

Memorandum



DATE October 4, 2013

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

SUBJECT **Galleries on Hickory Project (Cedars TIF District)**

On Monday, October 7, 2013, City Council will be briefed on the Galleries on Hickory Project. Briefing material is attached.

Should you have any questions, 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, Interim City Manager
Rosa Rios, City Secretary
Warren M. S. Ernst, Interim City Attorney
Craig Kinton, City Auditor
Judge Daniel Solis, Administrative Judge Municipal Court
Frank Libro, Public Information Officer
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
Lee McKinney, Assistant Director Office of Economic Development
Elsa Cantu, Assistant the City Manager – Council Office

Galleries on Hickory Project: Cedars TIF District

Economic Development Committee
October 7, 2013

Purpose

- Review TIF funding request for Galleries on Hickory proposal in the Cedars TIF District
- Economic Development Committee recommendation for approval of funding request by City Council on October 23, 2013

Cedars TIF District: Background

- Created December 9, 1992
- Located immediately south of the Downtown
- Bounded by
 - IH-30
 - South Harwood Street
 - Corinth Street
 - South Lamar Street
- Gateway to downtown
- Supports adjacent areas
 - Dallas Convention Center
 - South Lamar District
 - Dallas Heritage Village
 - Dallas Farmers Market



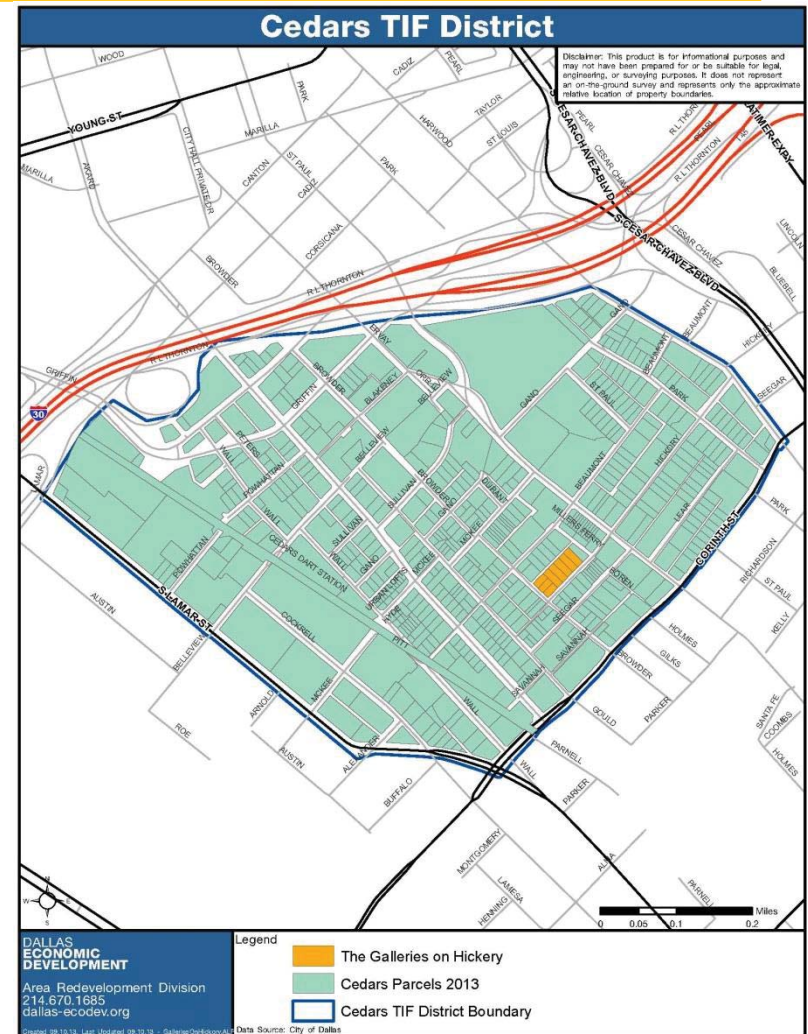
Cedars TIF District: Background (continued)

