

Memorandum



CITY OF DALLAS

DATE January 13, 2012

TO Members of the Economic Development Committee: Tennell Atkins (Chair),
Ann Margolin (Vice Chair) Jerry R. Allen, Sheffie Kadane, Monica Alonzo

SUBJECT **The Collective – Fort Worth Avenue TIF District**

On Tuesday, January 17, 2012, the Economic Development Committee will be briefed on “The Collective” in the Fort Worth Avenue TIF District.

Briefing material is attached.

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

A handwritten signature in black ink, appearing to read 'Ryan S. Evans'.

Ryan S. Evans
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa Rios, Acting City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge Municipal Court
A.C. Gonzalez, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Interim Assistant City Manager
Jeanne Chipperfield, Director, Chief Financial Services
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Stephanie Pegues-Cooper, Assistant to the City Manager

The Collective - Fort Worth Avenue TIF District

Economic Development Committee

January 17, 2012



Office of Economic Development
WWW.DALLAS-ECODEV.ORG

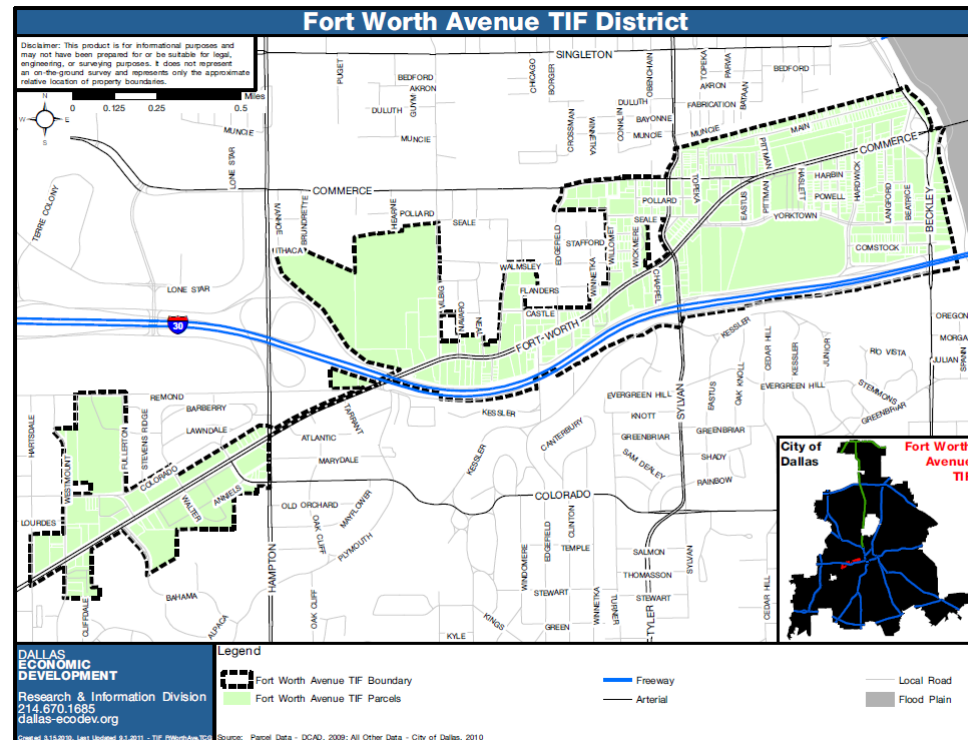


Purpose

- ◆ Review project proposal for TIF funding in the Fort Worth Avenue TIF District for The Collective.
- ◆ Obtain Economic Development Committee approval for consideration of the project by City Council on January 25, 2012.

Fort Worth Avenue TIF District Overview: Background

- ◆ The Fort Worth Avenue TIF District was created June 13, 2007.
- ◆ The district's purpose is to create a more sustainable mix of residential property in the corridor and to take advantage of under-developed land parcels near downtown Dallas.



