DATE       October 31, 2008

TO        Members of the Economic Development Committee: Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Jerry R. Allen, Dwaine Caraway, Sheffi Kadane, Linda Koop, Mitchell Rasansky and Steve Salazar

SUBJECT     Stimulating Lancaster Corridor Redevelopment Through Formation of a TOD TIF – Council Districts 2, 4, 5, 7, 14

Staff has been working with several private development groups working independently in different areas of the City on the concept of creating the first transit-oriented development (TOD) TIF District. Jump starting redevelopment in the Lancaster Corridor and supporting the Southern Sector Task Force Initiative is the major objective.

The proposed District encompasses the neighborhoods adjacent to the following DART Light Rail stations – Mockingbird and Lovers Lane, Cedars, 8th and Corinth, Illinois, Kiest, and Veterans Hospital “VA Medical Center”. The TIF District would facilitate the redevelopment of underutilized areas that are strategically located near DART Light Rail stations and create a series of unique destinations.

Linkage of areas proximate to the Lovers Lane/Mockingbird, Cedars West/8th & Corinth and Lancaster Corridor transit stations via the DART Rail Lines facilitates higher density urban development in these areas and permits tax increment sharing to occur. The Cedars West and 8th & Corinth areas are also tied to the Trinity River Corridor Project.

On October 8, 2008, City Council took the preliminary step of authorizing a public hearing to hear comments and consider the creation of the TOD TIF District on December 10, 2008 and give 60-days notice to the other taxing entities as required by state law. That action to set the public hearing date and notify other taxing units did not commit the City to create the TIF District.

The proposed TOD TIF District meets the criteria under the Public/Private Partnership Program, amended by City Council in 2007 to include a special category for Transit-Oriented Development (TOD) projects in the Guidelines and Criteria governing economic development incentives offered by the City of Dallas.

During the 30 year term of the proposed TIF District, additional taxable value attributed to new private investment is projected at approximately $2,160,000,000. TIF collections would begin in 2009 and it is anticipated that the TIF budget of approximately $328,470,802 in total dollars (Net Present Value of $182,000,000 in 2009 dollars) will be reached within 25 years.
The potential TIF-eligible improvements include:

- Public infrastructure improvements (water, wastewater, storm, paving, streetscape, utility burial/relocation, and land acquisition)
- Environmental remediation & demolition
- Facade restoration
- Parks, public plazas, open spaces, trails & gateways
- Grants for high density projects
- Transit Related Improvements
- Affordable Housing

The TIF budget is allocated based on Sub-Districts that allow for the eligible improvements listed above. The allocation includes tax increment sharing as shown in the table below. It is anticipated that 40% of the increment generated from the Mockingbird/Lovers Lane Sub-District be allocated to the Lancaster Corridor sub-districts. An additional 20% of the increment from the Mockingbird/Lovers Lane Sub-District will be allocated for the affordable housing budget line item. The remaining 40% of Mockingbird/Lovers Lane Sub-District increment will be used for projects in that area. For Cedars West/8th & Corinth, it is anticipated that 10% of the increment generated will be allocated to the Lancaster Corridor sub-districts, another 10% allocated for the affordable housing budget line item, and the remaining 80% used for projects in that area. The affordable housing budget line item will be available district-wide to assist projects in fulfilling some of the City and County affordable housing requirements.

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"Dallas, Together, we do it better"
A briefing was prepared to review the proposed TOD TIF District. If the Committee is supportive of the proposed TOD TIF District, Staff can take the proposal to create the District forward to the full City Council on December 10, 2008.

Please contact me if you have any questions.

A. G. 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, Judiciary
   Ryan S. Evans, First Assistant City Manager
   Forest Turner, Interim Assistant City Manager
   Ramon Miguez, P.E., Assistant City Manager
   Jill A. Jordan, P.E., Assistant City Manager
   Dave Cook, Chief Financial Officer
   Jeanne Chipperfield, Director, Budget & Management Services
   Karl Zavitkovsky Director, Office of Economic Development
   Hammond Perot, Assistant Director, Office of Economic Development
   Vernae Martin, Assistant Director, Office of Economic Development
   Helena Stevens-Thompson, Assistant to the City Manager

"Dallas, Together, we do it better"
Stimulating Lancaster Corridor Redevelopment Through Formation of a TOD TIF

Economic Development Committee

November 3, 2008
Overview

- **Redevelopment** of the **Lancaster Corridor** and encouragement of transit-oriented mixed-use development (TOD’s) around DART stations are **top Council priorities**.

