



CITY OF DALLAS

## NOTICE OF PUBLIC HEARINGS

The City of Dallas Housing/Community Services Department will hold a neighborhood public hearing to solicit citizen comments on a proposed application to be submitted to the Department of Housing and Urban Development (HUD) for approval of a Community Development Block Grant Section 108 guaranteed loan in an amount not to exceed \$13,350,000 for commercial development involving construction of commercial building space and structured parking in a mixed-use transit-oriented development located in the 7140 and 7160 blocks of Skillman St., developer Prescott Realty Group, Inc. The neighborhood public hearing will be held on Thursday, January 12, 2012, from 6:00 p.m. to 7:00 p.m. at the Audelia Road Dallas Public Library Branch located at 10045 Audelia Rd., Auditorium. Draft of application is posted at all Dallas Public Library branches, Office of Financial Services/Community Development Division at 1500 Marilla Street, 4FS, Dallas City Hall, Dallas, TX 75201, and on the City of Dallas main webpage at [www.dallascityhall.com](http://www.dallascityhall.com) under "Latest News & Announcements" and on the Housing/Community Services Department webpage at [www.dallascityhall.com/housing](http://www.dallascityhall.com/housing) under "NEWS CENTER."

Anyone who plans to attend and requires special arrangements due to a disability should contact the Housing/Community Services Department at 214-670-7302 forty-eight (48) hours prior to the meeting; reasonable accommodations will be made. TDD Via Relay TX 1-800-735-2989. For additional information, call 214-670-4522. Para mas informaci3n, por favor llame al 214-670-4522.

## SECTION 108 LOAN GUARANTEE DRAFT APPLICATION

Lake Highlands Town Center  
7140 – 7160 Skillman St., Dallas TX 75231

### SECTION I – GENERAL INFORMATION

Standard Form 424 (form SF-424) – Application for Federal Assistance is attached

#### Chief Elected Official or Chief Executive Officer

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#### Developer Contact

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## **SECTION II – THE APPLICATION**

The City of Dallas is applying for a \$13,350,000 Section 108 Guaranteed Loan to fund commercial development for Phase I of the larger Lake Highlands Town Center development in northeast Dallas. The Section 108 funds may be used for construction of commercial buildings, structured garage for commercial tenants, sitework, loan interest reserve, and financing costs for public offering related to construction of approximately 166,000 square feet of commercial space for grocery anchor, retail, office, restaurant, and service-oriented businesses.

### **Statement of Community Development Objectives (570.704(a)(1)(i)(A))**

The purpose of Section 108 funding for the commercial portion of the Lake Highlands Town Center (LHTC) project is to provide new grocery anchor, retail, office, restaurant, and other community serving businesses that will occupy commercial space included in the design of the project and provide structured parking space for customers who will frequent the businesses located in the development. LHTC Phase I located in a transit oriented development district that is in the Skillman Corridor TIF District. This effort conforms to City of Dallas community development objectives.\* The jobs created by the commercial development in Phase I assisted with Section 108 funds will generate jobs that will held by low- to moderate-income persons.

With Section 108 Loan Guarantee funds, PC LH Land Partners, LP (“PCLH” or “the Developer”) proposes to pursue the following community development objectives:

- Redevelopment of underutilized property that was a former source of crime
- Strengthen resident participation in the neighborhood revitalization process
- Comprehensively blend physical, economic, environmental and social planning
- Develop and encourage public/private partnerships in the neighborhood revitalization process
- Build neighborhood support systems
- Foster community pride
- Create an estimated 460 permanent jobs in grocery anchor, retail, restaurant, and property management.

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\* City of Dallas Five-Year Consolidated Plan FY 2008-09 Thru FY 2012-13, page 4-26

**Project Description**

One hundred percent (100%) of the infrastructure on the site has been completed and the development is “shovel ready” to commence Phase I of the vertical development which is the subject of this Section 108 application. The infrastructure includes site grading, sanitary and storm sewer installation, franchise utility installation, installation of all streets and streetscapes, and landscape.

The project is characterized by an unprecedented public/private partnership involving Tax Increment Financing (TIF) funding as well as funding from the City of Dallas, Dallas County and the North Central Texas Council of Governments for direct investment in the public infrastructure.

Site planning for Lake Highlands Town Center emphasizes pedestrian connectivity and green space. The DART Light Rail Station opened in December 2010 and ridership has exceeded expectations. This light rail station (Lake Highlands Station) is a multi-modal station that includes commuter parking, bus transit parking, and hike and bike trail connectivity. PCLH will seek LEED certification on commercial buildings.

The initial phase (Phase I) of construction is anticipated to commence in April 2012 and will incorporate the use of the Section 108 Loan Guarantee funds, which will be used in construction of commercial space and a structured parking deck. This first phase will include construction of building space in Blocks A and B located at 7140 and 7160 Skillman St. as detailed in the table below:

<b>Use</b>	<b>Net SF</b>
Grocer	57,186
Small Shop	27,546
Restaurant	27,546
Service Retail	27,546
Office	25,946
Total	165,769

The parking created using Section 108 funds will be used by persons who access the businesses listed above.

