

Memorandum



DATE May 30, 2017

TO Members of the Economic Development Committee:
Rickey D. Callahan (Chair), Casey Thomas, II (Vice Chair), Adam Medrano,
Lee M. Kleinman, Carolyn King Arnold, B. Adam McGough

SUBJECT **Cedar Branch Townhomes and Bridge Extension (District 2)**

On June 14, 2017, City Council will consider amendments to City Council resolutions and development agreements with Texas InTownHomes, LLC to extend project deadlines for the Cedar Branch townhomes and bridge project, located near the corner of Production Drive and Hawthorne Avenue in the Southwest Medical District TIF District (See Attached Map). These amendments for the townhomes specifically: (a) extend the Project Phase 1 completion deadlines from June 30, 2019 to June 30, 2020 and (b) extend the Project Phase II improvement construction completion deadlines from June 30, 2021 to June 30, 2022. The bridge amendment specifically incorporates additional requirements for the construction of a bridge, a hike and bike trail system, and a retaining wall.

The Cedar Branch townhomes project, to be built by award-winning developer Frank Liu, consists of two components: (1) 112 townhomes built in two phases, and (2) the construction of a bridge connecting the new homes with DART's Parkland Light Rail Station, a grocery store, and Medical District employment centers to the north as well as public hike and bike trails and a retaining wall for townhome erosion protection. The project is notable for being a pilot for-sale affordable housing initiative, modeled on Austin's successful Mueller airport redevelopment program. 89 of the 112 units constructed will be sold at market rates ranging from \$300,000 to \$400,000 and 23 of the same homes (20% of the total units) will be sold to qualified buyers at \$150,000. TIF funding, payable after completion of each phase of the project, will be used to subsidize public infrastructure as well as the affordable units (See Attachments for TIF Funding Summary, Pilot Program Definitions and Benefits, and TIF Funding Capacity). The Cedar Branch bridge project will connect areas south of the Cedar Branch creek to employment areas surrounding the Parkland Medical Hospital and the Southwestern Medical District/Parkland DART Light Rail Station to the north.

In June 2016, Council approved a twelve-month extension of original deadlines for townhome and bridge construction until June 2017, due to revision of the existing Planned Development zoning needed to approve changes in street layout.

Additional time is required for the for the following reasons:

- The developer was to unable to buy additional property needed from the adjacent owner for the proposed bridge. As a consequence, only the City's current right-of-way will be used and redesign of bridge construction plans is required.
- Time is needed to execute plats showing the bridge, hike and bike trail, retaining wall, and portions of the floodway needed to complete portions of the townhomes.

As part of the development process, the City asked the developer to formally dedicate land for a hike/bike trail along Cedar Branch creek. The developer has also agreed to construct the bridge concurrently with the townhomes.

Cedar Branch Townhomes and Bridge Extension

May 30, 2017

Page 2 of 8

If the extension is approved, project deadlines would be as follows (Phase I includes construction of 39 market rate townhomes and 11 affordable townhomes and all infrastructure for the entire project; Phase II includes constructions of 50 market rate townhomes and 12 affordable townhomes):

- Project Phase I improvement construction must start by June 30, 2018.
- Project Phase I improvements must be completed and receive a City certificate of acceptance by June 30, 2020.
- An operating and maintenance agreement must be executed and funded for non-standard public improvements associated with the Project by June 30, 2020.
- Project Phase II improvements must be completed and receive a City certificate of acceptance by June 30, 2022.
- Developer must meet all investment requirements by June 30, 2022.
- Developer shall obtain a final certificate acceptance for the remaining 50 townhomes, as evidenced by the issuance of a Green Tag from the Public Works and Transportation Department and submit documentation to the OED by June 30, 2022.
- Complete construction of the bridge and its associated public improvements by June 30, 2022.
- Construction will be via a private/3-way contract and an inspector is assigned to assure city standards is followed. If funded by public funds, it will be managed/overseen by the City's engineering department along with ECO.
- Developer shall establish a Home Owners' Association (HOA) no more than two (2) years from the approval of the final plat. If the HOA or any future assignee fails to maintain the Project Improvements, the City may, at its option and in its sole discretion, hold Developer responsible for such maintenance.
- Execute an operating and maintenance agreement (the "O&M") for the Project Improvements by June 30, 2018, in a form acceptable to the City. Developer/HOA shall maintain the bridge, retaining wall, the hike and bike trail and any nonstandard public improvements for a period of a minimum of twenty (20) years from the date of completion.
- Complete construction of the Project Improvements by June 30, 2022.
- City shall conduct a final inspection of the Project Improvements. If the City accepts the bridge, subject to the terms and conditions of the development agreement, upon such acceptance, the hike and bike trail will be park property and will be considered dedicated municipal parkland.

