Memorandum

CITY OF DALLAS

DATE December 2, 2011

TO Members of the Economic Development Committee: Tennell Atkins (Chair), Ann Margolin (Vice Chair) Jerry R. Allen, Sheffie Kadane, Monica Alonzo

SUBJECT **Lancaster Urban Village**

On Monday, December 5, 2011, the Economic Development Committee will be briefed on the Lancaster Urban Village.

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.

Ryan S. Evans
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa Rios, Acting City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge Municipal Court
A.C. Gonzalez, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Interim Assistant City Manager
Jeanne Chipperfield, Director, Chief Financial Services
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

Lancaster Urban Village

Economic Development Committee
December 5, 2011

Briefing Purpose

- Provide overview of the Lancaster Urban Village project
- Review the New Markets Tax Credit (NMTC) program
- Present Dallas Development Fund (DDF) recommendation for an up to $12.0 million NMTC allocation ($3.37 million cash equity) for the Lancaster Urban Village project
  - $11.6 million NMTC allocation ($3.17 million cash equity) expected
- Outline funding sources for Lancaster Urban Village and recommend reprogramming of Public/Private Partnership funding to support vertical construction
- Seek committee approval for Council action on January 11th, 2012

Lancaster Urban Village

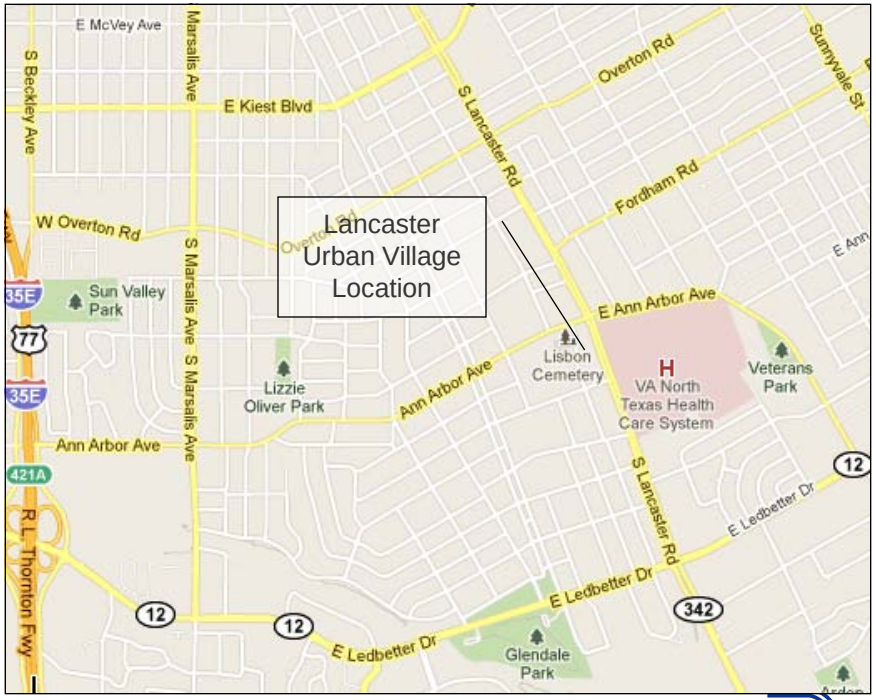
Catalytic new mixed-used development in the Lancaster corridor across from the VA Hospital and adjacent to the VA DART station

Provides new affordable housing and retail opportunities to Lancaster Corridor and VA employees

Owner: City Wide Community Development Corporation

Fee Developer: Catalyst Urban Development

Location: S. of Lancaster Road and Ann Arbor Avenue intersection



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Lancaster Urban Village

Phase I

- 14,000 SF Retail
- 395 Parking Spaces (mostly structured)
- 193 mixed-income residential units
- Total Phase I costs are $27.8 million (see Appendix, Project Budget)

Phase II will include an expansion of the Urban League to include a new job training facility

Background

- $3.9 M Public Private Partnership (PPP) funding for land assemblage and preconstruction
- $8.4 M HUD 108 funding for commercial and residential approved October 13, 2011
- $12.5 M HUD 221d-4 funding for residential development approved October 10, 2011
- $3.2 M in NMTC Equity
  - Dallas Development Fund (DDF) board approved up to $12.0 M in allocation on November 29, 2011
- Subject to Council approval of NMTC allocation and reprogramming of PPP funding, project financing anticipated to close in 1Q calendar year 2012

Community Benefits

Highly distressed community (DDF Priority)

25% M/WBE participation (DDF priority)

Southern Dallas location (DDF Priority)

