

# Memorandum



DATE October 16, 2009

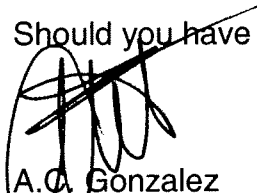
TO Members of the Economic Development Committee: Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Jerry R. Allen, Dwaine Caraway, Sheffie Kadane, Ann Margolin, Linda Koop, and Steve Salazar

SUBJECT **Briefing on Oak Cliff Gateway TIF District: Term Extension and Zang Triangle Project**

On Tuesday, October 20, 2009, the Economic Development Committee will be briefed on Oak Cliff Gateway TIF District: Term Extension and Zang Triangle Project.

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

# ***Oak Cliff Gateway TIF District: Term Extension and Zang Triangle Project***

Economic Development Committee

October 20, 2009



Office of Economic Development  
[WWW.DALLAS-ECODEV.ORG](http://WWW.DALLAS-ECODEV.ORG)



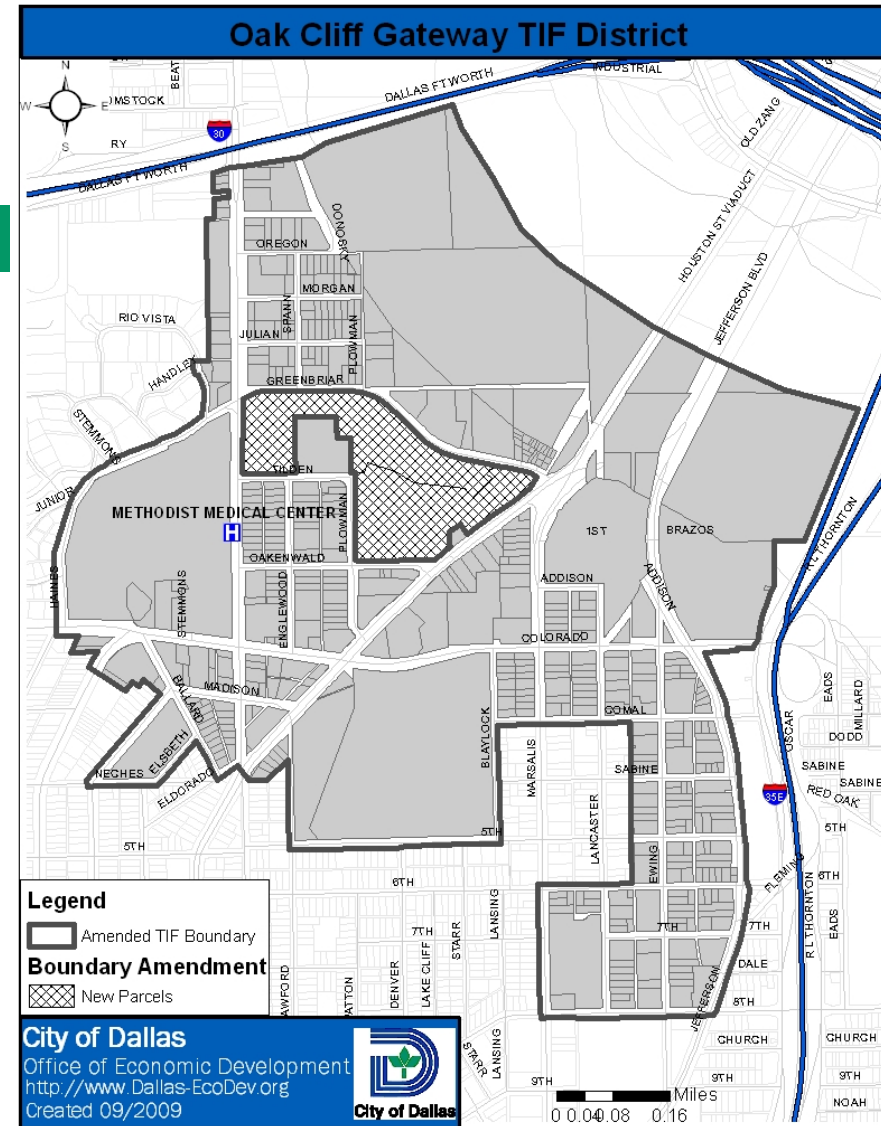
# Overview

- ◆ **Request to Extend Oak Cliff Gateway TIF Term**
  - Various amendments have been proposed for the Oak Cliff Gateway including a 10-year term extension
    - December 31, 2012 to December 31, 2022
  - Prior to considering this term extension, the TIF Policy must be amended
- ◆ **Request to amend the Oak Cliff Gateway TIF District and Project Plan**
  - Boundary Amendment
  - Decrease taxing jurisdiction participation rate in the extended term of the District
  - Increase TIF Budget
  - Create Grant Program
- ◆ **Request to fund Zang Triangle Project/1335 North Zang Blvd**
  - \$5,500,000 requested for TIF eligible improvements associated with the proposed Zang Triangle Project



