

Memorandum



CITY OF DALLAS

DATE February 21, 2020

TO Honorable Members of City Council and City Manager

SUBJECT **Response to Saigebrook Development's Request for Resolution**

Summary

On February 13, 2020, Saigebrook Development (Applicant) submitted a request to the City for a Council resolution regarding The Magenta development. The Resolution would address 9% competitive housing tax credit (HTC) development, be designated as the development that contributes more than any other to the concerted revitalization efforts of the City within the area defined in the Fort Worth Avenue Corridor Land Use and Urban Design Plan. On February 12, 2020, Council passed a Resolution of Support and di minimis financial investment for The Magenta. This memo outlines staff response to the Applicant's request.

Background

During the Council Agenda Meeting on February 12, 2020, Council asked staff a question regarding a resolution designating a development as contributing more than any other development to the concerted revitalization efforts of the City within a concerted revitalization plan (CRP) area. The CRP area in question is located within the Fort Worth Avenue Corridor as defined by the Fort Worth Avenue Tax Increment Financing District (TIF District) as well as the Fort Worth Avenue Corridor Land Use and Urban Design Plan (Design Plan). Per TDHCA's 2020 Qualified Allocation Plan (QAP), HTC applicants designated as most contributing to the revitalization efforts of a CRP receive an additional two points. The QAP stipulates that only one project per CRP area can be designated as most contributing. If two applications are designated as most contributing to one CRP area, then neither application receives the additional points. The Magenta and Villas at Western Heights (Villas) both requested designation as most contributing; however, staff recommended only one be selected. Council passed a Resolution of Support and designated Villas as contributing most significantly to the City's revitalization efforts in the Fort Worth Avenue Corridor CRP area. It was staff's recommendation that only one project receive the designation because the two CRP plans in question do not qualify as separate and distinct CRP areas as defined by the QAP.

The Applicant contends that the Design Plan is a separate and distinct CRP area from the TIF District. The Applicant presented a scenario wherein The Magenta is designated as most contributing to the Design Plan CRP area and the Villas is designated as most contributing to the TIF District CRP area. The Applicant contends that because the two CRP plans cover separate and distinct areas and we separately authorized by Council, TDHCA will award the additional points to both projects. While staff disagrees that the CRP plans are separate and distinct areas, a general discussion about the ultimate outcome for the City should be had. Per the QAP, HTCs cannot be allocated to projects within two miles of each other. The Magenta and Villas are across the street from one another located at 1508 Fort Worth Avenue and 1515 Fort Worth Avenue, respectively. Because of this proximity, only one development will receive HTCs in 2020. There is no scenario in which both projects will receive HTCs (even if both projects are designated as most contributing to two CRP areas).

DATE February 21, 2020

SUBJECT **Response to Saigebrook Development's Request for Resolution**

If the City designates one project as most contributing, the additional points will be awarded. However, if the City designates both projects as most contributing, and TDHCA does not agree that the Design Plan and TIF District are separate and distinct CRP areas, then neither will be awarded the additional two points and most likely not score high enough to receive HTCs. The end result would be no development of affordable housing in the West Dallas Stabilization Redevelopment Strategy Area (RSA). Even if TDHCA does determine they are different areas, other HTC applicants will dispute that the Design Plan and TIF District are separate and distinct CRP areas. This will require the City to defend its position to TDHCA that they are different so that both applicants can retain the additional points. The only way the City can confirm at this time that the additional points will be received is to designate only one project as most contributing to the concerted revitalization efforts of the CRP.

Staff does not agree with the Applicant's claims that the Design Plan and the TIF District are separate and distinct areas. After discussing the matter with TDHCA, staff was informed that CRP areas are more defined by geography than whether or not they were separately authorized plans. In this case, the Design Plan was authorized by Council on January 26, 2005 as a planning tool to guide development within the Fort Worth Avenue Corridor. It states that a TIF District should be created to fund infrastructure and other improvements in the area to spur economic development throughout the corridor. The TIF District was authorized by Council on June 13, 2007 per the recommendation of the Design Plan. The Applicant states that because the boundaries are slightly different, the Design Plan and the TIF District are separate areas. However, the two plans should be considered complimentary tools that together create a cohesive agenda for the concerted revitalization of the area. The QAP allows applicants to combine two plans and/or districts when submitting their CRP support documentation. Also, the TIF District boundaries are slightly different than the Design Plan simply because certain parcels, such as those that are tax-exempt, were not included in the TIF District. Other parcels outside of the Design Plan were added so as to contribute to the solvency of the TIF District as property taxes increase. The Applicant is correct that the boundaries are different; however, both plans serve to revitalize the same general area: the Fort Worth Avenue Corridor.

It is also difficult to claim The Magenta and the Villas are in separate and distinct areas because they are both located within PD 714 which incorporated the zoning and land use suggestions contained within the Design Plan. PD 714 is divided into five separate sub-areas. The Applicant provided a map that shows that the two developments are in different sections of a sub-area in the corridor/PD 714. The Villas are located in sub-area 2A and The Magenta is located in sub-area 2B. While it is true that 2A and 2B are listed as different areas in the Design Plan and PD 714, the only difference between 2A and 2B is the building height requirements. The maximum structure height in 2A is 60 feet. The maximum structure height in 2B is 80 feet. The only reason the areas are separately defined as 2A and 2B is to preserve views of downtown and regulate building heights in the area abutting single family residential neighborhood. The two areas do not have separate and distinct revitalization plans; they are both part of the City's concerted revitalization efforts throughout the Fort Worth Avenue Corridor.