**Project Structure**

- The City of Dallas will act as a borrower and issue the debt obligations (570.740(b)(2)).

- The amount of Section 108 assistance sought is \$13,350,000
- The entity that will undertake the project is PC LH Land Partners, LP its affiliates or assigns
- The principal developer is Prescott Realty Group, Inc. its affiliates or assigns.
- Equity will be provided by PC LH Land Partners, LP its affiliates or assigns
- Upon completion of the project, assets including land and improvements will be owned by PC LH Land Partners, LP or its assigns
- Commercial space is designed for occupancy by commercial businesses including, but not limited to, grocery anchor, office, retail, restaurants, and other service oriented businesses that will occupy the completed space. Section 108 funding will not be used to provide assistance to the businesses that occupy the space. The Section 108 funding will also be used for construction of the parking structure that will be used by customers and employees of the businesses occupying space in the project.

### **Citizen Participation**

Citizens will be afforded an opportunity to participate in the application process by means of neighborhood and Dallas City Council public hearings held to receive questions and comments both at the meetings and through written comments.

- This draft application is posted on the City's website, at all Dallas Public Library branches, and the City's Office of Financial Services/Community Development Division
- Notices of public hearing to solicit citizens' input regarding the application are posted on the City's website and cable television channel, at all Dallas City Library branches, and in the Dallas Morning News, which is the City's official newspaper, and notice has been submitted to the City Secretary's Office.
- Neighborhood public hearing will be held on January 12, 2012, at the Audelia Road Dallas Public Library Branch, which is in proximity to the location of the project and in the Council district where the project will be located. Information regarding the proposed project and Section 108 funding will be made available and an opportunity for questions/answers or comments will be provided. Additionally, a form will be provided for citizens to submit written comments.
- Dallas City Council public hearing will be held on January 25, 2012.

Developer has held several meetings and focus groups at various locations in the neighborhood surrounding the project site to inform the community of the plans for development of the project, answer questions and address concerns, engage the community in the planning process, and enable citizens to provide feedback regarding development plans. The community has expressed support for the proposed development, and citizen comments have been given consideration in project development plans. The meetings had large community attendance.

**Displacement, relocation, acquisition, and replacement of housing 570.606 (570.704(e))**

Displacement, relocation, acquisition, and replacement of housing requirements are not applicable. The property has been vacant since December 2007, and improvements were demolished in July 2008.

**Project Implementation Schedule**

<b>Major Tasks/Activities</b>	<b>Begin Date</b>	<b>End Date</b>
1. Construction Period (20 months)	4/2012	11/2013
2. Lease-up and Stabilization	12/2013	3/2015

**Statement of Sources and Uses**

<b>Sources</b>	<b>Amount</b>	<b>Uses</b>	<b>Amount</b>
Section 108 Loan	\$13,350,000	Land Cost	\$7,884,266
Construction Loan	27,565,055	Hard Costs	30,877,973
Owner/Developer Equity	7,220,304	Soft Costs	535,000
		Construction Loan Interest	1,149,656
		Section 108 Loan Interest	2,446,871
		Developer Fee	1,629,039
		Other Financing/Development Costs	3,612,554
<b>Total Sources</b>	<b>\$48,135,359</b>	<b>Total Uses</b>	<b>\$48,135,359</b>

**Budget**

<b>Eligible Activity</b>	<b>Section 108 \$</b>	<b>EDI/BEDI \$</b>	<b>CDBG \$</b>	<b>Other \$</b>	<b>Nat. Obj.</b>
Acquisition of improved or unimproved real property in fee or by long-term lease, including acquisition for economic development purposes (570.703(a))					
Rehabilitation of real property owned or acquired by the public entity or its designated public agency (570.703(b))					
Payment of interest on 108 loan obligations (570.703(c))					
Relocation costs of 108-assisted activity (570.703(d))					
Clearance, demolition and removal of buildings and improvements on real property acquired or rehabilitated pursuant to (a) acquisition and (b) rehabilitation, except where necessary to carry out other eligible 108 activity (570.703(e))					
Site preparation, including construction, reconstruction, or installation of public or other site improvements, utilities, or facilities (other than buildings), which is: (1) related to the redevelopment or use of the real property acquired or rehabilitated pursuant to (a) acquisition and (b) rehabilitation or (2) for an economic development purpose (570.703(f))					
Payment of 108 issuance, underwriting, servicing, trust administration, and other costs associated with private sector financing (570.703(g))	\$133,500				<b>LMJ</b> 570.208(a)(4)
Housing rehabilitation eligible under 570.202(570.703(h))					

Economic development eligible under 570.203(570.703(i)(1))	\$10,769,629	\$0	\$0		<b>LMJ</b> 570.208(a)(4)
Economic development as "community economic development" eligible under 570.204(570.703(i)(2))					
Construction of housing by nonprofit organizations (570.703(j))					
108 debt service reserve to be used in accordance with requirements specified in the contract (570.703(k))	\$2,446,871				<b>LMJ</b> 570.208(a)(4)
Acquisition, construction, reconstruction, rehab or installation of public facilities, public streets, sidewalks and other site improvements and public utilities (570.703(l))					
Public works, site or other improvements in colonias 570.703(m)					
<b>Total Budget</b>	<b>\$13,350,000</b>				

