

Memorandum



DATE February 17, 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 **Flora Street Lofts Project**

On Tuesday, February 21, 2017, the Economic Development Committee will be briefed on the Flora Street Lofts Project.

Briefing material is attached.

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



Mark McDaniel
Acting First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Theresa O'Donnell, Chief of Resilience
M. Elizabeth Reich, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor & Council
Directors and Assistant Directors

Flora Street Lofts Project

Economic Development Committee
February 21, 2017

Purpose

- Review the Flora Street Lofts Project and funding sources
- Discuss Housing Department and Dallas Housing Finance Corporation (DHFC) project-related initiatives
- Understand strategic importance of Flora Street Lofts
- Seek Economic Development Committee approval for Council consideration on March 22, 2017 of recommended TIF subsidy of up to \$4,577,916

City Center TIF District Funding

Background

- City Center TIF District has several set-aside budget categories, including Affordable Housing
- Funds for affordable housing can be used outside of the TIF District Boundary
- Total anticipated affordable housing set-aside is \$6,500,000
- \$1,142,594 has accrued and collected to date (2014-2016 collections)
- None of set-aside funding has been committed to date

Project Description

- Flora Lofts offers a unique project in the heart of the Arts District
- The development consists of adjoining projects that share a common lobby area, with completely separate ownerships
- Flora Street Lofts:
 - 52 Residential Units for local working artists (83% affordable units)
 - 5 Units at 50% AMFI
 - 38 Units at 60% AMFI
 - 9 Units at Market Rate
- 136 parking spaces for Flora Lofts project
 - Includes 35 spaces dedicated for Flora Lofts residents
 - Remaining 101 spaces are non-dedicated flex spaces for public use/residents



Project Description

- Adjoining project, NOT funded with City dollars (separate ownership/ separate project):
 - Atelier Tower - 364 market rate high rise units (552 parking spaces)
 - 14,774 square feet ground floor retail space