Fort Worth Avenue TIF District Overview: Background (continued)

- ◆ The City has focused on creating a new vision of development along the Fort Worth Avenue/West Commerce Corridor since the implementation of a visioning and conceptual land use plan in 2003 and the creation of Planned Development District 714 in 2005. The TIF district is an outgrowth of the City's planning efforts.
- ◆ The TIF district is envisioned to become a vibrant mixed-use corridor that connects downtown to neighborhoods in North Oak Cliff.

Fort Worth Avenue TIF District Overview: Background (continued)

- ◆ A Final Project Plan and Reinvestment Zone Financing Plan was approved by Council on March 26, 2008, and amended on January 28, 2009.
- ◆ The district expires on December 31, 2029 or when approximately \$69.5 million (2007 dollars) or approximately \$148.9 million in total dollars has been collected. TIF funding is used to offset the infrastructure and other development costs in an effort to encourage redevelopment of the area.



Fort Worth Avenue TIF District Overview: Budget in Current Dollars

Fort Worth Avenue TIF District Projected Increment Revenues to Retire TIF Fund Obligations*			
Category	TIF Budget	Allocated	Balance
Public infrastructure improvements: paving, streetscape, water/wastewater, storm sewer, utility burial/relocation, and land acquisition	\$80,093,760	\$116,000	\$79,977,760
Affordable housing	\$10,748,015	\$0	\$10,748,015
Environmental remediation & demolition	\$12,897,617	\$0	\$12,897,617
Parks, open space, trails, and gateways	\$12,897,617	\$0	\$12,897,617
Façade restoration	\$6,448,809	\$0	\$6,448,809
Economic development grants	\$21,496,030	\$0	\$21,496,030
Administration and implementation	\$4,334,643	\$152,144	\$4,182,499
Total project costs	\$148,916,491	\$268,144	\$148,648,347
<p><i>*Budget shown above in current dollars, updated yearly; TIF Project Plan shows the budget in net present value. Values above do not include interest payments or receipts.</i></p> <p><i>*Funding obligations for La Reunion Town Center and Orleans at La Reunion expired in 2010 and are no longer an obligation of the district.</i></p>			



Fort Worth Avenue TIF District Overview: Current Status

◆ District Development Goals

- **To create additional taxable value attributable to new private investment in projects in the FWA TIF District totaling approximately \$1.2 billion**
 - Completed projects have added approximately \$19 million to the value of the district. Actual values are up approximately \$23 million over the base (2% of goal).
- **To attract higher density private development in the FWA TIF District totaling approximately 1 million square feet of retail space and 9,444 residential units, including townhome, multi-family, and single-family, and condominium projects.**
 - 4 single family homes and 198 rental units have been completed in the district. The Collective and other planned projects, if approved, will add another 520 units.
- **To focus on encouraging the redevelopment of properties in the FWA corridor to increase density and to provide enhanced urban design for the district that meets the intent of the Fort Worth Avenue Corridor Land Use and Urban Design Study and the requirements of the West Commerce Street/Fort Worth Avenue Special Purpose District (PD 714)**
 - Initial development projects under construction or planned show momentum for more urban, pedestrian friendly redevelopment in support of the vision for the area and PD 714.
- **Improve access and connections to the planned improvement of transit services, including a light rail or modern streetcar line, within the district.**
 - Each development is reviewed individually for wide sidewalks, shade, and improved transit stops. In addition, landscape design for each project includes planning for a potential light rail or streetcar line.



Fort Worth Avenue TIF District

Overview: Current Status (continued)

◆ District Development Goals

- **Increase recreational opportunities and improve connections to the City of Dallas trails and open space system in the district, especially the Trinity River and Coombs Creek.**
 - Phase I of the Coombs Creek Trail, from Beckley Avenue to Sylvan Avenue, was completed in March 2009. Future phases will follow Coombs Creek, continue through Stevens Park Golf Course, connect to The Collective, (if approved) and eventually connect to Joey Georgusis Park.
- **Maintain the stability of local schools as redevelopment occurs in the housing market.**
 - Leaders from the neighborhood schools have been invited to participate in the TIF district meetings.
- **Generate approximately \$69 million (NPV; 2008 dollars) in increment over 21 years, with up to 85 percent participation by the City and 55 percent participation by the County**
 - TIF increment collections began in tax year 2009, generating approximately \$157,698 total in incremental revenue for the district during the 2011 fiscal year. Another \$178,589 is expected in the 2012 fiscal year. Avalon at Kessler Park, the McDonald's, and Comerica Bank are complete and have begun to contribute to the TIF fund.