All other conditions of the development agreement will remain in place.

Should you have any questions, please contact me at (214) 670-3309.



Raquel Favela

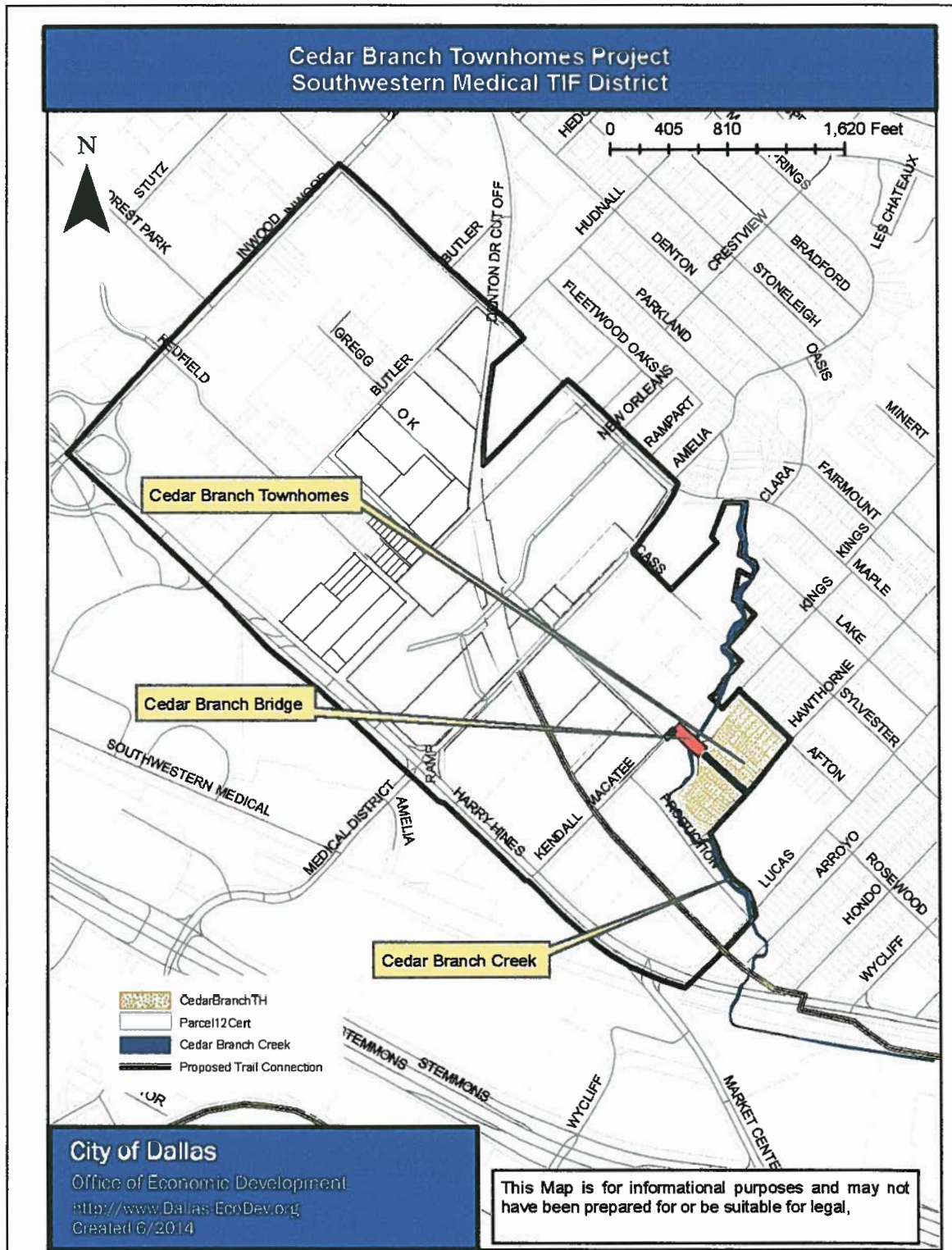