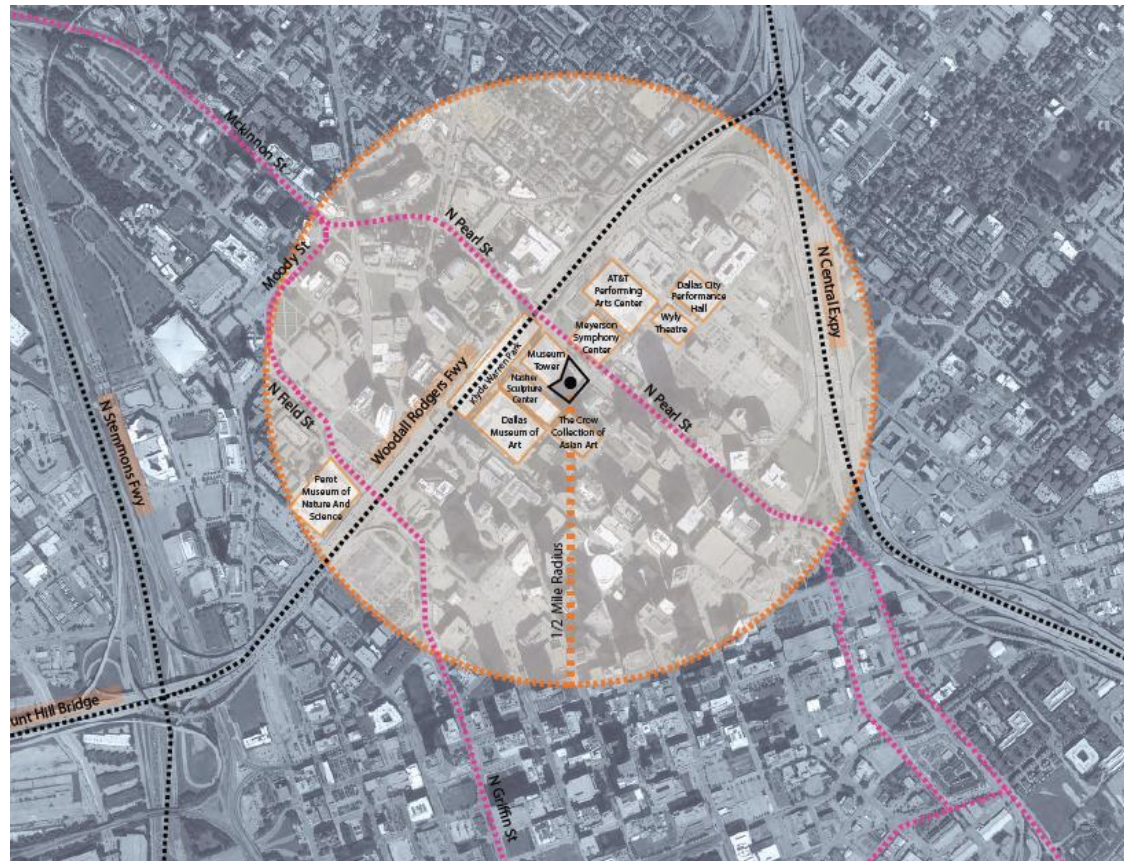
Project Description

- Retail constructed and owned by separate entity
 - Despite separate ownership, agreement with Flora Lofts developer will require that 50% of retail is occupied prior to any TIF payments
 - Many of the architecturally significant buildings in the Arts District do not have retail; this project provides much needed restaurant/retail square footage (10,000 square feet required) in district
 - Flora Lofts provides opportunity to strengthen connection between Arts District and Klyde Warren Park, along ROW adjacent to Museum Tower
 - **Flora Lofts Project Cost: \$24,859,690**
 - **Start Construction: 7/2017**
 - **Complete Construction: 3/2019**
- (see project fact sheet appendix, page 18)



Location Map

- Located in the Arts District with close proximity to City of Dallas public investments



Housing Department and Dallas Housing Finance Corporation (DHFC) Related Program Information

- On February 6, 2017, Housing Committee recommended for Council consideration on February 22nd, 1) a resolution of approval for Texas Department of Housing and Community Affairs (TDHCA) award of 4% Housing Tax Credits (HTCs) and 2) a \$2.5M project subsidy funded by Housing G.O. Bonds
 - Project location in high opportunity area: < 20% poverty rate; “Met standard” school rating
- On February 14, 2017, DHFC Board approved authorization to issue and inducement for Mortgage Revenue Bonds in approximate amount of \$14M
- On February 22, 2017, Council action to authorize a Public Hearing related to 1) 4% TDHCA tax credit award and 2) DHFC issuance of Tax Exempt Revenue Bonds
- On March 9, 2017, Tax Equity and Fiscal Responsibility (TEFRA) Hearing
- On March 22, 2017, Public Hearing and Council action related to TDHCA 4% Tax Credit Award and DHFC Bond Issuance and Council action related to Housing G.O. Bond subsidy

Sources of Funds (Construction Period)

- The unique nature of this project requires layering financing

SOURCE	AMOUNT	ADDITIONAL INFO
DEBT	\$16,408,886 (66%)	
Mortgage Revenue Bonds	\$13,907,886	To be issued by DHFC (requires DHFC Board and Council approval)
LRTX (La Reunion TX)	\$1,001,000	Artist organization with arts residency program
Greene Family Loan	\$1,000,000	Graham Greene family
FHLB	\$500,000	Federal Home Loan Bank
EQUITY	\$5,950,804 (24%)	
HTC	\$4,546,978	Requires City Council resolution of support; \$7,579,038 at C/O
Deferred Developer Fee	\$1,403,826	GREENarc
CITY SUBSIDY	\$2,500,000 (10%)	
Housing G.O. Bonds	\$2,500,000	Housing Committee approved NOFA on 2/6; Council Action on 2/22
TOTAL PROJECT COST	\$24,859,690	
TIF SUBSIDY	\$4,577,916 (18.4%)	Payable upon project C/O and compliance with TIF requirements and subject to TIF funding availability

