

Memorandum



CITY OF DALLAS

DATE August 31, 2017

TO The Honorable Members of the Economic Development & Housing Committee:
Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman,
Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,
Omar Narvaez

SUBJECT **Lakeridge Project – Skillman Corridor TIF District**

On Tuesday, September 5, 2017, you will be briefed on the Lakeridge Project in the Skillman Corridor TIF District. The briefing materials are attached for your review.

Summary

NADG/SHOP Lakeridge LP is proposing to revitalize a retail center on the southeast corner of Walnut Hill Lane and Audelia Road. The developer will renovate the retail buildings and add outdoor patio space, pedestrian walkways, and a pocket park. The project's total investment is expected to exceed \$26 million, and the renovation is scheduled for completion by December 31, 2018.

Background

The Skillman Corridor TIF District was created in 2005 to encourage, among other things, "redevelopment of structurally obsolete apartment complexes and retail centers. In 2009, the TIF Board adopted a Strategic Implementation Plan which identified five priority areas to target development and TIF incentives. One of those priority areas was Walnut Hill Lane at Audelia Road. The Lakeridge retail center has been underutilized with a lack of pedestrian connections and the prior owner's deferred maintenance have resulted in significant vacant space that is un-leasable without upgrades.

Issue

Without TIF incentives, the developer can only financially commit to basic building upgrades and would not implement amenities and pedestrian connections for an enhanced center. The tenant mix would be impacted, making it difficult to attract local restaurants and other unique tenants.

Alternatives

Staff reviewed other incentive programs and the TIF program was determined to be the best fit for the project needs. Additional programs such as Property Assessed Clean Energy (PACE) may also be explored.

Fiscal Impact

The developer has requested a TIF incentive in the amount of \$4,500,630 that will be reimbursed from future TIF revenues.

Departments/Committee Coordination

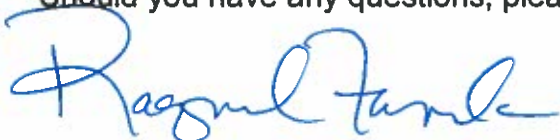
On May 26, 2017, the Urban Design Peer Review Panel (UDPRP) reviewed the project and provided recommendations.

The Skillman Corridor TIF Board will consider the proposal on Thursday, August 31, 2017.

Staff Recommendation

Staff recommends that the City of Dallas enter a development agreement with NADG/SHOP Lakeridge LP for the amount requested. With Committee approval, an item will be placed on the City Council agenda for September 27, 2017.

Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela
Chief of Economic Development & Neighborhood Services

c: The Honorable Mayor and the Members of City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Biliera Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizar Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Jo M. (Jody) Puckett, P.E., Assistant City Manager (Interim)
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Lakeridge Project – Skillman Corridor TIF District

**Economic Development and
Housing Committee
September 5, 2017**

**Robin Bentley, Interim Director
Office of Economic Development
City of Dallas**



Presentation Overview

- Background/History
- Purpose
- Lakeridge Project TIF Proposal
- Proposed Action



Background/History

- 2005 - Skillman Corridor TIF District was created
- Purpose of District was to encourage, among other things, “redevelopment of structurally obsolete apartment complexes and retail centers”
- 2009 - TIF board adopted a *Strategic Implementation Plan* which identified five priority areas to target development and TIF incentives. One of those priority areas was Walnut Hill Lane at Audelia Road.



