

Memorandum



DATE April 4, 2014

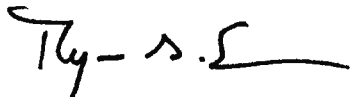
TO Members of the Economic Development Committee:
Tennell Atkins (Chair), Rick Callahan (Vice Chair), Adam Medrano,
Lee Kleinman, Jerry R. Allen

SUBJECT **Hatcher Station Village Medical Clinic**

On Monday, April 7, 2014 the Economic Development Committee will be briefed on the Hatcher Station Village Medical Clinic. The City Council will be asked to consider approval of the item on April 23, 2014.

A copy of the briefing material is attached. Staff will be available at the meeting to answer questions.

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



Ryan S. Evans
Interim First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M. S. Ernst, City Attorney
Judge Daniel F. Solis, Administrative Judge
Rosa A. Rios, City Secretary
Craig D. Kinton, City Auditor
Jill A. Jordan, P. E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Shawn Williams, Interim Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor and Council

Hatcher Station Village Medical Clinic

Economic Development Committee

April 7, 2014



Briefing Purpose

Project Overview

Funding Sources and Uses and proposed
City Sources

Approvals needed and recommended next
steps

Hatcher Station Village: Project Overview

Project

- 44,000 SF medical clinic to be leased by Parkland Health and Hospital System
- Approx. \$19.8 million project
- Sponsor: Frazier Revitalization, Inc.

Location

- Scyene Rd. and Hatcher St. in South Dallas/Fair Park
- Federally designated medically underserved area
- Located adjacent to DART's Hatcher Station



Hatcher Station Village: Project Location



Hatcher Station Village Medical Clinic



Project Overview: Tenant

Tenant: Parkland Health and Hospital System

- One of nation's largest publicly funded hospital networks
- In 1987, established Community-Oriented Primary Care (COPC) model to better serve Dallas County's poorest residents
- COPC has grown to 12 community health centers serving 450,000 patient visits annually

Project existing replace and expand Parkland's East Dallas Health Center at Baylor University Medical Center located on Live Oak into a new one-story facility closer to its primary clientele

Anticipated lease terms

- 25 year lease with Parkland having an option to purchase from FRI after NMTC compliance term (7 years)
- \$30/sq ft triple net

Rents from Parkland will retire project debt and may provide additional funds to further FRI's mission

Project Overview: Development Team

Sponsor: Frazier Revitalization, Inc.

- 501(c)(3) community development organization founded in 2005

Mission: Revitalize and transform Frazier through economic and cultural development

Sample real estate activities:

- Partnered with THDCA to construct houses in Dolphin Heights
- Land assemblage to support community redevelopment
- Active partner in the Frazier Neighborhood Master Plan and implementation process

Sample community activities:

- After school programs serving 120 at-risk elementary and middle school students annually
- Community-based coalition building and planning

Key Staff and Board Members:

- Dorothy Hopkins (President and CEO), Andrea Hills (Project Manager)
- Richard Knight (Chairman), Don Williams

Hill and Wilkinson will be General Contractor

Funding Sources and Uses

Total Project Cost: \$19.76 MM

NMTC Allocation: \$15 MM
(nets \$4.2 M to the project)

NMTC Investor:
JPMorgan Chase

Sources	
Chase Senior Debt	\$11,652,000
Forgivable Debt (City existing)	\$1,025,000
City - HUD Challenge Grant (existing)	\$200,000
City - PPP Grant	\$1,901,949
City - South Dallas / Fair Park Trust Fund Grant	\$200,000
NMTC Equity	\$4,284,750
FRI (funded equity)	\$500,000
Total	\$19,764,108
Uses	
Acquisition/Land	\$2,324,978
Hard Cost	\$12,840,004
Soft Costs (inc. financing)	\$3,588,626
NMTC Closing costs & Reserves	\$1,010,500
Total	\$19,764,108

Previous City Funding Support

The City has provided the following funds:

