

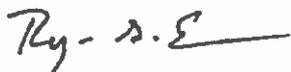
Memorandum



DATE April 29, 2016
TO The Honorable Mayor and Members of the City Council
SUBJECT **Cypress Waters**

On Wednesday, May 4, 2016, the City Council will be briefed on Cypress Waters. Briefing material is attached.

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



Ryan S. Evans
First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Christopher D. Bowers, Interim City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Cypress Waters

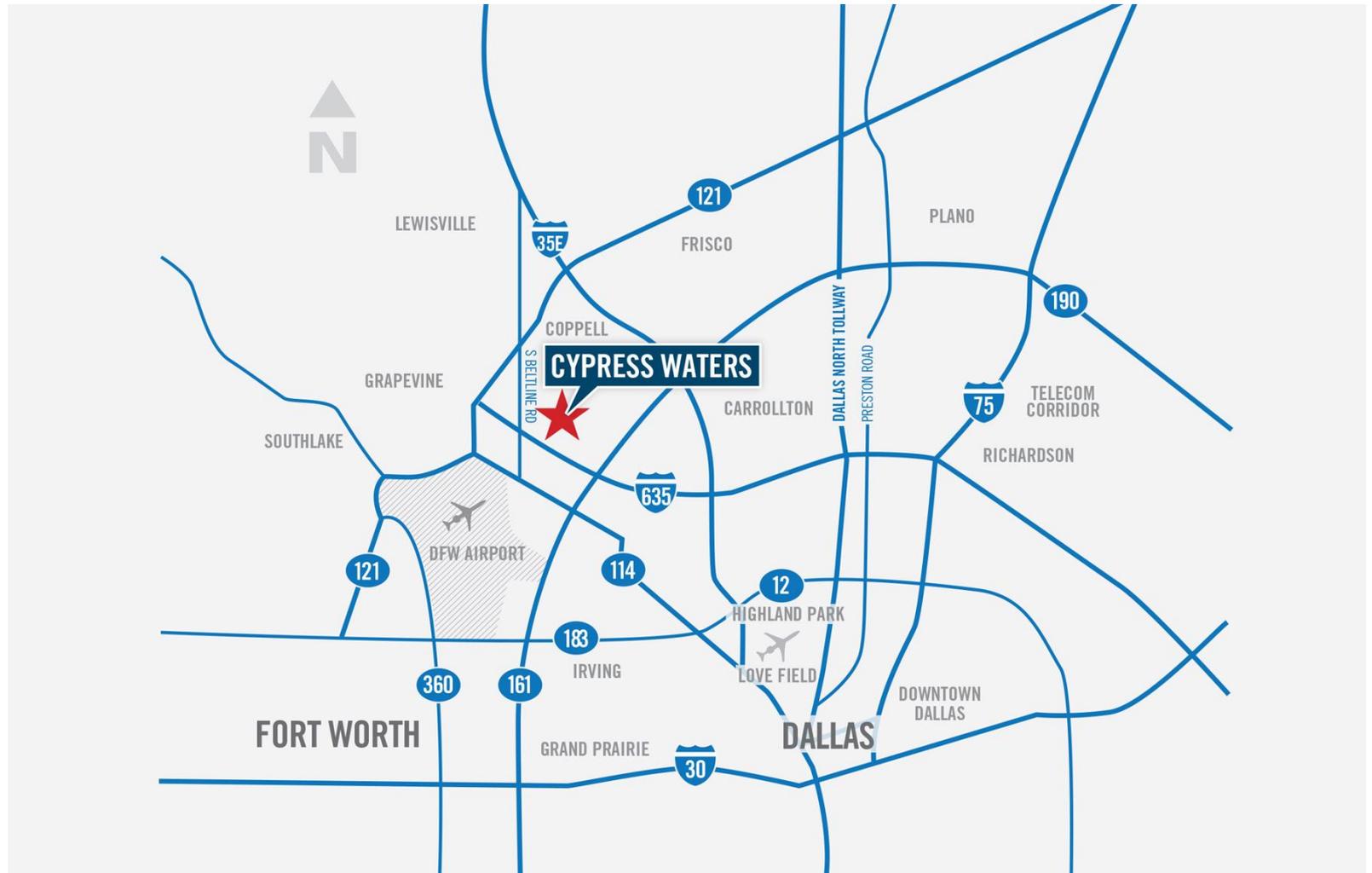
Dallas City Council
May 4, 2016



Purpose

- Background and status on the Cypress Waters development
- Discuss City's participation in the development
- Financial Impact of Cypress Waters