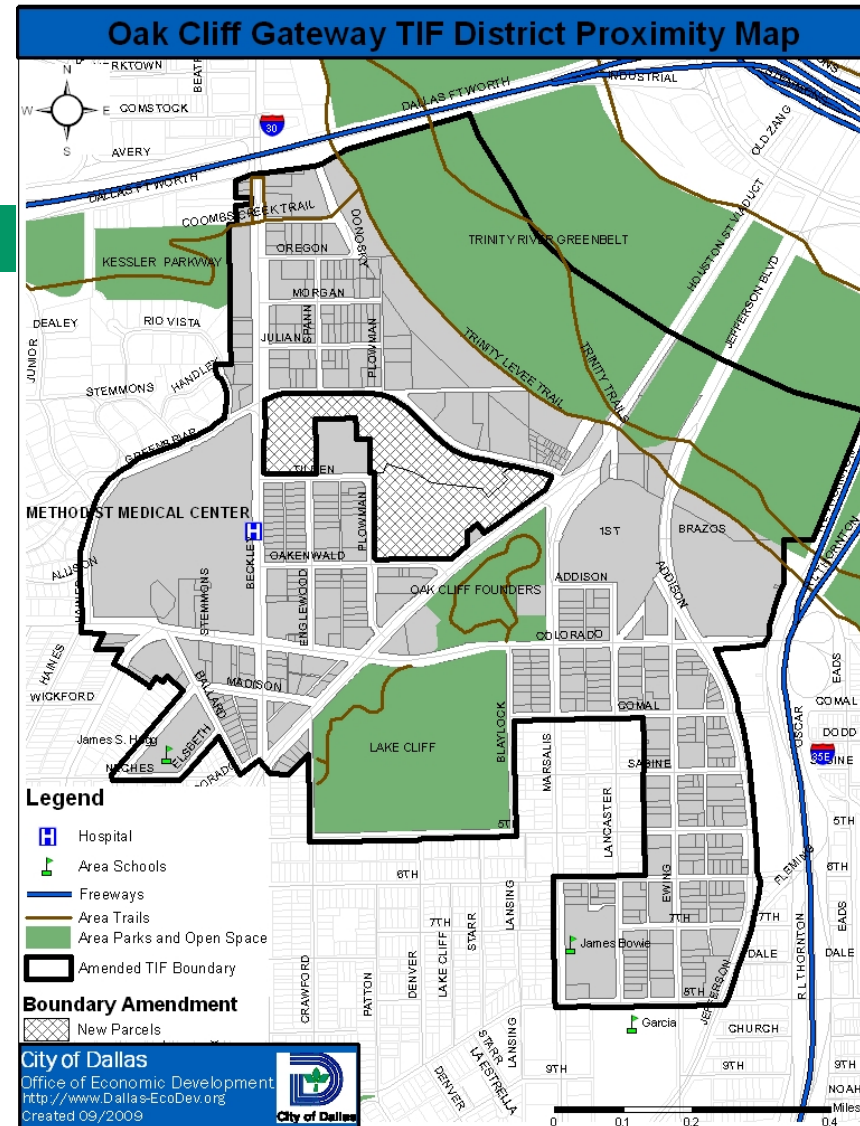
# Oak Cliff Gateway: Background

- ◆ The Oak Cliff Gateway was originally created in 1992, the same year as the creation of Cityplace TIF District, but has not achieved similar development success
- ◆ The District is located adjacent to the Trinity River and southwest of Downtown Dallas



# Oak Cliff Gateway: Background (continued)

- ◆ This area is prime for residential and commercial redevelopment due to its adjacency to the Trinity River, proximity to Interstates 30 and 35, proximity to the expansion of operations at Methodist Medical Center
- ◆ Additional assets in and near the District include Lake Cliff Park, Founders Park, the Trinity River and Bishop Arts District