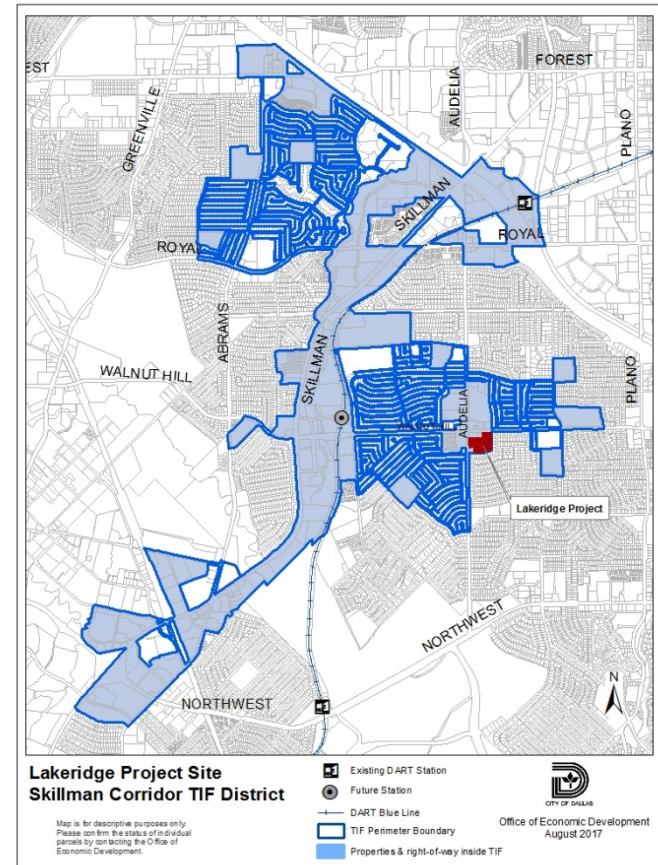
Purpose

- Review the Lakeridge project proposal for TIF funding in the Skillman Corridor TIF District.
- Obtain Economic Development and Housing Committee approval for consideration of this item by City Council on September 27, 2017.



Lakeridge Project – Project Site

- Project Site is located at southeast corner of Walnut Hill Lane and Audelia Road
- Development site excludes existing fast food restaurants and gas station, “outparcels” not controlled by developer.



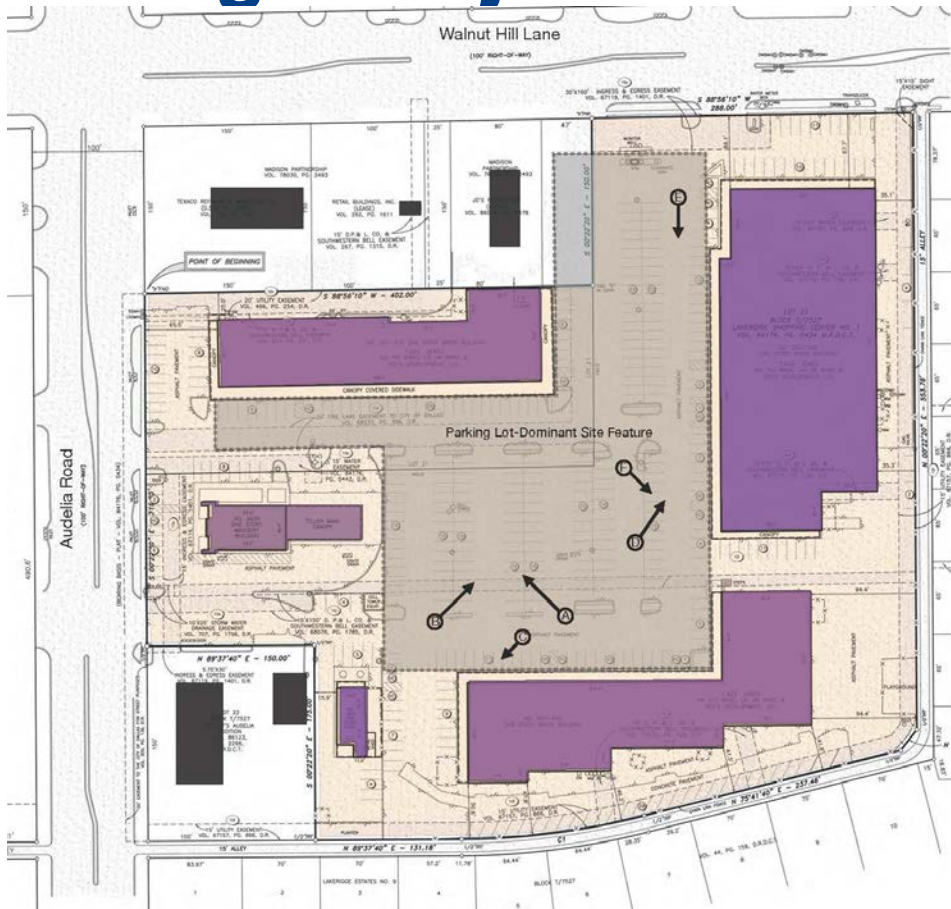
Lakeridge Project – Project Site



Lakeridge Project - Developer

- Developer is NADG/SHOP Lakeridge LP, a partnership of Dallas-based SHOP Development Company and North American Development Group (NADG)
- SHOP Development Company founding partner Daniel Fuller has over 20 years of experience in the development, operation, and disposition of retail assets
- NADG has developed and managed over 200 shopping centers since 1977 with offices in the U.S and Canada.