Location



Aerial of Site



Strategic Choice

- Develop the North Lake property or not?
- If yes, minimize our costs and maximize the City's future tax revenue
- Get developer to bring expertise, resources and business capacity to the table

Masterplan



Vision



The Site

- Over 1,500 acres of land within the city of Dallas near DFW (including a former power plant and associated cooling lake)
- In 2010, land use was agricultural and valued at \$71,437 for tax purposes (provided \$569.35 in tax revenue)
- \$100+ million needed to deliver public infrastructure and facilities in order to develop the site

The Project

- Cypress Waters represents master-planned community including 1,000 acres of new development with the remaining acreage comprised of lake and recreational space:
 - 4.5 million square feet of office
 - 150,000 square feet of retail
 - 10,000 multi-family units, and
 - Build-out cost to exceed \$2 billion
 - Would generate \$8.8 million to City in property tax revenue per year based on estimated \$1.1 billion assessed value plus additional revenue from sales taxes and business property assessments

Project Initiation

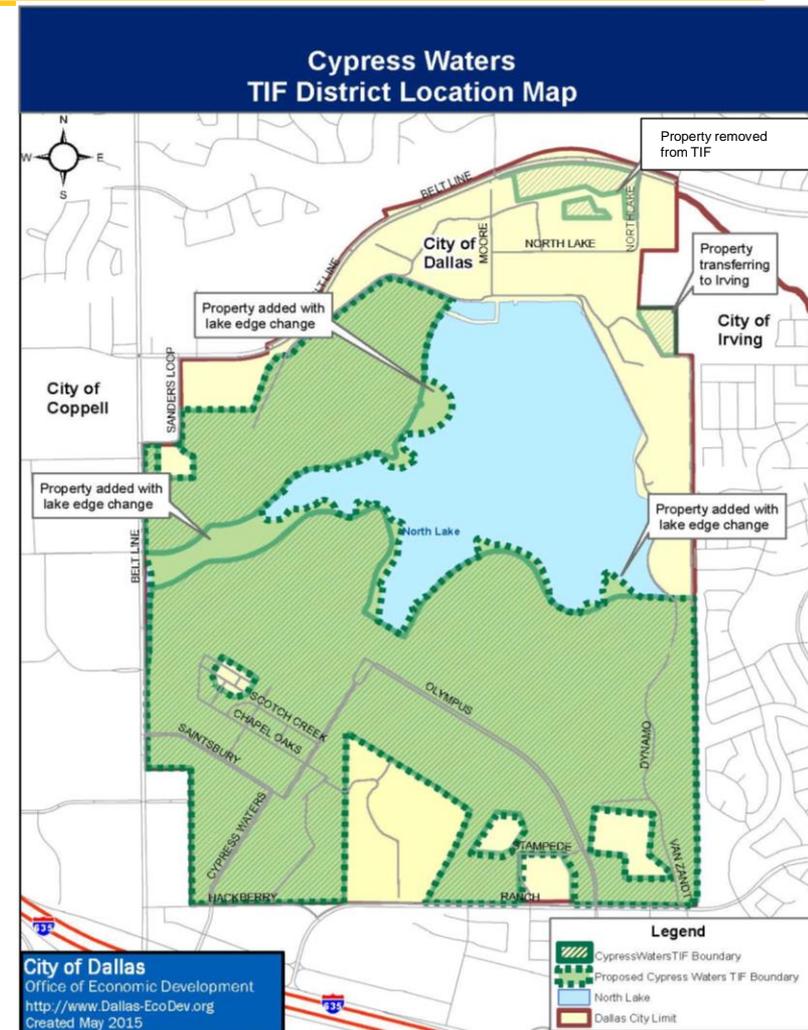
- In order to maximize potential tax revenue and minimize City costs, staff began negotiations with the Billingsley Company in 2008 on the proposed project
- Discussions lead to a MOU and creation of the 939 acre Cypress Waters Tax Increment Finance District in December 2010
- Billingsley agreed to fund required infrastructure, public safety improvements and provide 20% affordable units for TIF supported residential

Original TIF Terms

- Phase I – approved June 2011
 - 673 apartments (135 affordable): \$45 million private investment
 - Water/Wastewater/Street/Public Safety Facility (\$9.8 million plus interest)
- Phase II – approved November 2012
 - Additional street infrastructure/public amenities/greenspace (\$6.5 million plus interest)

