

Memorandum



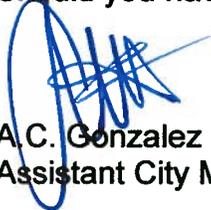
DATE June 17, 2011

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

SUBJECT **Lake Highlands Town Center Development Agreement Amendment
(Skillman Corridor TIF District)**

On Monday, June 20, 2011 Economic Development Meeting, you will be briefed on the Lake Highlands Town Center Development Agreement Amendment. A copy of the briefing is attached.

Should you have any questions, please contact me at (214) 670-3314.


A.C. Gonzalez
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, 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

**Lake Highlands Town Center
Development Agreement Amendment
*Skillman Corridor TIF District***

Economic Development Committee

June 20, 2011



Office of Economic
Development
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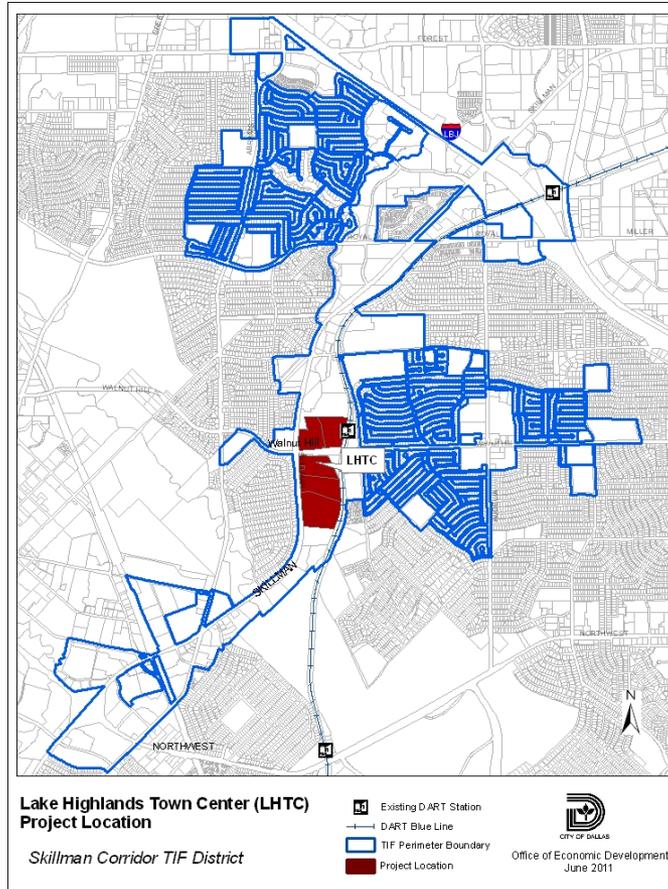
Purpose

- ◆ Review the proposed amendment to the Lake Highlands Town Center (LHTC) TIF development agreement.
- ◆ Obtain Economic Development Committee approval for consideration of the item by City Council on June 22, 2011.

History of the Skillman Corridor TIF

- ◆ The Skillman Corridor TIF District was established by the City on October 26, 2005.
- ◆ A major purpose for creating the TIF District was to support a Lake Highlands Town Center project envisioned as a catalyst development in the heart corridor that would redevelop obsolete apartments into a mixed-use, transit-oriented environment.

Lake Highlands Town Center Project Site & TIF Perimeter Boundary



Lake Highlands Town Center History

- ◆ PC LH Land Partners, LP (PC LH), a private development partnership comprised of Prescott Realty Group and Cypress Real Estate Advisors, was the seventh developer to propose a redevelopment at this site (see Appendix 3).
- ◆ Challenges included the cost of demolition and abatement of deteriorated apartment complexes, mitigating floodplain, and new infrastructure.
- ◆ Only with a public/private partnership involving the City and other agencies was PC LH able to move forward.