- **Linkage** of areas proximate to the **Lovers Lane/Mockingbird, Cedars West/8th & Corinth** and **Lancaster Corridor** transit stations via the DART Rail Lines facilitates higher density urban development in all areas and permits **tax increment sharing** to occur.

- **Catalyst projects** by Prescott Realty Group and the development of the Bush Library **generate needed early increment** that will help **jump start projects** in the **Lancaster Corridor**.
Purpose

- Review previous TOD briefings
- Explain existing TOD incentive policies
- Describe the proposed TOD TIF District
- Outline preliminary plan goals
- Promote TOD TIF District benefits and
- Seek Economic Development Committee support and Council approval of the first TOD TIF District at a public hearing on December 10, 2008
Background

- *ForwardDallas!* encourages higher density, mixed-use development adjacent to DART light rail stations.
- TIF’s are a **proven tool** to facilitate development but require **catalyst projects** and significant **front-end investment** to be successful.
- The DART Light Rail system currently spans 45 miles and 35 stations. By 2014, the system will expand to 90 miles and 45 stations.
Background

- **DART and the City have formed beneficial partnerships** to attract high quality development groups to use surplus DART property. TIF incentives enable the developers to add density and enhance the quality of DART facilities.
  - Examples include the Park Lane Place, Victory, Lake Highlands Town Center, Cityplace, and Cedars.

- In December 2006, an RFQ process resulted in the selection of Cherokee New Transit LLC, (subsidiary of Cherokee Investment Partners) to serve as master developer to undertake multiple TOD developments.
In June 2007, Council authorized a Master Development Agreement with Cherokee:

- Agreement was non-exclusive
- **Required land assemblage** of a minimum of 4 TOD sites, two located in the southern sector
- Cherokee was unable to execute the requisite land acquisitions and temporarily suspended real estate efforts due to deteriorating capital market conditions

- Terms of the Cherokee Development Agreement form the **basis of current TOD policy** with other development sponsors
Existing Policies

- The Public/Private Partnership Program was amended in April 2007 to create a special category for TOD projects.
- TOD Guidelines require:
  - A cumulative investment of $300 million for new mixed-use commercial, retail and/or residential development
  - Development to occur in proximity of at least two DART stations (with one or both in the southern portion of Dallas)
  - Residential developments seeking incentives to have a 20% affordable housing set aside in northern Dallas and provide mixed-income housing in southern communities
  - All projects receiving incentives to meet the City’s established Fair Share Guidelines for M/WBE participation
Existing Policies

- The Tax Increment Financing Act was amended in 2007 to allow designation of a TIF reinvestment zone when land use/construction activity is beneficial to the operation of a mass transit system.

- State Law “caps” at 15% the amount of the City’s real property tax base within reinvestment zones (TIF and Tax Abatement “RZs”) stating that “a municipality may not create a reinvestment zone if the total appraised value of taxable real property in the proposed zone and in existing reinvestment zones exceeds 15 percent of the total appraised value of taxable real property in the municipality”

- Existing RZs count toward the State cap regardless of whether they capture tax increment or abate taxes. Example: State-Thomas reached TIF collections early and as of 2006 all revenue flows to the general fund; however, it counts in the State calculation until after its legal expiration in 2008.
Existing Policies

In April 2007, Council amended the Financial Management Performance Criteria (FMPC) related to reinvestment zones to clarify that:

- The City’s tax base would be defined as **taxable real** and **business personal** property.
- TIF RZs are counted for taxable real property and Tax Abatement RZs for real and BPP (if BPP is being abated).
- RZs that are no longer collecting tax increment or abating taxes (i.e. now contributing 100% to the City of Dallas property tax revenues) will be excluded from the calculation.
Existing Policies

- In April 2007 Council also raised the “cap” on TIF and other RZs from 5% to 10% of the City’s taxable base (real and personal property).
- **Currently**, the proportion of the City’s tax base contained in TIF Districts is **6.39%** based on FMPC guidelines (vs. 10% cap) and **8.14%** for taxable real property only (**State cap is 15%**).
- The proposed TOD TIF District would raise the percentages to **6.77%** and **8.59%**, of FMPC and State guidelines respectively.
Challenges for TOD

- Transit stations alone do not drive private investment when other conditions are not supportive.