- Originally, Cedars TIF District set to expire on December 31, 2012
- City Council extended to term through December 31, 2022 (in June 2011) to encourage additional development

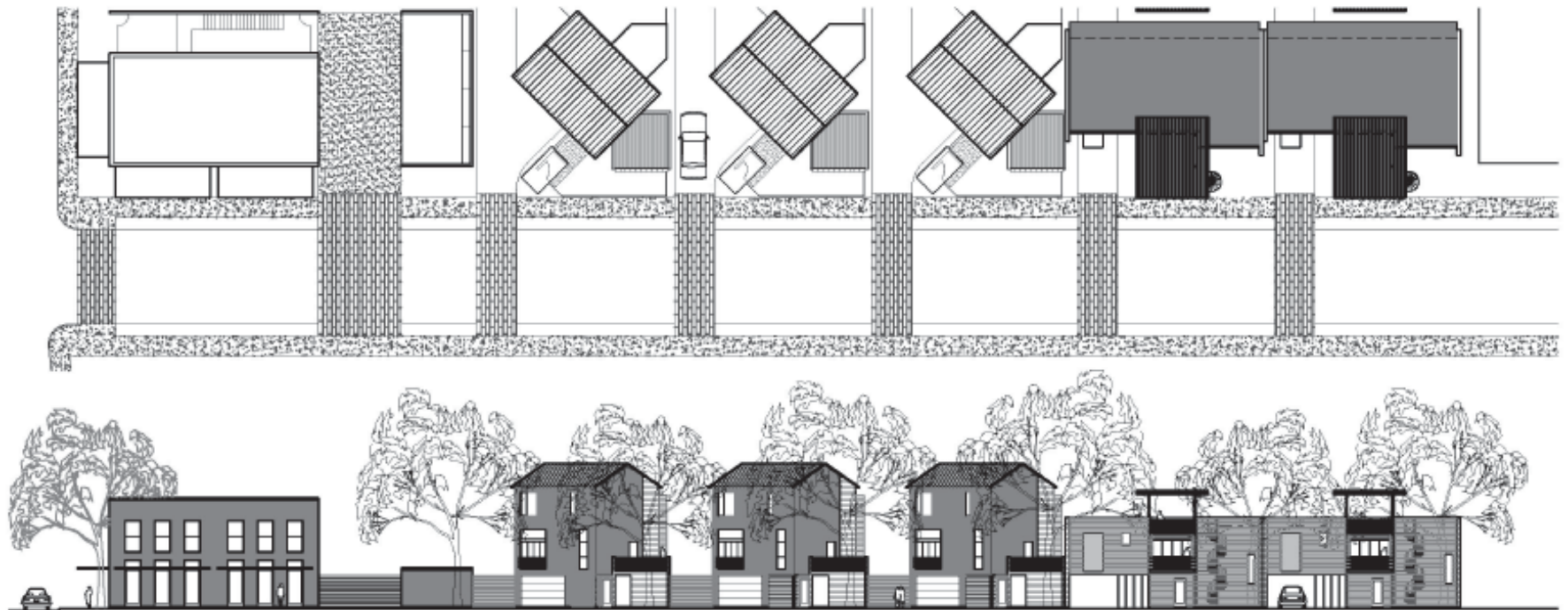


Galleries on Hickory Project

- **Location:**
 - 1509, 1513, 1517, 1521 and 1527 Hickory Street
 - 1814, 1818 and 1820 Browder Street
- **Project Site:** consists of 1.14 acres of vacant land
- **Planned improvements:**
 - Infrastructure, streetscape and landscaping improvements on Hickory Street and Browder Street
 - Paving of the adjoining alley between Browder Street and Ervay Street and a second connecting alley between Beaumont Street and Hickory Street



Galleries on Hickory: Elevations and Renderings



Hickory Street Elevation

Galleries on Hickory: Elevations and Renderings (continued)



Browder Street Elevation

Galleries on Hickory: Elevations and Renderings (continued)



“45 Degrees” Home Design (view from Hickory Street)



“Up and Over” Home Design (view from Hickory Street)