**National Objective Compliance (570.704(b)(1))**

Economic development eligible under 570.203(570.703(i)(1)). This is an eligible activity that will meet the national objective of **benefiting low and moderate income persons by providing job creation**. This Section 108 funds will be used to construct the commercial space and structured parking facility above and below ground to accommodate patrons of the businesses that will occupy the 166,000 square feet of commercial improvements space developed in Phase I. The commercial development providing for new businesses will be the impetus for creation of approximately 460 permanent jobs that will provide employment opportunities for low- to moderate-income individuals.

The payment of interest on Section 108 loan obligations (570.703 (c )) is an eligible activity that will meet the national objective of **benefiting low and moderate income persons by providing job creation**. The payment of interest on the 108 funds will allow the project to use Section 108 funds to repay the interest on the funds. This will reduce the total cost of the project thus allowing the commercial development to be offered to market at a rate that is feasible for commercial businesses in this community.

The payment of 108 issuance, underwriting, servicing, trust administration, and other costs associated with private sector financing (570.703(g)) is an eligible activity that will meet the national objective of **benefiting low and moderate income persons by providing job creation**. The Section 108 funds will be used to pay the financing costs associated with public offering to enable the borrower with an interim variable-rate loan to obtain long-term, fixed-rate financing by converting the interim loan to a permanent, fixed-rate loan.

### **Generic Application Screening Activities, Underwriting & Public Benefit Standards**

The City will conduct appropriate financial underwriting and project evaluation to insure that the level of Section 108 funding for the project is appropriate and to insure that the project is financially feasible. The commercial development of the project providing for new businesses will result in the creation of jobs for low- to moderate-income persons with at least one full-time permanent position created for each \$35,000 increment of Section 108 funding provided to the project.

### **Section 108 Loan Repayment Source (570.704(b)(2))**

- Project generated revenue: LHFC Phase I will take 3 years to construct and stabilize. Once stabilized, this asset will produce over \$3,340,000 in annual Net Operating Income. The Section 108 loan principal and monthly interest will be repaid using Skillman Corridor TIF financing proceeds that have been awarded to the project (see “Additional Security Requirements”). Up to \$40 million in TIF subsidy has been awarded to Lake Highlands Town Center. The Section 108 loan is anticipated to be repaid in Year 20 (2031). A backstop guaranty will be provided by the borrower, if required, providing assurance of the Section 108 loan repayment.
- Other (debt service reserve and Section 108 debt reserve): A debt service reserve has been established within the development budget to cover debt service during the first five years of the project – the construction and lease up period.

**Section 108 Loan Repayment Schedule 570.704(b)(2)**

<b>Period/Year</b>	<b>Principal Balance</b>	<b>Interest</b>	<b>Principal Paydown</b>	
1	2012	\$13,350,000	Interest Only	\$0
2	2013	\$13,350,000	Interest Only	\$0
3	2014	\$13,350,000	Interest Only	\$0
4	2015	\$13,350,000	Interest Only	\$0
5	2016	\$13,350,000	Interest Only	\$0
6	2017	\$12,460,000	Interest	(\$890,000)
7	2018	\$11,570,000	Interest	(\$890,000)
8	2019	\$10,680,000	Interest	(\$890,000)
9	2020	\$9,790,000	Interest	(\$890,000)
10	2021	\$8,900,000	Interest	(\$890,000)
11	2022	\$8,010,000	Interest	(\$890,000)
12	2023	\$7,120,000	Interest	(\$890,000)
13	2024	\$6,230,000	Interest	(\$890,000)
14	2025	\$5,340,000	Interest	(\$890,000)
15	2026	\$4,450,000	Interest	(\$890,000)
16	2027	\$3,560,000	Interest	(\$890,000)
17	2028	\$2,670,000	Interest	(\$890,000)
18	2029	\$1,780,000	Interest	(\$890,000)
19	2030	\$890,000	Interest	(\$890,000)
20	2031	\$0	Interest	(\$890,000)
Aggregate Principal Amount				(\$13,350,000)

**Additional Security Requirements (570.705(b)(3))**

- A second lien (behind the 1<sup>st</sup> lien construction loan) will be provided.
- Debt service reserves are included in the development budget – Interest only payments on the Section 108 loan will be made for the first 5 years of the loan from an interest reserve set up with Section 108 loan funds. Thereafter the loan will convert to an amortizing loan over the remaining 15 years with payments coming from the allocated TIF proceeds dedicated to the repayment of the Lake Highlands Town Center Section 108 loan. Interest will be paid semi-annually and equal principal payments will be made annually over the next 15 year period from years 6 – 20.
- The pledge of an income stream and/or a guaranty by the borrower may be pledged as a backstop guaranty, if required, for the loan repayment in the event the TIF increment payments are insufficient.

- A pledge of future tax increments from the City of Dallas TOD TIF District to repay the loan.

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