

Memorandum



DATE October 30, 2009

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

SUBJECT **Briefing on the Davis Garden TIF District: Overview and Taylor Farms, I-30 Frontage Road, and Kessler Theater Projects**

On Monday, November 2, 2009, the Economic Development Committee will be briefed on the Davis Garden TIF District: Overview and Taylor Farms, I-30 Frontage Road, and Kessler Theater Projects.

Briefing material 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
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, 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
Helena Stevens-Thompson, Assistant to the City Manager

Davis Garden TIF District: Overview and Taylor Farms, I-30 Frontage Road, and Kessler Theater Projects

Economic Development Committee

November 2, 2009



Office of Economic Development
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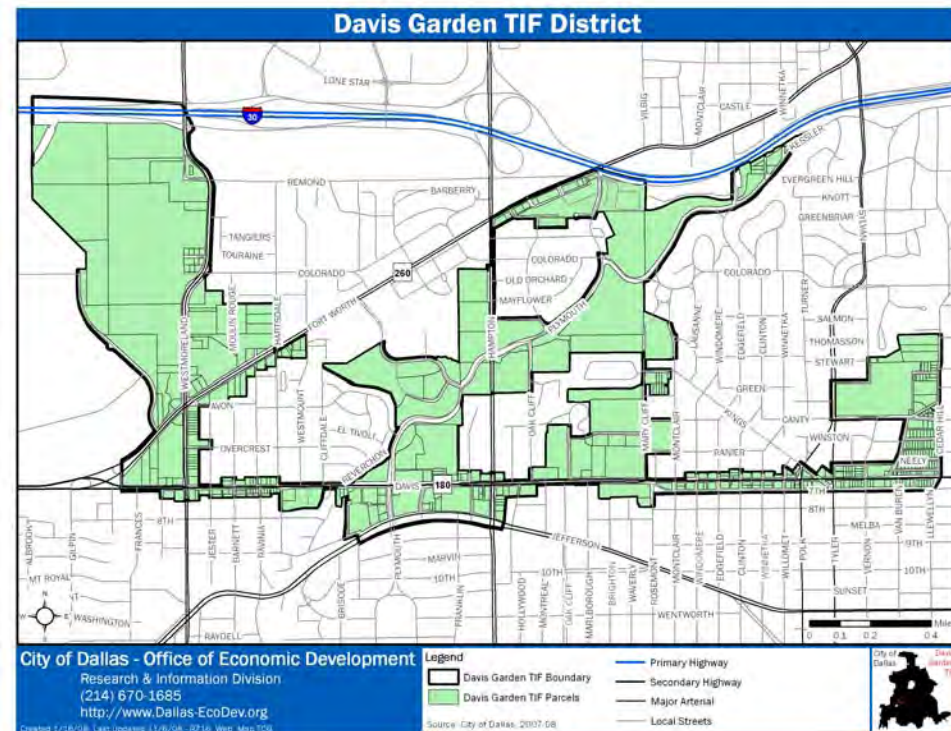


Purpose

- ◆ Review three proposals for TIF funding in the Davis Garden TIF District:
 - Taylor Farms Apartments
 - Engineering/Design for a new eastbound I-30 frontage road between Cockrell Hill Road and Westmoreland Road
 - Kessler Theater Renovation
- ◆ Obtain Economic Development Committee approval for consideration of each project by City Council on November 9, 2009.

Davis Garden TIF District: Background

- ◆ The Davis Garden TIF District was created June 13, 2007
- ◆ The District is located south of I-30, adjacent to the Fort Worth Avenue TIF District,
- ◆ and approximately 4.0 miles southwest of downtown Dallas.



Davis Garden TIF District: Background (continued)

- ◆ This area is prime for residential and commercial redevelopment due to its proximity to Interstate 30, Pinnacle Park, Bishop Arts District and downtown.
- ◆ Assets in and near the District include Kessler Park Conservation District, Kidd Springs Park, Stevens Park Golf Course, Winnetka Heights Historic District, and the Bishop Arts District.
- ◆ The District expires on December 31, 2029 or when \$60 million has been collected.

Davis Garden TIF District: Current Status

◆ District Development Goals

- **Encourage needed horizontal improvements and site preparation in the District**
 - *6 sites comprising 1,503 units have been demolished and cleared for future redevelopment*
- **Create additional taxable value attributed to new private projects in the Davis Garden TIF District and appreciation totaling approximately \$1.0 billion**
 - The total appraised value of property in the District has increased by \$17,678,964 since its creation (1.8% of the goal)
- **Attract new private development by replacing approximately 1,969 residential units with a more sustainable mix of for-sale and rental units; add approximately 700 residential units to increase the area's population density; and redevelop approximately 472,000 square feet of commercial and retail space.**
 - 6 sites have been prepared for redevelopment activities. However, to date no construction has occurred.
- **Diversify housing options by increasing homeownership opportunities while maintaining an affordable housing component of 20% of all new units built.**
 - To date there has been no progress on this goal
- **Maintain the stability of local schools while redevelopment activities occur within the area's neighborhoods by encouraging strong communication between the Dallas Independent School District and area developers**
 - *Staff is working closely with neighborhood schools to coordinate redevelopment activities with school needs.*