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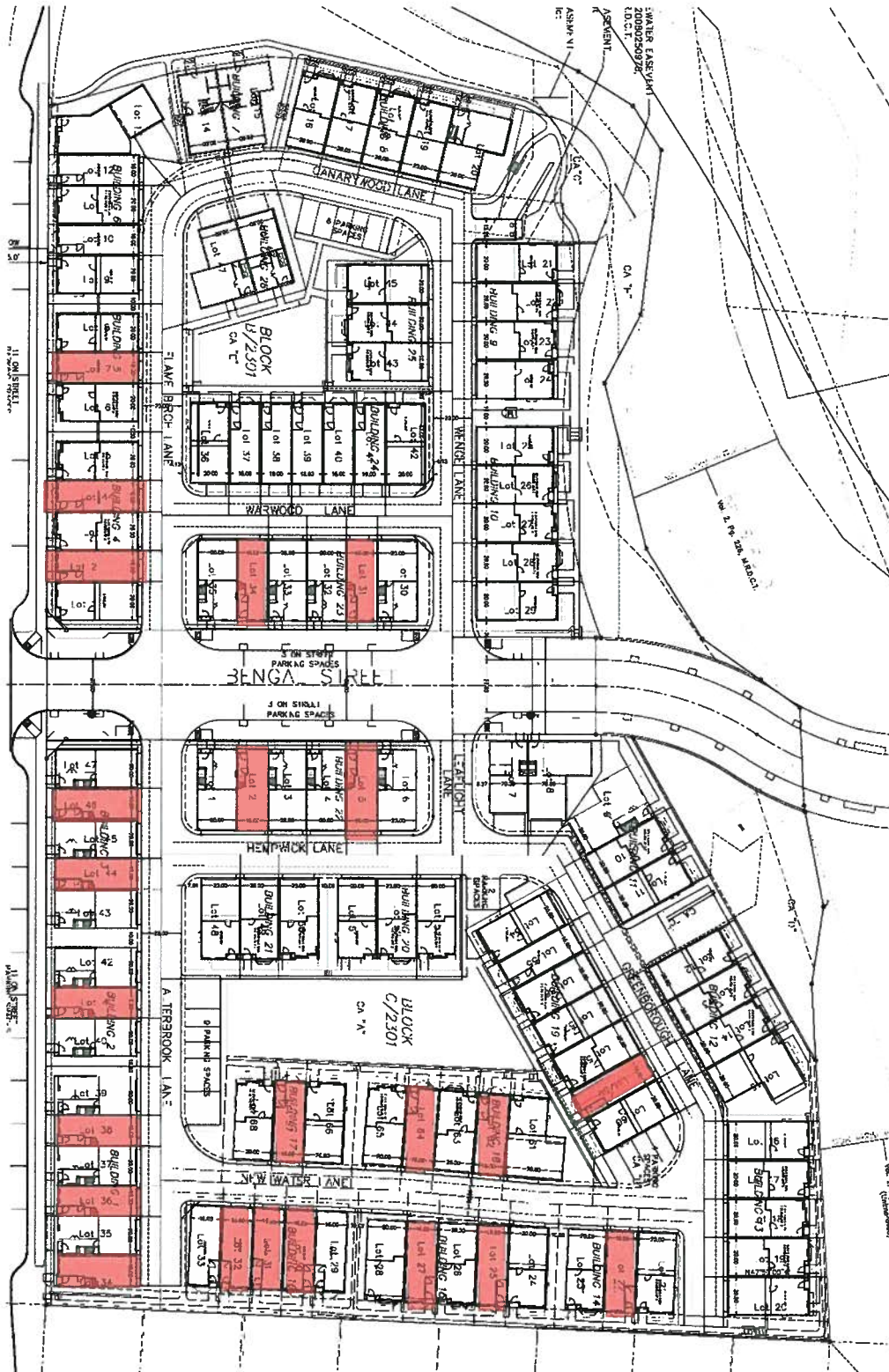
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Attachments

