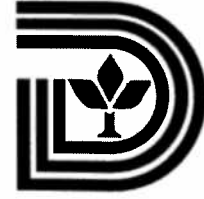


# Memorandum



CITY OF DALLAS

DATE October 2, 2009

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dwaine Caraway, Angela Hunt, Ann Margolin, Pauline Medrano

SUBJECT The Butler Development - Southwestern Medical TIF District

On Monday, October 5, 2009, you will be briefed on The Butler Development - Southwestern Medical TIF District. A copy of the briefing is attached.

Please let me know if you have any questions.

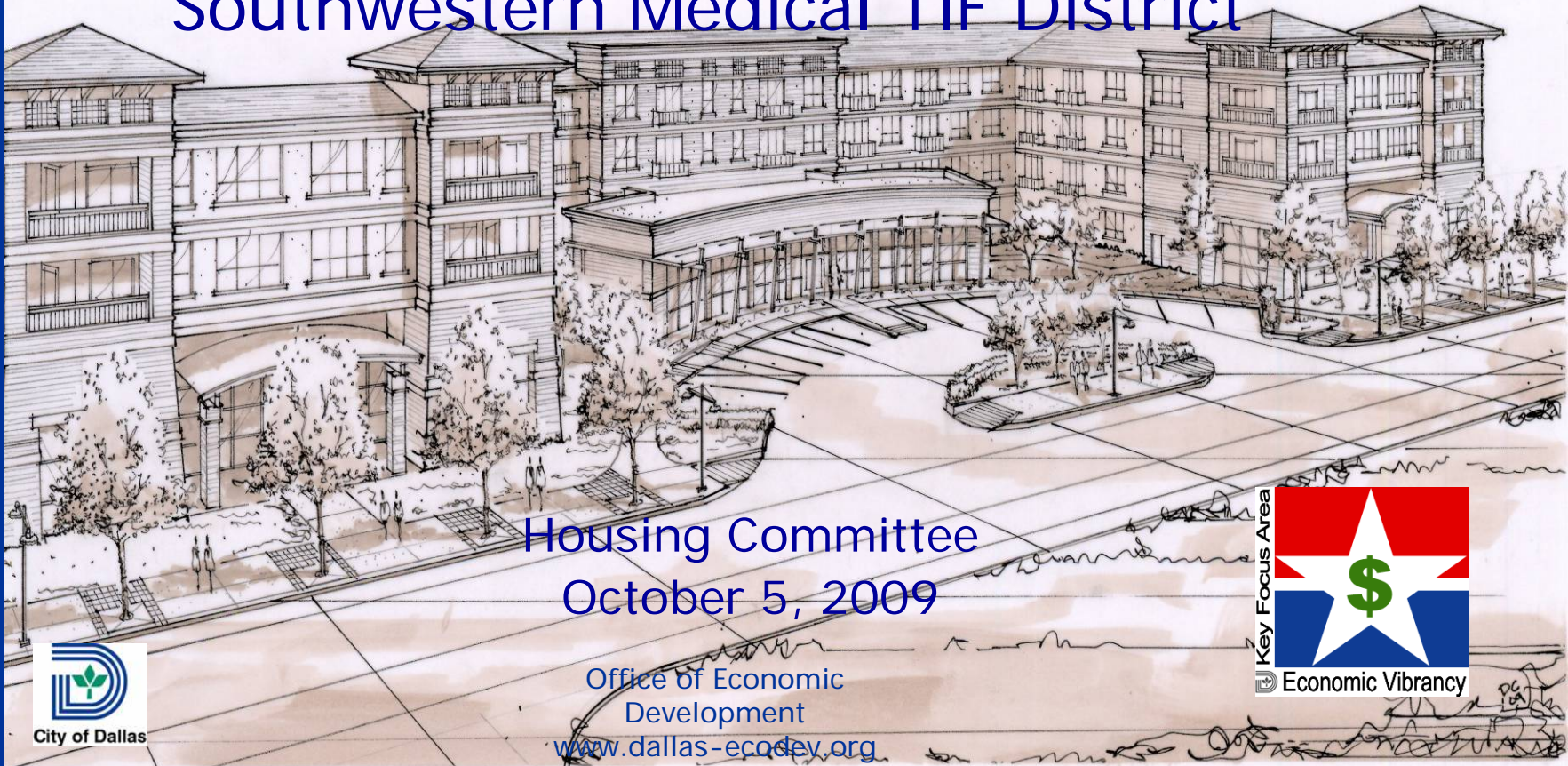
A handwritten signature in black ink, appearing to read 'A.C. Gonzalez'.