- \$1.025 M as a forgivable loan for land acquisition (PPP and 2006 Bond Funds) and demolition
- \$200,000 from the HUD's Community Challenge Grant for predevelopment (architecture, engineering, site planning and zoning)

Summary of Proposed Additional City Assistance

The City is proposing to provide the following additional funding:

- \$15 M in NMTC allocation
- Up to \$2,000,000 grant from PPP
- Real Property tax abatement of 90% for 10 years
- \$200,000 grant from the South Dallas Fair Park Trust Fund

NMTC Allocation

\$15 M allocation will net project about \$4.2 M in equity

- JP Morgan Chase anticipated to be the NMTC investor
- The Dallas Development Fund (City-controlled NMTC CDE) approved the NMTC allocation on March 28, 2014
- More information on NMTC financing can be found in Appendix A

PPP Grant

PPP grant not to exceed \$2 M to provide gap financing for project

Project meets PPP guidelines for minimum investment and job creation in Southern Dallas

Funds will be disbursed on a *pari passu* basis and likely to be administered by Chase as part of their disbursement process

(see Appendix B for PPP information)

Tax Abatement

A 90%/10 year real property abatement is proposed for added value to the real property in accordance with the Act and the City's Public/Private Partnership Guidelines and Criteria

Project is consistent with PPP guidelines for minimum investment and job creation in Southern Dallas

Estimated one-year value of abatement is \$92,101; ten-year value is \$921,000.

(see Appendix B for PPP information)

South Dallas Fair Park Trust Fund Grant

\$200,000 grant for land acquisition

To be used to complete land acquisition for the
project site

SDFPTF board approved March 26, 2014

Other Items Requiring Council Approval

Terms of existing loan agreement for forgivable loan need to be modified to add “Medical” as project type, clarify the CO date at March 31, 2015 and clarify the jobs purpose.

Deed Restriction Transfer

- Four properties (three land bank program, one land transfer program) need deed restriction transfers or modifications (will go to Housing Committee)
- Scheduled to go to Council May 14, 2014

Hatcher Station Village: Community Impacts

Healthcare

- Primary Care services (pediatrics, adults, and geriatrics)
To serve over 20,000 patients in 49,000 patient visits annually
- Women and Infant Specialty Health (WISH)
To serve over 7,000 patients in 17,000 patient visits annually
- Behavioral health, nutrition, radiology, and financial counseling

Jobs

- Over 110 FTE jobs
 - 19 FTE providers
 - 91 FTE nonproviders (nurses, medical assistants, nutritionists, etc.)

Catalytic TOD

- Located at Hatcher Station
- Identified as catalyst site in Hatcher Station Plan (Part of HUD TOD grant)
- First phase of larger development that will feature at least 18,000 SF of community-focused commercial space



Recommended Next Steps

Economic Development Committee recommendation for Council action on April 23 (three agenda items/five resolutions)

- Approval of \$15 M NMTC allocation
- Approval of \$200,000 South Dallas Fair Park Trust Fund grant
- Approval of new PPP grant not to exceed \$2,000,000
- Approval of tax abatement (10 year, 90%)
- Approval of loan modifications to existing loan agreements (for forgivable loan)

Project closing projected late Spring 2014

PPP program information

APPENDIX A

PPP Information

Eligibility Requirements

Each geographic area of the City has a minimum requirement in order to be considered for incentives:

- **Southern Dallas:** Projects must create/retain 25 jobs or provide \$1 million of investment;
- **Northern Dallas and Central Business District:** Projects must create/retain 150 jobs or provide \$10 million of investment; and
- **Non-Conforming Projects:** Projects will be considered on a case-by-case basis.

Tax Abatement

Temporary abatement of either real estate or personal property taxes. Recipient firms must meet primary considerations of capital improvements and job creation/retention.

Business Development Chapter 380 Grant Program

Companies considering a relocation/expansion or new commercial development may be eligible for a grant in lieu of tax abatement or to defray project costs such as: land purchase, building costs, public infrastructure costs, development fees, right of way abandonment fees, loan guarantees, training costs, relocation costs, etc. Grants will be considered on a case-by-case basis and are subject to funding limitations and investment/job eligibility requirements. Companies will be required to meet eligibility requirements of the Public/Private Partnership Program.

