

Memorandum



CITY OF DALLAS

DATE September 22, 2023

TO Honorable Mayor and Members of the City Council

SUBJECT **September 27, 2023 Upcoming Agenda Item #67 – 23-2187– Cabana Design District: A mixed-income multi-family redevelopment project**

On September 27, 2023, staff will seek City Council authorization of (1) execution of a development agreement and all other necessary documents with Cabana Sycamore Development, Inc. and/or its affiliates ("Developer") in an amount not to exceed \$41,000,000.00 payable from current and future Design District TIF District funds in consideration of the Cabana Design District mixed-income multi-family redevelopment project ("Project") currently addressed at 899 North Stemmons Freeway ("Property") in Tax Increment Financing Reinvestment Zone Number Eight (Design District TIF District), and (2) rescission of the TIF district funding and associated development agreement with Cabana Development, LLC, an affiliate of Centurion American Development Group, previously authorized by City Council Resolution No. 19-1804 on November 13, 2019 for the Cabana Hotel Redevelopment Project, effective upon Developer's closing on the acquisition of the Property from Centurion American Development Group.

The Property is approximately 3.27 acres of land currently containing an approximately 122,776 square foot building (11 stories, plus basement), an approximately 138,484 square foot building (2 stories), and two parking garages (a 1-level structure and a 4-level structure) originally developed in 1962 as the Cabana Motor Court Hotel by Las Vegas hotelier Jay Sarno. The Property changed ownership a few times before being sold in 1984 to Dallas County for use as a jail facility. Since 2013, the Property has been vacant. The Property is listed on the National Register of Historic Places (No. SG100003923).

The proposed Cabana Design District mixed-income multi-family redevelopment Project (total estimated cost \$116.3 million) consists of the rehabilitation and adaptive reuse (in compliance with the Secretary of the Interior's Standards for Rehabilitation & Illustrated Guidelines for Rehabilitating Historic Buildings) of the two vacant historic buildings, partial demolition/retrofitting of the 4-level parking structure, and new ground-up construction of an approximately 19,472 square foot addition attached to the retrofitted 4-level parking structure to deliver 160 multi-family residential units (64 income-restricted units and 96 market rate units). The proposed Project includes approximately 283 total parking spaces (approximately 260 structured parking spaces, 19 on-site surface parking spaces, and 4 on-street parking spaces), an interior courtyard with a pool, other amenities, and many resident services.

On February 22, 2023, the City Council authorized a Resolution of Support for Developer, related to its application to the Texas Department of Housing & Community Affairs for

competitive 9% Housing Tax Credits (HTC) in the 2023 application cycle for the proposed Project by Resolution No. 23-0279.

On July 27, 2023, the Texas Department of Housing and Community Affairs (“TDHCA”) formally awarded competitive 9% Housing Tax Credits to the proposed Project. The proposed Project was the highest scoring/top-ranked application out of 24 total applications in Region 3/Urban. The proposed Project is also located at the edge of a High Opportunity Area. TDHCA requires other sources of public funding to be formally committed to the Project by late September 2023.

A Land Use Restriction Agreement (“LURA”) in favor of the TDHCA will be placed on the Property in accordance with the Housing Tax Credit requirements for the Project. The LURA will ensure the provision of 64 income-restricted units (40% of the total 160 units) for 45 years. The breakdown of the 64 income-restricted units by Area Median Income (“AMI”) is as follows:

- 27 units at/below 30% AMI
- 9 units at/below 60% AMI
- 14 units at/below 70% AMI
- 14 units at/below 80% AMI

Rehabilitation and adaptive reuse of the former Cabana Hotel has been anticipated to be a catalyst project for the southern part of the Design District in the Design District TIF District Project Plan (the “TIF Plan”). To date, 3,041 residential units have been completed or are under construction in the Design District TIF District; however, only 63 units (2%) are income-restricted.

In consultation with the City’s independent outside underwriter, Office of Economic Development staff reviewed the Developer’s incentive application and structured the proposed incentive (“TIF Subsidy”) of \$41,000,000 as gap financing to make the proposed Project financially feasible. On August 16, 2023, the Developer accepted the proposed TIF Subsidy and the associated terms and conditions in an executed Letter of Intent.

Following completion of the Project and being placed in service, the City will conduct a post-construction audit to review the Developer’s actual costs incurred to deliver the Project. For every \$100,000.00 in actual costs incurred below the estimated total cost of \$116,334,474, the City will reduce the TIF Subsidy by \$35,000.

On August 31, 2023, the Design District TIF District Board of Directors (“TIF Board”) reviewed the proposed Project; however, due to a lack of a quorum, the TIF Board did not take any action.

On September 5, 2023, the Economic Development Committee was [briefed by memorandum regarding this Project.](#)

DATE September 22, 2023
SUBJECT **September 27, 2023 Upcoming Agenda Item #67 – 23-2187 –Cabana Design District: A mixed-income multi-family redevelopment project**
PAGE **3 of 3**

On September 11, 2023, the TIF Board reviewed the proposed Project and voted 3 to 1 to *not* recommend City Council approval of a development agreement with the Developer as recommended by staff.

The City Attorney’s Office has provided legal guidance to the Office of Economic Development that the City Council can approve a TIF-funded project within a TIF district even if the TIF district board does not recommend approval of the project. The Tax Increment Financing Act (Chapter 311 Texas Tax Code) specifies that final approval of a TIF-funded project rests with the City Council as long as the TIF-funded project is consistent with the TIF Plan.



Majed A. Al-Ghafry, P.E.
Assistant City Manager

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Mark Swann, City Auditor
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Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Deputy City Manager
Jon Fortune, Deputy City Manager
- M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Dr. Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
Jack Ireland, Chief Financial Officer
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors