

Memorandum



CITY OF DALLAS

DATE February 1, 2019

TO The Honorable Members of the Economic Development and 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 **Reappointment of Dallas Development Fund (DDF) Board Members**

On February 4, 2019, the Economic Development and Housing Committee will consider the reappointment of Gilbert Gerst, Brentt Shropshire, Zenetta Drew and Edward Okpa to the Dallas Development Fund Board.

Summary

Per the current bylaws, approved by the City in February 2013, the City Manager must appoint or reappoint all Class I members and those members are then confirmed by Council. DDF has four Class I members that will be presented to Council for reappointment, two for a term that expires February 25, 2020 and two for a term that expires February 25, 2021.

Background

The City of Dallas authorized the creation of the Dallas Development Fund (DDF), a non-profit Community Development Entity (CDE), by Resolution No. 09-0461 on February 11, 2009, to apply for a NMTC allocation from the U.S. Department of Treasury's Community Development Financial Institutions Fund in its 2009 funding cycle. DDF was awarded a \$55 million allocation under the 2009 cycle, a \$30 million allocation under the 2012 cycle, a \$45 million allocation in 2014 and a \$55 million allocation in 2017 for a total of \$185 million in NMTC allocation.

The NMTC program permits taxpayers (the tax credit investor) to receive a credit against federal income taxes for making qualified equity investments in designated CDEs. These investments must be used by the CDE for projects and investments in low-income communities, as defined by the NMTC program. The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year credit allowance period. To date, DDF and the City Council have authorized \$157 million in NMTC allocation to sixteen projects throughout the City.

DDF board members must be 18 years old and reside in the City of Dallas. Additionally, per the bylaws, at least four members of the DDF board must be a "Low-Income Representative" by meeting the standards of Low-Income Community (LIC) accountability as established by the CDFI fund. Three of the four Class I members are LIC accountable.

Financing

No Cost Consideration to the City for this request.

Coordination

N/A.

Recommendation

Staff recommends approval of an item authorizing the reappointment of Gilbert Gerst, Brentt Shropshire, Zenetta Drew and Edward Okpa to the Dallas Development Fund Board.

Should you have any questions, please contact me at (214) 670-1696.



Courtney Pogue, Director
Office of Economic Development

c: Chris Caso, City Attorney (Interim)
Carol A. Smith, City Auditor (Interim)
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
M. Elizabeth Reich, Chief Financial Officer
Laila Alequresh, Chief Innovation Officer
Directors and Assistant Directors

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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 **Upcoming Agenda Item – Release of Lien and Deed Restriction for KAH Holdings dba Karrington & Company**

On February 4, 2019, you will be briefed on the KAH Holdings dba Karrington & Company Ferguson Road Townhomes Project located at 7839 Ferguson Road and the request to release the lien and deed restriction in exchange for payment of the HOME funds in the amount of **\$67,904.75**.

Summary

In November 2019, KAH Holdings dba Karrington & Company requested a payoff to reimburse the city for the **\$67,904.75** in HOME funds used to pay for soft costs for development of the property for the townhomes located at 7839 Ferguson Road. The developer submitted for plans review in 2016 and has experienced several delays due to engineering requirements. During this time, cost of construction and engineering requirements increased the budget. The developer determined that the project is no longer viable and requested to repay the funding and cancel the contract.

Once the payment in the amount of **\$67,904.75** is received by the city, the Release of Lien and Deed Restriction will be provided to the developer.

Background

On May 25, 2016, City Council approved a loan agreement with KAH Holdings dba Karrington & Company for a housing development loan in the amount of **\$450,000** in HOME and GO Bond funds for the development of 10 single family homes for the Ferguson Road Townhomes Project located at 7839 Ferguson Road.

On June 22, 2016, City Council approved an amendment to the loan agreement with KAH Holdings dba Karrington & Company for a housing development loan in the amount of **\$450,000** to change the GO Bond funds to HOME funds only for

the development of 10 single family homes for the Ferguson Road Townhomes Project located at 7839 Ferguson Road.