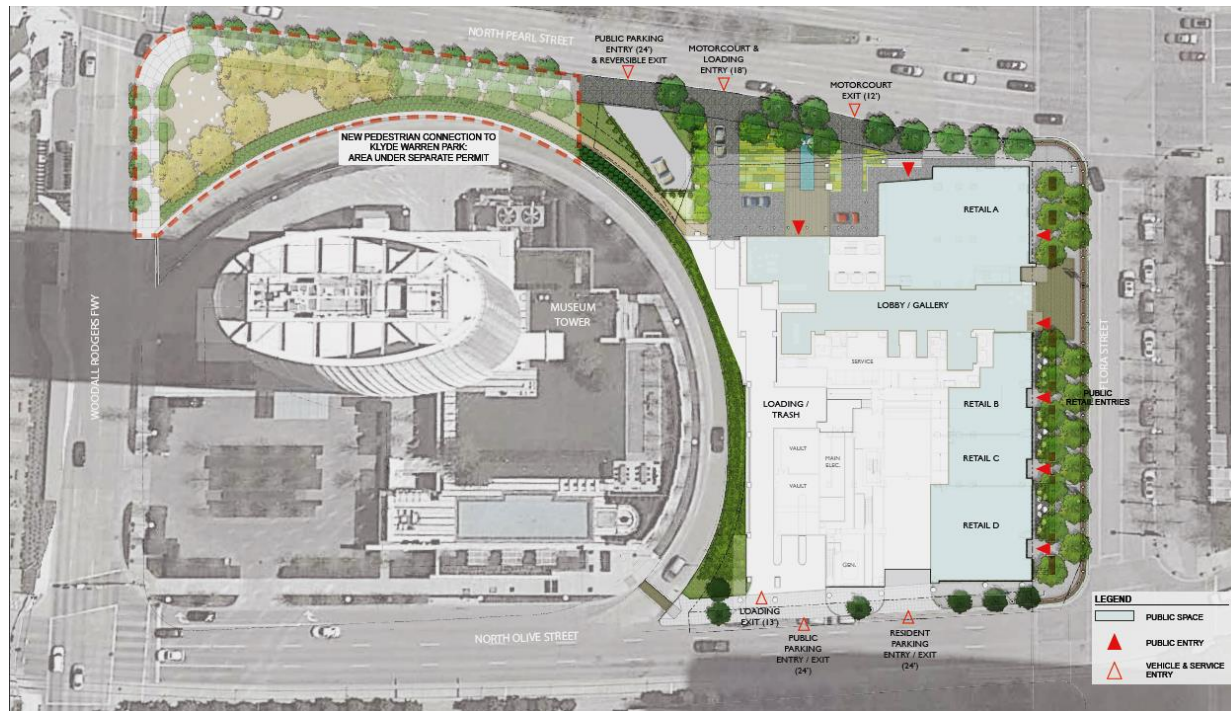
Project Design



- **Design Review:** Design Peer Review reviewed and approved design of project

Project Design

- Focus on ground floor design
- Streetscape improvements to strengthen connection between Arts District and Klyde Warren Park
 - Developer to use ROW for construction staging in exchange for improving this connection (improvement requirement remains if developer chooses not to use site for construction staging)



Proposed City Subsidy

- TIF subsidy not to exceed \$4,577,916*
 - Provide partial gap funding to support affordable housing at 50%-60% AMFI
 - Payable over time, likely by 2022
- Housing G.O. Bonds will provide additional gap assistance
 - \$2,500,000 City Housing G.O. Bonds

* Note this project was approved by City Council for TIF funding in 2014 with a different scope and TIF funding for public parking; that resolution is now null and void

Strategic Importance of Proposed Project

- Provides affordable housing for artists in the Arts District
- Provides inexpensive short term public parking for cultural district/park patrons at a convenient location within the Arts District at no direct cost to City
- Ancillary development provides ground floor retail to complement the many art-focused area buildings



TIF Board Funding Recommendation

- On December 8, 2016, City Center TIF District Board of Directors reviewed and approved TIF funding for affordable housing in Flora Lofts Project in an amount not to exceed \$4,577,916



Housing Committee Actions

- On February 6, 2017, Housing Committee reviewed and recommended \$2,500,000 in bond funds for Flora Lofts Project
- On February 21, 2017, Housing Committee will review proposed public hearing relative to TDHCA Tax Credit award and DHFC issuance of Tax Exempt Revenue Bonds

Recommendation and Next Steps

- Economic Development Committee approval of TIF subsidy up to \$4,577,916 for Council consideration on March 22, 2017
- Council action on February 22, 2017
 - Authorization of Public Hearing in relation to TDCHA Tax Credit award and DHFC issuance of Tax Exempt Revenue Bonds
- Tax Equity and Fiscal Responsibility (TEFRA) Hearing regarding Bond Issuance on March 9, 2017
- Public Hearing and Council Action on March 22, 2017, related to:
 - TDHCA 4% Credit Award
 - DHFC Tax Exempt Revenue Bond Issuanceand
- Council consideration of TIF subsidy up to \$4,577,916 and \$2.5M for G.O. Bond Subsidy