Plan Amendment

- **Reduced TIF budget**
 - From \$160 million to \$50 million making \$110 million available to General Fund in future as opposed to the TIF
 - No future TIF requests anticipated & developer privately funds future infrastructure w/o reimbursement
 - Existing contracts honored with TIF obligations anticipated being met in 2025
- **Amend TIF boundary**
 - Removed 28 acres from the TIF
 - Added 49 acres reclaimed from lake
 - Changes increase district to 960 acres
- **Administrative change**
 - Update infrastructure category to allow TIF funding to be used for Irving-led projects, if necessary
- **No additional affordable housing required unless developer seeks more TIF funding**



Outcome of Infrastructure Investment

- Anticipated TIF district real property build-out tax value
 - 2016 taxable real property tax value of \$130 million generates \$155,920 for general fund (an increase of 27,285% from 2010)
 - \$1.1 billion in real property tax value to generate \$8.8 million in City revenue annually by 2040 (total revenue for other taxing units \$23 million annually)
- New office development
 - Delivered to date - 1.4m s.f.
 - Under construction - 217,000 s.f.
- New Residential development
 - Units delivered to date – 673 (135 affordable)
 - Units under construction – 141 (28 affordable)
- Office Tenants: Meritage Homes, AIG, Billingsley, AMN Healthcare*, Nomura, Nationstar, British Telecom, Toyota Industries Comm. Finance*, imortgage, Adams Engineering, OneSource*, Corelogic*, Zale*, among others
 - Estimated jobs 5,600

* - Projects supported by
Public/Private Program

Support for Office Tenants

Company	Council Date	Jobs	Grant
AMN Healthcare	Feb 25, 2015	550	\$250,000
Corelogic Solutions	May 25, 2015	1,600	\$600,000
Toyota Industries Commercial Finance	June 17, 2015	150	\$277,500
OneSource	Dec. 9, 2015	1,300	\$800,000**
Zale	Apr 27, 2016	1,100	\$450,000

Note: OneSource grant not executed due job maintenance concerns

Cypress Waters TIF District Financial Information

	2010	2016	Estimated	
			2026	2040
Tax Base	\$71,437	\$129,945,923	\$517,613,180	\$1,098,647,156
Taxes to General Fund	\$569	\$155,920	\$4,125,377	\$8,756,218
Taxes to Other Jurisdictions	\$1,494	\$2,544,573	\$10,827,174	\$22,980,952
<i>Dallas County</i>	\$174	\$142,328	\$1,258,318	\$2,670,811
<i>Dallas County Community College District</i>	\$88	\$160,678	\$640,029	\$1,358,477
<i>Parkland Hospital</i>	\$204	\$371,645	\$1,480,374	\$3,142,131
<i>Coppel ISD</i>	\$1,028	\$1,869,922	\$7,448,454	\$15,809,533
Private Investment (Cumulative)	-	\$170,566,741	\$942,198,337	\$2,015,625,927
Public Infrastructure Costs to be Reimbursed* (TIF and DWU)	-	\$23,029,768	TBD	TBD
<i>Phase I TIF (\$9.8M + interest)</i>	-	\$11,264,046	-	-
<i>Phase II TIF (\$6.5M + interest)</i>	-	\$9,595,722	-	-
<i>DWU Cost Participation</i>	-	\$2,170,000	TBD	TBD
Public Infrastructure Costs NOT Reimbursed* (Cumulative)	-	\$25,500,000	\$58,082,500	\$90,665,000
PPP Subsidy to Various Office Tents (Relocation)	-	\$1,577,500	TBD	-
Ratio of Private to Public Investment (Assumes no additional public subsidies)	-	7 to 1	38 to 1	82 to 1
Jobs (Cumulative)	-	5,450	9,550	14,700
Total Housing Units (Cumulative)	-	814	4,500	10,000
<i>Affordable Units</i>	-	163	163	-
Population (Cumulative)	-	2,200	7,700	25,000
*Reflects Infrastructure costs, assuming Irving ILA is approved. See Appendix B for Water/Wastewater comparative cost breakdown with/without Irving ILA.				
<i>It will take approximately 6 years to payback public investment after the district's early expiration in 2025</i>				

Note: Police and Fire service costs currently \$1.950M annually

Cypress Waters TIF District

Past City Council Actions - Timeline

- **May 26, 2010** – approved of Cypress Waters MOU
- **December 8, 2010** – established Cypress Waters TIF District
- **June 8, 2011** – approved Cypress Waters Final Plan
- **June 8, 2011** – approved funding for Cypress Waters Phase I
- **November 14, 2012** – approved funding for Cypress Waters Phase II
- **June 10, 2015** – amended Cypress Waters TIF Plan