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 P. Perkins, Jr., City Attorney  
Craig Kinton, City Auditor  
C. Victor Lander, Judiciary  
Ryan S. Evans, First Assistant City Manager  
Forest Turner, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Dave Cook, Chief Financial Officer  
Jerry Killingsworth, Housing Director  
Jeanne Chipperfield, Director, Budget and Management Services  
Helena Stevens-Thompson, Assistant to the City Manager

# The Butler Development

## Southwestern Medical TIF District



Housing Committee  
October 5, 2009



City of Dallas

Office of Economic  
Development  
[www.dallas-ecodev.org](http://www.dallas-ecodev.org)



# Purpose

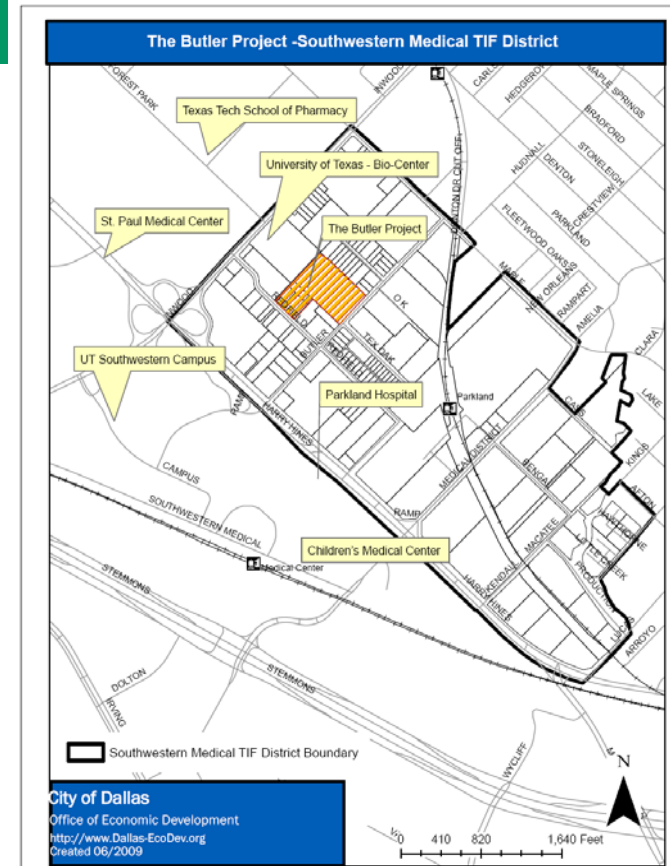
- ❖ Review proposed The Butler project and recommended TIF funding.
- ❖ Obtain Economic Development Committee approval for consideration by City Council on September 23, 2009.

# Project Description

- Located in the Southwestern Medical TIF District at the corner of Redfield Street and Butler Street.
- New construction of 390,000 sq. ft residential space (approximately 468 apartments) and 5,020 sq. ft retail space.
- The development is located on a reclaimed “Brownfield Site” – existing old, contaminated industrial buildings will be demolished and cleaned up to develop a new residential project.

# Location

- ◆ Site is close to major employment centers:
  - ❖ Parkland Hospital
  - ❖ Children's Medical Hospital
  - ❖ UT Southwestern Medical Center
  - ❖ St. Paul Medical Center
  - ❖ University of Texas Southwestern Medical Center
  - ❖ Bio-Center at Southwestern Medical District
  - ❖ Texas Tech School Of Pharmacy



# Location (cont'd)

- ◆ Two blocks from the DART Southwestern Medical District/Parkland Green Line light rail station, (scheduled to be operational in the fall of 2010).
- ◆ Less than  $\frac{3}{4}$  mile from the existing Medical/Market Center Station.
- ◆ Less than  $\frac{1}{4}$  mile walking distance from the existing DART Bus lines on Maple Avenue, Inwood Road and Harry Hines Boulevard.