Davis Garden TIF District: Current Status

◆ District Development Goals

- **Diversify commercial and retail uses in the District by restoring historic commercial buildings and finding redevelopment options for commercial structures that are architecturally less significant.**
 - The Settles and Kemp Garages on West Davis Street are properties with historic significance that have been converted for commercial use since the District's creation.
- **Encourage the redevelopment of properties along the Davis Street, Fort Worth Avenue, and Hampton Road corridors for new residential and commercial uses that feature enhanced urban design standards which are complementary to the historic and conservation districts in the immediate area.**
 - INCAP's Development Agreement with the City includes site preparation that will allow for the redevelopment of property at six sites throughout the District. This includes three sites that located along West Davis Street.
- **Improve recreational opportunities and connections to City trails and open space within the District while providing better connections to County trails and other recreational amenities in the area.**
 - The Twelve Hills Nature Center's Urban Prairie Trailhead project was approved by Council on October 14, 2009.
- **Generate approximately \$38.3 million (2006 dollars) in increment over 20 years of collections.**
 - To date \$94,901 in Tax Increment has been generated for the District. Increment collection began this year.

Davis Garden TIF District Overview

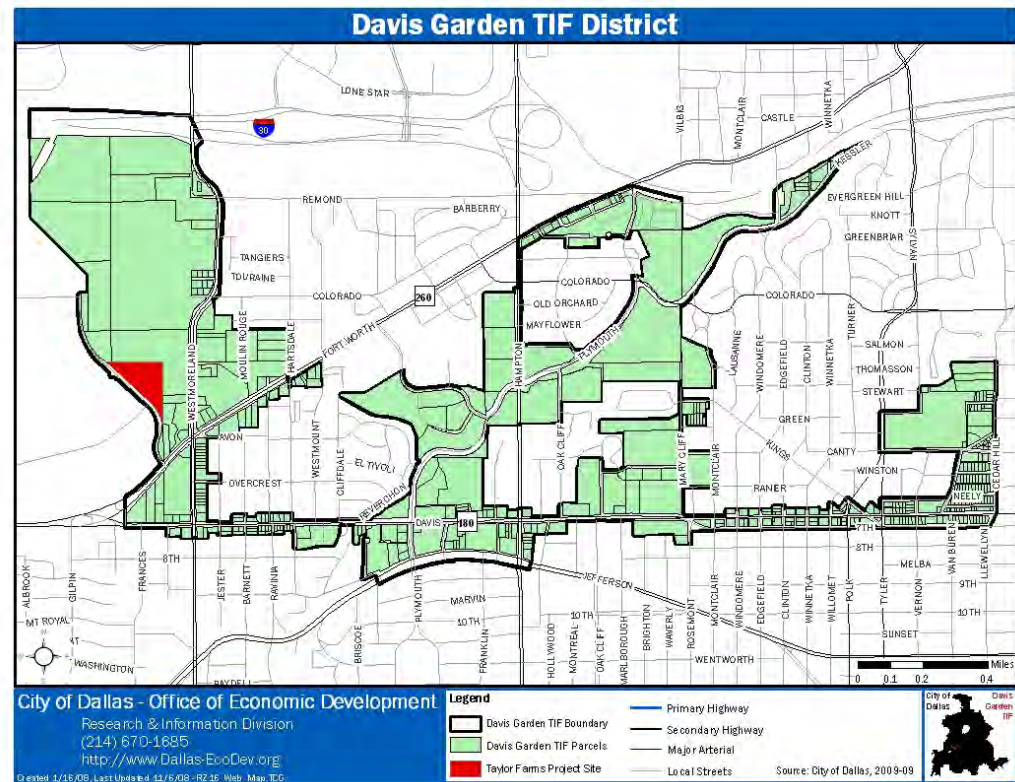
(continued)

Davis Garden TIF District Projected Increment Revenues to Retire TIF Fund Obligations			
Category	TIF Budget	Allocated	Balance
Environmental Remediation/Demolition	\$9,635,310	\$3,296,079	\$6,339,231
Infrastructure Improvements	\$34,687,115	\$3,333,392	\$31,353,723
Open Space, Parks, Streetscapes and Trails	\$2,047,504	\$118,820	\$1,928,684
Historic Façade Restoration	\$843,090	\$86,535	\$756,555
Affordable Housing	\$11,114,014	\$0	\$11,114,014
Administration and Implementation**	\$1,803,922	\$128,719	\$1,675,203
Total Project Costs	\$60,130,955	\$6,963,545	\$53,167,410
<p><i>** All values are estimated expenditures based on Annual TIF Project Costs and Debt Service schedules. These values depend on timing of projects and will fluctuate. An interest rate of 5% is used throughout the TIF term.</i></p>			

Taylor Farms Project

Project Location

- Located at 32 Pinnacle Park Boulevard
- Site consists of 4.53 acres that comprise the 9.76 acre parcel
- Site is approximately 10 minutes from downtown Dallas



Taylor Farms Project (continued)

◆ Project Description

- Seven 4-story, multi-family structures with 160 residential units (approximately 154,768 square feet of residential space) and approximately 23,629 square feet of common space
- All 160 units will meet affordable housing requirements
- Estimated investment of \$21.7M
- On-site amenities for the project include a leasing office, business center, and swimming pool