FRI Project:

Investment:

\$12.1 M (non-city or city-related)

Jobs:

110 (19 provider, 91 non-provider)

Avg. salary: \$69,000, Avg. salary (non-provider only): \$51,000

NMTC program information

APPENDIX B

Review of the NMTC program

Permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in eligible projects

In 2009, Dallas created the Dallas Development Fund (DDF) as a qualified non-profit to apply for a U.S. Treasury NMTC allocation

The same year, the DDF was awarded a \$55 million allocation
Was awarded a second \$30 million allocation in 2012

Investments must be used in low-income communities

The credit provided to the investor equals \$.39 on the dollar of qualified equity investment to the project and is claimed over a 7-year credit allowance period

NMTCs encourage investment by providing up to 25% of total project costs

DDF has allocated \$61 million for five previously approved projects

Types of Eligible Projects

Allocation award depends on applicant's strategy to use the tax credits to support eligible development projects

DDF's application highlighted multiple types of projects for priority funding under the NMTC program:

- Transit-oriented development
- Job training facilities
- Mixed use (retail and housing)

Several types of projects are not eligible:

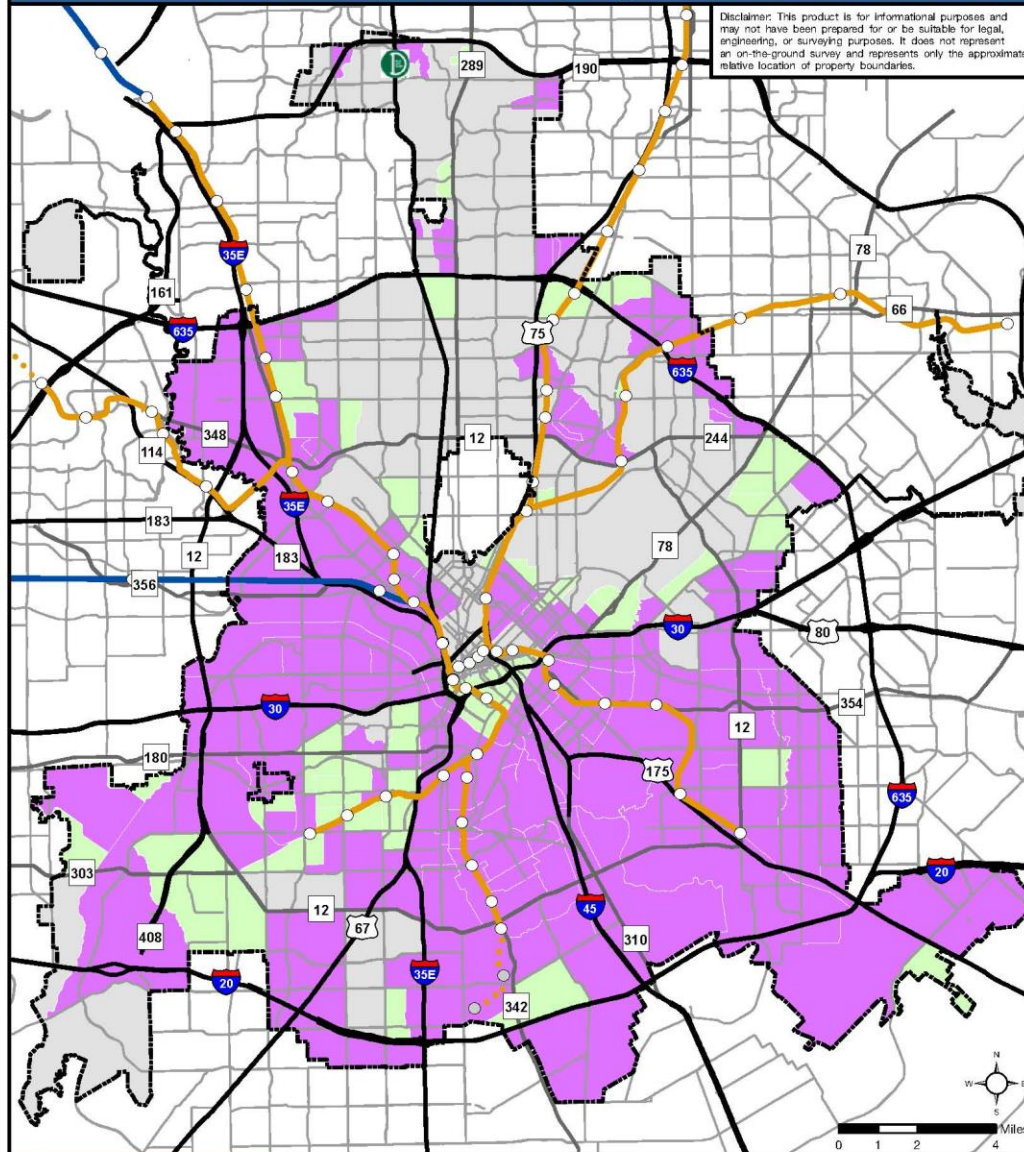
- Those that derive more than 80% of gross rental income from rental dwelling units
- Golf courses, race tracks, gambling facilities, country clubs, massage parlors, hot tub facilities, suntan facilities, liquor stores