51% deed-restricted affordable units

- 93 units, 15 years

Additional parking for Urban League facility

Mutual leveraging with HUD 108 program (DDF Priority)

Sustainable development

- LEED certification (DDF Priority)
- Transit-oriented development (DDF Priority)
- Pedestrian-friendly mixed-use development
- Walk-to-work housing for VA Medical Center

72 permanent full time jobs projected

Review of the NMTC program

- Permits taxpayers to receive credit against federal income taxes for making qualified equity investments in eligible projects
- In 2009, Dallas created the Dallas Development Fund (DDF) as a qualified non-profit to apply for a U.S. Treasury NMTC allocation
- DDF was awarded a $55 million allocation in late 2009
  - Worth approximately $14 million in up front subsidy to eligible projects
- Investments must be used in low-income communities
- Credit provided to investor equals $.39 on dollar of qualified equity investment to project and is claimed over a 7-year credit allowance period
- NMTCs encourage investment by providing up to 25% of total project costs
- DDF applied for a second allocation in the 2011 round
  - Award allocations will be announced in late January 2012
- (More details on the NMTC program are available in the Appendix)

DDF Criteria

Lancaster Urban Village Project				
Location	*Southern Dallas*		*Distressed Community*	
	Yes		Yes; Highly distressed tract with 13% Unemployed, 28.9% Poverty rate and 51.7% of Median Area Median Family Income	
Proposed Uses	*Job Training*	*TOD*	*Mixed-use, community oriented*	
	No; but helps adjacent Urban League parking needs	Within .25 miles of VA Hospital DART station	Yes	
Demonstrated need for NMTC	Yes			
Likely community impact	*Job creation for LIC*	*Increased wages LIC*	*LIC owned business?*	*M/WBE owned business?*
	Yes, 72 FTE		Yes	25% of construction
	Community services business?	*Facilitates wealth creation for LICs?*	*Provides goods or services to LICs?*	*Environmentally sustainable?*
	No	No	Yes	Yes (LEED, TOD)

Transaction Details

Total Project Costs: $27.8 M

$11.9 M commercial; $15.9 M residential

DDF NMTC Allocation:$11.6 million ($3.2M in cash and up to $12.0MM allocation authorized)

Other Public Assistance

- HUD 108 Loan
- PPP Funds

NMTC transaction financing Land acquisition, site prep, parking, and commercial

Residential component: separately financed via HUD 221(d)4 program and 108 Funds

Source of Funds	Amount
COMMERCIAL DEVELOPMENT	
HUD 108	$4,816,659
Interest Reserve (HUD 108)	$340,752
PPP	$3,310,301
PPP (QALICB Equity)	$628,520
NMTC Equity	$3,173,040
(- DDF fees)	(339,000)
Total commercial	$11,930,272
RESIDENTIAL DEVELOPMENT	
HUD 108	$3,334,589
221 (d)4	$12,541,821
Total Residential	$15,876,410

Transaction Details: TIF Commitment

$8.492 M committed

Approved by City Council on May 12, 2010

Pledged to repay HUD Section 108 funding

Transaction Details: Reprogram Public Private Partnership Funding

- $3.9 M in PPP funding previously utilized to assemble land and fund predevelopment costs
- HUD 108 Funds repay PPP funding
- Recommend reprogramming $3.9M to cover funding gaps not filled by HUD 108 and NMTC financing

Recommendations

Economic Development Committee recommendation for Council action on January 11, 2012

- Approve up to $12.0 M in NMTC allocation
- Approve $3.9 M reprogramming of PPP funding

Appendix

NMTC overview

Types of Eligible Projects

Allocation award depends on applicant's strategy to use the tax credits to support eligible development projects

DDF's application highlighted multiple types of projects for priority funding under the NMTC program:

- **Transit-oriented development**
- **Job training facilities**
- **Mixed use (retail and housing)**