Taylor Farms Project – Site Plan



Taylor Farms Project Proposed TIF Funding

- ◆ TIF funds for the Taylor Farms Project would be used to offset the cost of the following improvements:
 - Environmental Remediation
 - Infrastructure and Public Right-away Improvements

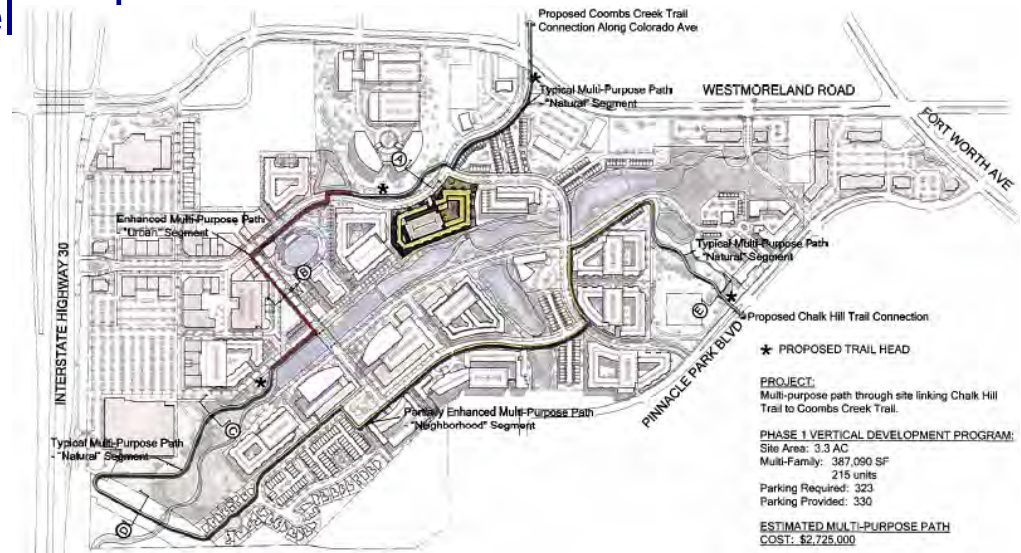
Description	Amount
Environmental Remediation	\$282,833
Infrastructure and Public Right-away Improvements	\$1,788,364
Total TIF Eligible Funding Request	\$2,071,197

Taylor Farms Project Tax Credit

- TF Development, LP has been authorized to receive a Tax Credit from the Texas Department of Housing and Community Affairs for the Taylor Farms project.
 - 10-year Tax Credit
 - Total 10-year Tax Credit – \$18.8M

Taylor Farms Project NCTCOG Grant

- The Developer has also applied for a \$1.2M Sustainable Development Grant with the North Central Texas Council of Governments (NCTCOG) for trail and landscaping enhancements to connect the Coombs Creek Trail to the Chalk Hill Trail and Dallas Vel
 - Projects selected for grant funding will not be announced until March 2010



Taylor Farms Project Funding Sources & Uses

- ◆ Funding Sources and Uses
 - Chase Bank – Construction loan
 - Texas Department of Housing and Community Affairs – Tax Credit Equity
 - Deferred Developer Fee – Private Equity

Funding Source	Amount	Use
Chase Bank	\$7,400,000	Construction Loan
Texas Department of Housing and Community Affairs	\$13,158,194	Tax Credit Equity
Deferred Developer Fee	\$1,133,406	Private Equity
Total	\$21,691,600	