All projects must be in NMTC-eligible areas

- Eligible areas determined by poverty rate, unemployment and median family income
- Distress criteria: 1) a poverty rate of at least 30 percent; 2) a median family income at or below 60 percent of the applicable area median family income; or 3) an unemployment rate at least 1.5 times the national average.

New Markets Tax Credits: Eligible Census Tracts

Disclaimer: This product is for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.



DALLAS ECONOMIC DEVELOPMENT
 Research & Information Division
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 dallas-ecodev.org
Created: 1/28/2009, Last Updated: 1/4/2013 - NMTC,TCO

Legend		
NMTC Eligibility Eligible, Distressed	Freeway or Tollway	Rail Station
Eligible	Highway	Future Station
City of Dallas	Arterial	DART Light Rail
	City of Dallas	Commuter Rail
		Future DART Light Rail

Benefits of the NMTC program

An **additional financial tool** to achieve Dallas' development goals, particularly those in southern Dallas neighborhoods

- Focuses on (federally defined) Low-Income Communities and Low-Income Populations

Funds can be used for **debt, equity or “hybrid” financing**

- Projects include commercial, industrial, institutional, not-for-profit
- For-sale housing (challenging due to 7-year time frame)
- Mixed-use projects, with rental housing less than 80% of income
- Operating businesses