KAH Holdings dba Karrington & Company expended **\$67,904.75** in HOME funds with a remaining balance of **\$382,095.25**.

Issue

KAH Holdings dba Karrington & Company expended **\$67,904.75** in HOME funds with a remaining balance of **\$382,095.25**. The developer requests to repay the HOME funds in exchange for the Release of Lien and Deed Restriction on the property that it owns located at 7839 Ferguson Road.

Alternatives

If the repayment in exchange for the Release of Lien and Deed restriction is not approved, the city will be responsible for repayment of the funds to the U.S. Department of Housing and Urban Development (HUD) from general funds and the developer will continue to have a lien from the city. The funds expended to date must be repaid as they will not have met the intended federal requirements.

Fiscal Impact

The development was awarded HOME grant funds on May 25, 2016 by Resolution No. 16-0844 and on June 22, 2016 by Resolution No. 16-1127 during 2015-16 fiscal year. To date, **\$67,904.75** of the **\$450,000.00** has been expended. There is no additional cost consideration to the City for this extension request.

Departments/Committee/Council Actions

On June 25, 2014, City Council approved the FY 2014-15 Consolidated Annual Action Plan Budget which included HOME funds for housing development in the amount of **\$1,977,078**, Resolution No. 14-1001.

On June 10, 2015, City Council approved the FY 2015-16 Consolidated Annual Action Plan Budget which included HOME funds for housing development in the amount of **\$1,348,807**, Resolution No. 15-1055.

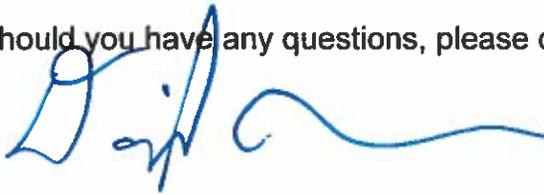
On May 25, 2016, City Council approved the development loan agreement with KAH Holdings dba Karrington & Company for a housing development, Resolution No. 16-0844.

On June 22, 2016, City Council approved an amendment to the housing development loan with KAH Holdings dba Karrington & Company, Resolution No. 16-1127.

Staff Recommendation

Staff recommends authorization to accept the repayment of funds in the amount of **\$67,904.75** from KAH Holdings dba Karrington & Company to provide a Release of Lien and Deed Restriction.

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



David Noguera, Director
Housing and Neighborhood Revitalization

c: The Honorable Mayor and the Members of City Council
Chris Caso, City Attorney (I)
Carol Smith, City Auditor (I)
Billieae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

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SUBJECT **Upcoming agenda items February 27, 2019: TIF District Annual Reports**

On Monday, February 4, 2019, the Economic Development Committee will receive information on upcoming agenda items for the nineteen TIF district annual reports.

Background

A summary of FY 2018 Activity in Dallas TIF Districts is attached.

Financing

No Cost Consideration to the City for this request.

Coordination

N/A.

Recommendation

Staff recommends approval of the TIF district annual reports.

Should you have any questions, please contact me at (214) 670-1696.

A handwritten signature in black ink, appearing to read 'CP', followed by a long horizontal line.

Courtney Pogue, Director
Office of Economic Development

c: Chris Caso, City Attorney (Interim)
Carol A. Smith, City Auditor (Interim)
Biliera Johnson, City Secretary
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Summary of FY 2018 Activity in Dallas TIF Districts – TIF Annual Report Items February 27, 2019 Council Agenda

During FY 2018, the nineteen (19) active TIF Districts experienced a range of activity and success. Two districts have sunset – State-Thomas and Cityplace; however, their impact on economic growth for the City has been significant and therefore data continues to be included in most of the district summary information below.

Growth in property values compared to the base year of the districts was strong. Overall taxable real property value in TIF Districts increased by 15.8% (\$2,377,717,118) from last year compared to an 9.94%% increase for the City as a whole. All districts increased in value over last year with the largest increases in Cypress Waters, 52.1%, University TIF, 48.0%; Cedars, 44.3%; and Fort Worth Avenue, 36.2%.