Original TIF Agreement Authorization

- ◆ On May 30, 2007, the Skillman Corridor TIF Board voted to recommend a development agreement and dedication of future TIF revenues for the Lake Highlands Town Center (LHTC).
- ◆ On June 13, 2007, City Council authorized a development agreement for the LHTC and dedication of future TIF revenues up to \$23 million, with reimbursement tied to work completed.
- ◆ Other public support for infrastructure and transit improvements includes: \$4.6 million in 2006 City of Dallas bond funding, \$3.4 million from Dallas County, \$10 million from DART, and \$5.2 million from the NCTCOG (see Appendix 2)

Current TIF Budget

Skillman Corridor TIF District Projected Increment Revenue to Retire TIF Fund Obligations			
Category	TIF Budget*	Allocated	Balance
Skillman/Walnut Hill TOD Town Center: environmental remediation, interior/exterior demolition, street & utility improvements, streetscape, land acquisition, and park/plaza design & acquisition	\$41,839,392	\$23,000,000	\$18,839,392
Other Skillman Corridor Improvements: environmental remediation, interior/exterior demolition, street & utility improvements, streetscape, land acquisition, and park/plaza design & acquisition	\$49,748,140	\$0	\$49,748,140
Relocation Assistance/Student Retention	\$1,000,000	\$0	\$1,000,000
RISD Facility Improvements	\$5,000,000	\$0	\$5,000,000
Administration and implementation	\$5,573,486	\$141,085	\$5,457,401
Total Project Costs	\$103,161,018	\$23,141,085	\$80,019,933

* NOTE: Budget shown above in total dollars. However, TIF plan shows the budget in net present value.

The above budget allocation is prior to the recommended increase from \$23 mil. to up to \$40 mil. for LHTC.

LHTC Progress to Date

- ◆ Demolition and abatement of the former 1,334 deteriorated apartment units has been completed.
- ◆ Relocation assistance was provided to former tenants and the impact to RISD school enrollment was minimized.

Former deteriorated apartments and groundbreaking held November 2007



LHTC Progress to Date continued

- ◆ Horizontal work completed including public improvements such as new streets and 20 acres of park and trails.
- ◆ City M/WBE goals were met for contracts to date including an overall 26% participation (with privately bid portions achieving a 33% participation).
- ◆ The Lake Highlands DART Station opened Dec. 2010



LHTC Progress to Date continued

- ◆ The park/trail now called “Watercrest Park” were conveyed to the City on March 31, 2011.
- ◆ Operations and maintenance agreements are in place for PC LH and the Lake Highlands Public Improvement District to take on responsibilities for the park and non-standard public improvements such as special pavers and landscaping.



LHTC – Changing market conditions and Vertical Development Challenges

- ◆ Vertical development has been delayed by the economic downturn that constrained credit markets.
- ◆ The few financial institutions willing to extend credit conditioned funding upon significant pre-leasing and additional front-end equity requirements.
- ◆ Retailers closed stores and limited new openings and expansion, which delayed securing anchor retail tenants.

LHTC – Changing market conditions and Vertical Development Challenges continued

- ◆ Delays in beginning vertical development and current economic realities necessitate a restructuring of the original TIF agreement.
- ◆ Funding for the first for a Phase I project, a HUD 221d4 financed 200-unit market rate multi-family property is about to be finalized. There has also been discussions with a number of potential grocer anchors.

Request for TIF Amendment

- ◆ PC LH requested an amendment to the TIF agreement that would:
 - Extend deadlines for start and completion of vertical development
 - Modify the minimum thresholds for square footage and investment for Phase I

Independent Project Review Sought

- ◆ Four years have passed since the initial development agreement with PC LH was executed. Given the significant changes that have taken place in the economy and financial markets, staff wanted to revalidate project design and feasibility.
- ◆ To assist in this process, the City hired Street Works, LLC (SW) a nationally recognized (see Appendix 5) development consulting firm with strong TOD development credentials to do an independent analysis of the LHTC project.

Independent Review Sought continued

- ◆ SW scope work included 2 major components
 - Physical analysis, i.e. urban design and “placemaking”
 - Economic and market analysis (including merchandising program)
- ◆ SW has completed a preliminary set of observations and recommendations that helped guide the proposed amendment to the TIF agreement.