General challenges for TOD include:
- Additional construction costs for structured parking to support density and allowance for green space.
- Need for proper zoning and avoiding “back-of-house” uses that negatively impact the pedestrian environment.
- Untested markets with no comparable rent values making it difficult to attract equity and lending dollars for the project.
The TOD TIF District is made up of three sub-districts:

See Appendix for sub-district descriptions

1. Mockingbird & Lovers Lane Stations
2. Cedars (West) and 8th & Corinth Station
3. Lancaster Corridor:
   - Illinois Station
   - Crest Shopping Center
   - Kiest Station
   - VA Station
TOD TIF Proposal
Preliminary Plan Goals

- Jump start development in the Lancaster Corridor and support the Southern Sector Task Force Initiative.

- Create $3.5 billion of additional taxable value of which $2.16 billion is attributable to new private investment in projects in the TOD TIF District.

- Generate approximately $182 million (NPV; 2009 dollars) and $328 million total in TIF increment over 25 years of collections, with up to 85% participation by the City and 55% participation by Dallas County.
TOD TIF Proposal
Preliminary Plan Goals (continued)

- Allocate 20% (after administration costs) of the tax increment generated in the Mockingbird/Lovers Lane Sub-District to the affordable housing budget line item and 40% for redevelopment of the Lancaster Corridor locations during the 25 year collection period of the TIF District.

- The affordable housing budget line item will be available district-wide to assist projects in fulfilling some of the City and County affordable housing requirements. For projects receiving TIF incentives, 20% of all housing units must be affordable to households earning 80% or less of the Area Median Income. A developer may, subject to City and County approval, propose an alternative means of fulfilling the affordable housing requirement. County financial participation requires that the developer must provide at least a portion of units from its own resources.

- Allocate 10% of the tax increment generated in the Cedars/8th & Corinth Sub-District to the affordable housing budget line item and 10% for redevelopment of the Lancaster Corridor locations during the 25 year collection period.
TOD TIF Proposal
Preliminary Plan Goals (continued)

- **Attract higher density private development** in the TOD TIF District totaling approximately 1,500,000 square feet of retail and 1,180,000 square feet of office space and 9,500,000 square feet of residential development, including town home, multi-family, and single-family projects, and 370,500 square feet of hotel development.

- Focus on encouraging the redevelopment of properties in the TOD TIF District that is consistent with the City’s Comprehensive Plan, *ForwardDallas!*.

- Encourage development projects that will increase DART ridership at rail stations within the TOD TIF District.
TOD TIF Proposal
Preliminary Plan Goals (continued)

- Improve access and connections between DART light rail station areas and strategic amenities such as the campus and future research facilities of Southern Methodist University, the Bush Presidential Library, the Trinity River, Southside on Lamar, and the heart of Cedars to the Convention Center area, Dallas Zoo, Cedar Crest Golf Course, and Veterans Memorial Hospital.

- Increase recreational opportunities and improve connections to the City of Dallas trails and open space system in the District.

- Maintain the stability of local schools as redevelopment occurs in the housing market and promote improved training and job creation through partnerships with Southern Methodist University.

- To diversify retail and commercial uses in the District.
Preliminary Financing Proposal

- The estimated **2008 base value** for the District is $320,347,823 and anticipated to **grow to $3.5 billion** by 2038 – with $2.16 billion forecast from new private investment.

- **City participation** for 25 years is proposed to follow a modified bell curve:
  - 70% in 2009 and 2011
  - 85% in 2012 through 2029
  - 70% in 2030 and thereafter

- **Dallas County** participation is anticipated at **55%** for the first 20 years, 2009 through 2028
Preliminary Public Improvement Budget

The potential public improvements, based on an estimated budget of approximately $182,000,000 (NPV 2009 dollars) or estimated $328,470,802 total dollars will include:

- Public infrastructure improvements (water, wastewater, storm, paving, streetscape, utility burial/relocation, and land acquisition)
- Environmental remediation & demolition
- Facade restoration
- Parks, public plazas, open spaces, trails & gateways
- Grants for high density projects
- Transit related improvements
- Affordable housing
- Administration
## Estimated Increment Generation & Budget by Sub-District

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*The budget allocations reflect tax increment sharing with 40% (after administration costs) of the increment generated in the Mockingbird/Lovers Lane Sub-District and 10% of the increment from Cedars W/8th & Corinth Sub-District allocated toward redevelopment of the Lancaster Corridor. The affordable housing line item includes an allocation of increment from both the Mockingbird/Lovers Lane and Cedars W/8th & Corinth sub-districts of 20% and 10%, respectively.*
TOD TIF Benefits

- **Facilitates a tax increment sharing** arrangement that stimulates Lancaster Corridor development and provides support for Mockingbird/Lovers Lane infrastructure and pedestrian connectivity improvements that would not otherwise be available.