TIF District property value growth since inception through 2018 is 355.9%. For the seven TIF Districts created between 1988 and 1998, overall value has grown by 475.1%. This includes both State-Thomas and Cityplace TIF districts that have sunset and all revenue is contributed to the City general fund.

Newer TIF Districts created after 2005 had an overall value growth of 305.5%. Among those districts that had the highest increases were Cypress Waters, 633226.7%; Downtown Connection, 667.8%; and Fort Worth Avenue, 353.8%.

Total TIF expenditures or allocations of \$1.18 billion leveraged over \$15.6 billion in added or anticipated property value in TIF Districts since the inception of each TIF District. For every TIF dollar committed, \$13.27 was returned in private investment. This return does not include the amount of increased sales tax, hotel/motel taxes and personal property taxes, nor does it include the taxes paid to the various taxing jurisdictions, including the Dallas Independent School District (DISD). Staff estimates the amount of additional taxes paid to DISD for increased property value in Dallas TIF Districts is over \$177 million for the fiscal year 2018.

TIF District FY 2018 Summary - Annual Reports

February 1, 2019

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TIF District Property Value Growth from Inception to 2018

TIF District	Initial (Base)	2017 Taxable Value	2018 Taxable Value	2017 vs 2018 (% Change)	Initial vs 2018 (% Change)
TIF Districts created between 1988-1998					
State-Thomas	\$47,506,802	\$669,115,839	\$709,285,625	6.0%	1393.0%
Cityplace	\$45,065,342	\$1,155,632,015	\$1,238,174,558	7.1%	2647.5%
Oak Cliff Gateway (<i>all sub-districts</i>)	\$145,852,742	\$409,952,461	\$522,310,185	27.4%	258.1%
Cedars	\$35,300,760	\$132,657,831	\$191,419,758	44.3%	442.3%
City Center (<i>all sub-districts</i>)	\$674,751,494	\$1,423,550,823	\$1,585,440,719	11.4%	135.0%
Farmers Market (<i>Zone A-C</i>)	\$35,714,091	\$358,681,975	\$409,340,216	14.1%	1046.2%
Sports Arena (<i>all sub-districts</i>)	\$63,730,369	\$1,148,247,475	\$1,370,261,348	19.3%	2050.1%
Subtotal	\$1,047,921,600	\$5,297,838,419	\$6,026,232,409	13.7%	475.1%
TIF Districts created after 2005					
Design District (<i>all subdistricts</i>)	\$281,873,753	\$750,642,860	\$842,627,830	12.3%	198.9%
Vickery Meadow (<i>Zone A-B</i>)	\$164,779,090	\$485,691,430	\$527,139,510	8.5%	219.9%
Southwestern Medical (<i>Zone A-B</i>)	\$67,411,054	\$249,200,389	\$266,009,592	6.7%	294.6%
Downtown Connection (<i>Zone A-B</i>)	\$564,917,317	\$3,562,648,652	\$4,337,564,486	21.8%	667.8%
Deep Ellum (<i>Zone A-C</i>)	\$189,162,613	\$459,193,766	\$573,433,780	24.9%	203.1%
Grand Park South	\$44,850,019	\$62,793,211	\$67,319,056	7.2%	50.1%
Skillman Corridor	\$335,957,311	\$739,399,412	\$862,898,908	16.7%	156.8%
Fort Worth Avenue	\$86,133,447	\$287,053,672	\$390,876,073	36.2%	353.8%
Davis Garden (<i>Zone A-B</i>)	\$137,834,597	\$250,179,553	\$295,167,166	18.0%	114.1%
TOD TIF (<i>all subdistricts</i>)	\$202,074,521	\$472,148,392	\$498,370,406	5.6%	146.6%
Maple-Mockingbird (<i>Zone A-B</i>)	\$184,005,009	\$517,895,171	\$613,056,353	18.4%	233.2%
Cypress Waters	\$71,317	\$296,935,964	\$451,669,634	52.1%	633226.7%
Mall Area Redevelopment TIF (<i>all subdistricts</i>)	\$168,357,630	\$212,754,330	\$245,824,620	15.5%	46.0%
University TIF (<i>all subdistricts</i>)	\$49,774,442	\$49,774,442	\$73,676,958	48.0%	48.0%
Subtotal	\$2,477,202,120	\$8,396,311,244	\$10,045,634,372	19.6%	305.5%
Total All Districts	\$3,525,123,720	\$13,694,149,663	\$16,071,866,781	16.1%	355.9%