Street Works – Preliminary Observations & Recommendations

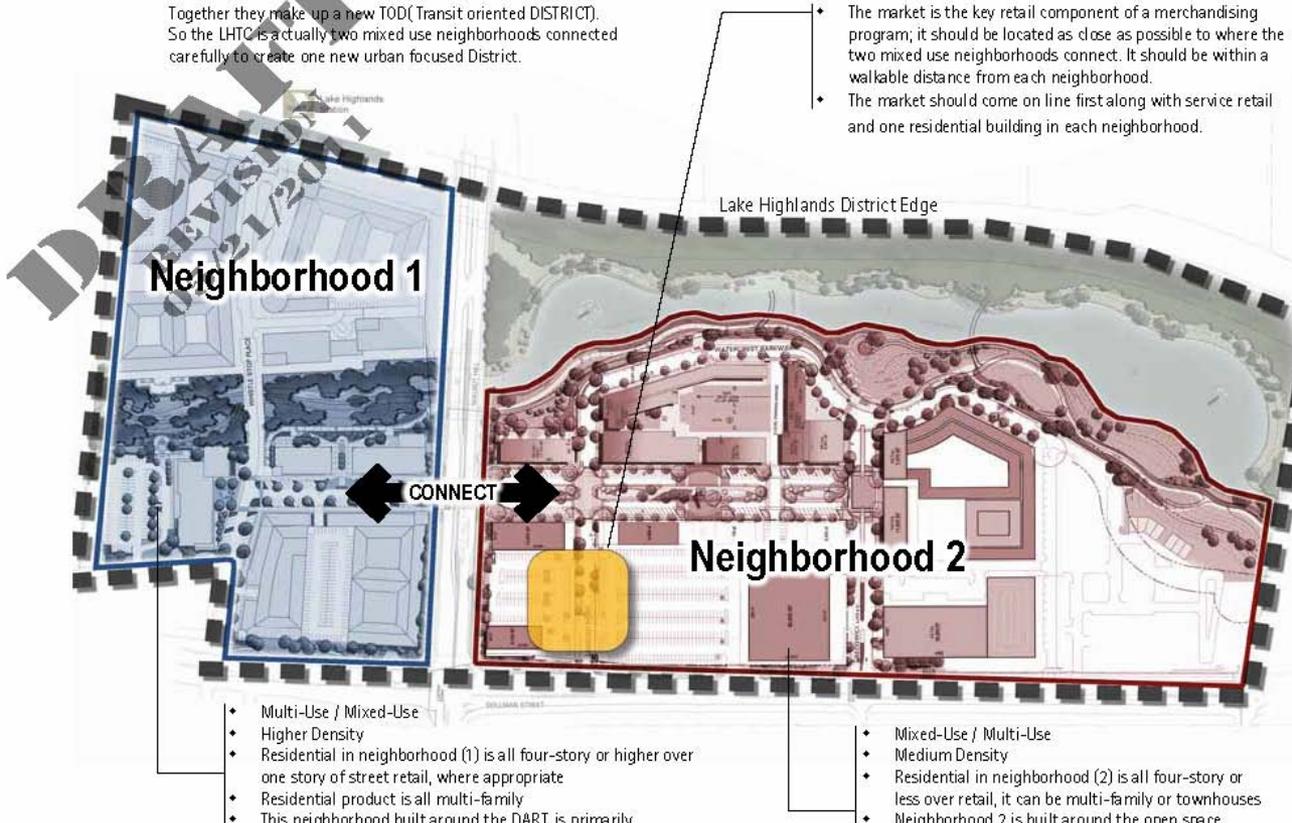
- ◆ Consider the site as one district comprised of two neighborhoods of distinctly different character.
- ◆ Create appropriate density to allow the site to work as a transit and pedestrian friendly district.
- ◆ Move the grocery anchor space close to the center of the district.

ONE DISTRICT, TWO NEIGHBORHOODS

We see a district with two neighborhoods both mixed and multiple use where appropriate

- There are two separate mixed use neighborhoods, one around the DART station, and the other around the water feature. Together they make up a new TOD (Transit oriented DISTRICT). So the LHDC is actually two mixed use neighborhoods connected carefully to create one new urban focused District.

- The market is the key retail component of a merchandising program; it should be located as close as possible to where the two mixed use neighborhoods connect. It should be within a walkable distance from each neighborhood.
- The market should come on line first along with service retail and one residential building in each neighborhood.



- Multi-Use / Mixed-Use
- Higher Density
- Residential in neighborhood (1) is all four-story or higher over one story of street retail, where appropriate
- Residential product is all multi-family
- This neighborhood built around the DART, is primarily residential and medical office with service & convenience retail

- Mixed-Use / Multi-Use
- Medium Density
- Residential in neighborhood (2) is all four-story or less over retail, it can be multi-family or townhouses
- Neighborhood 2 is built around the open space and water feature is residentially driven but with a majority of entertainment, food, service & market retail, all at the street.