Summary

- Develop an area previously generating \$569.35 a year with no jobs and no affordable housing
- Secured private developer to invest \$90 million on infrastructure supporting \$2B in new development
- City has committed \$24.6 million over the next decade to facilitate the project
- Ultimately, City's investment anticipated to produce:
 - \$1.1 billion in assessed value/\$8.8 million City tax revenue annually
 - provide up to 15,000 jobs
 - 163 affordable units
 - Additional income from sales & business property taxes
 - An opportunity to secure business relocations/expansions

- Appendices

Appendix A

TIF Plan Amendments

- Amended budget reflects:
 - Reimbursement of Phase I and II projects
 - Funding for future permanent public safety building
 - Funding for Irving-led infrastructure (if needed)
 - Administration expenses
- TIF obligations projected to be met in 2025

Original TIF District Project Plan Improvement Budget		
Category	Total Estimated TIF Expenditure (NPV - 2010 Dollars)*	Estimated TIF Expenditure (Total)**
Infrastructure Improvements	\$58,198,683	\$146,736,338
Public Safety Improvements	\$6,000,000	\$11,313,895
Administrative & Implementation***	\$1,500,000	\$2,065,585
Total Project Costs	\$65,698,683	\$160,115,818

* All values discounted to 2010 dollars at 5% annually. Total dollar expenditure value will depend on timing of project cost.

** All values are estimated 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.

***Admin is calculated at \$60,000 per active year, in 2010 dollars. Estimated total admin is inflated at 3% per year

Note: in addition, DWU may agree to fund up to 30% of TIF-eligible water and sewer improvements.

Amended TIF District Project Plan Improvement Budget		
Category	Total Estimated TIF Expenditure (NPV - 2010 Dollars)*	Estimated TIF Expenditure (Total)**
Infrastructure Improvements	\$18,279,665	\$35,273,767
Public Safety Improvements	\$6,000,000	\$11,313,895
Administrative & Implementation***	\$1,500,000	\$2,878,190
Total Project Costs	\$25,779,665	\$49,465,852

* All values discounted to 2010 dollars at 5% annually. Total dollar expenditure value will depend on timing of project cost.

** All values are estimated 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.

***Admin is calculated at \$60,000 for 25 years, in 2010 dollars. Estimated total admin follows total dollar growth

Note: In addition, DWU may agree to fund up to 30% of TIF-eligible water and sewer improvements.

Appendix B

DWU Comparative Costs

- **Cost of completed/under construction Water/Wastewater Improvements**
 - Billingsley Paid \$4.93 M
 - DWU Paid \$2.17 M
 - Total Paid to Date \$7.1M
- **Remaining cost to serve the entire project** (with/without Irving ILA Option)
 - Total Remaining Cost with Irving Option: \$31.17 M
 - Remaining to be paid by Billingsley: \$21.82M
 - Remaining to be paid by DWU: \$9.35M
 - Total Remaining Cost Without Irving Option: \$41.50M
 - Remaining to be paid by Billingsley: \$29.56M
 - Remaining to be paid by DWU: \$11.94M
- **Cypress Water Build Out - Water/Wastewater Costs** (with/without Irving ILA Option)
 - Total with Irving Option: \$38.27 M
 - Billingsley Pay: \$26.75 M
 - DWU Pay: \$11.52 M
 - Total without Irving Option: \$48.6M
 - Billingsley Pay: \$34.49 M
 - DWU Pay: \$14.11 M