# Key Project Facts

## (See Appendix 1 Dev. Agreement Terms)

Square footage	390,000 Sq.Ft Residential 5,020 Sq. Ft Retail
Required private investment for the project - acquisition, design costs, and infrastructure improvements	\$50,000,000
Total project cost including actual investment, land acquisition, all soft costs, debt expenses, etc.	\$61,500,000
Construction costs per sf	\$169.85
Projected Average Rent per sf per month	\$1.70
Developer fees - % of total project cost	0.28%
TIF funding	\$7,650,000
Return on Cost with TIF reimbursement	7.80
Return on Cost without TIF reimbursement	7.5
% TIF Funds to required project cost	14.4%
% TIF Funds to total project cost	12.4%
Construction start date	October 30, 2009
Project completion date	December 31, 2011

# TIF Funding:

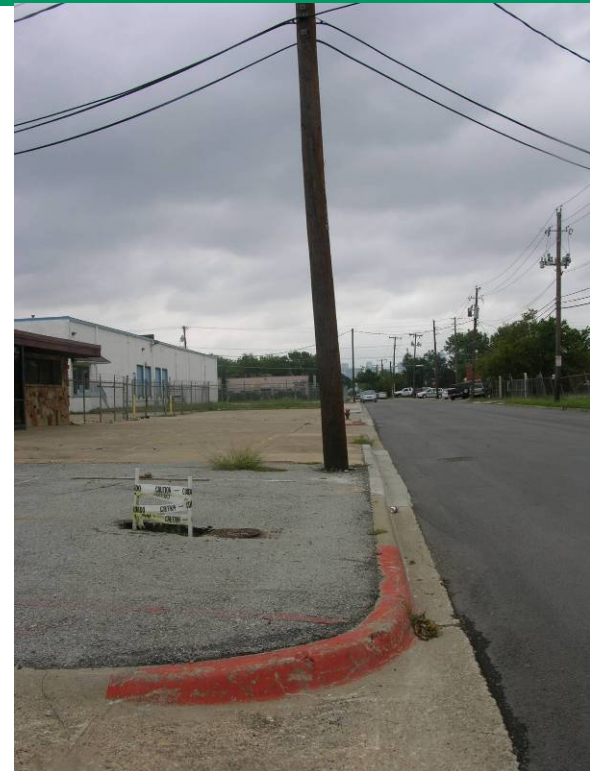
## Summary of Reimbursable Improvements

- ◆ TIF funds for The Butler project will be used to offset the cost of:
  - wide, heavily landscaped sidewalks (see appendix - 1 and appendix- 2 for existing sidewalk conditions and proposed improvements).
  - environmental remediation.
  - a portion of the cost of structured parking.
  - provision of affordable housing for the project.

# TIF Funding: Existing Sidewalk Conditions



Narrow, cracked sidewalk on Butler Street



Redfield Street -existing sidewalk

# TIF Funding: Summary by Line Item

Description	Amount
Environmental	\$340,000
Streetscape	\$780,000
TIF Grant	\$6,530,000
<i>* Structured Parking - \$3,530,000</i>	
<i>* Affordable Housing - \$3,000,000</i>	
<b>Total TIF funds</b>	<b>\$7,650,000</b>

Note: TIF funding commitment for structured parking will be reduced on a proportional basis if the total project cost is less than \$61 million (See Appendix 2)

# Developers

- ◆ Amarone L.P., was formed to develop The Butler project.
- ◆ Mitchell Vexler, President, Mockingbird Properties will manage the project.
- ◆ The Mockingbird Group of Companies is a vertically integrated real estate operation that acquires, designs, and builds retail, multi-family, mixed-use and high-rise projects.
- ◆ The developers have 25 years of experience and have done multifamily, residential, retail and industrial developments in several locations in Canada, Dallas, and Plano.

# Conclusion

- ◆ The project is not financially viable without the TIF subsidy.
- ◆ The project meets Southwestern Medical TIF criteria for funding.
- ◆ It will provide linkages to the Parkland Light Rail Station.
- ◆ Located in a prominent area on Butler Street in the heart of the Medical District.
- ◆ Provides needed housing for the large employment base in the area.
- ◆ The City will enact and implement controls sufficient to ensure that any grant funds provided will be used to fulfill the public purposes of the Southwestern Medical Grant Program.

# Recommended Next Steps

- ◆ Economic Development Committee Recommendation for Council approval of \$7,650,000 in TIF funding in accordance with the terms of the proposed Development Agreement.
- ◆ Council Consideration on September 23, 2009.