Galleries on Hickory: Conceptual Site Plan



Galleries on Hickory: TIF Subsidy

Infrastructure Improvements (TIF Eligible Project Costs)	
Infrastructure Improvements - Street Construction/Streetscape/Water/Wastewater/Drainage Improvements/East-West Corridor Construction/Public Open Spaces/Economic Development Grants	
Infrastructure Improvements extending beyond the project site along Hickory Street and the paving of the alley between Beaumont Street and Hickory Street	\$95,700
Site related Public Improvements along Hickory Street and Browder Street as well as the paving of the adjoining alley between Browder Street and Ervay Street	\$395,000
Total TIF Eligible Project Costs	\$490,700
* Cost maybe reallocated among categories as long as the total TIF funding commitment does not exceed \$490,700. No interest shall accrue on any portion of the TIF subsidy.	

Galleries on Hickory: Funding Sources and Uses

Funding Source	Amount	Use
Equity & Mortgage Financing	\$6,856,700	Land Acquisition \$726,000
		Construction \$4,745,000
		Soft Costs \$970,000
		Public Improvements & Contingency \$490,700
Developer/Owner (Private Equity)	\$75,000	Equity
Total	\$6,931,700	

Galleries on Hickory: Project Summary

Minimum residential space required	12,500 square feet
Minimum single-family housing units required (18 proposed)	10
Minimum required private investment – site acquisition, hard costs, soft costs, etc.	\$4,200,000
Expected total project cost	\$6,931,700
TIF Funding	\$490,700
% TIF funds to expected total project cost	7.08%
Return on Cost without TIF Funds	-1.18%
Return on Cost with TIF Funds	6.35%
Developer's Fee	N/A
Deadline to complete and receive a Certificate of Occupancy for the single-family housing units	May 31, 2016
Deadline to complete and receive a Certificate of Acceptance for all public infrastructure improvements	May 31, 2016

Previous & Recommended Actions

- On August 23, 2013, Peer Review Committee reviewed and approved the Conceptual Site Plan and Renderings for the Galleries on Hickory Project (Appendix 4)
- On September 19, 2013, Cedars TIF Board of Directors reviewed and approved the TIF funding recommendation for Galleries on Hickory Project in an amount not to exceed \$490,700
- Recommended Action: Approval of a development agreement with Dig It! Development, LLC to dedicate future Cedars TIF District revenues in an amount not to exceed \$490,700 for the Galleries on Hickory Project on October 23, 2013

- Appendices

Appendix 1: Cedars TIF Budget

Cedars TIF District Projected Increment Revenues to Retire TIF Fund Obligations			
Category	TIF Budget (Total Dollars)	Allocated*	Balance
Infrastructure Improvements - Street Construction/Streetscape/Water/Wastewater/Drainage Improvements/East-West Corridor Construction/ Public Open Spaces/ Economic Development Grants	\$13,961,735	\$6,870,704	\$7,091,031
Environmental Remediation	\$3,205,102	\$0	\$3,205,102
Education/Educational Facility Improvements/Public Improvements Adjacent to Educational Facilities	\$4,807,653	\$0	\$4,807,653
Administration and Implementation*	\$1,153,837	\$705,001**	\$448,836
Total Project Costs	\$23,128,327	\$7,575,705	\$15,552,622
<p><i>The Cedars TIF term was extended by a ten-year period and is now set to terminate in 2022. Estimated TIF Collections show potential capacity in the district based on current projections, not actual current cash status. Actual capacity to be determined by new construction. Values adjusted as of September 30, 2012 to reflect current projections.</i></p> <p><i>*Includes allocation for the Galleries on Hickory Project.</i></p> <p><i>**TIF administration costs shown are expensed through FY 2012.</i></p>			