Fort Worth Avenue TIF District Overview: Current Status (continued)

◆ District Development Goals

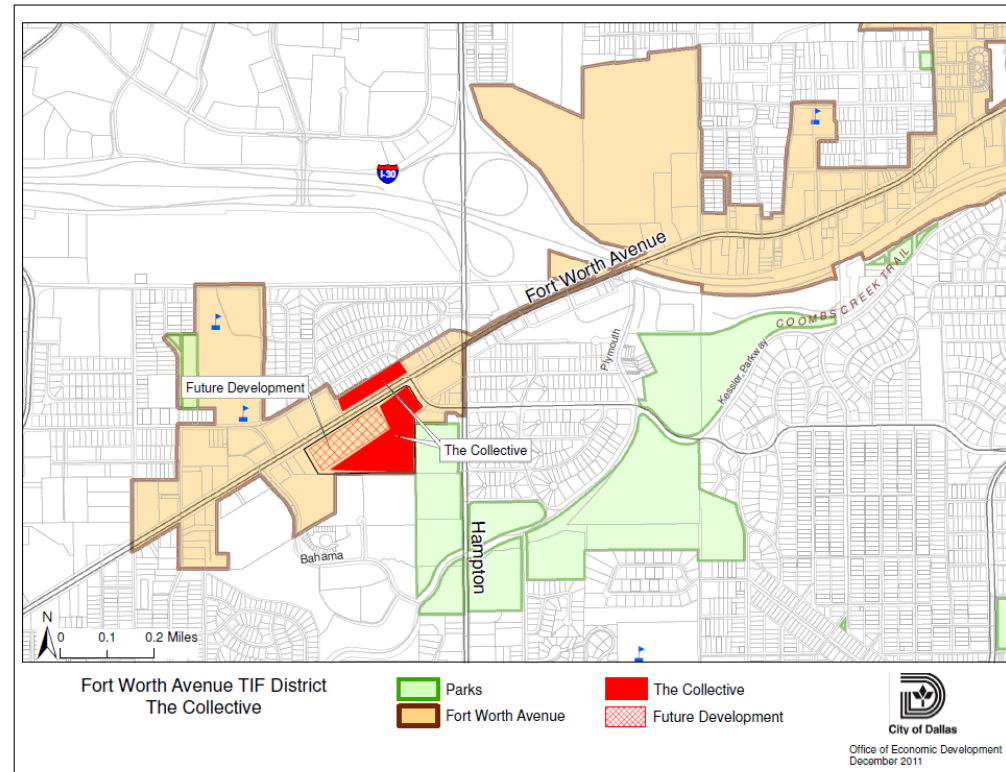
• To diversify retail and commercial uses in the district.

- The Aldi grocery store, completed in 2011, added 16,895 square feet of retail space. Metro Paws Animal Hospital will provide 4,700 square feet of veterinary clinic space. In addition, the Cliff Café re-opened as Smoke in September 2009 and retained restaurant space in the district.
- Planned development west of the Belmont will provide additional commercial space.
- The Collective will add 40,000 square feet of retail and commercial space.
- Sylvan | Thirty is planned to contain a natural foods grocery store and add 53,800 square feet of retail space to the district.

The Collective

Project Location

- The project is located southwest of I-30 on the north and south sides of Fort Worth Avenue.
- The entire development site, including future phases, is approximately 22 acres.
- This phase is 17 acres.