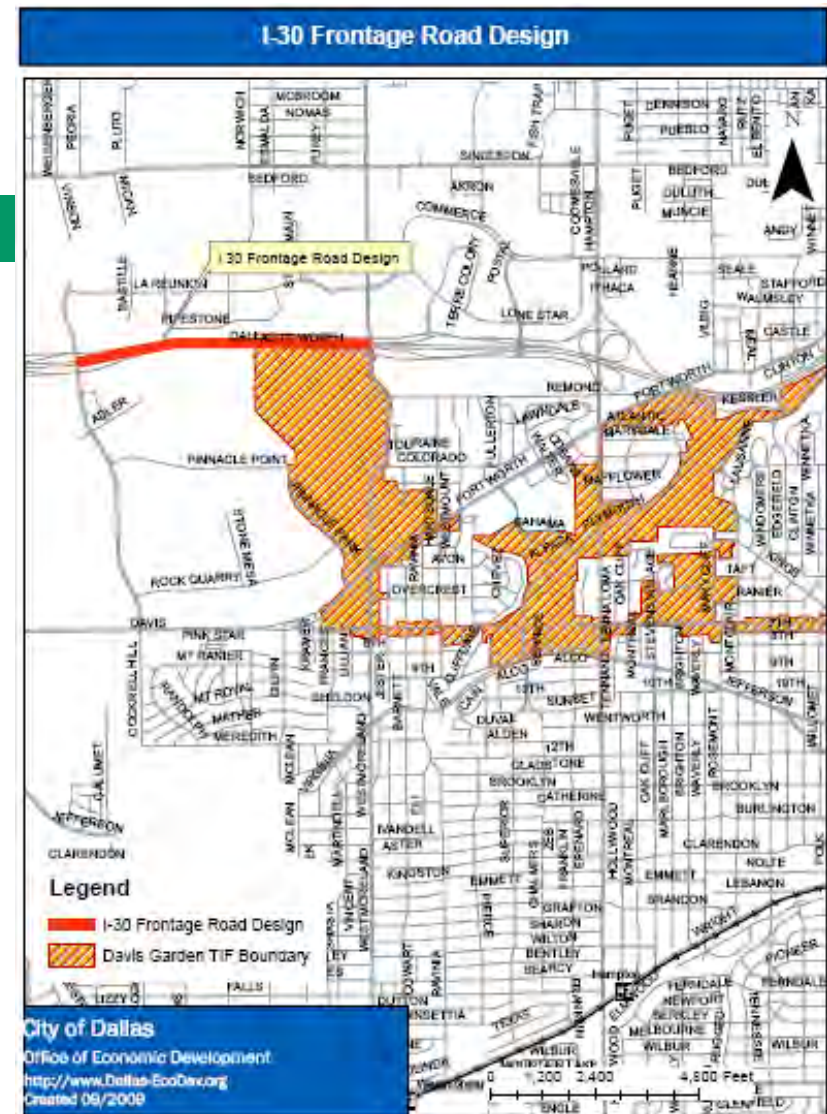
Taylor Farms Project Summary

Project Square Footage A) Residential Rental Space B) Common Area	154,768 square feet 23,629 square feet
Developer fee (deferred)	15%
Required private investment – site acquisition and hard costs of construction	\$13,723,420
Total project cost including site acquisition, hard costs of construction, all soft costs, and TIF expenses/other public.	\$21,691,600
TIF funding	\$2,071,197
% TIF funds to total project cost	9.54%
ROI with TIF funds	3.68%
ROI without TIF funds or other public assistance	3.33%
Deadline to purchase properties	N/A
Deadline to complete environmental remediation activities	November 1, 2010
Deadline to complete and receive a Certificate of Occupancy	April 1, 2012
Deadline to complete public infrastructure improvements	April 1, 2012

I-30 Frontage Road Project

Project Location

- Located along I-30 between Cockrell Hill and Westmoreland Roads
- Site is approximately 8 minutes from downtown Dallas

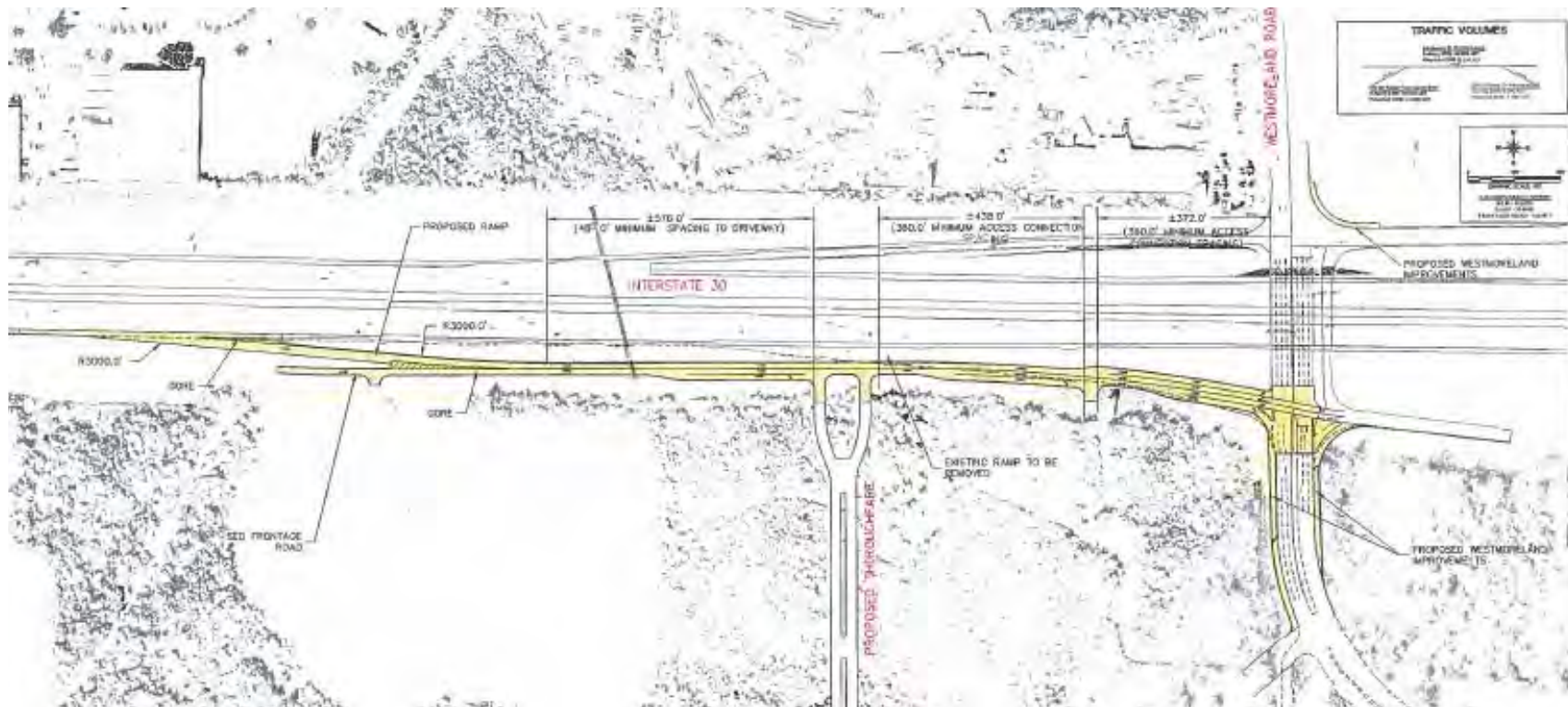


I-30 Frontage Road Project (continued)

◆ Project Description

- Project will include the engineering and design (design services) for Phase 1 of a new eastbound frontage road for I-30 located between Cockrell Hill Road and Westmoreland Road.
- Phase I includes the frontage road and ramp relocation from Westmoreland Road to a point approximately 2,650 linear feet west of Westmoreland Road
- This work is being completed to facilitate the construction of a frontage road at a later date.