Appendix C

Citywide TIF District Summary

TIF District	Year Created (Base Year)	District Base Year Value	FY 2015 District Value	Value Increase Since Creation	% Increase	Total Committed/Expended TIF Funds	Increase Value to Public Investment
TIF Districts created between 1988-1998							
State-Thomas*	1988	\$47,506,802	\$567,419,170	\$519,912,368	1094%	\$24,020,563	\$22 to \$1
Cityplace*	1993	\$45,065,342	\$761,862,672	\$716,797,330	1591%	\$46,126,414	\$16 to \$1
Oak Cliff Gateway (all sub-districts)	1992	\$145,239,702	\$341,947,744	\$196,708,042	135%	\$28,778,466	\$7 to \$1
Cedars	1992	\$35,300,760	\$105,112,608	\$69,811,848	198%	\$7,729,545	\$9 to \$1
City Center (all sub-districts)	1996	\$674,751,494	\$1,239,414,953	\$564,663,459	84%	\$99,297,532	\$6 to \$1
Farmers Market (Zone A-C)	1998	\$35,714,091	\$210,277,560	\$174,563,469	489%	\$29,210,638	\$6 to \$1
Sports Arena (all sub-districts)	1998	\$63,730,369	\$715,929,969	\$652,199,600	1023%	\$158,893,327	\$4 to \$1
Subtotal		\$1,047,308,560	\$3,941,964,676	\$2,894,656,116	276%	\$394,056,485	\$9 to \$1
TIF Districts created after 2005							
Design District (all subdistricts)	2005	\$281,873,753	\$603,320,937	\$321,447,184	114%	\$20,190,439	\$16 to \$1
Vickery Meadow (Zone A-B)	2005	\$164,779,090	\$392,667,920	\$227,888,830	138%	\$32,947,986	\$7 to \$1
Southwestern Medical (Zone A-B)	2005	\$67,411,054	\$193,073,878	\$125,662,824	186%	\$8,199,239	\$15 to \$1
Downtown Connection (Zone A-B)	2005	\$564,917,317	\$2,579,538,992	\$2,014,621,675	357%	\$468,691,797	\$4 to \$1
Deep Ellum (Zone A-C)	2005	\$189,162,613	\$315,062,667	\$125,900,054	67%	\$6,581,318	\$19 to \$1
Grand Park South	2005	\$44,850,019	\$54,936,261	\$10,086,242	22%	\$210,171	\$48 to \$1
Skillman Corridor	2005	\$335,957,311	\$587,358,744	\$251,401,433	75%	\$21,297,489	\$12 to \$1
Fort Worth Avenue	2007	\$86,133,447	\$173,893,272	\$87,759,825	102%	\$8,312,715	\$11 to \$1
Davis Garden (Zone A-B)	2007	\$137,834,597	\$191,565,107	\$53,730,510	39%	\$148,740,958	\$.36 to \$1
TOD TIF (all subdistricts)	2008	\$202,074,521	\$392,330,687	\$190,256,166	94%	\$10,604,269	\$18 to \$1
Maple-Mockingbird (Zone A-B)	2008	\$184,005,009	\$379,680,038	\$195,675,029	106%	\$11,189,083	\$17 to \$1
Cypress Waters	2010	\$71,437	\$127,397,964	\$127,326,527	178236%	\$21,047,322	\$6 to \$1
Mall Area Redevelopment TIF (all subdistricts)**	2014	\$168,357,630	\$170,084,490	\$1,726,860	1%	\$401,601	\$4 to \$1
Subtotal		\$2,427,427,798	\$6,160,910,957	\$3,733,483,159	154%	\$758,414,387	\$5 to \$1
Total All Districts		\$3,474,736,358	\$10,102,875,633	\$6,628,139,275	191%	\$1,152,470,872	\$6 to \$1

Notes:

*State-Thomas and Cityplace TIFs have legally expired and no longer officially reporting.
 Districts with Zone A, B, C, etc. reflect original boundary (Zone A) plus accounts added with different base year (i.e. Zone B)
 Several districts have been amended to add sub-districts that may have different base years.

Appendix D

Public Private Relocation Incentive

- **Comparative Relocation Grants**

- **Cypress Waters**

- AMN Healthcare, Feb. 2015, 550 jobs and \$250,000 grant
- Corelogic Solutions, May 2015, 1,600 jobs and \$600,000 grant
- Toyota Industries, June 2015, 150 jobs and \$277,500 grant
- OneSource, Dec 2015, 1,300 jobs and \$800,000 grant (contract will not be executed)
- Zale, April 2016, 1,100 jobs and \$450,000 grant

- **City-Wide**

- Commemorative Air Force, Dallas Executive Airport, Nov. 2014, 30 jobs and \$700,000 grant
- Santander Consumer USA, Downtown, May 2015, 1,400 jobs and \$1,000,000 grant
- Comparex, Downtown, March 2015, 180 jobs and \$350,000 grant
- Reel FX, Deep Ellum, June 2012, 375 jobs and \$1,750,000
- Acitve Network, Downtown, Aug. 2014, 1,000 jobs and \$1,000,000 grant
- Omnitrac, Downtown, Aug 2014, 450 jobs and \$450,000 grant
- Dealertrack, March 2012, Noel Road, 250 jobs and \$210,000 grant
- Remaining to be paid by DWU: \$9.35M