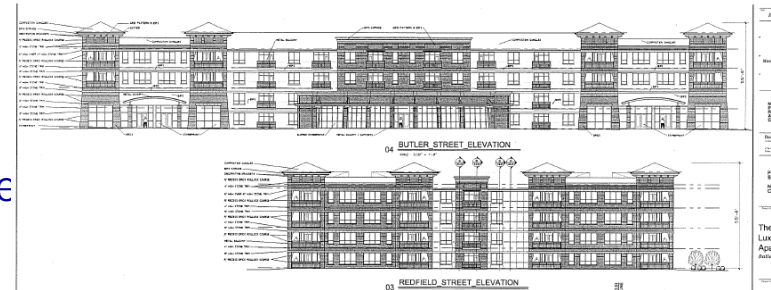
# Appendix 1

## Development Agreement Terms

1. Build structure containing a minimum 390,000 square feet for residential use and 5,020 square feet for retail use;
2. Invest a minimum of \$50,000,000 for property acquisition cost and hard costs for construction;
3. Begin construction by October 30, 2009;
4. Complete approximately 468 units and obtain a final certificate of occupancy for all units by December 31, 2011;
5. Complete and obtain a final certificate of acceptance by the Department of Public Works and Transportation by December 31, 2011 for public infrastructure improvements associated with the project;



The Butler Conceptual Elevation:



The Butler Elevations – Redfield and Butler Street

# Appendix 1

## Development Agreement Terms (cont'd)

6. Execute an operating and maintenance agreement for the public infrastructure improvements associated with the project by December 31, 2011 for a period of 20 years;
7. Comply with the Business Inclusion and Development ("BID") goal of twenty-five percent (25%) for the TIF reimbursable improvements, the Owner shall make a good faith effort to achieve a goal of certified Minority/Women-owned Business Enterprise (M/WBE) participation for the private improvement construction of 15% of total private expenditure, and meet all reporting requirement for each;
8. Submit quarterly (once in every three months, starting from the construction start date) project status reports to the OED Staff;
9. Market the apartments pursuant to an affirmative fair housing marketing plan approved by the City;
10. Construct public and private improvements that conform in design and materials shown in elevations and site plans approved by Southwestern Medical Design Review Committee and OED staff;

# Appendix 1

## Development Agreement Terms (cont'd)

11. If required, the project deadline can be extended up to 6 months, subjected to the approval from the Southwestern Medical TIF District Board of Director's and the Director of Office of Economic Development;
12. Affordable Housing Requirements: The funding for the project is based on meeting the affordable housing requirement of 20%.

# Appendix 2

## Special Conditions: TIF Reimbursement Reduction

### TIF reimbursement reduction if the project under budget:

- ◆ Since TIF reimbursement will be used for work outside the public right-of-way in this project (structured parking), TIF funding commitment will be reduced if project expenditures are less than the proposed project budget.
  - If the total project cost is less than \$61,000,000 (an amount greater than the required minimum investment), then the TIF Subsidy/Grant for the structured parking (\$3,530,000) will be reduced on a proportional basis. No reduction in funding for the environmental/streetscape/affordable housing (\$4,120,000) component of the TIF funding; and
  - Complete a post construction audit to show the total project investment of \$61,000,000.

# Appendix 2

## Special Conditions: TIF Reimbursement Reduction (cont'd)

### ◆ How does it work?

Total Private investment	% in reduction	Reduction in funding for parking	Total TIF Funding
\$61,000,000	0%	\$0	\$7,650,000
\$57,950,000	5%	\$176,500	\$7,473,500
\$54,900,000	10%	\$353,000	\$7,297,000
\$51,850,000	15%	\$529,500	\$7,120,500
\$48,800,000	20%	No Funding as it does not meet the minimum TIF requirement – \$50,000,000	

➤ The table shows the proportional reduction in the funding from \$61,000,000.

➤ Funding will be reduced only for the parking structure (\$3,530,000).

➤ Remaining funding (\$4,120,000 for public right-of-way improvements + affordable housing) will remain the same if the project meets all other TIF requirements (slides 9 -11) .

# Appendix 3

## Special Conditions-NCTCOG Grant

- The Butler has submitted a proposal to the NCTCOG Sustainable Development Grant Program.
- If they receive the grant money (\$1,980,000), proposed improvements include along both sides of Tex Oak Avenue from Butler Street to the DART Light Rail Station.
  - ❖ wider patterned & standard concrete sidewalks
  - ❖ installation of larger street trees in tree wells with custom metal grates
  - ❖ additional landscaping and irrigation systems
  - ❖ relocation of the overhead utilities for widening the sidewalks
  - ❖ installation of custom street lights
  - ❖ trash containers & benches
- Decision on funding for this grant is not expected until March 2010.

# Appendix 3 Special Conditions-NCTCOG Grant