# Oak Cliff Gateway: Current Status

## ◆ Remaining Term of the District

- The **expiration** of the TIF District is **December 31, 2012**
- The current expiration date **discourages new development** projects within the District as the length of time remaining is not sufficient to generate project increment for TIF reimbursement



# Oak Cliff Gateway: Current Status

## ◆ Original District Development Goals Unmet

- Over the years, the Oak Cliff Gateway TIF District has spurred development within the area, but at a slower rate than anticipated
- Original development goals within the District were not met
- Original Development Goals and Development Outcomes
  - **Add 500 market rate apartment**
    - *Approximately 368 units have been constructed within the District*
  - **Add 150 elderly housing units including assisted living facilities**
    - *No elderly housing units have been constructed within the District*
  - **Add 100 single family units**
    - *Approximately 121 owner occupied units have been constructed within the District*
  - **Add 90,000 square feet of additional industrial space**
    - *Approximately 60,000 square feet of light industrial space has been constructed within the District*
  - **Add 140,000 square feet of additional retail/commercial space**
    - *Approximately 38,000 square feet of retail/commercial space has been constructed in the District*

# Oak Cliff Gateway: Changing Market Conditions

## ◆ Changing market conditions within the District

- Recent development activity within the District indicates redevelopment interest exists in the area
  - **Methodist Medical Center** expansion completed in 2007 was a \$40M investment in the District
  - **Methodist Medical Center** has plans for \$30 to \$50 million expansion across from their facility on Beckley Avenue
  - **Grand Bank**, a \$2M investment, was completed in 2008
  - **Wachovia Bank**, a \$1.1M, investment was completed in 2008
  - **Bishop Colorado Retail Plaza**, a \$5.12M investment was completed this year
  - **Trinity Town Homes Phase II**, a \$20M investment, completed this year



# Does the Oak Cliff Gateway Request Meet TIF Extension Criteria?

- ◆ **The Oak Cliff Gateway TIF District meets guidelines for a “new era” TIF and falls within the FMPC cap requirement**
- ◆ **Changing market conditions within the District will:**
  - **Allow pending development to occur immediately** – Zang Triangle Project, a \$31M investment
  - **Support the expansion of a major employer** – Methodist Medical Center has plans to expand across Beckley Avenue
  - **Supports significant public investment and publically funded initiatives** – The Trinity River is the northern boundary of the TIF District as serves the Oak Cliff Gateway’s front door
- ◆ **Attract substantial redevelopment projects with a private investment of \$100M or more over the first 5 years of the extension period (See Appendix 1)**
  - Zang Triangle Project/1335 N. Zang – \$31M investment (256 residential units, 4000 square feet retail space)
  - 1720 Plowman: estimated \$20M investment (42 town home units)
  - 421 E. Greenbriar Street: estimated \$30M investment (260 residential units)
  - 265 Tilden Street: estimated \$30M investment (270 residential units)
  - Methodist Medical Expansion: estimated \$30M to \$50M investment (office and commercial space)



# Does the Oak Cliff Gateway Meet Extension Criteria? (continued)

- ◆ **Generate satisfactory TIF increment to meet specific infrastructure and development needs**
  - Development within the TIF District over the 10 year extended term is estimated to generate \$21.4M in TIF increment (See Appendix 2)
  - The increment generated would fund approximately 80% of the district infrastructure improvements
- ◆ **Reduce the City's TIF contribution to allow greater general fund cash flow**
  - **City's participation rate reduced from 100% to 85%**, increasing funding to the general fund immediately and reducing the City's payback period once the district terminates
- ◆ **Participation by other taxing entities**
  - Dallas County is anticipated to participate in the extended term at a rate of 65% (original participation rate of 100%, but normal participation is 55%)
  - DISD, Dallas County Hospital District and Dallas County Community College District are not anticipated to participate in the 10-year extended term
    - DISD could potentially lose state funding
    - DCCCD and DCHD do not participate due to financial constraints
- ◆ **Extension limit**
  - 10 years **Term**



# Proposed Term Extension Benefits

- ◆ Allow the District to take advantage of increases in the tax base generated by changing market conditions:
  - Trinity River Corridor Project
  - Methodist Medical Center expansion
  - Limited developable land near downtown
  - Redevelopment activity already taking place within the district
- ◆ Allow the District to take advantage of increases in the tax base due to development in the Oak Cliff Gateway district
- ◆ Provide a funding mechanism for needed public infrastructure improvements to support new development (See Appendix 3)