I-30 Frontage Road Project – Site Plan



I-30 Frontage Road Project Proposed TIF Funding

- TIF funds for the I-30 Frontage Road Project would be used to offset the cost of the following improvements:
 - Infrastructure Design

Description	Amount
Infrastructure Design	\$436,919
Total TIF Eligible Funding Request	\$436,919

I-30 Frontage Road Project

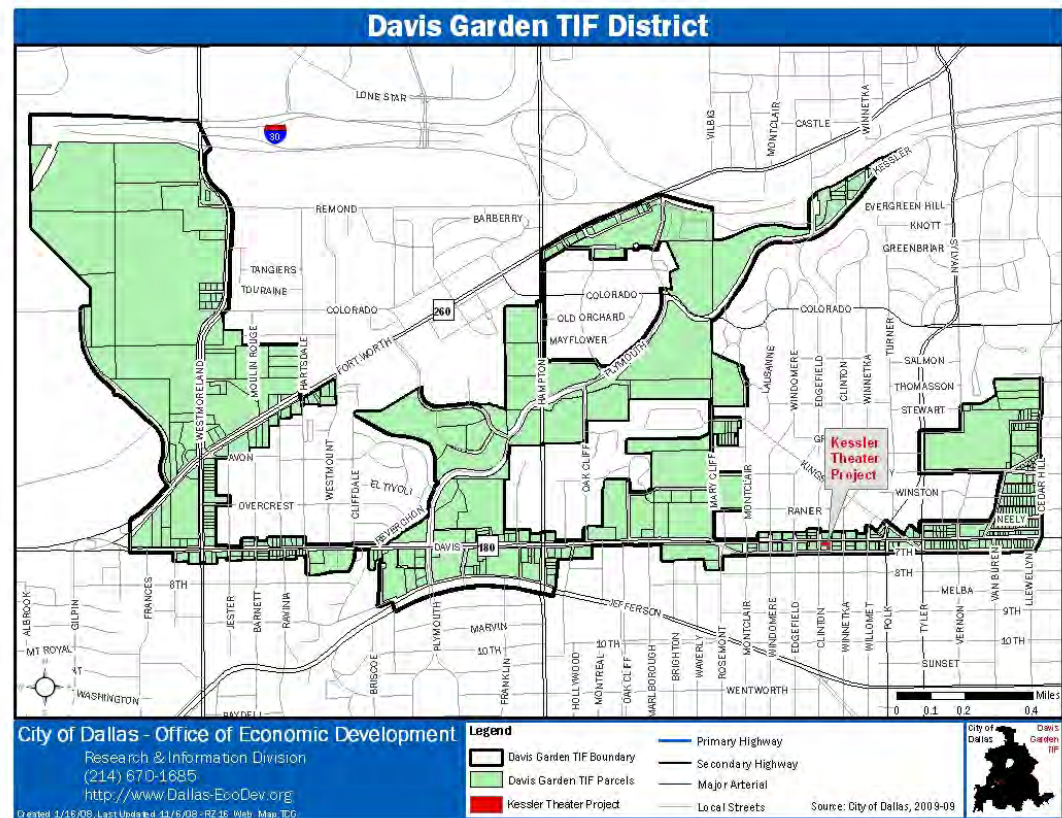
NCTCOG Grant

- ◆ SLF III /INCAP, LP has applied for a \$2.4M Sustainable Development Grant with the North Central Texas Council of Governments (NCTCOG) for the design and construction of the ramp relocation and a new eastbound frontage road for I-30 located between Cockrell Hill Road and Westmoreland Road. TIF funding will not be used for reimbursement if they are approved for the grant.
 - Projects selected for grant funding will not be announced until March 2010

Kessler Theater Project

Project Location

- Located at 1214 West Davis Street and 1215 West 7th Street
- Site is approximately 8 minutes from downtown Dallas



Kessler Theater Project (continued)