Appendix 2: Cedars TIF District Increment Chart

Tax Year	Property Value Estimate City	Property Value Growth \$	Anticipated Captured Value City	Tax Increment Revenue City	Tax Increment Revenue DISD	Tax Increment Revenue DCCCD	Tax Increment Revenue County	Tax Increment Revenue DCHD	Anticipated Increment Revenue	Anticipated Accumulated Revenue (NPV)
1992	\$35,300,760									
1993	\$33,706,330		(\$1,594,430)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1994	\$31,406,528		(\$3,894,232)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1995	\$34,824,532		(\$476,228)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1996	\$32,499,522		(\$2,801,238)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1997	\$33,333,582		(\$1,967,178)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
1998	\$39,631,442		\$4,330,682	\$28,110	\$0	\$0	\$0	\$0	\$28,109	\$20,976
1999	\$39,171,800		\$3,871,040	\$25,839	\$27,770	\$0	\$0	\$0	\$53,610	\$59,075
2000	\$39,634,388		\$4,333,628	\$28,927	\$33,105	\$0	\$5,521	\$7,155	\$74,708	\$109,641
2001	\$42,365,372		\$7,064,612	\$47,156	\$54,157	\$0	\$9,000	\$11,664	\$121,977	\$188,268
2002	\$42,569,912		\$7,269,152	\$50,870	\$57,180	\$0	\$9,261	\$12,001	\$129,312	\$267,655
2003	\$42,628,095		\$7,327,335	\$45,106	\$52,169	\$0	\$8,771	\$10,644	\$116,691	\$335,881
2004	\$42,745,457		\$7,444,697	\$51,430	\$60,083	\$0	\$9,545	\$11,889	\$132,947	\$409,911
2005	\$45,724,646		\$10,423,886	\$77,314	\$0	\$0	\$14,493	\$17,210	\$196,333	\$514,030
DISD	\$45,644,075		\$10,343,315	\$0	\$87,316	\$0	\$0	\$0	\$0	\$0
2006	\$48,923,596	\$3,198,950	\$13,622,836	\$87,924	\$89,407	\$0	\$17,393	\$19,907	\$214,630	\$622,433
2007	\$62,805,631	\$13,882,035	\$27,504,871	\$205,709	\$163,216	\$0	\$40,649	\$45,402	\$454,976	\$841,284
2008	\$82,965,625	\$20,159,994	\$47,664,865	\$356,486	\$282,033	\$0	\$70,670	\$78,695	\$787,884	\$1,202,223
2009	\$87,846,392	\$4,880,767	\$52,545,632	\$392,989	\$335,263	\$0	\$77,891	\$93,565	\$899,708	\$1,594,763
2010	\$81,952,804	(\$5,893,588)	\$46,652,044	\$371,817	\$290,103	\$0	\$73,700	\$82,159	\$817,779	\$1,934,567
2011	\$78,357,617	(\$3,595,187)	\$43,056,857	\$343,163	\$278,879	\$0	\$68,004	\$75,808	\$765,854	\$2,237,641
2012	\$76,404,425	(\$1,953,192)	\$41,103,665	\$327,596	\$265,190	\$0	\$64,950	\$72,404	\$730,140	\$2,512,823
2013	\$80,495,208	\$4,090,783	\$45,194,448	\$324,180	\$0	\$0	\$82,401	\$0	\$406,581	\$2,658,762
2014	\$82,910,064	\$2,414,856	\$47,609,304	\$341,502	\$0	\$0	\$86,804	\$0	\$428,305	\$2,805,178
2015	\$89,108,678	\$6,198,614	\$53,807,918	\$385,964	\$0	\$0	\$98,105	\$0	\$484,069	\$2,962,778
2016	\$184,261,518	\$95,152,840	\$148,960,758	\$1,068,496	\$0	\$0	\$271,593	\$0	\$1,340,088	\$3,378,296
2017	\$223,801,948	\$39,540,430	\$188,501,188	\$1,352,119	\$0	\$0	\$343,685	\$0	\$1,695,804	\$3,879,072
2018	\$241,861,120	\$18,059,172	\$206,560,360	\$1,481,657	\$0	\$0	\$376,611	\$0	\$1,858,269	\$4,401,692
2019	\$274,116,954	\$32,255,834	\$238,816,194	\$1,713,029	\$0	\$0	\$435,422	\$0	\$2,148,450	\$4,977,151
2020	\$332,340,462	\$58,223,509	\$297,039,702	\$2,130,666	\$0	\$0	\$541,578	\$0	\$2,672,243	\$5,658,823
2021	\$392,310,676	\$59,970,214	\$357,009,916	\$2,560,832	\$0	\$0	\$650,918	\$0	\$3,211,750	\$6,439,106
2022	\$408,579,557	\$16,268,880	\$373,278,797	\$2,677,529	\$0	\$0	\$680,581	\$0	\$3,358,109	\$7,216,097
				\$16,476,409	\$2,075,871	\$0	\$4,037,545	\$538,503	\$23,128,327	\$7,216,097
				\$4,858,523	\$952,416	\$0	\$1,163,265	\$241,893	\$7,216,097	