APPENDIX 1 Map of Cedar Branch Townhomes and Bridge Project



APPENDIX 2 Location Map (Affordable Homes labeled in RED)



APPENDIX 3

Previously Approved Cedar Branch TIF Funding Summary

Cedar Branch Townhomes

Resolution Nos. 14-1271 and 14-1272, authorized a development agreement with Texas InTownHomes, LLC, to provide reimbursement: (a) for providing affordable for sale housing units in accordance with the Mixed-Income Housing Guidelines for the Single Family Homes Pilot Program in an amount not to exceed \$5,010,000; (b) for eligible infrastructure improvement costs associated with the Cedar Branch Townhomes Project in an amount not to exceed \$2,888,366; and (c) funding not to exceed \$3,450,000 for the affordable for sale townhomes as per the Mixed Income Housing Guidelines Pilot Program, which includes \$150,000 per unit reimbursements to Texas IntownHomes LLC upon sale to qualified buyers and the potential purchase of the affordable homes at \$280,000 per unit by the City, if Texas IntownHomes LLC is unable to sell, in accordance with Resolution No. 14-1271.

Cedar Branch Bridge

Resolution Nos. 14-1273 and 14-1274, authorized a development agreement with Texas InTownHomes, LLC, to provide reimbursement reimburse eligible project costs related to the land acquisition, bridge construction and other infrastructure improvements associated with the Cedar Branch Bridge Project in an amount not to exceed \$826,50

APPENDIX 4

Affordable For-Sale Home Pilot Program Definitions, Clarifications, and Benefits

DEFINITIONS

- **Qualified Buyer** means a household or individual with income at or below 80% of area median income (AMI) for the Dallas area standard Metropolitan Statistical Area, adjusted for household size, as determined annually by the Department of Housing and Urban Development
- **Affordability Period** is 20 years and begins on date that deed transferring title from Developer to initial Qualified Buyer is recorded. Affordability Period will be enforced by deed restrictions filed on each of Affordable Home lots.

CLARIFICATIONS

- Affordable Sales Price for the Cedar Branch Townhomes is \$150,000 initially
- Sales price is deed-restricted and City will attach lien to property limiting re-sale
- Affordable units may be sold
 - No appreciation in value allowed if home re-sold within 12 months
 - Required to resell home to qualified buyer – lenders, OED, DHFC will assist in providing list of potential buyers
 - (Note: resale process mirrors successful implementation of similar program in Mueller redevelopment)
- TIF Grant offsets the initial the difference between market rate (\$300,000) and affordable sale price (\$150,000)
 - Lien filed by City of Dallas against each of Affordable Homes in amount of TIF Subsidy
 - No payments are required to be made by any Qualified Buyer with respect to TIF Lien
 - After the affordable period (20 years) TIF Lien is released
 - Affordable Homes HOA fees will be set at half the amount of HOA fees for market rate units (Developer is responsible for restrictions)
 - City of Dallas will notify Dallas Central Appraisal District of Deed Restrictions on homes upon initial sale
 - Qualified buyer will need to work with the Dallas Central Appraisal District to insure appraised value of the property reflects restricted sales price mandated by deed restrictions (DCAD has indicated that deed restrictions limiting resale value, will reduce appraised property value for these units)
 - Developer would not build homes without a City "Buy-Back" provision