Lakeridge Project – Existing Conditions



- Aging, poorly maintained retail strip buildings with large expanses of surface parking
- Outparcels on corners include fast food outlets and a gas station

Lakeridge Project – Existing Conditions



Plain, auto oriented storefronts



Deferred maintenance – vacant space

Lakeridge Project – Existing Conditions



Narrow sidewalks on busy arterial road



Deteriorated site conditions

Lakeridge Project – Project Scope

- Renovation of 90,476 square feet of retail place to include outdoor patios, a pocket park, and pedestrian paths.
- Total investment: \$26,707,821
- TIF Request: \$4,500,630

Lakeridge Project – Site Plan



Lakeridge Project – Conceptual Images



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Lakeridge Project – Conceptual Images



Lakeridge Project – Conceptual Images



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Lakeridge Project – Conceptual Images



Lakeridge Project – Sources & Uses

Funding Source	Amount		Use
Private Equity	\$7,783,399	29%	Acquisition and Construction
Construction Loan	\$14,423,792	54%	Construction
TIF Reimbursement (<i>developer upfront</i>)	\$4,500,630	17%	Construction
Total	\$26,707,821		

Proposed TIF Incentives

- TIF funds for the project would be used to offset the cost of the following improvements:

TIF Budget Category	Amount
Other Skillman Corridor Improvements:	
Environmental remediation & demolition	\$286,799
Street & utility improvements	\$529,500
Streetscape improvements	\$463,271
Economic Development Grant <i>(to offset other costs for an enhanced center, including open space improvements)</i>	\$3,221,060
Total TIF Funding Request	\$4,500,630

Lakeridge Project – Terms Summary

Lakeridge Project	
Minimum commercial space	85,000
Required private investment	\$18,000,000
Deadline to receive building permit	6/30/2018
Deadline to obtain final CO	12/31/2018

Lakeridge Project – Proposed Terms

- Minimum private investment of \$18 million (including land and building acquisition, site preparation, construction hard costs, and costs of the plaza and pocket park, but excluding soft costs).
- Renovation of the project site for a minimum of 85,000 square feet of retail or commercial space including outdoor restaurant space.
- Obtain building permits for the project by June 30, 2018.
- Obtain a certificate of occupancy and a letter of acceptance for the public improvements by December 31, 2018.

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Lakeridge Project – Proposed Terms

- Provide 2,500 minimum square feet of publicly accessible “common open space” in the form of a pocket park and plazas within the private property of the site.
- Execute an Operating and Maintenance Agreement for all non-standard public improvements by December 31, 2018.
- Make good faith efforts to comply with Business Inclusion and Development goals of 25% M/WBE participation for TIF-reimbursable improvements and 25% M/WBE participation for remainder of project construction.
- Submit quarterly status report for ongoing work on project and public improvements.

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Lakeridge Project – Proposed Terms

- Comply with approved design images and site plans
- The Director, after approval of the TIF Board, may authorize minor modifications to the project and/or an extension of the project deadlines up to 6 months.
- Provide evidence that reasonable efforts were made to promote the hiring of neighborhood residents for any new jobs created.
- If a minimum of 50% of the commercial space is not occupied within 18 months of the CO date, then the payment of TIF Subsidy shall cease until such occupancy is achieved. If occupancy is not achieved within 24 months of the CO date, the developer will be in default. Once 50% occupancy is obtained, occupancy must continue to be maintained throughout the term of the development agreement.

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Next Steps

- On August 31, 2017, the Skillman Corridor TIF Board of Directors reviewed and recommended TIF funding for the Lakeridge Project
- Recommend Committee approval to forward the item for full Council consideration on September 27, 2017.