The Applicant also cites a past scenario from a previous application to the City of Fort Worth wherein two developments received additional CRP points from TDHCA even though the CRP the Applicant utilized was wholly located in a Neighborhood Empowerment Zone (NEZ) that was used by another applicant, Palladium Fain Street. This is not the same scenario as the Magenta and the Villas. The previous application was located in the Six Points Urban Village which was designated by the City of Fort Worth as an urban village in 2005. Reinvestment into a historic

DATE February 21, 2020

SUBJECT **Response to Saigebrook Development's Request for Resolution**

building served as a catalyst for neighborhood revitalization as an urban village and the City of Fort Worth has since invested money into improving streetscapes and other infrastructure. This Urban Village designation serves as a distinct and separate area from the larger NEZ. In fact, the Six Points Urban Village had only been located within the same NEZ as the Palladium development since the City of Fort Worth consolidated and redrew their NEZs on January 29, 2019. The Six Points Urban Village was its own separate and distinct area for 14 years. As you can see from the maps attached hereto as Exhibit A, the Six Points Urban Village was a small subsection of the Six Points NEZ which was then consolidated into NEZ 4 resulting in an even larger area. Palladium's site was located in the Riverside NEZ that was subsequently consolidated into NEZ 4. This is quite different than development sites located across the street from each other.

Finally, the Applicant raised concerns over the amount of TIF funds requested by the Villas. The Comprehensive Housing Policy does not take into consideration the availability and amount of available TIF funds when evaluating HTC applications. Nor is a formal underwrite of the transaction undertaken. However, staff confirmed that in the event there are insufficient TIF funds available for the Villas, other City funds are available to the fill financial gaps if necessary.

Recommendation

Staff recommends taking no action on the Applicant's request for a resolution stating The Magenta contributes most significantly to the CRP area described in the Design Plan. The Villa's current Resolution of Support and designation as the development most contributing to the revitalization efforts of the City will ensure affordable housing with a 20% market rate unit allocation for seniors will receive a HTC allocation from TDHCA. This resolution was approved by Council on February 12, 2020.



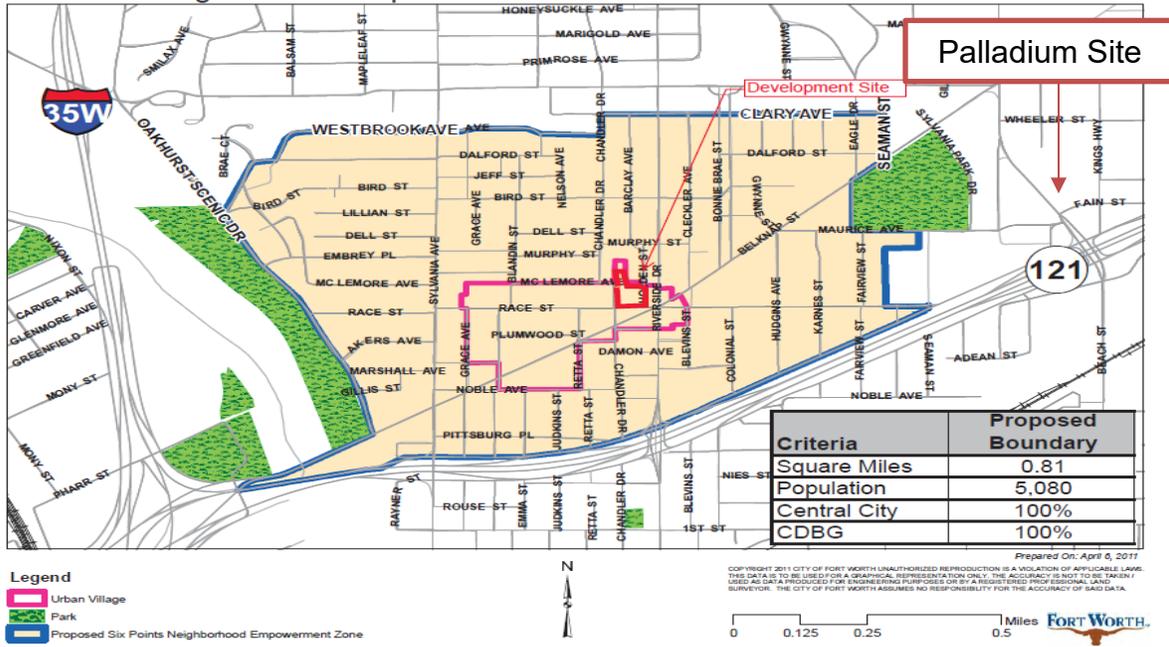
Michael A. Mendoza,
Chief of Economic Development and Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Billerae Johnson, City Secretary
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Kimberly Bizer Tolbert, Chief of Staff to the City Manager
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Jon Fortune, Assistant City Manager

Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Laila Alequresh, Chief Innovation Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

EXHIBIT A

Six Points Neighborhood Empowerment Zone



BOUNDARIED MAP FOR CONSOLIDATED RIVERSIDE NEZ AND SIX POINTS NEZ FORMING "NEZ AREA FOUR" ADOPTED BY FORT WORTH CITY COUNCIL ON JANUARY 29, 2019.

