

Memorandum



CITY OF DALLAS

DATE October 11, 2019

TO Honorable Mayor and Members of the City Council

SUBJECT **Upcoming Agenda Item #26, October 23, 2019 – Authorize amendments to Resolution No. 14-1271 authorizing a development agreement with Texas Intown Homes, LLC (“Developer”) for the Cedar Branch Townhome Project (“Project”) in the Southwestern Medical TIF District.**

Background

The Cedar Branch Townhome Project, in the Southwestern Medical Tax Increment Financing (“TIF”) District, was originally approved by City Council in 2014 with the goal of becoming the first project in a TIF district to provide mixed-income for-sale housing. As proposed in 2014, the Project included the construction of 112 3-story townhomes in two phases (Phase I - 50 units; Phase 2 - 62 units). 89 units would be sold at market rate with sale prices ranging from \$335,000 to \$490,000, and 23 townhomes (20 percent of the total number of units) would be sold at \$150,000 per unit. The TIF subsidy approved for the Project was \$7,898,366.

The TIF subsidy included \$2,888,366 to reimburse the costs of public infrastructure improvements that would help link the Medical District (Parkland, UT Southwestern and Children’s Medical Center) and DART’s light rail station to the residential neighborhood located along Hawthorne Avenue. The remaining \$5,010,000 of the TIF subsidy would be used to buy down the cost of the 23 affordable units.

The affordable units would be sold to qualified buyers with a household income at or below 80% of area median income (AMI) for the Dallas Standard Metropolitan Statistical Area and would be subject to a limitation on net worth of less than \$150,000 (“Qualified Buyer”). In dollars, 80% of AMI for a household of 1 person is \$46,555, 2 people is \$53,200 and for 3 is \$59,850.

The \$5,010,000 portion of the TIF subsidy would be disbursed to the Developer in the form of a \$150,000 TIF grant to offset the difference between the market rate (\$300,000) and the affordable sale price (\$150,000) for each townhome sold to a Qualified Buyer. Upon sale, the City would retain a lien on each affordable unit to ensure future sales of the affordable unit, during the 20-year term of the agreement, would continue to meet program guidelines for affordability. Owners of the affordable units would be allowed to re-sell the affordable homes with limitations: (1) homes must be sold to Qualified Buyers; (2) if the homes are sold within a year of the initial purchase, the price would be limited to

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the \$150,000 purchase price; and (3) after the first year, the resale price proceeds would be subject to the distribution requirements of this pilot program.

Since City Council’s original approval of the TIF subsidy in 2014, multiple deadline extensions have been granted to accommodate unanticipated delays with the Project. During the building permit process in 2015, the City determined the zoning for the development would have to be amended to allow for a reduction in the paving width of Hawthorne and Bengal Streets. The Developer began the rezoning process, including conducting community meetings. City Council approved the amendment to the PD zoning on May 25, 2016.

In June 2016, City Council approved an extension of the Project’s start date to June 30, 2017 and completion date to June 30, 2021. In 2017, City Council approved an extension of the Project’s start date to June 30, 2018 and completion date to June 30, 2022. The deadline extension provided additional time for the Developer to (1) redesign the Cedar Branch Bridge required to be constructed along with the Project and (2) seek an abandonment from the City of a portion of an existing floodway management area to construct a retaining wall for erosion control, hike and bike trail, and portions of the townhomes. The final plat addressing the abandonment of the floodway management area was approved by the City in May 2018. Construction plans for the Cedar Branch Bridge are currently under review by the City.

The Developer received a building permit and began construction of the Project in June 2018. Currently, 19 townhomes are under construction, of which 9 are affordable units. An additional 6 townhomes have been submitted for building permits. The public infrastructure improvements associated with the Project are complete. To date, the Developer has invested approximately \$8,000,000. Although significant progress has been made on the Project since 2018, the Developer is requesting an amendment to the current development subsidy, recapture, and default agreements.

Issues

The Developer has indicated that the residential market has softened and wants to ensure that the construction of townhomes coincides with actual market demand. Additionally, the requested amendments establish and/or modify the amount of TIF subsidy the Developer will be eligible to receive when an affordable townhome is sold to a Qualified Buyer, the portions of TIF subsidy that will be subject to recapture, and the City’s remedy in the event of default by the Developer.

The Developer’s requested amendments are as follows:

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1. Extend Project completion deadlines.
 - Phase I
 - Complete Phase I and receive a Certificate of Completion from the City’s Sustainable Development and Construction Department for Phase I townhomes by December 31, 2022
 - Phase II
 - Complete Phase II and receive a Certificate of Completion from the City’s Sustainable Development and Construction Department for Phase II townhomes by December 31, 2027
2. Allow the \$2,888,366 TIF subsidy for the public infrastructure improvements to be divided among the 23 affordable townhomes and disbursed to the Developer at the closing of the sale of each affordable townhome to a Qualified Buyer, if the public infrastructure improvements are completed in accordance with the development agreement. The TIF subsidy for the public infrastructure improvement is \$125,581.13 per completed household sold to a qualified buyer.
3. Establish that, upon completion and at the closing of a sale of an affordable townhome to a Qualified Buyer, the Developer will be eligible for a TIF subsidy payment comprised of an affordable housing grant payment of \$150,000 and a public infrastructure payment of \$125,581.13 (for a total TIF subsidy payment of \$275,581.13).
4. Allow for no recapture of TIF subsidy amounts (both affordable housing grant and public infrastructure payments) paid to the Developer at the closing of an affordable townhome sale to a Qualified Buyer, if completion and sales of townhomes and completion and acceptance of the public infrastructure improvements were in accordance with the development agreement.
5. Limit the City’s remedy for default by the Developer to only forfeiture of the TIF subsidy not yet paid to the Developer at the time of default, if completion and sales of the townhomes and completion and acceptance of the public infrastructure improvements were in accordance with the development agreement.
6. Increase the Developer’s minimum private investment for the Project from \$25,000,000 to \$26,500,000 as consideration for the requested amendments.
7. Clarify that the Developer must obtain a certificate of completion from the City upon completion of the townhomes (not a certificate of acceptance).

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Recommendation

Staff recommends City Council’s approval of the requested amendments on October 23, 2019.

Fiscal Information

This action has no cost consideration to the City.

Should you have any questions, please contact my office at (214) 670-3390.



Michael A. Mendoza

Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager

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

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SUBJECT **Upcoming Agenda Item #25, October 23, 2019 – Authorize amendments to Resolution No. 14-1271 authorizing a development agreement with Texas Intown Homes, LLC (“Developer”) for the Cedar Branch Townhome Project (“Project”) in the Southwestern Medical TIF District.**