BENEFITS

- Facilitates mixed-income housing development in close proximity to major employment area (Medical District) with light rail access (Parkland station)
- Provides opportunity for moderate income professionals (teachers, police, firemen, medical professionals) to purchase high quality homes at an affordable price, with long term investment upside
- Limited Risk:
 - Based on successful Austin program model
 - Experienced, high quality Developer
 - If Developer fails to sell Phase I units to Qualified Buyers, program discontinued

APPENDIX 5 TIF Funding Capacity

Funding to purchase Phase I (11) units	Amount
Total collections as of December 31, 2016	\$5,153,992

Funding to purchase Phase II (12) units	Amount
Increment collection (2017-2018)	\$2,576,849

* The proceeds from the sale of the Phase II will go towards the Infrastructure funding, and increment collection from 2018 and beyond

APPENDIX 6

Information about the Developer

Frank Liu founded Lovett Homes in 1980. He has 34 years of experience in commercial and residential development. He completed more than 3,000 residential homes and developed over 70 retail and industrial buildings.

Professional Activities

- Lovett Homes – Founded 1980 , Residential Urban Real Estate
- InTownHomes, Ltd. – Founded 2003 - Residential Urban Real Estate
- Lovett Commercial
- Sage Interests, Inc. – Founded 1995 - Commercial Real Estate Development

Awards

- 2011 ULI Development Distinction Award – 1st Place
- Rice University Lovett College Distinctive Associate of 2011

Education, Credentials and Community Involvement

- Rice University – BS Civil Engineering, 1978
- Rice University – Advisory Director of Asian Studies Program
- Rice University – Community Associate at Lovett College
- Spring Branch Revitalization Association, ex-President
- Mayor Anise Parker 2010 – one of the co-chairs of the Transition Team
- Congress for New Urbanism Houston – Founding Board of Trustee

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SUBJECT **Knox Street Public Improvement District Renewal (2018-2024)**

On June 14, 2017, City Council will be asked to consider a resolution calling for a public hearing regarding the renewal of the Knox Street Public Improvement District (KSPID), to be held on June 28, 2017.

On April 3, 2017, owners of real property located in the KSPID delivered to the City of Dallas a petition to renew the PID and seek approval of the service plan for a period of seven years with an effective date of January 1, 2018. Staff reviewed the proposed Service Plan, verified the petitions, found the creation plan to be viable, and recommended approval.

Staff review of the signed petitions revealed that property owners of record representing **85.7 percent of the value of the property** in the specified area and representing **79.2 percent of the land area** have signed the petitions requesting renewal of the District. Record owners signing represented 61.4% of the service area. These benchmarks exceed the minimum requirements set in the City of Dallas PID Policy for City Council to consider renewal of the District and exceed State requirements for sufficiency of the petition.

The KSPID was created in June 23, 2010, and started operating from January 1, 2011. This will be the first renewal. Located in Council District 14, the current proposed boundary of the KSPID consists of approximately 57 properties and is primarily a combination of business, office and residential uses (**See Attached Map**). The general nature of the proposed services and improvements to be performed by the District includes enhanced security and public safety, capital improvements, improvement of common areas, landscaping, trash/litter removal, graffiti control, marketing and promotional activities, distinctive lighting and signage, business development and recruitment to promote the area, and related expenses incurred in establishing, administering and operating the District, as authorized by the Act and approved by the Dallas City Council.

During the seven (7) year period the Knox Street Complete Streets project (the "KSCS Project") will be paid using reserved funds. Of the total estimated budget of \$1.5 million for the KSCS Project, the KSPID is contributing approximately \$700,000. Following the completion of the KSCS Project, the average budget cost for the PID is approximately \$293,803. Once the project is completed and based on the estimated maximum cost of improvements and services, the seven year total assessment collection requested by the District shall not exceed a collective total of

\$2,269,332 (which is the sum of gross assessment revenue over the next seven (7) years). In the event the District requires additional funds, the District shall re-petition the property owners for such an increase. At no time shall the total amount levied exceed the total amount shown in the **attached budget** for the services and improvements to be provided for the year in which the property is assessed. The District shall not incur bonded indebtedness.