The Collective (continued)

- ◆ The Collective is proposed on the location of the **former Colorado Place Apartments**, which were demolished in 2009.
- ◆ **Avalon at Kessler Park** (formerly called Fairways at La Reunion), 198 units of **market-rate senior apartments**, was completed just east of the site in August 2010.
- ◆ La Reunion Town Center, a previously proposed project on the Colorado Place Apartment site, did not start construction. No TIF obligations remain as part of that project.
- ◆ The **site was acquired** by the current development entity in **2010**.
- ◆ **Cielo Realty Partners** (The Park at Kessler, LP) are requesting TIF funding in support of **320 apartments** and approximately **40,000 square feet of restaurant, retail, office, and/or live/work space**, to be called The Collective.



The Collective (continued)

◆ Project Description

- The Collective is proposed as a mixed use development on the **north and south sides of Fort Worth Avenue**, just **west of Hampton Road**. The proposed development will contain a minimum of 290,000 total square feet including approximately 320 residential units and 40,000 square feet of retail, commercial and/or live-work space.
- The estimated total project cost is **\$48.3M**.
- The **recommended TIF subsidy** for the project is **\$7,500,000**.
- **20% of the 320** units will **meet affordable housing** criteria based on projected rents.
- **On-site amenities** for the project include a **community** garden and central park, dog park, leasing office, meeting space, swimming pool, and ground floor retail.

The Collective – Renderings

CONCEPT RESIDENTIAL ELEVATION
 THE COLLECTIVE
 12.20.11



NOTE:
 STOOP / PATIO / BALCONY CONFIGURATIONS ARE CONCEPT ONLY.
 ONLY FIRST FLOOR UNITS FACING FORTH AVENUE AND CENTRAL
 PARK, AND A PERCENTAGE OF FIRST FLOOR UNITS FACING FORT
 WORTH AVENUE TO RECEIVE STOOP / PATIO / BALCONY. ALL OTHER
 STOOP / PATIO / BALCONY LOCATIONS TO BE DETERMINED BY
 OWNER / DEVELOPER AT A LATER DATE.



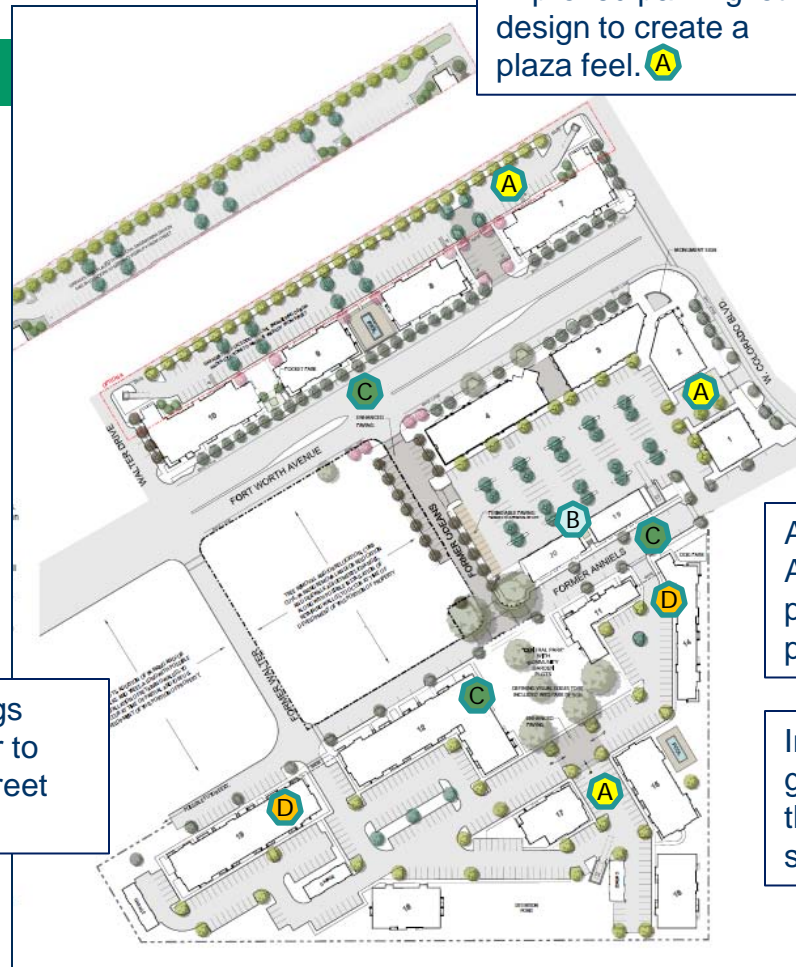
 **Hensley Lamkin Rachel, Inc.**
 ARCHITECTURE AND PLANNING