◆ Project Description

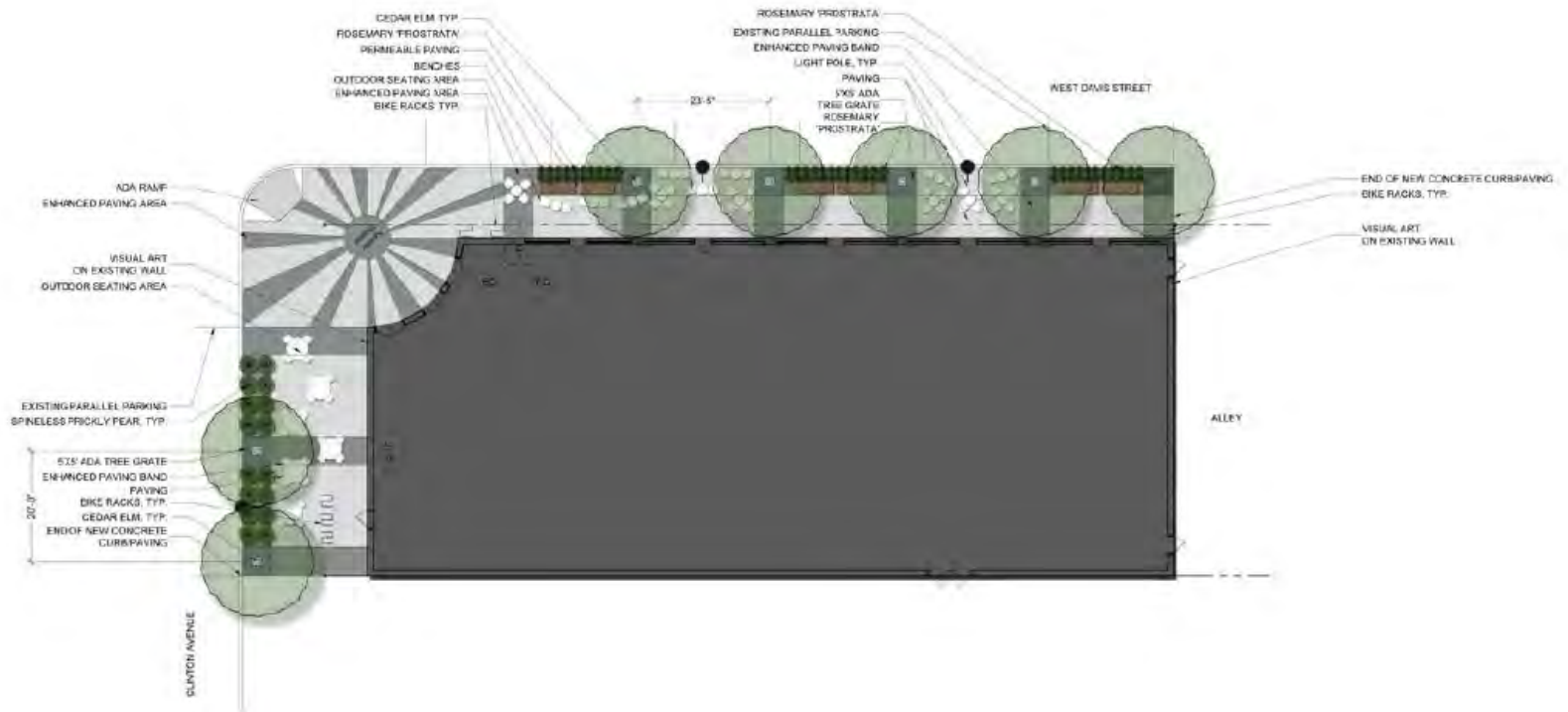
- Environmental remediation, demolition, and façade improvements at 1214 West Davis Street
 - Assessment and removal of asbestos hazards
 - Repairs to the theater's façade
 - Replacement of awnings, blade sign, doors, marquee, and poster cases



Kessler Theater Project (continued)

- Infrastructure improvements along West Davis Street between North Clinton Avenue and North Winnetka Avenue; and along North Clinton Avenue between West Davis and West 7th Streets
 - Converting on-street parking along West Davis Street and the sidewalk along North Clinton Avenue to expand the existing pedestrian area adjacent
 - Removal and replacement of existing sidewalks
 - planting of native plants and trees
 - Addition of pedestrian lighting, outdoor seating (i.e. benches, tables, and chairs) and bike racks

Kessler Theater Project – Site Plan



Kessler Theater Project Proposed TIF Funding

- ◆ TIF funds for the Kessler Theater Project would be used to offset the cost of the following improvements:
 - Environmental Remediation/Demolition
 - Historical Façade Improvements
 - Infrastructure Improvements

Description	Amount
Environmental Remediation/Demolition	\$5,000
Historical Façade Improvements	\$86,535
Infrastructure Improvements	\$108,108
Total TIF Eligible Project Costs	\$199,643

Kessler Theater Project

NCTCOG Grant

- ◆ Kessler Theater, LLC has applied for a \$179,760 Sustainable Development Grant with the North Central Texas Council of Governments (NCTCOG) for streetscape improvements along West Davis Street and North Clinton Avenue. If they are approved for the grant, the TIF funding amount that is requested will be reduced by \$63,300 to a maximum of \$136,343.
 - Projects selected for grant funding will not be announced until March 2010

Kessler Theater Project Funding Sources & Uses

- ◆ Funding Sources and Uses
 - Citizens National Bank – Mortgage/Construction loan
 - Owner/Developer – Private Equity

Funding Source	Amount	Use
Citizens Nations Bank	\$600,000	Mortgage/Construction Loan
Owner/Developer	\$758,293	Private Equity
Total	\$1,358,293	