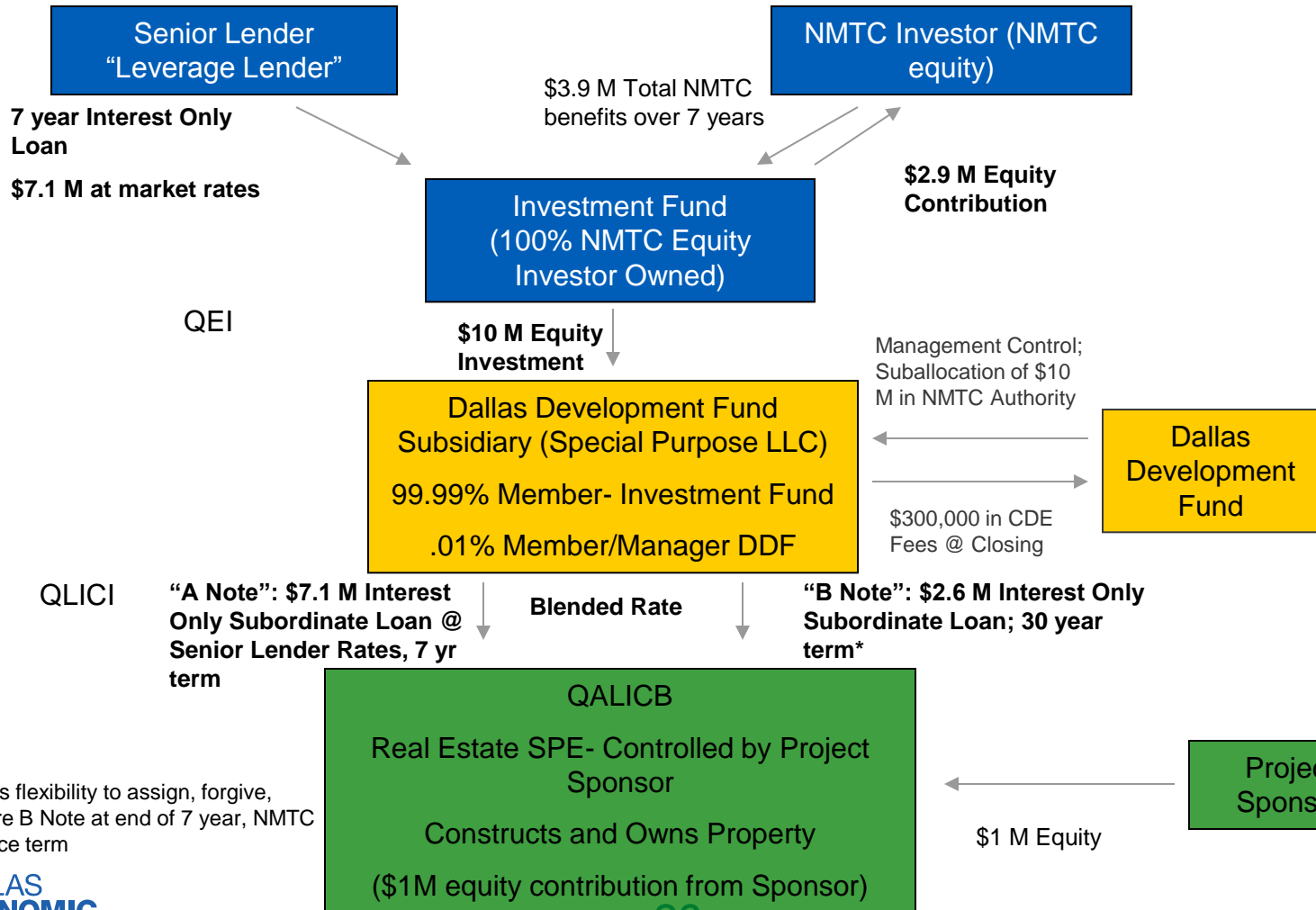
An important **supplemental layer** that complements conventional debt and equity financing as well as existing city subsidy programs.

Hatcher Station Village: DDF Investment Criteria

Location	<i>Southern Dallas</i>		<i>Distressed Community</i>	
	Yes, South Dallas/Fair Park neighborhood		Highly distressed tract with a 36% poverty rate, a median income of 32% of regional median, and 21% unemployment rate	
Proposed Uses	<i>Job Training</i>	<i>TOD</i>	<i>Mixed-use, community oriented</i>	
	No	Yes, located at DART's Hatcher Station	First phase of broader community-oriented redevelopment	
Need for NMTC	Yes – the project has a financing gap of approximately \$4 million due to senior lender's parameters, project location a distressed area of South Dallas and Sponsor's limited balance sheet			
Likely community impact	<i>Job creation for LIC</i>	<i>Increased wages LIC</i>	<i>LIC owned business?</i>	<i>M/WBE owned business?</i>
	Yes, over 110 jobs will locate at site	Yes	No	FRI's board is majority/minority (minority-controlled per CDFI Fund definition)
	<i>Community services business?</i>	<i>Facilitates wealth creation for LICs?</i>	<i>Provides goods or services to LICs?</i>	<i>Environmentally sustainable?</i>
	Yes	No	Yes	LEED equivalent, Transit oriented

Illustrative NMTC Use

Hypothetical \$11 M project using \$10 M in NMTC Allocation



* DDF has flexibility to assign, forgive, restructure B Note at end of 7 year, NMTC compliance term