COLOR CONCEPT ELEVATION - RESIDENTIAL

NOTE:
 BRICK AND PAINT COLOR SELECTIONS ARE
 CONCEPTUAL. FINAL SELECTIONS TO BE
 DETERMINED BY DEVELOPER DURING
 CONSTRUCTION PHASE.

The Collective– Site Plan and Design Studio Input

The City Design Studio assisted with improving the site plan, landscaping, and public space.



Improved parking lot design to create a plaza feel. **A**

Added buildings on Annies to improve pedestrian feel of private street. **B**

Moved buildings closer together to improve the street wall. **D**

Increased number of ground-floor doors that access the street directly. **C**

The Collective – Funding Sources and Uses

- Funding sources are still being finalized with allocations that may shift as application processes continue.

<u>Estimated Funding Sources</u>	
First Lien Financing	\$36,522,768
Potential Mezzanine / Equity / 2nd Lien if not all First Lien	\$10,948,512
COG Sustainable Development Grant	\$900,000
Total development funding (total sources)	\$48,371,280

<u>Uses</u>	
<u>Private Costs</u>	<u>Amount</u>
Total Land Acquisition and demo	\$13,951,174
Total Hard (total construction)	\$21,908,783
Total Soft Costs	\$9,100,923
	\$44,960,880
<u>Public Costs</u>	
Public (in ROW or COD easement):	\$2,275,000
Partial Use of Grant Funds (private streets, affordable housing, garden/park space):	\$1,135,400
Total Development Costs	\$48,371,280

Note: Actual COG grant award is higher. COG funding rules may limit their use on site; therefore additional funding may be available for adjacent use by the City.



The Collective Proposed TIF Funding

- ◆ TIF funding will be used for infrastructure improvement in the right of way, including bike lanes on Fort Worth Avenue and Colorado Boulevard and including an extension of the Coombs Creek Trail.
- ◆ TIF grant funding (to be reimbursed as TIF funds are collected and only after the project is fully completed) will be used to improve the pedestrian experience on the internal streets; to leverage affordable housing; to create community garden, central green space, and a dog park; and to make the project financially viable.

Category	Staff Recommended Amount
Public infrastructure improvements paving, streetscape, water/wastewater, storm sewer, utility burial/relocation, and land acquisition	\$2,275,000
Economic development grant	\$5,225,000
Total	\$7,500,000

The breakdown of expenditures is approximate and expenditures may be shifted among categories.

The Collective Proposed TIF Funding (continued)

- ◆ The Fort Worth Avenue TIF Board of Directors reviewed the proposal on December 19, 2011 and recommended Council approval of a development agreement.
- ◆ The project is an important catalyst for this portion of Fort Worth Avenue.
- ◆ TIF funding for this and other future projects in the district will be subject to the TIF district's adopted increment allocation policy. The policy allows each project to receive its own increment, plus increment from related projects, if any. The remaining general increment is then shared among all completed eligible projects.

The Collective – Summary

The Collective	
Project Square Footage	290,000 square feet total including: 320 residential units and 40,000 square feet of retail/commercial/flex space
Required Project Investment <i>(land acquisition, sitework/infrastructure and hard costs)</i>	\$30,000,000
Total Project Costs <i>(land acquisition, sitework/infrastructure hard costs, soft costs, debt expenses, etc)</i>	\$48,371,280
Total Costs per SF	\$166.80
TIF Reimbursement	\$7,500,000
Return on Cost with TIF Reimbursement	7.93%
Return on Cost without TIF Reimbursement	6.70%
% TIF Funds to Total Project Costs	15.5%
Proposed Construction Start Date	September 30, 2012
Proposed Project Completion Date	January 31, 2015



Recommendations

- ◆ Staff recommends approval of a development agreement for TIF funding in support of The Collective.