Kessler Theater Project Summary

Total square footage required	N/A
Developer fee	N/A
Required private investment – site acquisition and hard costs of construction	\$954,500
Total project cost including site acquisition, hard costs of construction, all soft costs, and TIF expenses/other public.	\$1,358,293
TIF funding	\$199,643
% TIF funds to total project cost	14.7%
ROI with TIF funds	11.4%
ROI without TIF funds or other public assistance	6.0%
Deadline to purchase properties	N/A
Deadline to complete environmental remediation and demolition activities	March 31, 2010
Deadline to complete historical façade improvements	July 1, 2011
Deadline to complete infrastructure improvements	July 1, 2011

Recommendations

- ◆ The following actions are recommended:
 - Approval of a Development Agreement with TF Development, LP for TIF reimbursement for the Taylor Farms project
 - Approval of a Development Agreement with SLF/INCAP III, LP for TIF reimbursement for the I-30 Frontage Road project
 - Approval of a Development Agreement with Kessler Theater, LLC for TIF reimbursement for the Kessler Theater project

◆ Appendices

Appendix 1: Davis Garden TIF Increment Chart

PROJECTED TIF INCREMENT SCHEDULE										
Tax Year	Property Value	Property Value	Property	Anticipated	City of Dallas	TIF	Dallas County	TIF	Total	TOTAL TIF
	Estimate	Estimate	Value Total	Captured	Participation	Contribution	Participation	Contribution	TIF	2008 NPV @
	(2.0% Appreciation)	(New Development)		Value	Rate	City of Dallas	Rate	Dallas County	Contribution	5.00%
2007	\$120,414,462		\$120,414,462							
Adj Base 08	\$137,853,667									
2008	\$146,619,100	\$0	\$146,619,100	\$8,765,433	0.0%	\$0	0.0%	\$0	\$0	\$0
2009	\$154,396,105	\$0	\$155,532,631	\$17,678,964	55.0%	\$72,722	55.0%	\$22,179	\$94,901	\$86,078
2010	\$158,643,284	\$45,710,956	\$204,354,239	\$66,500,572	55.0%	\$273,547	55.0%	\$83,428	\$356,975	\$394,446
2011	\$208,441,324	\$49,545,446	\$256,986,770	\$119,133,103	70.0%	\$629,698	55.0%	\$149,458	\$773,156	\$1,030,524
2012	\$262,126,506	\$61,260,508	\$323,387,013	\$185,533,346	70.0%	\$971,323	55.0%	\$232,761	\$1,204,084	\$1,973,955
2013	\$329,854,754	\$174,079,007	\$503,933,761	\$366,080,094	70.0%	\$1,916,539	55.0%	\$459,266	\$2,375,805	\$3,746,817
2014	\$514,012,436	\$185,497,799	\$699,510,235	\$561,656,568	85.0%	\$3,570,535	55.0%	\$704,626	\$4,275,161	\$6,785,094
2015	\$713,500,440	\$186,359,613	\$899,860,053	\$762,006,386	85.0%	\$4,844,189	55.0%	\$955,975	\$5,800,164	\$10,710,873
2016	\$917,857,254	\$232,564,514	\$1,150,421,769	\$1,012,568,102	85.0%	\$6,437,047	55.0%	\$1,270,317	\$7,707,365	\$15,679,109
2017	\$1,173,430,204	\$77,060,434	\$1,250,490,638	\$1,112,636,971	85.0%	\$7,073,200	55.0%	\$1,395,859	\$8,469,059	\$20,878,377
2018	\$1,275,500,451	\$52,410,127	\$1,327,910,578	\$1,190,056,911	85.0%	\$7,565,370	55.0%	\$1,492,986	\$9,058,356	\$26,174,610
2019	\$1,354,468,790	\$41,480,683	\$1,395,949,473	\$1,258,095,806	85.0%	\$7,997,904	55.0%	\$1,578,344	\$9,576,248	\$31,507,023
2020	\$1,423,868,462	\$60,915,781	\$1,484,784,243	\$1,346,930,576	85.0%	\$8,562,640	55.0%	\$1,689,792	\$10,252,431	\$36,944,106
2021	\$1,514,479,928	\$15,029,697	\$1,529,509,625	\$1,391,655,958	70.0%	\$2,113,047	55.0%	\$506,356	\$2,619,403	\$38,267,083
2022	\$1,560,099,817	\$0	\$1,560,099,817	\$1,422,246,150	70.0%	\$0	55.0%	\$0	\$0	\$38,267,083
2023	\$1,591,301,814	\$0	\$1,591,301,814	\$1,453,448,147	70.0%	\$0	55.0%	\$0	\$0	\$38,267,083
2024	\$1,623,127,850	\$0	\$1,623,127,850	\$1,485,274,183	55.0%	\$0	55.0%	\$0	\$0	\$38,267,083
2025	\$1,655,590,407	\$0	\$1,655,590,407	\$1,517,736,740	55.0%	\$0	55.0%	\$0	\$0	\$38,267,083
2026	\$1,688,702,215	\$0	\$1,688,702,215	\$1,550,848,548	55.0%	\$0	55.0%	\$0	\$0	\$38,267,083
2027	\$1,722,476,259	\$0	\$1,722,476,259	\$1,584,622,592	55.0%	\$0	55.0%	\$0	\$0	\$38,267,083
2028	\$1,756,925,784	\$0	\$1,756,925,784	\$1,619,072,117	55.0%	\$0	55.0%	\$0	\$0	\$38,267,083
2029	\$1,792,064,300	\$0	\$1,792,064,300	\$1,654,210,633	55.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2030	\$1,827,905,586	\$0	\$1,827,905,586	\$1,690,051,919	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2031	\$1,864,463,698	\$0	\$1,864,463,698	\$1,726,610,031	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2032	\$1,901,752,972	\$0	\$1,901,752,972	\$1,763,899,305	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2033	\$1,939,788,031	\$0	\$1,939,788,031	\$1,801,934,364	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2034	\$1,978,583,792	\$0	\$1,978,583,792	\$1,840,730,125	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2035	\$2,018,155,468	\$0	\$2,018,155,468	\$1,880,301,801	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2036	\$2,058,518,577	\$0	\$2,058,518,577	\$1,920,664,910	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2037	\$2,099,688,949	\$0	\$2,099,688,949	\$1,961,835,282	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2038	\$2,141,682,728	\$0	\$2,141,682,728	\$2,003,829,061	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2039	\$2,184,516,382	\$0	\$2,184,516,382	\$2,046,662,715	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2040	\$2,228,206,710	\$0	\$2,228,206,710	\$2,090,353,043	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2041	\$2,272,770,844	\$0	\$2,272,770,844	\$2,134,917,177	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
2042	\$2,318,226,261	\$0	\$2,318,226,261	\$2,180,372,594	0.0%	\$0	0.0%	\$0	\$0	\$38,267,083
TOTAL thru 2037		\$1,180,914,566				\$52,021,760		\$10,541,347	\$62,563,107	\$38,267,083
2008 NPV						\$31,799,576		\$6,467,507	\$38,267,083	