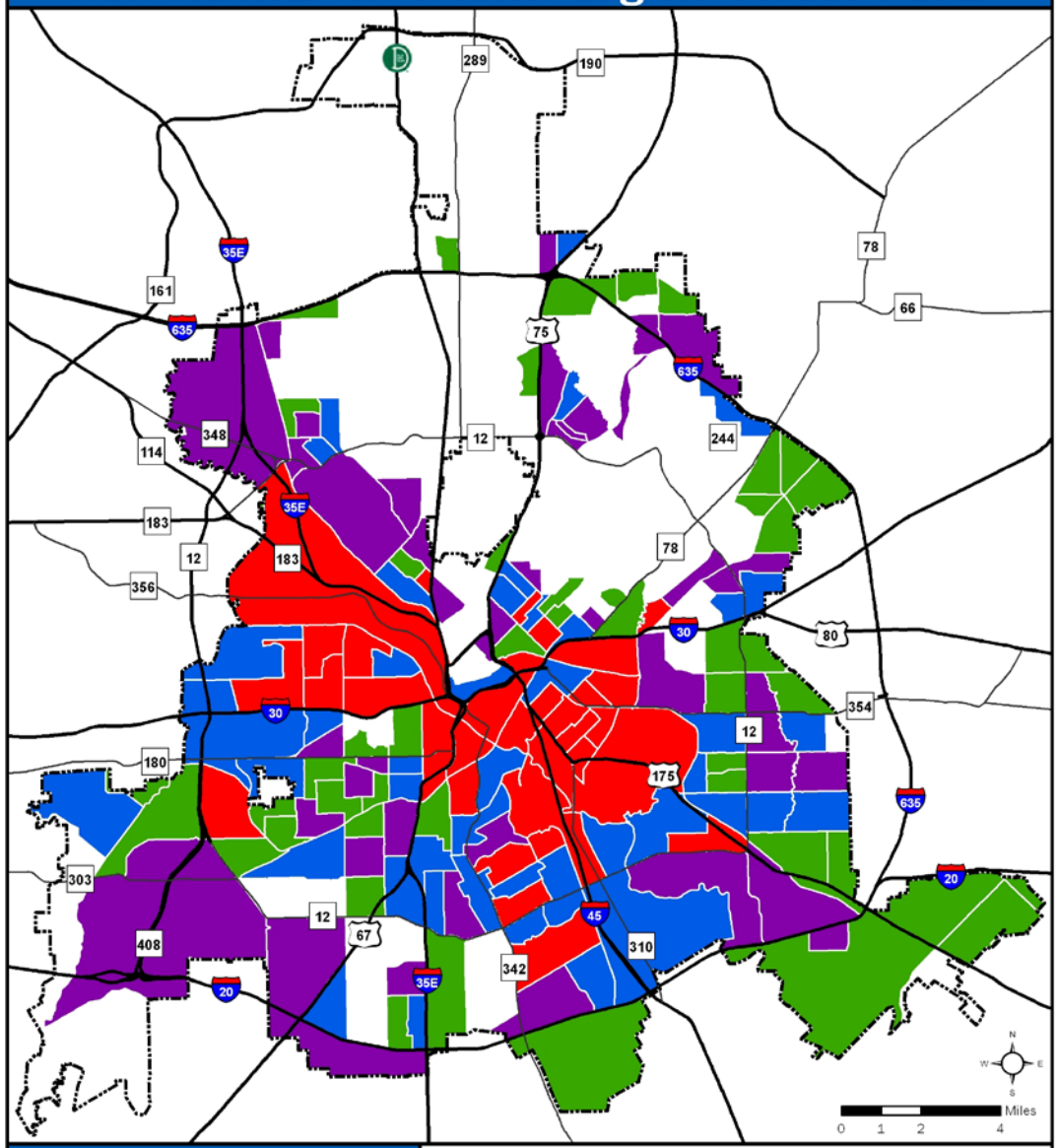
Several types of projects are not eligible:

- Those that derive more than 80% of gross rental income from rental dwelling units
- Golf courses, race tracks, gambling facilities, country clubs, massage parlors, hot tub facilities, suntan facilities, liquor stores

All projects must be in NMTC-eligible areas

- Eligible areas determined by poverty rate, unemployment and median family income
- Distress criteria: 1) a poverty rate of at least 30 percent; 2) a median family income at or below 60 percent of the applicable area median family income; or 3) an unemployment rate at least 1.5 times the national average.

New Markets Tax Credits: Eligible Census Tracts



City of Dallas
Office of Economic Development

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Legend

- Eligible, Not Distressed
- Eligible, Meets One Distress Criterion
- Eligible, Meets Two Distress Criteria
- Eligible, Meets Three Distress Criteria
- Not Eligible
- City of Dallas
- Freeway
- Highway

Source: US Census Bureau, 2000

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Benefits of the NMTC program

An **additional financial tool** to achieve Dallas' development goals, particularly those in southern Dallas neighborhoods

- Focuses on (federally defined) Low-Income Communities and Low-Income Populations