◆ Appendices

Appendix 1: FWA TIF Overall Increment Chart

FORT WORTH AVENUE - PROJECTED TIF INCREMENT SCHEDULE													
Tax Year	Property Value Estimate	Property Value Growth	Cumulative Prop. Value Growth	Anticipated Captured Value	Anticipated Increment Revenue	Anticipated Accumulated Revenue (NPV)	Part. Rate CITY	Tax Increment Revenue into TIF CITY (varies)	Part. Rate COUNTY	Tax Increment Revenue into TIF COUNTY @ 55%	Tax Increment TIF Contribution TOTAL	TOTAL TIF Fund NPV @ 5.00%	
Base 2007	\$86,133,447												
1 2008	\$95,310,391	10.65%	10.65%	\$9,176,944	\$0	\$0	0%	\$0	0%	\$0	\$0	\$0	
2 2009	\$97,671,825	2.48%	13.40%	\$11,538,378	\$35,667	\$0	55%	\$35,667	55%	\$0	\$0	\$0	
3 2010	\$103,084,639	5.54%	19.68%	\$16,951,192	\$81,881	\$41,363	55%	\$81,881	55%	\$0	\$0	\$41,363	
4 2011	\$108,937,115	5.68%	26.47%	\$22,803,668	\$157,698	\$262,607	70%	\$127,222	55%	\$30,476	\$157,698	\$262,607	
5 2012	\$111,955,857	2.77%	29.98%	\$25,822,410	\$178,589	\$402,536	70%	\$144,063	55%	\$34,526	\$178,589	\$402,536	
6 2013	\$117,803,012	5.22%	36.77%	\$31,669,565	\$219,028	\$565,978	70%	\$176,685	55%	\$42,344	\$219,028	\$565,978	
7 2014	\$201,564,422	71.10%	134.01%	\$115,430,975	\$936,324	\$1,231,406	85%	\$781,987	55%	\$154,337	\$936,324	\$1,231,406	
8 2015	\$293,752,002	45.74%	241.04%	\$207,618,555	\$1,684,108	\$2,371,277	85%	\$1,406,512	55%	\$277,596	\$1,684,108	\$2,371,277	
9 2016	\$418,143,469	42.35%	385.46%	\$332,010,022	\$2,693,116	\$4,107,284	85%	\$2,249,202	55%	\$443,914	\$2,693,116	\$4,107,284	
10 2017	\$744,285,152	78.00%	764.11%	\$658,151,705	\$5,338,630	\$7,384,740	85%	\$4,458,649	55%	\$879,982	\$5,338,630	\$7,384,740	
11 2018	\$1,142,220,784	53.47%	1226.11%	\$1,056,087,337	\$8,566,505	\$12,393,398	85%	\$7,154,464	55%	\$1,412,042	\$8,566,505	\$12,393,398	
12 2019	\$1,380,085,513	20.82%	1502.26%	\$1,293,952,066	\$10,495,957	\$18,237,939	85%	\$8,765,878	55%	\$1,730,079	\$10,495,957	\$18,237,939	
13 2020	\$1,613,234,616	16.89%	1772.95%	\$1,527,101,169	\$12,387,157	\$24,807,113	85%	\$10,345,347	55%	\$2,041,811	\$12,387,157	\$24,807,113	
14 2021	\$1,846,329,508	14.45%	2043.57%	\$1,760,196,061	\$12,173,604	\$30,955,611	70%	\$9,820,134	55%	\$2,353,470	\$12,173,604	\$30,955,611	
15 2022	\$1,938,447,562	4.99%	2150.52%	\$1,852,314,115	\$12,810,697	\$37,117,775	70%	\$10,334,060	55%	\$2,476,637	\$12,810,697	\$37,117,775	
16 2023	\$2,017,539,077	4.08%	2242.34%	\$1,931,405,630	\$11,048,702	\$42,179,313	55%	\$8,466,317	55%	\$2,582,386	\$11,048,702	\$42,179,313	
17 2024	\$2,098,282,808	4.00%	2336.08%	\$2,012,149,361	\$11,510,601	\$47,201,350	55%	\$8,820,257	55%	\$2,690,344	\$11,510,601	\$47,201,350	
18 2025	\$2,180,712,855	3.93%	2431.78%	\$2,094,579,408	\$11,982,146	\$52,180,179	55%	\$9,181,589	55%	\$2,800,557	\$11,982,146	\$52,180,179	
19 2026	\$2,264,864,016	3.86%	2529.48%	\$2,178,730,569	\$12,463,537	\$57,112,424	55%	\$9,550,465	55%	\$2,913,072	\$12,463,537	\$57,112,424	
20 2027	\$2,350,771,801	3.79%	2629.22%	\$2,264,638,354	\$12,954,977	\$61,995,019	55%	\$9,927,042	55%	\$3,027,935	\$12,954,977	\$61,995,019	
21 2028	\$2,438,472,446	3.73%	2731.04%	\$2,352,338,999	\$13,456,673	\$66,825,189	55%	\$10,311,478	55%	\$3,145,195	\$13,456,673	\$66,825,189	
22 2029	\$2,528,002,929	3.67%	2834.98%	\$2,441,869,482	\$7,706,907	\$69,459,794	55%	\$7,706,907	0%	\$0	\$7,706,907	\$69,459,794	
Total (2006 – 2029)					\$148,882,506			\$119,845,805		\$29,036,701	\$148,764,959	\$69,459,794	
NPV @ 5%						\$69,459,794		\$56,027,143		\$13,402,865			