APPENDIX

Project *Facts*

Flora Lofts Project Facts	
Minimum Residential Space (required)	50,000 s.f. 52 Units
Affordable Housing Units Provided	43 Units
Market Rate Units Provided	9 Units
Minimum Retail Space	10,000 s.f.
Minimum Parking Spaces	136 spaces
Required Private Investment (construction hard and soft costs)	Min. \$20,000,000
Expected Total Project Cost	\$24,859,691
TIF Funding	\$4,577,916
% TIF funds to total project cost	18%
Deadline to Obtain Building Permit	July 1, 2017
Deadline to Obtain Final CO	March 1, 2019

Highlights of TIF Funding Conditions

- Minimum investment of \$20,000,000
- Minimum 50,000 square feet of residential rental space (approximately 52 residential rental units) in Flora Lofts Housing Project of which a minimum of 43 units shall be set aside as affordable for a minimum of 15 years, as described in the rent schedule
- 136 parking spaces for Flora Lofts Housing Project, with 35 spaces dedicated for Flora Lofts residents and remaining 101 non-dedicated flex spaces for public use/residents
- Ground floor that demonstrate good urban parking garage design including a minimum of 10,000 square feet ground floor retail/commercial space, excluding lobby;
- Start construction and/or demolition for the Project by July 1, 2017;
- Project Completion by March 1, 2019;
- Operation and Maintenance Agreement for public infrastructure improvements associated with the Project at CO Date, for 20 years;
- Substantial conformance with the Urban Design Peer Review Panel recommendations for the Primary Project, related project (residential tower) and adjacent public right of way along North Pearl Street referenced on plans as “New Pedestrian Connection to Klyde Warren Park”

Highlights of TIF Funding Conditions

- Comply with Business Inclusion and Development (“BID”) goal of twenty-five percent (25%) Minority/Women-owned Business Enterprise (M/WBE) for private improvement construction expenditures for components of Flora Lofts Project;
- If necessary, project deadline can be extended up to 12 months, subject to Office of Economic Development Director and TIF District Board approval;
- A minimum of at least 50% of ground floor space must be occupied prior to TIF payment.



Project Proforma

Flora Lofts Project Pro Forma			
PROJECT ADDRESS:	2121 Flora Street		
PROJECT TYPE:	Residential		
CONSTRUCTION START DATE:	July 1, 2017		
PROJECT COMPLETION DATE:	March 1, 2019		
	<u>SF</u>	<u># of Units</u>	<u>Avg SF</u>
Residential Units	50,681	52	975
Project Costs		YEAR 5	
Total Cost	\$23,607,798		
Land Cost	\$1,251,893		
Total Project Cost (without City \$)	\$24,859,691		
		Revenue	
Total Project Cost	\$24,859,691	Effective Gross Annual Income	\$909,523
TIF Assistance	\$4,577,916		
Additional City Supported Assistance	\$2,500,000		
HTC	\$7,579,038		
Net Cost to Developer	\$10,202,737		
		Expenses	
		Total Annual Expenses	(\$356,083)
Return on Cost Analysis			
NOI/Total Project Costs			
Return on Cost (without assistance)	2.2%	NOI	\$553,440
Return on Cost (with assistance)	5.4%		

Sponsorship

- Graham & Katherine Greene (Owner)
 - **GRAHAM GREENE AIA** has engaged, over the last 30 years, in the ownership and investment of complex multi use developments consisting of mixed income housing, urban retail and educational facilities. He has been a primary catalyst for and held a majority ownership in the realization of over 1 million square feet of high density urban development in Dallas, Texas. Each project is conceived to fit a unique situation or specialized need where the standard production oriented developers have shown little interest.
- Financial and Development Consultant:
 - **GRADY (BUDDY) JORDAN JR.** Real estate investor/developer for more than 40 years in DFW and Oklahoma. Former tax CPA & Management Consultant (Coopers & Lybrand). Developed more than 3 million square feet of commercial and residential space. Currently active in development of 1701 Canton, 508 Park, 515 Park, Las Colinas Equestrian Center. Charitable/Civic engagements include – Elder of First Presbyterian Church, Director of Interfaith Housing Coalition, Director of North Texas Education Finance Corp.