

Memorandum



DATE October 29, 2010

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

SUBJECT **Lancaster Urban Village and Urban League Modification**

On Monday, November 1, 2010, you will be briefed on the Lancaster Urban Village and Urban League Modification. Briefing material 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

Lancaster Urban Village and Urban League Modification

Economic Development Committee

November 1, 2010



Purpose

- Update Economic Development Committee on the Lancaster Urban Village/Urban League Project and review progress to date
- Discuss modifications to two (2) Chapter 380 Forgivable Loans
- Seek Committee approval for Council action to modify Loan Agreements relative to the Lancaster Urban Village/Urban League project

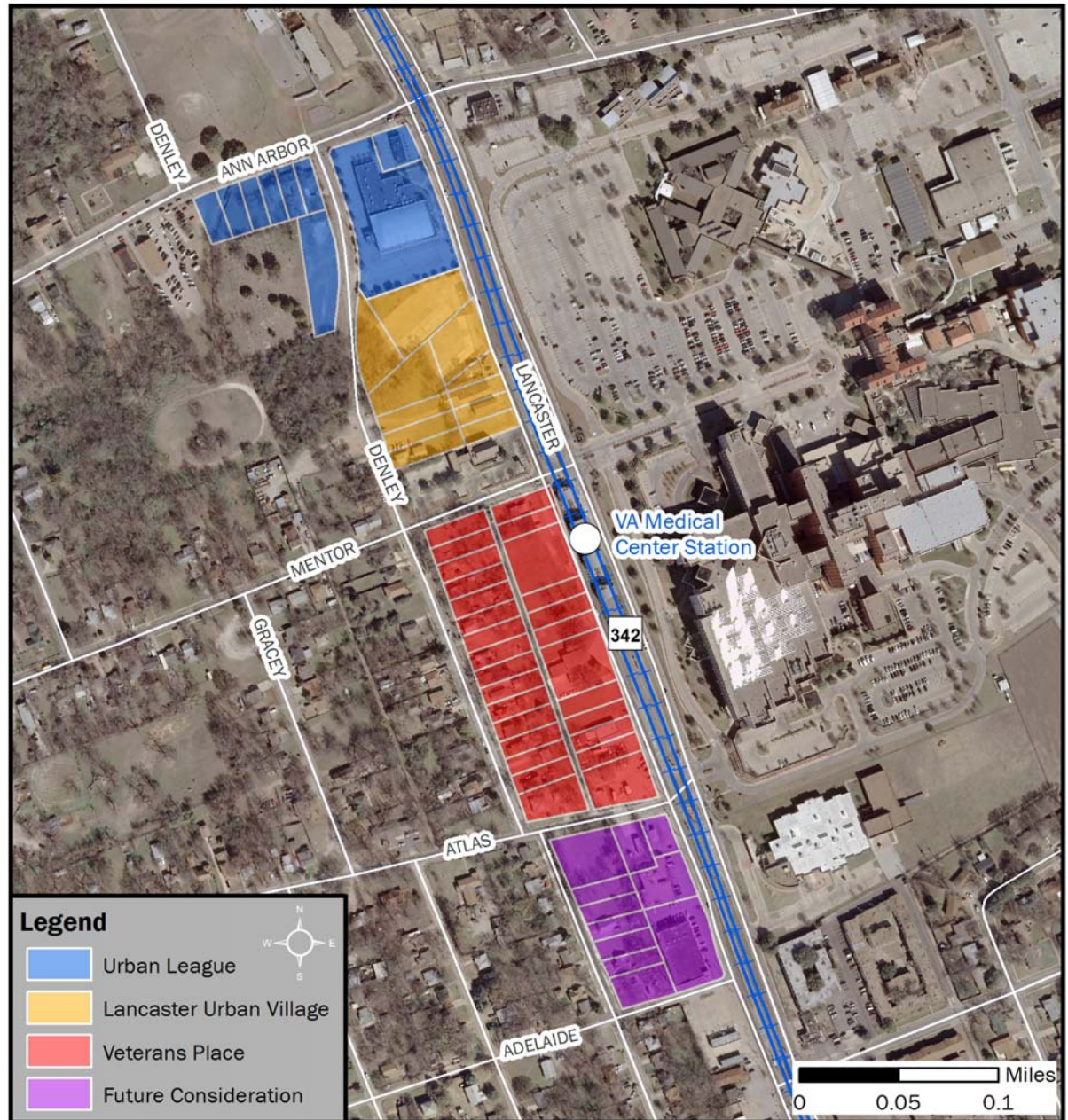
Background

- The Lancaster Corridor is a vital main street for South Central Dallas and is a high priority for the City Council for development and redevelopment that will improve communities all along the corridor and in the Lancaster Neighborhood Investment Program (NIP) area.
- Council has approved two (2) Chapter 380 Forgivable Economic Development loans to City Wide Community Development Corporation (CWCDC) for redevelopment of land on Lancaster Road across from the North Texas Veterans Administration Hospital
- The first loan in the amount of \$850,000 was for acquisition and demolition of two undesirable motels to make way for a collaborative development effort between CWCDC and the Dallas Urban League for two (2) commercial buildings on each of the sites