- Provides needed assistance for infrastructure improvements needed to meet anticipated Trinity Corridor generated growth in Cedars West/8th & Corinth areas.

- Supports *ForwardDallas* higher density, mixed-use goals proximate to transit stations.

- Creates a replicable **model** for future **TOD-related collaboration** and partnership with DART.
Given the scope and number of station areas, it may become necessary or beneficial to make adjustments to the District boundary and/or Plan.

Once a TIF Board has been appointed, staff can work collectively with the Board to refine the preliminary Plan to its final form to be adopted and later approved by City Council.

State Law provides for procedures to amend boundaries and TIF Plans. Staff has taken amendments with other TIF Districts for Council consideration periodically.
The ordinance creating the District will include the establishment of a TIF Board of Directors proposed to be a total of 12 members with:

- 8 City appointee positions
- 1 Dallas County representative
- 1 DISD representative
- 1 representative each from Dallas County Hospital District and Dallas County Community College. *If any of the other taxing entities waive their right to an appointee, the City may fill those positions.*

Council members may want to begin considering potential TIF Board candidates given the significant lead time with the application process and background screening.
TOD TIF Proposal – Conclusion & Next Steps

The proposed TOD TIF District:
- Implements previously approved TOD Policy
- Facilitates denser, mixed-use development around transit stations
- Creates a replicable model for increment sharing that stimulates Lancaster Corridor growth

Recommend affirmation by the Economic Development Committee for Council approval to create the first TOD TIF District after a Public Hearing to be held on December 10, 2008.
Appendix

TOD TIF Sub-District Descriptions, Planned Development and Improvements
Mockingbird/Lovers Lane Sub-district

This sub-district is generally bounded on the north by Lovers Lane, to the east by Greenville Avenue, on the west by North Central Expressway and to the south by Mockingbird Lane, including a property located at the southwest corner of the intersection North Central Expressway southbound frontage road and Mockingbird Lane.
Mockingbird & Lovers Lane Sub-District
Existing Conditions

Despite close proximity to the Mockingbird Station mixed use center and some higher density commercial and hotel uses along the Central Expressway frontage, there is an older core area of property with redevelopment challenges. Surface parking lots and underutilized warehouse, office and retail uses can be found between the Mockingbird and Lovers Lane DART stations.
Mockingbird & Lovers Lane Sub-District
Projected Private Development

For an 18 year development horizon, development potential for this sub-district is estimated at:

- 4.2 million square feet of residential
- 215,285 square feet of retail
- 597,326 square feet of office
- 145,500 square feet of hotel
Mockingbird & Lovers Lane Sub-District Development Concepts
Creating higher density residential development around the station area by overcoming challenges such as high land costs is essential for long term ridership gains and improved transit operations.

Economic loans or grants will be made to encourage more urban, pedestrian-friendly development in this sub-district. Grants or loans are likely to address the issue of structured public parking given the increased ridership anticipated as a result of proposed high density development around these stations.

Other improvements may include, but are not limited to, pedestrian connectivity to the stations, an upgrade of existing infrastructure (roadway, streetscape, water and sewer lines) and way finding signage for those riding the rail. TIF support in this area will encourage more urban, higher density developments.
The Cedars West portion of the sub-district is generally bounded by the DART light rail Red Line to the east, and the Trinity River to the west, Cadiz Street to the north and the DART light rail Red line to the south.
Cedars (West)/8th & Corinth Sub-District

Existing Conditions in Cedars portion

- The land uses in this area are predominately industrial in nature with aging or inadequate infrastructure. Redevelopment of this area is a high priority as part of the Trinity River Corridor Project.
The 8th & Corinth portion of the sub-district is generally bounded by Canyon Street at its northernmost boundary, Compton Street at its southernmost boundary, Moore Street to the west and Fran Street and the DART light rail line to the east.
Cedars (West)/8th & Corinth Sub-District

Existing Conditions in 8th & Corinth portion

- This rail station is surrounded by a variety of incompatible land uses. To the east of the station is a cluster of light industrial uses including engine repair and salvage yard, while properties west of the station include vacant lots, light industrial and apartments (Dallas Housing Authority).
Cedars (West)/8th & Corinth Sub-District
Projected Private Development

For an 18 year development horizon, development potential for this sub-district is estimated at:

- 4.9 million square feet of residential
- 720,500 square feet of retail
- 457,500 square feet of office
- 150,000 square feet of hotel
Cedars (West)/8th & Corinth Sub-District Development Concepts
Cedars (West)/8th & Corinth Sub-District Development Concepts
Enhancing Cedars (West)/8th & Corinth Sub-District

- As the *Trinity River Corridor Project* begins to develop, the **increased density** prescribed for this area will make necessary an extension of rail or alternative transit connection service, including all of the necessary infrastructure needed for the extension.