Appendix 3: Galleries on Hickory Project Pro Forma and Budget

PROJECT DESCRIPTION:	Galleries on Hickory			
SITE AREA:	2			
NUMBER OF SINGLE-FAMILY UNITS:	18			
BUILDING AREA (g.s.f.):	36,000			
CONSTRUCTION PERIOD:	24 months			
ANTICIPATED CONSTR START DATE:	11/1/2013			
Summary Table				
Project Component	Square Feet	Units	Total Square Feet	\$ per Square Foot
1509 Hickory Street (Units A-C)	6,300	3	6,300	-
1513 Hickory Street (Units A-C)	6,300	3	6,300	
1517 Hickory Street (Units A-C)	6,300	3	6,300	
1521 Hickory Street (Units A-C)	4,350	3	4,350	
1527 Hickory Street (Units A-C)	4,350	3	4,350	
1814 Browder Street	2,700	1	2,700	
1818 Browder Street	2,700	1	2,700	
1820 Browder Street	3,000	1	3,000	
Total	36,000	18	36,000	\$15.86
Income (Annual)				
Revenue from selling the 18 units	\$6,850,000			
plus misc income	\$0			
plus commercial space	\$0			
less vacancy	0%			
less Project Costs	(\$6,931,700)			
NOI (w/o TIF)	-\$81,700			
Project Costs				
Acquisition Costs	\$726,000			
Hard Costs	\$4,745,000			
Soft Costs	\$970,000			
Public Improvement costs	\$490,700			
Total Project Cost (incl. public)	\$6,931,700			
Total Project Cost (incl. public costs) \$6,931,700				
CITY ASSISTANCE (current \$) \$490,700				
Total Project Cost (with City \$) \$6,441,000				
Return on Cost Analysis				
NOI/Total Project Costs				
Return on Cost (no City \$) -1.18%				
Return on Cost (with City \$) 6.35%				

Appendix 4: Galleries on Hickory – Urban Design Comments

- The Urban Design Peer Review Panel’s advice for the Galleries on Hickory Project is summarized below:
 - The panel applauds the project in respect to the attention to detail, addressing of the street frontage in a variety of ways and the reinforcement of the unique character of the Cedars.
 - The panel especially admires the way the project anchors the corners of the site with traditional orthogonal development while limiting the non-traditional geometry to the interior lots.
 - Consider incorporating proposed paved alley as usable space that can also function as an amenity for the development.

Appendix 5: Dig It! Development, LLC

- The principals of Dig It! Development, LLC include Brad Friedman, Steve Jordan and Scott Friedman.
 - **Brad Friedman** – currently a managing partner for Dig It! Development, LLC. Brad has been a successful sales and marketing professional for over 25 years. He also has experience in the commercial and residential real estate industries. His contemporary energy-efficient home in the Cedars neighborhood inspired the design of the Galleries on Hickory Project.
 - **Steve Jordan** – lead designer for Dig It! Development, LLC as well as owner and CEO of Steve Jordan Designs. Steve has practiced as an architectural and environmental designer for over 20 years.
 - **Scott Friedman** – CFO of Dig It! Development, LLC. Scott has over 25 years of experience managing the financial resources and operations of several corporations. This includes overseeing real estate finances for Wells Fargo Commercial Real Estate.