Street Works – Preliminary Observations & Recommendations continued

- ◆ Allow the first phase of LHTC projects to move ahead quickly to give the market a sense that LHTC is real and viable.
- ◆ Incorporate structured parking.
- ◆ Further evaluate all aspects of the project over a 90-120 day period and bring findings back to Skillman Corridor Design Review Committee and TIF Board.
- ◆ Additional funding may be needed from both the public and private sector if some reconfiguration is required for long term success.

TIF Board Recommendation

- ◆ On June 1, 2011, Skillman Corridor TIF Board recommended an amendment that would restructure the original TIF agreement for the LHTC.
- ◆ The Board recommended that SW or a similar consultant be engaged by PC LH for a more in-depth study with reporting back as part of a collaborative process and include community input.

Proposed Amendment

- The proposed amendment to the LHTC TIF agreement includes:
 - Changing the maximum TIF funding allocation from \$23 million to a maximum of \$40 million (still conforms to the line item budget category for LHTC).
 - Requiring that a third party consultant acceptable to the City be engaged for an analysis and recommendations for the physical and economic aspects of the development plan.
 - Allowing a portion of the TIF funding as an economic development grant.

Proposed Amendment continued

- Allowing a portion of the TIF District's available cash up to \$1,370,000 to be released toward reimbursement of completed infrastructure.
- Extending project completion deadlines.
- Restructuring minimum square footage and investment requirements for Phase I and Future Phases.
- Changing the method of reimbursement to reflect the district's Increment Allocation Policy as amended by the TIF Board on June 1, 2011 (see Appendix 6).

LHTC Plan – Original 2007 & Current Proposed Amendment Comparison

Elements	2007 Original Plan	Current Amended Plan
Planned Development – Build out	1,789,659 square feet	1,744,825 square feet
Planned Resid. Total	1,719 units	1,265 units
Estimated Total Project Costs	\$350 million	\$317 million
Vertical development completion	Phase I – 2010 Phase II – thru 2014	Phase I – 2014 Future Phases – thru 2019
TIF reimbursement eligibility (<i>if increment available</i>)	Payments were to begin upon completion of Phase I and continued contingent on Phase II completion.	Up to \$1,370,000 to be paid for reimbursement of completed infrastructure. Eligible for an additional \$8,630,000 upon completion of Phase I vertical development. Remaining TIF payments based on a pro-rata formula to be determined based on an independent consultant review of development mix/phasing.

LHTC Plan – Original 2007 & Current Proposed Comparison continued

Elements	2007 Original Plan	Current Amended Plan
TIF agreement <i>minimum</i> required square footage of resid, retail or office	1,500,000 square feet	1,500,000 square feet
Phase I	260,000 square feet; \$60 million investment	\$41.5 million in land acquisition costs documented. Phase I vertical 238,000 square feet and \$15 million investment
Other Phases (Balance of Requirements)	1,240,000 square feet; \$170 million investment	1,262,000 square feet; \$123.5 million investment
TIF agreement <i>minimum</i> private investment	\$230 million	\$180 million
TIF dedication of future revenue	Up to \$23 million	Up to \$40 million – <i>with timing and funding requirements (including structured parking) subject to an independent review process.</i>

LHTC Plan – Original 2007 & Current Proposed Comparison continued

Elements	2007 Original Plan	Current Amended Plan
Follow up review process	Development was to be consistent in general form and character with the conceptual design shown in the original agreement. No specific requirements for follow up design review.	<p>A design review process will be required for Phase I.</p> <p>As part of the increased TIF dedication, a third party consultant is to be engaged for a more in-depth analysis of the project with recommendations as part of a collaborative process with PC LH & the City.</p> <p>Future Phases to comply with approved conceptual plans or request modifications as part of a review process.</p>

Recommendation

- ◆ The following action is recommended:
 - Approval of an amendment to the Development Agreement with PC LH Land Partners, LP for TIF reimbursement for the Lake Highlands Town Center.