Background cont'd

- The second loan in the amount of \$3,000,000 was for land assemblage and pre development related costs for construction of a skills training center at the Urban League as well as construction of a mixed use project on property adjacent to the Urban League.
- Both Loan Agreements required demolition if necessary within one year from the date of the initial advance of funds. Construction was to commence within two years from the date of the initial advance of funds
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- The first advance on the \$850,000 loan was dated August 1, 2008. The first advance on the \$3,000,000 loan was dated May 4, 2009. Loan maturities are five years from the date of initial advances under each Loan Agreement
- Delays in acquiring land and structuring project financing has caused delays with demolition and starting construction in compliance with the existing Loan Agreements. Extensions for demolition and construction commencement covenants are required to conform to this reality.

VA Medical Center Station TOD Project Sites



Lancaster Urban Village / Urban League Site Plan



OVERALL SITE PLAN

LANCASTER URBAN VILLAGE

A Mixed-Use, Mixed-Income, and Transit-Oriented Urban Redevelopment District



The Project

- The assembled land encompasses 5.2 acres fronting on Lancaster Road from Ann Arbor on the north to the Chase Bank at Mentor Ave and Lancaster Road
- Development will be in two phases which will be financed independently
- Phase I will be a \$26,000,000 project which will include 197 units of affordable multi family housing, 14,000 square feet of retail space and 406 parking spaces to be shared by housing tenants, retail traffic and the Urban League.
- Financing sources will include HUD 221(d)4, HUD Section 108, New Markets Tax Credits and City of Dallas Public Private Partnership funds and TIF reimbursements. Construction is expected to start in the Spring of 2011
- CWCDC will be the borrower for Phase I financing

The Project cont'd

- Phase II is the development of a 50,000 square foot skills training center for the Dallas Urban League.
- Funding sources will include New Markets Tax Credits, City of Dallas Public Private Partnership grants and money raised from an Urban League Capital campaign. The campaign is planned to officially launch in the Spring of 2011
- Construction will commence upon successful completion of the Capital Campaign
- Developers for both phases of the project are CWCDC and Catalyst Urban Development, LLC

Progress To Date

- All land assemblage required for the development of both phases has been completed or is under contract. Title is vested to CWCDC.
- Architectural drawings and a development model have been completed for both phases. The model was shown to Council members and is on display at the Urban League for community viewing.
- Preliminary development and site plans have been modified to maximize land use efficiency.
- Zoning has been approved and bids are in the process of being let for vertical construction on Phase I.

Required Modifications to Original Loan Agreements

- Original Council Resolutions approved the Chapter 380 forgivable loans from the Public Private Partnership program and established specific time deadlines for demolition and commencement of construction. Additionally, the Urban League skills center development and the Lancaster Urban Village mixed use project were combined.
- Additional due diligence as well as architectural and site planning created a site configuration that improved on the original vision, but differed from language in the original the Resolutions
- The capital structure for Phase I requires that funding sources be strictly aligned with component pieces of the Lancaster Urban Village (housing, commercial, garage) and that the Urban League expansion be separated.
- The HUD Section 108 loan and the New Markets Tax Credit equity also have complex requirements that will necessitate CWCDC transferring title to the land to another entity

Modifications cont'd

- CWCDC as the borrower for Phase I financing cannot be the owner of the land at the time of the HUD Section 108 loan application
- The land serves as collateral for the Chapter 380 loans. CWCDC is proposing to transfer the land and the project indebtedness to co developer, Catalyst Urban Development, LLC.
- To accommodate the separation of funding identified for Phase I, (\$3,200,000) and the funding identified for Phase II, (\$650,000), the total Chapter 380 funding amount of \$3,850,000 must be realigned
- An Assumption and Extension Agreement between CWCDC and Catalyst Urban Development will be necessary in order to facilitate the required HUD Section 108 and New Markets Tax Credits compliance.

Agenda Item

“Authorize a Modification, Assumption and Extension Agreement with City Wide Community Development Corporation (CWCDC) to:

- (1) Modify the prior two Chapter 380 agreements, Real Estate Lien Notes and Deed Restrictions (Loan Documents) that have been executed between the City and CWCDC for the development of the Lancaster Corridor to:
 - a. realign the total funding amount of \$3,850,000 that has been advanced to CWCDC with the separate projects comprising the Lancaster Corridor Development; and
 - b. Provide for the release or subordination of City liens on the Lancaster Corridor properties upon start of construction
 - c. extend demolition and construction commencement to 12 months after date of execution of modified loan documents
- (2) Assign the Loan Documents to Catalyst with Catalyst expressly assuming and agreeing to pay and to perform all obligations detailed in the Loan Documents;
- (3) Authorize the Director of the Office of Economic Development to execute such other instruments including subordinations as necessary to accommodate the financing structure of this project”

Next Steps

- Economic Development Committee Approval of Council Agenda Item
- Recommend approval to City Council on November 17, 2010.