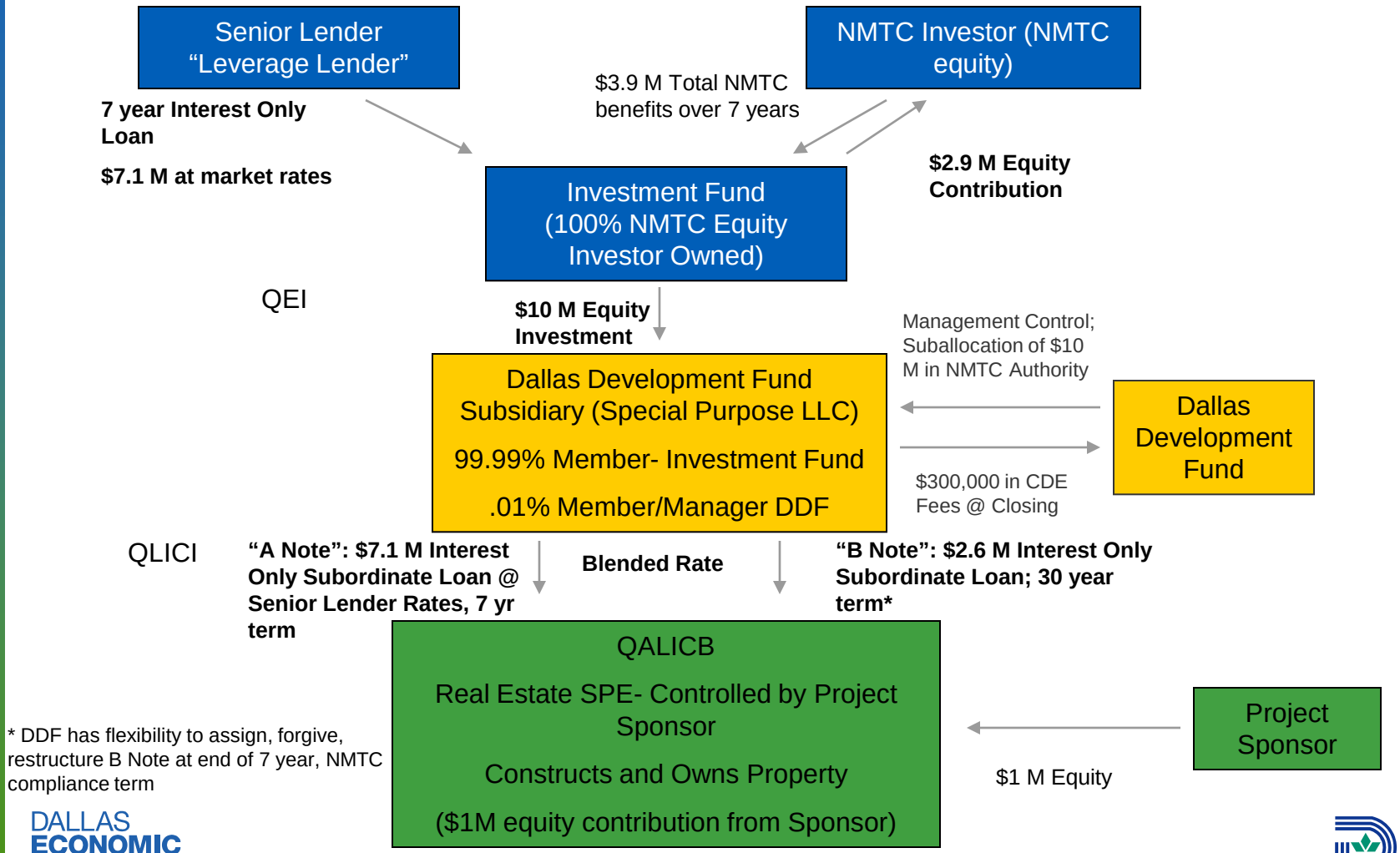
Funds can be used for **debt, equity or "hybrid" financing**

- Projects include commercial, industrial, institutional, not-for-profit
- For-sale housing (challenging due to 7-year time frame)
- Mixed-use projects, with rental housing less than 80% of income
- Operating businesses

An important **supplemental layer** that complements conventional debt and equity financing as well as existing city subsidy programs.

Illustrative NMTC Use

Hypothetical $11 M project using $10 M in NMTC Allocation



* DDF has flexibility to assign, forgive, restructure B Note at end of 7 year, NMTC compliance term

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Appendix

Project Budget

Project Budget

Uses	Residential	Commercial	Total
Land		2,589,210	2,589,210
Sitework		1,619,048	1,619,048
Hard Costs	11,213,968	4,279,748	15,493,716
Soft Costs	3,539,775	2,066,912	5,606,687
Contingency	1,122,667	621,104	1,743,771
Base Project Costs	15,876,410	11,176,022	27,052,432
NMTC Costs		754,250	754,250
Total Project Costs	15,876,410	11,930,272	27,806,682