Appendix 2: TF Development, LP

- ◆ The principals of TF Development, LP include Brandon Bolin and Alan McDonald
 - Brandon Bolin – previously worked with INCAP as a Director of Acquisitions for a 300 acre, \$200M North Oak Cliff land portfolio. The Taylor Farms is the first development project that he will oversee.
 - Alan McDonald – currently a *Senior Managing Director for INCAP*. Alan founded CityHomes, the nation’s largest inner-city homebuilder. Alan has also served as the President and CEO of Parkwood Development Corporation, the largest inner-city, multi-family adaptive re-use developer in Dallas.

Appendix 3: SLF/INCAP III, LP

- ◆ The principals of SLF/INCAP III, LP include Alan McDonald. INCAP is a real estate investment fund that focuses on providing pre-development services and structuring for small to mid-size developers seeking building sites and finished lots to develop for-sale residential projects which include apartments, condominiums, and town homes.

Appendix 4: Kessler Theater, LLC

- ◆ The Managing Members of Kessler Theater, LLC include Edwin Cabaniss. Edwin has previously rehabilitated four properties that are older than 50-years. He also has a strong background in Finance, Real Estate, and E-Commerce.

Appendix 5: Project Assumptions

Project	Use	Projected Value	Projected Completion Date
Acorn Tree & Gulf Latin	Multi-Family Housing	\$36,890,480	2014
Bahama Glen	Multi-Family Housing	\$248,357,690	2016
Brookwood	Multi-Family Housing	\$34,175,840	2015
Chateau Crete & Sebastian	Multi-Family Housing	\$22,794,630	2013
Cliffwood	Multi-Family Housing	\$26,165,410	2014
Country Green	Multi-Family Housing	\$25,003,130	2016
Emory Park & Virginia Manor	Multi-Family Housing	\$68,666,920	2015
Holiday Hills 1	Multi-Family Housing	\$87,414,000	2017
Holiday Hills 2	Multi-Family Housing	\$37,291,000	2018
Kidd Springs	Multi-Family Housing	\$34,780,590	2014
King's Highway	Multi-Family Housing	\$8,778,117	2013
TT Apartments	Multi-Family Housing	\$4,738,310	2013
Veterans Apartments	Multi-Family Housing	\$12,894,710	2016
Cantera Crossing	Multi-Family Housing	\$18,870,060	2013
North Hills	Multi-Family Housing	\$31,210,000	2013
Plymouth	Multi-Family Housing	\$4,820,000	2014

Appendix 5: Project Assumptions (continued)

Project	Use	Projected Value	Projected Completion Date
Fort Worth Avenue commercial	Commercial/Retail	\$6,200,071	2014
North Hills retail	Commercial/Retail	\$2,576,370	2014
Veterans retail	Commercial/Retail	\$421,740	2015
2800 W. Davis apartments	Multi-Family Housing	\$9,328,990	2018
2717 W. Jefferson apartments	Multi-Family Housing	\$5,119,319	2018
411 Plymouth apartments	Multi-Family Housing	\$2,177,793	2019
515 Plymouth apartments	Multi-Family Housing	\$2,159,292	2019
701 W. Davis block retail	Commercial/Retail	\$1,524,350	2014
Townhome Construction	Single Family Housing	\$16,994,965	2018
Future single-family residences	Single Family Housing	\$49,682,000	2021
New retail w. of Westmoreland	Commercial/Retail	\$4,883,831	2019
Westmoreland/FWA shopping	Commercial/Retail	\$7,284,730	2020
Taylor Farms	Multi-Family Housing	\$25,000,000	2012
Kessler Theater	Commercial/Retail	\$1,750,000	2011
Urban Campus Land	Land	\$83,214,000	2011
Total		\$921,168,338	