Appendix 2: Estimated TIF Reimbursement Schedule for The Collective

Tax Year	Anticipated Increment
2015	\$521,845
2016	\$529,569
2017	\$537,409
2018	\$545,367
2019	\$553,444
2020	\$561,643
2021	\$485,961
2022	\$493,163
2023	\$500,472
2024	\$420,097
2025	\$426,326
2026	\$432,648
2027	\$439,065
2028	\$445,578
2029	\$607,413
	\$7,500,000



Appendix 3: The Collective Pro Forma

PROJECT DESCRIPTION:	The Collective
SITE AREA:	17 acres
NUMBER OF FLOORS/STORIES:	4
BUILDING AREA (g.s.f.):	290,000
CONSTRUCTION PERIOD:	2 years
ANTICIPATED CONSTR START DATE:	Sep-12

The Collective	SF	# of Units	Total SF	\$ per SF
Residential	826	326	269,425	\$1.62
Commercial			40,000	\$0.00

<u>Income (Annual)</u>	
Residential Rental Income	\$5,248,988
plus misc income	\$81,500
plus commercial space	\$0
less vacancy	(\$298,000)
less expenses	(\$1,790,446)
NOI (w/o TIF)	\$3,242,042

Total Project Cost (incl. public costs)	\$48,371,280
CITY ASSISTANCE (current \$)	\$7,500,000
Total Project Cost (with City \$)	\$40,871,280

Return on Cost Analysis	
NOI/Total Project Costs	
Return on Cost (no City \$)	6.70%
Return on Cost (with City \$)	7.93%

<u>Project Costs</u>	
Acquisition & demolition	\$13,951,174
Hard Cost	\$21,908,783
Soft Cost	\$9,100,923
Public costs	\$2,275,000
Partial Use of Grant Funds (private streets, affordable housing, garden/park space)	\$1,135,400
Total Project Cost (incl. public)	\$48,371,280

Appendix 4: Cielo Realty Partners

- ◆ The Park at Kessler, LP is affiliated with Cielo Realty Partners, based in Austin, Texas
- ◆ Cielo Realty Partners was formed in May of 2010 by Bobby Dillard and Rob Gandy.
 - Bobby Dillard was a partner for Direct Development and has participated in the development and acquisition of multiple projects prior to this project.
 - Prior to Cielo, Rob Gandy managed a portfolio of \$60 million in commercial real estate loans for First National Bank in Austin.
- ◆ David Krukiel, the developer's representative, has experience with several multi-family developments and was involved with the development of Avalon at Kessler Park.