Appendix 1 – Skillman Corridor TIF Budget

Skillman Corridor TIF District Projected Increment Revenue to Retire TIF Fund Obligations			
Category	TIF Budget ¹	Allocated ²	Balance
Skillman/Walnut Hill TOD Town Center: environmental remediation, interior/exterior demolition, street & utility improvements, streetscape, land acquisition, park/plaza design & acquisition, and economic development grants	\$46,212,335	\$10,346,800 ³	\$35,865,535
Other Skillman Corridor Improvements: environmental remediation, interior/exterior demolition, street & utility improvements, streetscape, land acquisition, park/plaza design & acquisition, and economic development grants	\$54,892,381	\$6,464,604	\$48,427,777
Relocation Assistance/Student Retention	\$1,000,000	\$0	\$1,000,000
RISD Facility Improvements	\$5,000,000	\$5,000,000	\$0
Administration and implementation³	\$6,117,036	\$401,577	\$5,715,459
Total Project Costs	\$113,221,753	22,212,981	\$91,008,772
<p>1. Budget shown above in total dollars. However, TIF plan shows the budget in net present value. 2. Allocated amount for Other Skillman Corridor category includes a portion as a grant in lieu of interest up to \$457,000; the actual interest accrual is anticipated to be less. Interest accrued as of FY 2014 (September 30, 2014) totals \$13,974.</p> <p>3. TIF administration costs shown are expended or committed through FY 2016. Costs include \$25,000 local match for a NCTCOG grant funded planning study. 4. The local match commitment \$346,800 for the Lake Highlands TOD Connectivity project as a district-wide improvement has been allocated to this budget category.</p>			