The assessment shall apportion the costs each year among the property owners on the basis of special benefits accruing to the property. The proposed method of assessment, which may specify included or excluded classes of assessable property, shall be based on to the value of the real property and real property improvements as determined by the Dallas Central Appraisal District. The assessment amount for 2018 is proposed at \$297,513. This amount is approximately equal to \$0.15 per \$100.00 of appraised value as determined by the Dallas Central Appraisal District. If appraised values rise such that an assessment rate equal to the amount of \$0.15 per \$100.00 valuation would yield an assessment amount that exceeds the estimated costs, the assessment rate shall be reduced until the total assessment equals or is less than the budgeted amount approved in the petition, subject to the appropriations set forth in the petition.

The District shall pay the costs of the services and improvements by special assessment against the real property and real property improvements. The real property of jurisdictions and entities that have obtained an exemption from City of Dallas real property taxes pursuant to the Texas Property Code (except under the provisions of Sections 11.24 and 11.28 of the Property Tax Code) will not be subject to an assessment on that portion of the assessed value of the property exempt from City real property taxes. The City of Dallas is not responsible for payment of assessment against exempt City property in the District. City right-of-way, railroad right-of-way, City parks and cemeteries are not specially benefitted and therefore are not subject to PID assessment.

The District shall be managed by Knox Street Public Improvement District Corporation, a private nonprofit corporation created under the laws of the state of Texas and under the provisions of Section 501(c)(3) of the Internal Revenue Code. A cooperative relationship between the City and the private sector will be created whereby the City Council will review and approve annually the service plan and assessment plan, determine and levy assessments and conduct other functions as required by the Act, and Knox Street Public Improvement District Corporation will be responsible for managing and implementing the Service Plan of the District (due to a typo, the petition states Alliance for Greater Works will be responsible).

The District shall automatically dissolve on December 31, 2024, unless renewed or dissolved through the petition and approval process as provided by the Act. Additionally, a public hearing may be called for the purpose of dissolving the District if a petition requesting dissolution is filed with the Dallas City Secretary and the petition contains the signatures of at least enough property owners in the District to make the petition sufficient for the creation of a public improvement district as

provided in Section 372.005(b) of the "Act." If the District is dissolved, the District nonetheless shall remain liable for the payment of any indebtedness for the District.

The term of the District upon creation is seven years (2018 to 2024). Pending approval, actual operations in the District will commence January 1, 2018.

In the Petition, an error was written regarding the Management group, the year of collected assessment, and the exact collected assessment. Corrections have been made to reflect the accurate information.

Financing

No cost consideration to the City.

Recommendation

Staff recommends City Council approval of the subject item. Please Contact me if you have any questions at (214) 670-3309.



Raquel Favela

Chief of Economic Development and Neighborhood Services

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Exhibit A – Knox Street PID Boundary Map