## Term Extension Benefits (continued)

- ◆ Provide for the inclusion of an **affordable housing requirement** (20% of residential units) for residential development within the District, which was not a requirement when the district was created in 1992
- ◆ Allow the District to collect increased revenue as two properties, proposed to be added to the District, tax abatement periods end during the 10-year period in order to generate adequate funds for needed infrastructure improvements
- ◆ Enable a new project, Zang Triangle, to proceed (additional information provided on slides 15 through 21)

# Proposed Boundary Amendment

- ◆ Two parcels totaling approximately 30 acres in size are proposed to be added to the Oak Cliff Gateway TIF District and will generate approximately \$4,000,000 to complete public infrastructure improvements in the area
  - 1401 Zang Boulevard
  - 1520 N. Beckley Avenue

# Proposed Budget Amendment

- ◆ The TIF Budget is proposed to increase from \$13,001,357 total dollars to \$33,432,572 total dollars
- ◆ The increased budget will support the infrastructure and financing needs of planned and anticipated development within the District
- ◆ A Grant line item has been added to provide financing flexibility in support of affordable housing and other economic development related priorities

# Proposed Budget Amendment *(continued)*

## Oak Cliff Gateway TIF District Project Plan Improvements Budget

*Project costs are public improvements paid or reimbursed by TIF.*

*Project costs may be changed in subsequent project and financing plans.*

Category	Approved TIF Budget (Actual)*	Recommended TIF Budget (Actual)*
<b>Public Infrastructure Improvements – Streets, Streetscape, Water, Wastewater, Utility Burial</b>	\$3,699,430	\$11,015,728
<b>Façade Improvements</b>	\$1,950,000	\$3,653,116
<b>Environmental Remediation and Demolition</b>	\$2,527,310	\$6,642,028
<b>Pedestrian Linkages/Lighting</b>	\$3,121,927	\$1,660,507
<b>Educational/Training Facilities</b>	\$900,000	\$664,203
<b>Economic Development Grants</b>	\$0	\$8,302,535
<b>Administration</b>	\$802,690	\$1,494,456
<b>Total Project Costs</b>	<b>\$13,001,357</b>	<b>\$33,432,572</b>



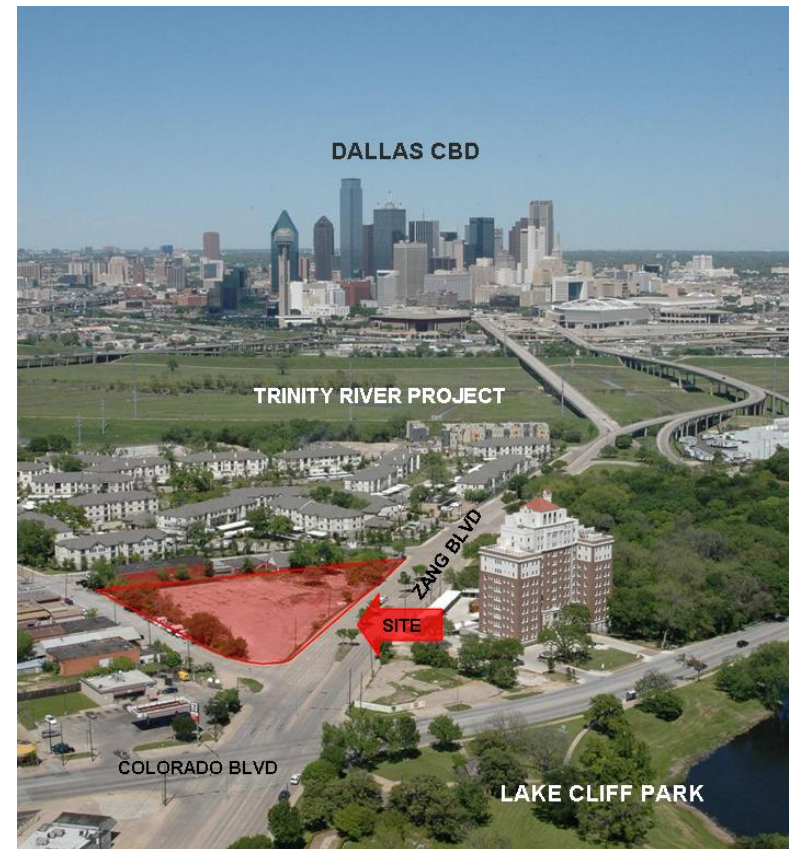
\* All values discounted to 2008 dollars at 5% annually. Actual expenditure value will depend on timing of project cost.