- A trolley line may be necessary to provide better connection to the Cedars, Convention Center, and Trinity River Corridor from this sub-district. Other improvements may include **pedestrian connectivity** to the rail line and subsequent new station as well as **streetscape** and **way finding signage**.

- **Significant infrastructure upgrades** are **anticipated** given the industrial and underdeveloped nature of the area. Economic development loans or grants may be made to encourage more urban, higher density developments. These loans or grants will help defray the costs of higher density development, especially those projects adding residential density to the area, and increasing ridership, therefore creating more sustainable communities near DART rail stations.
The Illinois Station area is generally bounded by **Iowa Street** to the north, **Illinois Street** to the south, **Denley Drive** to the east and **Kellogg Street** to the west.

The Kiest Station area is generally bounded by the rear property line of residential properties fronting onto **Cove Drive** to the north, **Easter Avenue** to the east, **Stovall Drive** to the south and its easternmost boundary is **Denley Drive**.
Lancaster Corridor Sub-District

Existing Conditions at Illinois Station area

- This station is surrounded by **neighborhood retail uses** on irregularly shaped lots. Additionally, the **Cedar Crest Golf Course** is located in **close proximity** to the Illinois Station. Nestled between Illinois Street and the golf course are single family homes and a small older apartment complex.
Lancaster Corridor Sub-District

Existing Conditions at Crest Shopping Center

- This sub-district is generally bounded by Elmore Street to the north, Saner Road to the south, Lancaster Road to the west and Denley Drive to the east. It is shown on the Illinois Station map on the previous page.

- The strip retail center is comprised of laundromats, discount stores and neighborhood retail uses. The site has vast amounts of surface parking with most of it underutilized on the west side of the center. The structure is configured on the lot in a way that renders nearly a third of the property undeveloped, providing adjacent homes the view of the deteriorated rear façade of the structure.
Lancaster Corridor Sub-District
Existing Conditions Kiest Station area

- The DART rail line serves as a dividing line for Lancaster Road, with the Lancaster-Kiest Shopping Center being located on the east side of the rail. The shopping center has expansive amounts of surface parking void of landscaping with fractured retail uses in a large strip mall structure. A functionally obsolete apartment community is located east of the shopping center.
Lancaster Corridor Sub-District
VA Station area

This sub-district is generally bounded by Ann Arbor Avenue to the north, Atlas Drive to the south, Lancaster Road to the east and Gracey Road to the west.
Lancaster Corridor Sub-District

Existing Conditions at VA Station area

The DART rail line serves as a dividing line for Lancaster Road, with the Veterans Memorial Hospital being located on the east side. West of the rail are ideal redevelopment properties. The existing land uses adjacent to this station include functionally obsolete retail structures, such as used car sales lots, motels (slated for demolition), detail shops and convenience stores.
Lancaster Corridor Sub-District
Projected Private Development

For an 18 year development horizon, development potential for the Lancaster Corridor Sub-District which includes the station areas from Illinois to VA Station is estimated at:

- 450,000 square feet of residential
- 215,000 square feet of retail
- 125,000 square feet of office
- 75,000 square feet of hotel
Lancaster Corridor Sub-District Development Concepts
Enhancing Lancaster Corridor Sub-District

- Creating **higher density** of **residential development** around the **station areas** is essential for long term ridership gains and improved transit operations.
- Economic loans or grants will be made to **encourage more urban, pedestrian-friendly development**. These loans or grants will help defray the costs of higher density development, especially those projects adding residential density to the area, and increasing ridership.
- Anticipated **redevelopment of the incompatible uses** within this sub-district will warrant **upgrades to existing infrastructure** (roadway, streetscape, water and sewer lines).
- Other improvements may include, pedestrian connectivity improvements to areas adjacent to the station, the possible **construction of structured public parking to serve** the **station** and **Veteran’s Hospital**, way finding signage and public art.