF bond indebtedness, contingent liability to reimburse a credit-enhancer would be the sole liability of the developer or its affiliates; and

< in the event that there are changes to the rating of the financial institution providing credit enhancement, then that institution shall be replaced with an AAA-rated financial institution within 90 days; and

> in the event that no replacement of an AAA-rated institution is provided, no further TIF bonds in advance of the 1.25 coverage ratio will be provided for any additional TIF projects undertaken by the developer or its affiliates.

- Additional Bonds Test – the project should include an additional bonds test parallel to the coverage test.
- Reserve Fund - the project should include a debt service reserve fund equal to the maximum annual debt service requirements.
- Limitations on Amount of PID/TIF Bonds – The total amount of PID/TIF indebtedness will be included and managed as part of the City's overlapping debt, and
- The total amount of PID/TIF debt outstanding should generally not exceed 20% of the City's outstanding general obligation indebtedness.
- PID/TIF bonds should be limited to projects consistent with the City's previously adopted Financial Management Performance Criteria for debt issuance.
- PID bonds should be limited to those projects, which can demonstrate the ability to support the debt either through its own revenues or another pledge source other than ad valorem taxes.
- PID/TIF bond authorizations should remain in effect for no more than five years from the date of City Council approval.

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**Appendix C – City Financial Management Performance Criteria FY 2006-07 related to TIF Bond Sale (Page 2)**

36. All adopted PID and TIF debt issuances must mature on or before the termination date of the respective PID or TIF district and, further, all bonds must also conform to the district's Financial Plan by maturing on or before the plan's projected date by which all district expenses would be paid, repayment of bonds.

37. The City will not propose the issuance of any unrated, high yield PID/TIF bond which could be labeled a "high risk bond" except for small (less than \$5 million) private placements coordinated with the City's Financial Advisor.

- All projects must be carefully evaluated for credit-worthiness and meet the criteria above whether or not a credit rating is obtained.

38. The City should use PID/TIF bonds only when other options have been considered.

### Hypothetical Sales Value

<b>Net Saleable/Rentable Square Feet</b>	1,789,550	
<b>Sales Price per SF</b>	\$224	
<b>Total Gross Sales</b>		<b>\$ 399,964,425</b>
<b>Profit net development costs</b>		<b>\$ 37,401,157</b>

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### Vertical Development Returns

Return with \$23M TIF, City Bond & County funds	10.3%
Return with \$23M TIF/no other sources	7.9%
Return without any public assistance	1.6%

## Public Costs

### Skillman TIF TOD budget (TIF eligible)

Environmental/Demo	\$	4,066,858
Design, Engineering, Const Mgmt	\$	1,215,000
Land Acquisition	\$	3,076,846
Street, Utility, Streetscape, other	\$	14,441,296
Student Retention/Relocation	\$	200,000
<b>Total TIF-eligible expenses</b>	<b>\$</b>	<b>23,000,000</b>

### City 2006 Bond Program

Infrastructure/Park Land Acquisition	\$	4,642,202
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### Dallas County

Thoroughfare improvements, DART connectivity, trails	\$	3,421,846
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<b>Total Public</b>	<b>\$</b>	<b>31,064,048</b>
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## Hypothetical Improved Lot Sales

Net Developable Square Feet	1,954,537	
Sales Price per SF	\$30	
<b>Total Lot Sales</b>		<b>\$ 58,636,110</b>

Total Development Cost	\$	86,086,807
Net Public Costs	\$	55,022,759
Net profit after lot sales	\$	<b>3,613,351</b>

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## Horizontal Returns

Return with \$23M TIF, City Bond & County funds	7.5%
Return with \$23M TIF/no other sources	0.60%
Return without any public assistance	-18.90%