# Zang Triangle Development

- ◆ If the proposed amendments to the Oak Cliff Gateway TIF District and Project Plan are approved, Zang Triangle will be the first project considered for TIF Funding. Developer is Lang Partners (See Appendix 4)

- **Project Location**

- Located at the intersection of Zang Boulevard and Plowman Avenue – 1335 N. Zang Boulevard
- The site is 3.3 acres in size
- The site is adjacent to the Lake Cliff Tower and Park and 5 minutes from downtown Dallas



# Zang Triangle Development (continued)

## ◆ Project Description

- A 4-story, mixed use building with 256 residential units (approximately 216,000 square feet of residential space) and 4,000 square feet of retail
- 52 units (20% of total project units) will meet affordable housing requirements
- Estimated investment of \$32M
- On-site amenities for the project include a pool, 2 court yards, fitness center, tenant lounge/internet café, and mail room



# Zang Triangle Project – Site Plan



# Zang Triangle Project Proposed TIF Funding

- ◆ TIF funds for the Zang Triangle Project would be used to offset the cost of the following improvements:
  - Site assessment, demolition and engineering
  - Streetscape/utilities design and construction
  - Structured parking
  - Affordable housing requirement

Description		Amount
<b>Environmental Remediation and Demolition</b>		
Site assessment & demolition	\$92,398.50	
Engineering	\$7,601.50	\$100,000
<b>Public Infrastructure Improvements -</b>		
Streetscape/Utilities (Design and Construction)		\$1,300,000
<b>Economic Development TIF Grant – reimbursement to offset portion of cost affordable housing and structured parking</b>		\$4,100,000
<b>Total TIF funding request</b>		<b>\$5,550,000</b>

# Zang Triangle Project

## NCTCOG Grant

- ◆ A proposal has been submitted to the NCTCOG Sustainable Development Grant Program for the Zang Triangle Project
- ◆ \$1,750,000 in grant money has been requested for the following offsite improvements:
  - Street easement abandonment
  - Water/wastewater and storm sewer line relocation
  - Pedestrian crossing improvements
  - Streetscape Improvements
- ◆ Projects selected for grant funding will not be announced until March 2010



# Zang Triangle Project Funding Sources & Uses

- ◆ Funding Sources and Uses
  - HUD 221(d)(4) program – Construction loan
  - HUD Section 108 funding – Mezzanine debt
  - Sustainable Development Grant - NCTCOG Funding
  - Lang Partners – Equity

<b>Funding Source</b>	<b>Amount</b>	<b>Use</b>
HUD 221(d)(4)	\$20,000,000	Construction Loan
City of Dallas - Section 108	\$6,000,000	Mezzanine Loan
Lang Partners, LLC	\$3,684,000	Equity
NCTCOG Sustainable Development Grant	\$1,750,000	Public Improvements
<b>Total</b>	<b>\$31,434,000</b>	

# Zang Triangle Project Summary

Proposed Zang Triangle Project	
<b>Project Square Footage</b>	216,000 square feet - 256 units 4,000 square feet - retail space
<b>Private Investment</b> <i>(land acquisition, hard and soft costs)</i>	\$31,051,000
<b>Total Project Costs</b> <i>(actual investment, land acquisition, soft costs, debt expenses, etc)</i>	\$32,393,000
<b>Total Costs per SF</b>	\$147.24
<b>TIF Funding</b>	\$5,550,000
<b>Return on Cost with TIF Reimbursement</b>	6.8%
<b>Return on Cost without TIF Reimbursement</b>	5.8%
<b>% TIF Funds to Total Project Costs</b>	17.13%
<b>Proposed Construction Start Date</b>	September 30, 2010
<b>Proposed Project Completion Date</b>	December 31, 2011