◆ Appendices

Appendix 1: TIF Increment Chart

PROJECTED TIF INCREMENT SCHEDULE											
Tax Year	Property Value Estimate	Incremental Property Value New Projects	Property Value Estimate	Property Value Growth	Comp. Value Growth	Anticipated Captured Value	Anticipated Increment Revenue	Anticipated Accumulated Revenue (NPV)	Tax Increment Revenue into TIF CITY @ 85%	Tax Increment Revenue into TIF COUNTY @ 55%	Tax Increment Revenue RISD @ .30/\$100
2005	\$335,957,311		\$335,957,311								
2006	\$335,957,311	\$7,918,871	\$348,915,542	3.86%	3.86%	\$12,958,231	\$0	\$0	\$0	\$0	\$0
2007	\$348,915,542	\$11,535,835	\$406,365,462	16.47%	20.96%	\$70,408,151	\$0	\$0	\$0	\$0	\$0
2008	\$406,365,462	\$15,096,700	\$440,373,840	8.37%	31.08%	\$104,416,529	\$996,182	\$860,540	\$663,792	\$130,841	\$201,550
2009	\$440,373,840	\$0	\$412,642,619	-6.30%	22.83%	\$76,685,308	\$729,072	\$1,460,349	\$487,500	\$96,180	\$145,392
2010	\$412,642,619	\$36,000,000	\$403,965,705	-2.10%	20.24%	\$68,008,394	\$610,905	\$1,939,009	\$460,723	\$90,889	\$59,293
2011	\$403,965,705	\$0	\$410,025,191	1.50%	22.05%	\$74,067,880	\$671,541	\$2,440,123	\$501,773	\$98,989	\$70,779
2012	\$410,025,191	\$25,749,612	\$441,925,181	7.78%	31.54%	\$105,967,870	\$941,955	\$3,109,553	\$717,879	\$141,639	\$82,436
2013	\$441,925,181	\$32,701,162	\$481,255,221	8.90%	43.25%	\$145,297,910	\$1,370,916	\$4,037,443	\$984,321	\$194,224	\$192,372
2014	\$481,255,221	\$92,175,603	\$580,649,652	20.65%	72.83%	\$244,692,341	\$2,435,053	\$5,607,100	\$1,657,668	\$327,118	\$450,267
2015	\$580,649,652	\$71,948,225	\$661,307,621	13.89%	96.84%	\$325,350,310	\$3,322,507	\$7,646,831	\$2,204,086	\$434,960	\$683,462
2016	\$661,307,621	\$120,608,178	\$791,835,414	19.74%	135.70%	\$455,878,103	\$4,763,960	\$10,432,220	\$3,088,346	\$609,480	\$1,066,134
2017	\$791,835,414	\$161,358,093	\$965,071,038	21.88%	187.26%	\$629,113,727	\$6,679,830	\$14,151,799	\$4,261,931	\$841,103	\$1,576,796
2018	\$965,071,038	\$133,574,799	\$1,113,121,902	15.34%	231.33%	\$777,164,591	\$8,315,722	\$18,561,804	\$5,264,902	\$1,039,053	\$2,011,768
2019	\$1,113,121,902	\$44,901,060	\$1,174,719,791	5.53%	249.66%	\$838,762,480	\$8,990,850	\$23,102,795	\$5,682,196	\$1,121,410	\$2,187,244
2020	\$1,174,719,791	\$27,701,560	\$1,220,042,148	3.86%	263.15%	\$884,084,837	\$9,484,992	\$27,665,238	\$5,989,233	\$1,182,007	\$2,313,753
2021	\$1,220,042,148	\$44,054,840	\$1,282,397,620	5.11%	281.71%	\$946,440,309	\$10,168,256	\$32,323,434	\$6,411,660	\$1,265,377	\$2,491,219
2022	\$1,282,397,620	\$0	\$1,301,633,584	1.50%	287.44%	\$965,676,273	\$10,372,252	\$36,848,813	\$6,541,974	\$1,291,095	\$2,539,183
2023	\$1,301,633,584	\$0	\$1,321,158,088	1.50%	293.25%	\$985,200,777	\$8,497,152	\$40,379,555	\$6,674,243	\$1,317,198	\$505,711
2024	\$1,321,158,088	\$0	\$1,340,975,459	1.50%	299.15%	\$1,005,018,148	\$8,152,189	\$43,605,653	\$6,808,495	\$1,343,693	\$0
2025	\$1,340,975,459	\$0	\$1,361,090,091	1.50%	305.14%	\$1,025,132,780	\$7,510,041	\$46,436,108	\$6,944,762	\$565,279	\$0
2026	\$1,381,506,442	\$0	\$1,381,506,442	1.50%	311.21%	\$1,045,549,131	\$7,083,073	\$48,978,523	\$7,083,073	\$0	\$0
2027	\$1,402,229,039	\$0	\$1,402,229,039	1.50%	317.38%	\$1,066,271,728	\$2,064,569	\$49,684,296	\$2,064,569	\$0	\$0
2028	\$1,423,262,475	\$0	\$1,423,262,475	1.50%	323.64%	\$1,087,305,164	\$0	\$49,684,296	\$0	\$0	\$0
2029	\$1,444,611,412	\$0	\$1,444,611,412	1.50%	330.00%	\$1,108,654,101	\$0	\$49,684,296	\$0	\$0	\$0
2030	\$1,466,280,583	\$0	\$1,466,280,583	1.50%	336.45%	\$1,130,323,272	\$0	\$49,684,296	\$0	\$0	\$0
2031	\$1,488,274,792	\$0	\$1,488,274,792	1.50%	343.00%	\$1,152,317,481	\$0	\$0	\$0	\$0	\$0
2032	\$1,510,598,914	\$0	\$1,510,598,914	1.50%	349.64%	\$1,174,641,603	\$0	\$0	\$0	\$0	\$0
2033	\$1,533,257,897	\$0	\$1,533,257,897	1.50%	356.38%	\$1,197,300,586	\$0	\$0	\$0	\$0	\$0
2034	\$1,556,256,766	\$0	\$1,556,256,766	1.50%	363.23%	\$1,220,299,455	\$0	\$0	\$0	\$0	\$0
2035	\$1,579,600,617	\$0	\$1,579,600,617	1.50%	370.18%	\$1,243,643,306	\$0	\$0	\$0	\$0	\$0
							\$103,161,018	-	\$74,493,125	\$12,090,536	\$16,577,358
							\$49,684,296	\$49,684,296	\$35,154,504	\$5,993,038	\$8,536,755