Budget shown reflects pending approval of Lakeridge Project TIF Request

Appendix 2 – TIF District Increment Chart

PROJECTED TIF INCREMENT SCHEDULE												
Tax Year	Property Value Estimate	Incremental Property Value New Projects	Property Value Estimate	Property Value Growth	Comp. Value Growth	Anticipated Captured Value	Anticipated Increment Revenue	Anticipated Accumulated Revenue (NPV)	Tax Increment Revenue into TIF CITY @ 85%	Tax Increment Revenue into TIF COUNTY @ 55%	Tax Increment Revenue RISD @ .30/\$100	
												Base
1	2006	\$335,957,311	\$7,918,871	\$348,915,542	3.86%	3.86%	\$12,958,231	\$0	\$0	\$0	\$0	\$0
2	2007	\$348,915,542	\$11,535,835	\$406,365,462	16.47%	20.96%	\$70,408,151	\$0	\$0	\$0	\$0	\$0
3	2008	\$406,365,462	\$15,096,700	\$440,373,840	8.37%	31.08%	\$104,416,529	\$961,860	\$830,891	\$641,652	\$126,111	\$194,098
4	2009	\$440,373,840	\$0	\$412,642,619	-6.30%	22.83%	\$76,685,308	\$699,616	\$1,406,467	\$486,957	\$72,743	\$139,916
5	2010	\$412,642,619	\$36,000,000	\$400,685,754	-2.90%	19.27%	\$64,728,443	\$490,156	\$1,790,517	\$382,176	\$67,066	\$40,914
6	2011	\$400,685,754	\$20,188,480	\$412,663,658	2.99%	22.83%	\$76,706,347	\$692,107	\$2,306,977	\$560,613	\$107,498	\$23,995
7	2012	\$412,663,658	\$37,868,070	\$448,622,015	8.71%	33.54%	\$112,664,704	\$930,101	\$2,967,983	\$763,247	\$150,577	\$16,277
8	2013	\$448,622,015	\$458,125	\$455,809,470	1.60%	35.67%	\$119,852,159	\$1,000,615	\$3,645,239	\$811,938	\$160,185	\$28,491
9	2014	\$455,809,470	\$34,636,750	\$511,426,994	12.20%	52.23%	\$175,469,683	\$1,624,916	\$4,692,674	\$1,188,719	\$234,530	\$201,667
10	2015	\$511,426,994	\$30,336,300	\$583,355,577	14.06%	73.64%	\$247,398,266	\$2,382,048	\$6,155,045	\$1,676,000	\$330,660	\$375,388
11	2016	\$583,355,577	\$26,835,940	\$655,423,793	12.35%	95.09%	\$319,466,482	\$3,123,144	\$7,981,083	\$2,124,851	\$426,986	\$571,306
12	2017	\$655,423,793	\$11,852,350	\$763,217,519	16.45%	127.18%	\$427,260,208	\$4,238,608	\$10,341,298	\$2,841,814	\$571,857	\$824,936
13	2018	\$763,217,519	\$90,928,000	\$865,593,782	13.41%	157.65%	\$529,636,471	\$5,352,181	\$13,179,674	\$3,522,745	\$708,748	\$1,120,689
14	2019	\$865,593,782	\$49,033,553	\$927,611,242	7.16%	176.11%	\$591,653,931	\$6,022,110	\$16,221,249	\$3,935,238	\$791,676	\$1,295,196
15	2020	\$927,611,242	\$93,301,956	\$1,034,827,366	11.56%	208.02%	\$698,870,055	\$7,188,523	\$19,679,051	\$4,648,359	\$935,037	\$1,605,126
16	2021	\$1,034,827,366	\$44,054,840	\$1,094,404,617	5.76%	225.76%	\$758,447,306	\$7,831,289	\$23,266,655	\$5,044,623	\$1,014,703	\$1,771,963
17	2022	\$1,094,404,617	\$58,653,922	\$1,169,474,608	6.86%	248.10%	\$833,517,297	\$8,644,116	\$27,038,054	\$5,543,932	\$1,115,084	\$1,985,100
18	2023	\$1,169,474,608	\$67,343,315	\$1,254,360,042	7.26%	273.37%	\$918,402,731	\$9,564,617	\$31,012,350	\$6,108,526	\$1,228,589	\$2,227,502
19	2024	\$1,254,360,042	\$90,995,920	\$1,364,171,362	8.75%	306.05%	\$1,028,214,051	\$10,758,827	\$35,269,983	\$6,838,909	\$1,375,420	\$2,544,498
20	2025	\$1,364,171,362	\$15,264,180	\$1,399,898,112	2.62%	316.69%	\$1,063,940,801	\$10,110,005	\$39,080,338	\$7,076,536	\$1,423,198	\$1,610,271
21	2026	\$1,420,896,584	\$0	\$1,420,896,584	1.50%	322.94%	\$1,084,939,273	\$8,667,485	\$42,191,466	\$7,216,202	\$1,451,283	\$0
22	2027	\$1,442,210,033	\$16,683,210	\$1,458,893,243	2.67%	334.25%	\$1,122,935,932	\$8,243,648	\$45,009,556	\$7,468,928	\$774,721	\$0
23	2028	\$1,480,776,641	\$0	\$1,480,776,641	1.50%	340.76%	\$1,144,819,330	\$7,614,480	\$47,488,612	\$7,614,480	\$0	\$0
24	2029	\$1,502,988,291	\$0	\$1,502,988,291	1.50%	347.37%	\$1,167,030,980	\$7,081,302	\$49,684,296	\$7,081,302	\$0	\$0
25	2030	\$1,525,533,115	\$0	\$1,525,533,115	1.50%	354.09%	\$1,189,575,804	\$0	\$49,684,296	\$0	\$0	\$0
26	2031	\$1,548,416,112	\$0	\$1,548,416,112	1.50%	360.90%	\$1,212,458,801	\$0	\$49,684,296	\$0	\$0	\$0
27	2032	\$1,571,642,354	\$0	\$1,571,642,354	1.50%	367.81%	\$1,235,685,043	\$0	\$49,684,296	\$0	\$0	\$0
28	2033	\$1,595,216,989	\$0	\$1,595,216,989	1.50%	374.83%	\$1,259,259,678	\$0	\$0	\$0	\$0	\$0
29	2034	\$1,619,145,244	\$0	\$1,619,145,244	1.50%	381.95%	\$1,283,187,933	\$0	\$0	\$0	\$0	\$0
30	2035	\$1,643,432,423	\$0	\$1,643,432,423	1.50%	389.18%	\$1,307,475,112	\$0	\$0	\$0	\$0	\$0
Total (2006 - 2035)			\$758,986,317					\$113,221,754	-	\$83,577,748	\$13,066,674	\$16,577,332
2006 NPV @ 5%								\$49,684,296	\$49,684,296	\$35,935,988	\$5,993,037	\$7,755,271

Lakeridge Project – Skillman Corridor TIF District

**Economic Development and
Housing Committee
September 5, 2017**

**Robin Bentley, Interim Director
Office of Economic Development
City of Dallas**