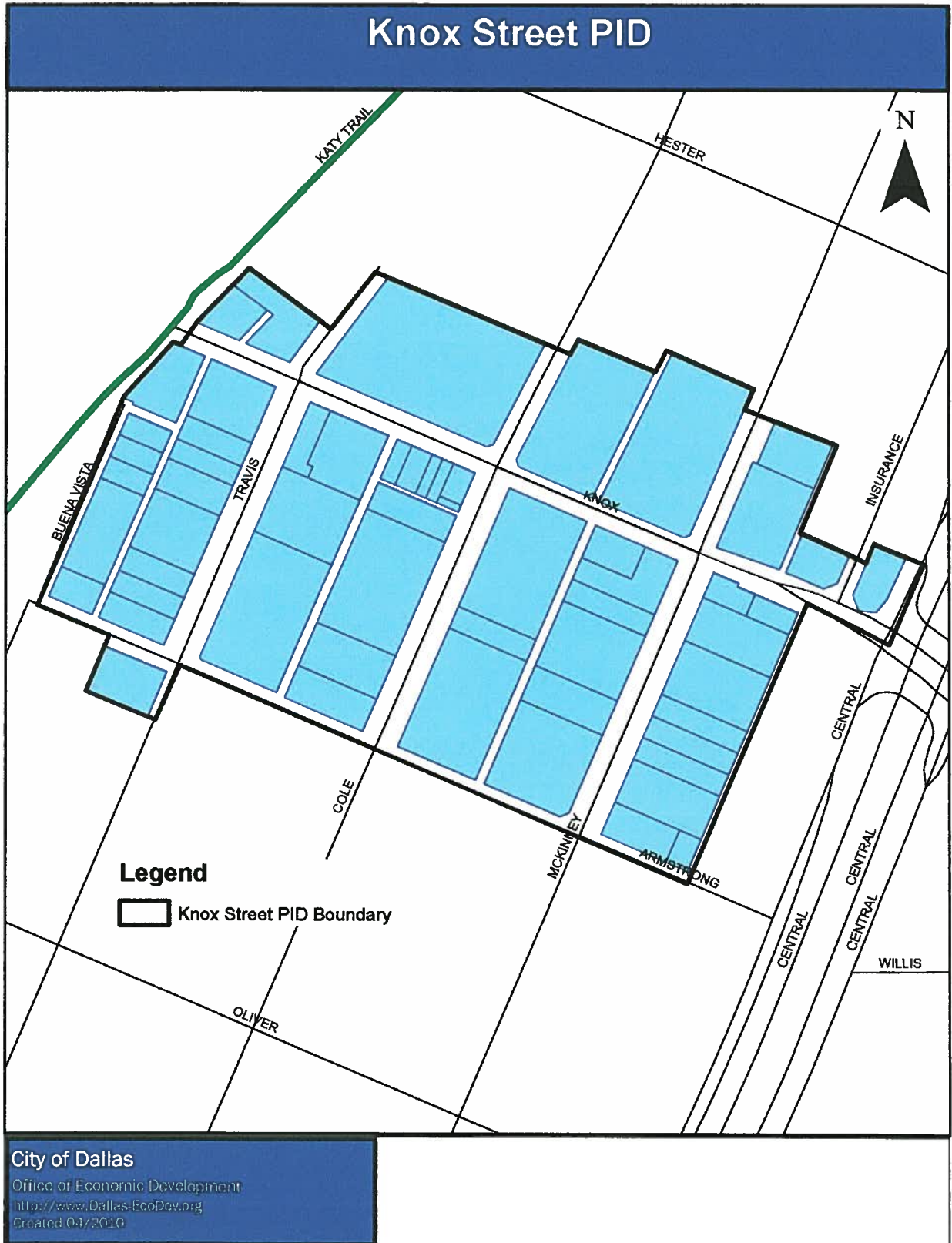


Exhibit B – Knox Street Public Improvement District - Seven Year Summary

Knox Street Public Improvement District - 7 Year Service Plan (for renewal effective 1/1/2018)									
<i>Initial Draft Plan as of 2/16/2017</i>									
		2017 Budget	2018 Forecast*	2019 Forecast*	2020 Forecast*	2021 Forecast*	2022 Forecast*	2023 Forecast*	2024 Forecast*
INCOME									
Carryover Fund Balance From Previous Year	\$	632,473	\$ 735,038	\$ (14,962)	\$ (14,962)	\$ (14,962)	\$ (14,962)	\$ (14,962)	\$ (14,962)
Gross Assessment Revenue	\$	288,847 ⁽¹⁾⁽²⁾	\$ 297,513	\$ 306,438	\$ 315,631	\$ 325,100	\$ 334,853	\$ 344,899	\$ 344,899
Interest	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
PID Oversight Charge from City **	\$	(4,385)	\$ (4,517)	\$ (4,652)	\$ (4,792)	\$ (4,935)	\$ (5,083)	\$ (5,236)	\$ (5,236)
Net Assessment Revenue	\$	284,462	\$ 292,996	\$ 301,786	\$ 310,839	\$ 320,165	\$ 329,770	\$ 339,663	\$ 339,663
TOTAL INCOME & RESERVES	\$	916,935	\$ 1,028,034	\$ 286,824	\$ 295,878	\$ 305,202	\$ 314,807	\$ 324,700	\$ 324,700
EXPENSES									
Capital Improvements ⁽³⁾	\$	25,000 3%	\$ 897,565 87%	\$ 152,715 53%	\$ 158,020 53%	\$ 163,483 54%	\$ 169,111 54%	\$ 169,111 52%	\$ 169,111 52%
Public Safety and Security ⁽⁴⁾	\$	46,350 5%	\$ 47,741 5%	\$ 49,173 17%	\$ 50,648 17%	\$ 52,167 17%	\$ 53,732 17%	\$ 55,344 17%	\$ 0 0%
Marketing & Promotion ⁽⁵⁾	\$	85,000 9%	\$ 86,827 8%	\$ 88,709 31%	\$ 90,647 31%	\$ 92,643 30%	\$ 94,700 30%	\$ 96,818 30%	\$ (723) 0%
PID Renewal Fee ⁽⁷⁾	\$	15,000 2%	\$ - 0%	\$ - 0%	\$ - 0%	\$ - 0%	\$ - 0%	\$ - 0%	\$ - 0%
Insurance & Audit	\$	10,399 1%	\$ 10,711 1%	\$ 11,033 4%	\$ 11,364 4%	\$ 11,704 4%	\$ 12,056 4%	\$ 12,417 4%	\$ 0 0%