Appendix 2: LHTC - Other Public Participation

Source	Amount
City 2006 Bond Funds – Prop 8 <i>Public infrastructure support for a transit-oriented development at Skillman/Walnut Hill</i>	\$4,642,202
Dallas County <i>Assistance for bridge work, thoroughfare streets, DART connectivity and/or trails</i>	\$3,421,846
DART – Lake Highlands Station (first infill station on active line), opened 2010	\$10,000,000
North Central Texas Council of Governments (NCTCOG) – 2007 <i>Assistance with transit, pedestrian, bicycle connectivity, thoroughfare/connector streets, and other improvements</i>	\$5,150,000

Appendix 3: PC LH Land Partners, LP

- ◆ PC LH Land Partners, LP is private development partnership comprised of Prescott Realty Group, a Dallas-based commercial real estate company founded in 1996 that specializes in developing mixed-use, urban infill projects and Cypress Real Estate Advisors, an Austin based institutional real estate advisor.
- ◆ Prescott is led by Jud Pankey, CEO and founder, and Vance Detwiler, President and is a full service commercial real estate development, investment and management company. Prescott focuses on urban infill locations and has sought to be a leader in sustainable transit oriented urban development.

Appendix 3: PC LH Land Partners, LP continued

- ◆ The core group of executives has an average of twenty years experience in the real estate business with large companies and has been active in the Urban Land Institute and local civic organizations. The company retains control over the key aspects of the business related to acquisition underwriting, due diligence, closing, leasing and management.
- ◆ Other recent Prescott projects include the renovation of the historic Stoneleigh Hotel in Uptown, Newton Townhomes in Oak Lawn, and Regents Park in Turtle Creek.

Appendix 3: PC LH Land Partners, LP continued

- ✦ Cypress Real Estate Advisors is a private real estate investment and development firm that invests in a diverse group of real estate assets, primarily in the southwestern and southeastern United States. Since its inception in 1995, the firm has managed institutional real estate capital and counts among its investors some of the largest private endowments, foundations and financial institutions.