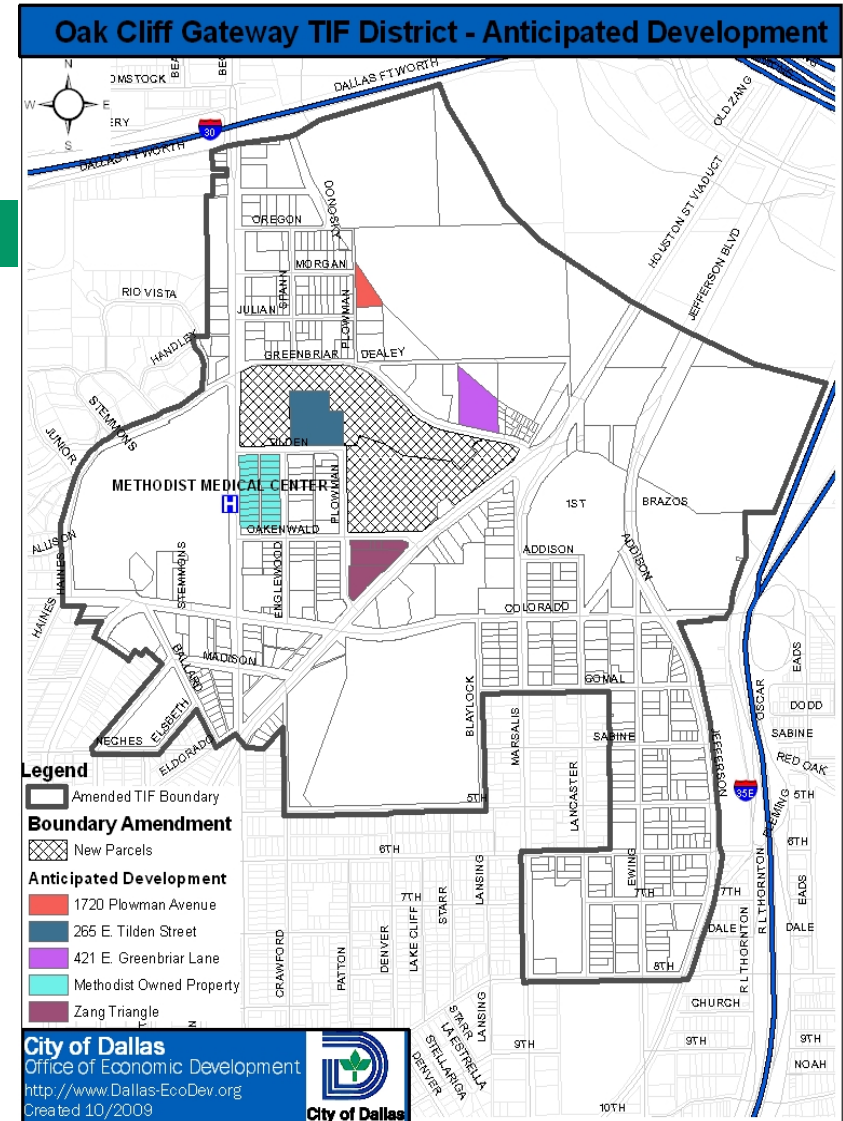
# Recommendations

- ◆ The following actions are recommended:
  - Conduct a Public Hearing on November 9, 2009, to receive citizen comments on the various proposed amendments to the Oak Cliff Gateway TIF District and Project Plan
  - Approval of the various proposed amendments to the Oak Cliff Gateway TIF District and Project Plan, at the conclusion of the public hearing
  - Approve a Development Agreement with Lang Partners LLC, for TIF reimbursement for the Zang Triangle Project