Administrative ⁽⁶⁾	\$	148 0%	\$ 152 0%	\$ 157 0%	\$ 161 0%	\$ 166 0%	\$ 171 0%	\$ 176 0%	\$ 0 0%
TOTAL EXPENSES	\$	181,897	\$ 1,042,996	\$ 301,786	\$ 310,840	\$ 320,164	\$ 329,770	\$ 333,867	\$ 168,389
Current Net Income ⁽²⁾	\$	102,565 11%	\$ (750,000) -73%	\$ 0 0%	\$ (0) 0%	\$ 0 0%	\$ (0) 0%	\$ 5,796 2%	\$ 171,274 53%
TOTAL CARRYOVER FUNDS AT YEAR END	\$	735,038	\$ (14,962)	\$ (14,962)	\$ (14,962)	\$ (14,962)	\$ (14,962)	\$ (9,166)	\$ 156,312

⁽¹⁾ 2017 Assessments are proposed to be set at the maximum rate of \$0.15 per \$100 of taxable value.

⁽²⁾ 2017 Budget Revenues are based on 2016 certified tax roll with a 10% reduction applied for potential protest and refunds.

⁽³⁾ Carryover funds will be used to fund capital improvement projects such as (but not limited to) gateway markers, streetscape improvements and/or in conjunction with Knox Complete Streets (and related feasibility study costs). 2018 Capital Improvements reflects anticipated spend of majority of carryover from prior years to complement Knox Complete Streets (but may be separate project from Complete Streets).

⁽⁴⁾ Security includes private security patrol, off-duty police, camera and related security systems equipment and monitoring.

⁽⁵⁾ Website, marketing, social media, branding, banners, special events and Christmas lights

⁽⁶⁾ Printing, mailing, notice, legal, audit and miscellaneous administrative expenses.

⁽⁷⁾ Payment to City of Dallas upon successful renewal of PID.

⁽²⁾ Actual Revenues (ie Cash Basis) in these years. Future years are on a tax year basis.

^(*) Subject to successful renewal in 2017.

^(**) PID Oversight Charges: Starting in 2016, includes \$2.75 per account fee.