Appendix 4: LHTC Estimated Budget

LAKE HIGHLANDS TOWN CENTER Dallas, Texas

Total Private Investment			
Private Horizontal Investment (1)		\$54,372,569	
Private Vertical Investment			
Block	Phase I	Future Phases	Total
A		6,548,375	6,548,375
B	9,148,875		9,148,875
C		24,273,500	24,273,500
D-1	15,454,812		15,454,812
D-2		3,631,875	3,631,875
E		10,373,400	10,373,400
F		3,597,900	3,597,900
G		19,801,800	19,801,800
H		25,757,800	25,757,800
I		25,484,650	25,484,650
Total	24,603,687	119,469,300	144,072,987
Total Private Investment in LHTC		\$198,445,556	

Total All-In Vertical Development Costs	
Land	\$49,225,947
Hard Costs, Soft Costs	144,072,987
Development/Financing Costs	33,561,733
Total	\$226,860,667

Private Development Costs	
Land	\$41,500,000
Phase I	25,000,000
Phase II	163,500,000
Total	\$230,000,000

Notes:

(1) Per Public / Private Horizontal Cost Allocation Schedule

Total Horizontal Costs	\$90,567,169
Less: Future TIF Reimbursement	(23,000,000)
COG	(5,150,000)
County	(3,021,846)
DWU	(345,472)
Bonds	(4,677,282)
Horizontal Private Investment	\$54,372,569

Appendix 5: Street Works, LLC

- ◆ Street Works, LLC (SW) is a real estate company that both develops projects and provides consulting services.
- ◆ SW is co-founded and managed by Kenneth Narva and Richard Heapes. The team is comprised of developers, architects, urban planners, leasing specialists, financial strategists, and construction experts specializing in the creation and development of mixed-use urban places.
- ◆ SW principals have been involved in over \$2 billion of real estate transactions nationwide.
- ◆ SW has been working locally on a strategy to reconfigure portions of the Victory development and a Lamar Corridor Initiative.

Appendix 5: Street Works, LLC continued

- ◆ SW specializes in creating dynamic places with a portfolio that includes:
 - Santana Row in San Jose, CA – a \$750 million development that was awarded Builder Magazine’s Project of the Year in 2003 and Silicon Valley / San Jose Business Journal’s project of the decade.
 - Bethesda Row in Bethesda, MD – a \$125 million development that received a national ULI award for excellence.
 - Rockville Town Square in Rockville, MD – a \$360 million mixed-use, transit-oriented redevelopment.

Appendix 5: Street Works, LLC continued

- ◆ SW depth of experience with mixed use and transit oriented developments across the country both as developer and consultants generated the idea to seek outside expertise in reviewing the current plans for the Lake Highlands Town Center (LHTC). Staff was not aware of any other group with similar experience.

Appendix 6: Increment Allocation Policy

- ◆ The Increment Allocation Policy was first approved by the Skillman Corridor TIF Board on May 30, 2007 and amended June 1, 2011 to address shared increment provisions for the increased LHTC dedication.
- ◆ The Policy states that “It is important for the City of Dallas to encourage as many projects as possible in the Skillman Corridor TIF District. In that spirit, Skillman Corridor TIF District funds will be allocated to projects proportionately, dependent on the portion of the increment created by the project and other projects by that developer in the District”.

Appendix 6: Increment Allocation Policy continued

◆ Definitions:

- **Project (TIF-eligible)** - development or redevelopment that adds taxable real property value at a particular site or is a space or facility of public benefit such as open space, trails or cultural facilities. The Project has been approved for TIF funds and all requirements set forth in the development agreement have been completed.
- **Developer** – A person or entity that has completed all requirements for a TIF-eligible Project as set out in the fully executed development agreement for the Project.

Appendix 6: Increment Allocation Policy continued

- ◆ Definitions (continued):

- **Related Project/Developer** – if a Developer or a Developer's affiliates (as defined in a development agreement) has other development or redevelopment projects in addition to a TIF-eligible Project, increment from those Related Project(s) may be included in Individual Increment for reimbursement of the TIF-eligible Project expenses. A Developer of a TIF-eligible Project must have direct or indirect control of the ownership interest in any Related Project. These requirements will be further specified in a development agreement where applicable.