# ◆ Appendices

# Appendix 1: Map of Anticipated Development

- Zang Triangle Project/1335 N. Zang – \$31M investment (256 residential units, 4000 square feet retail space)
- 1720 Plowman: estimated \$20M investment (42 town home units)
- 421 E. Greenbriar Street: estimated \$30M investment (260 residential units)
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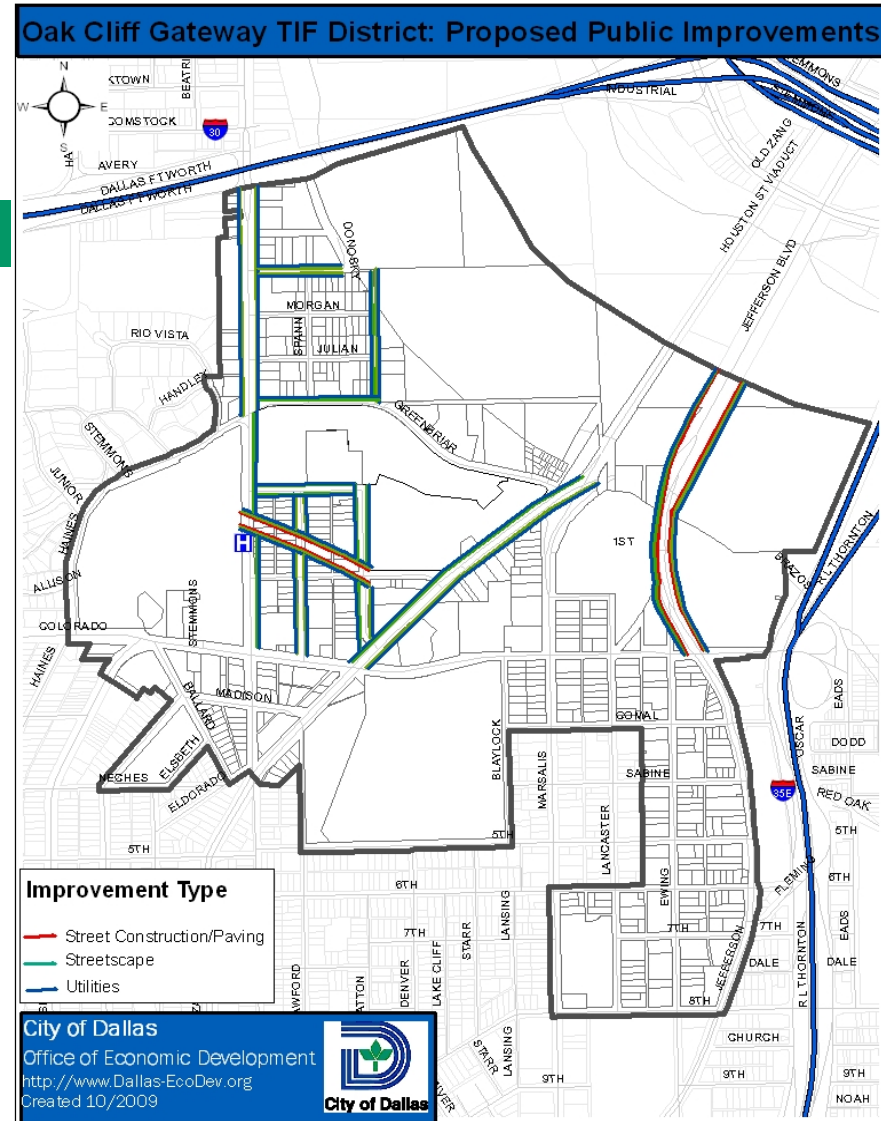


# Appendix 2: TIF Increment Chart

## Projected TIF Increment Schedule

Tax Year	Net Taxable Assessed Value	Cumulative Prop Val Growth	Captured Appraised Value	Tax Increment Revenue	Accumulated Net Present Value	Tax Increment Revenue	Tax Increment Revenue	Tax Increment Revenue	Tax Increment Revenue	Tax Increment Revenue	
Year	City		City	Total Dollars	Value	City	DISD	Dallas County	DCHD	DCCCD	
Base Year	1992	\$38,570,128									
1	1993	\$38,245,158	-0.84%	(\$324,970)	\$0	\$0	\$0	\$0	\$0	\$0	
2	1994	\$38,699,692	0.34%	\$129,564	\$0	\$0	\$0	\$0	\$0	\$0	
3	1995	\$38,323,980	-0.64%	(\$246,148)	\$0	\$0	\$0	\$0	\$0	\$0	
4	1996	\$39,118,366	1.42%	\$548,238	\$0	\$0	\$0	\$0	\$0	\$0	
5	1997	\$41,514,962	7.64%	\$2,944,834	\$59,146	\$44,722	\$19,189	\$27,095	\$5,919	\$5,471	\$1,472
6	1998	\$43,746,236	13.42%	\$5,176,108	\$103,331	\$118,606	\$33,598	\$47,625	\$10,207	\$9,312	\$2,588
7	1999	\$45,659,848	18.38%	\$7,089,720	\$142,199	\$214,752	\$47,324	\$63,573	\$13,868	\$13,868	\$3,566
8	2000	\$51,431,069	33.34%	\$12,860,941	\$266,401	\$385,083	\$85,847	\$116,281	\$25,188	\$32,641	\$6,444
9	2001	\$54,818,286	42.13%	\$16,248,158	\$339,026	\$590,062	\$108,456	\$147,727	\$31,827	\$41,245	\$9,771
10	2002	\$56,761,977	47.17%	\$18,191,849	\$385,383	\$810,400	\$127,307	\$165,313	\$35,636	\$46,181	\$10,947
11	2003	\$52,797,457	36.89%	\$14,227,329	\$260,649	\$951,319	\$85,116	\$110,378	\$24,785	\$30,875	\$9,496
12	2004	\$55,421,996	43.69%	\$16,851,868	\$324,311	\$1,117,124	\$111,266	\$133,818	\$30,582	\$36,950	\$11,695
13	2005	\$57,308,839	48.58%	\$18,738,711	\$412,881	\$1,316,733	\$138,985	\$170,975	\$40,039	\$47,546	\$15,336
14	2006	\$60,675,614	57.31%	\$22,105,486	\$485,923	\$1,538,881	\$161,193	\$203,393	\$47,284	\$56,148	\$17,905
15	2007	\$76,125,212	97.37%	\$37,555,084	\$772,572	\$1,872,871	\$256,776	\$316,447	\$84,545	\$87,155	\$27,649
16	2008	\$95,665,708	148.03%	\$57,095,580	\$1,302,824	\$2,405,469	\$418,060	\$556,443	\$122,836	\$152,368	\$53,118
17	2009	\$110,576,980	186.69%	\$72,006,852	\$1,612,593	\$3,028,857	\$538,539	\$662,535	\$164,248	\$182,897	\$64,374
18	2010	\$121,233,905	214.32%	\$82,663,777	\$1,851,255	\$3,705,593	\$618,242	\$760,589	\$188,556	\$209,966	\$73,901
19	2011	\$150,914,752	291.27%	\$112,344,624	\$2,515,958	\$4,575,307	\$840,225	\$1,033,683	\$256,258	\$285,355	\$100,436
20	2012	\$178,187,621	361.98%	\$139,617,493	\$1,219,356	\$4,973,894	\$1,044,199	\$0	\$175,157	\$0	\$0
1	2013	\$182,642,311	233.18%	\$144,072,183	\$1,129,497	\$5,323,032	\$915,888	\$0	\$213,609	\$0	\$0
2	2014	\$224,348,792	309.26%	\$185,778,664	\$1,456,468	\$5,748,760	\$1,181,023	\$0	\$275,445	\$0	\$0
3	2015	\$280,420,512	411.55%	\$241,850,384	\$1,896,059	\$6,272,847	\$1,537,479	\$0	\$358,579	\$0	\$0
4	2016	\$310,160,942	465.80%	\$271,590,814	\$2,129,218	\$6,829,380	\$1,726,544	\$0	\$402,674	\$0	\$0
5	2017	\$342,660,527	525.08%	\$304,090,399	\$2,384,006	\$7,418,628	\$1,933,148	\$0	\$450,860	\$0	\$0
6	2018	\$369,099,345	573.31%	\$330,529,217	\$2,591,283	\$8,024,283	\$2,101,224	\$0	\$490,059	\$0	\$0
7	2019	\$416,789,938	660.31%	\$378,219,810	\$2,965,168	\$8,679,641	\$2,404,400	\$0	\$560,768	\$0	\$0
8	2020	\$465,672,796	749.48%	\$427,102,668	\$3,348,399	\$9,379,462	\$2,715,156	\$0	\$633,244	\$0	\$0
9	2021	\$497,905,421	808.28%	\$459,335,293	\$3,478,667	\$10,066,977	\$2,797,634	\$0	\$681,033	\$0	\$0
10	2022	\$530,943,861	835.39%	\$492,373,733	\$0	\$0	\$0	\$0	\$0	\$0	\$0
					<b>\$33,432,572</b>	<b>\$10,066,977</b>	<b>\$21,946,819</b>	<b>\$4,515,875</b>	<b>\$5,323,204</b>	<b>\$1,237,978</b>	<b>\$408,701</b>

# Appendix 3: Map of Anticipated Public Improvements



# Appendix 4: Lang Partners, LLC

- ◆ The principals of Lang Partners include John Ausburn, Dirik Oudt and Kyle Oudt
- ◆ While functioning as the development team of Lang Partners, they all represent INCAP fund in their roles listed below
  - John Ausburn, Managing Director – over 25 years of real estate and development experience focusing the 12 years on urban infill projects
  - Dirik Oudt, Vice President, Acquisitions and Dispositions – directs INCAP's Fort Worth and San Antonio land acquisition and development program
  - Kyle Oudt, Vice President, Asset management