Related Projects must create new taxable real property value for the District based on the following criteria:

- New development on previously vacant land or demolished structures.
- Redevelopment or major modification of an existing building if this results in an increased taxable value of 50% or more of the original building or any increase in the floor area of an original building if the expansion is over 50% for residential projects, over 65% for mixed-use projects, and over 75% for office/commercial projects.

Appendix 6: Increment Allocation Policy continued

◆ Definitions (continued):

- **Total Increment** – the annual amount of increment deposited into the TIF fund from the participating jurisdictions.
- **Individual Increment** – the portion of the increment that a Project or Related Project creates each year less (1) expected legal and administrative fees, (2) 30% of the RISD tax increment reserved for RISD facility improvements in the TIF Budget until a \$5 million total dollar amount has been allocated, and (3) the portion set aside for District-Wide improvements if applicable.
- **Net Individual Increment** – Individual Increment less the Project's and/or Related Project's portion of Administrative Expenses each year. This portion will be based on the ratio of Individual Increment to Total Increment.
- **Administrative Expenses** – the City will take a share of TIF revenue from this District for the amount it bills to the District for costs necessary for administration of the TIF District program, which may include charges from other departments, each year.

Appendix 6: Increment Allocation Policy continued

◆ Definitions (continued):

- **District-Wide Improvements** – improvements that are not specific to a single development site such as gateways, trails, open space, public facilities, or utility/streetscape improvements benefiting multiple properties or blocks.
- **Shared Increment** – the Total Increment less (1) expected legal and administrative fees, (2) 30% of the RISD tax increment 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 applicable, and (4) the sum of the Individual Increments of all eligible projects.
- **Available Cash** - cash in the Skillman Corridor TIF fund that is not already allocated, encumbered, or otherwise set aside for other purposes.

Appendix 6: Increment Allocation Policy continued

◆ General Provisions:

- Developers that are approved for TIF funding from the Skillman Corridor TIF District will be eligible, after completion of all requirements, to receive their Individual Increment. Annual allocations for each project will then be based on the Individual Increment from that project. For example, the Individual Increment for a project worth \$20 million is estimated to be approximately \$300,000 annually, but may be less depending on the actual taxable value as determined by the Dallas County Appraisal District (DCAD).
- In addition to the Individual Increment, projects will be eligible to receive a portion of the Available Cash and Shared Increment, if any, from Skillman Corridor TIF District funds. The portion of the Available Cash and Shared Increment allotted to an eligible Project shall be the proportion of each eligible Project's Individual Increment to the sum of the Individual Increments for all eligible Projects for that year with the exception of the Lake Highlands Town Center (LHTC) which may receive Shared Increment, based on provisions made in a pre-existing agreement, as amended below.

Appendix 6: Increment Allocation Policy continued

- ◆ Lake Highlands Town Center – Amended Agreement Specific Provisions:
- ◆ 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 balance of the portion of the increment that the Project or Related Projects creates (the Individual Increment).
- ◆ b. An initial lump sum one-time payment in June 2011 or thereafter from up to 75% of Available Cash will be made available once conditions specified in an amended agreement are met.
- ◆ c. In addition to this increment, the project is eligible to receive a portion of the Shared Increment under a two tier system with 75% of Shared Increment towards the first \$23 million of TIF subsidy and an additional subsidy up to \$17 million receiving Shared Increment on a proportional basis (as described in the above general policy).

Appendix 6: Increment Allocation Policy continued

◆ Notes

- In general, the assignment of increment will be done annually, after each participating jurisdiction has deposited its annual increment into the TIF fund. However, in most cases this method requires a developer with a completed project to wait months before receiving any TIF funding. Therefore, in addition to the annual allocations, upon completion of a project, and on a first-in-first-out basis, developers may apply for funding from Available Cash currently in the TIF fund, if any. This funding would be applied toward the outstanding TIF obligation.
- If the appraised value of the remaining property in the TIF District decreases in value despite new development, the TIF subsidy for projects 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.
- The arrangement described herein shall not require the City to modify any prior agreement that may be inconsistent with the foregoing formula. For example, any projects approved under earlier arrangements, particularly under the first-in-first-out arrangement, shall be fully funded from the district's Available Cash and Shared Increment before newer projects are assigned additional increment.
- The Skillman Corridor TIF Board may make adjustments to this funding formula at its discretion.