Notes: State-Thomas and Cityplace TIFs have legally expired and are no longer officially reporting.
 Districts with Zone A, B, C, etc. reflect original boundary (Zone A) plus accounts added with different base yr (i.e. Zone B)
 Several districts have been amended to add sub-districts that may have different base years.

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Although most new taxable value growth in TIF Districts is captured to fund public improvements in those Districts, there has been some added benefit to the City's general fund. Districts created since 2005 and some older TIF districts, as amended, have varied City participation during the term of the district ranging from 55-90% of total new taxes and some have delayed increment collection in the initial years, allowing some new growth into the general fund. Estimates for the current tax year 2018 (fiscal year 2018-2019) total TIF tax increment are shown below and include both the estimated City contribution and any contributions from other participating taxing jurisdictions. For older TIF districts, there was more participation from other taxing entities; whereas, those districts created or amended since 2005 have primarily had only City and County participation.

Estimated TIF District Increment Collection and Added General Fund Revenue

Tax Year	City Center & Downtown Connection TIFs	Non-Downtown TIFs	Total All Districts
2018 Total Increment	\$39,013,192	\$49,609,200	\$88,622,392
2018 (City) Increment	\$32,130,895	\$40,546,334	\$72,677,229
2018 new City General Fund	\$4,902,596	\$21,191,530	\$26,094,126

Total increment is estimated TIF collections for all participating taxing jurisdictions.

City Increment is the estimated City contribution to the TIF Funds.

New City General Fund is the estimated added revenue from increased property value above the base value not captured by TIF Funds (includes estimated annual revenue from State-Thomas & Cityplace TIFs, now expired)

TIF Districts have also been catalysts for improving the real estate market in areas that were lagging, drawing new residents into the City's core and DART station areas, and creating new mixed-use neighborhoods. As of FY 2018, approximately 37,601 new residential units were completed in the City's twenty-one TIF Districts (including State-Thomas and Cityplace), an additional 5,668 are under construction, and another 4,015 units are planned. Over 14 million square feet of new or redeveloped retail, office, and other commercial space has been completed. Over 2 million square feet of commercial space is under construction and another 1.9 million square feet of space is planned. New hotel construction includes 5,399 completed rooms, 1,277 under construction and another 514 rooms planned.

The following table summarizes new development in downtown and non-downtown TIF Districts. The two downtown TIFs, City Center and Downtown Connection, comprised 20.7% of constructed or planned residential units, 38.4% of commercial space and 69% of completed or planned hotel rooms.

New Residential and Commercial Development in TIF Districts

Development	City Center & Downtown Connection TIFs	Non-Downtown TIFs	Total All Districts
Residential Units			
Completed	8,252	29,349	37,601
Under Construction	1,473	4,195	5,668
Planned	52	3,963	4,015
Resid. Total	9,777	37,507	47,284
Commercial (retail, office, other com.) Square Footage			
Completed	6,019,812	8,108,292	14,128,104
Under Construction	952,766	1,173,524	2,126,290
Planned	10,000	1,938,636	1,948,636
Com. Total	6,982,578	11,220,452	18,203,030
Hotel Rooms			
Completed	4,120	1,279	5,399
Under Construction	845	432	1,277
Planned	0	514	514
Hotel Total	4,965	2,225	7,190

Construction activity in TIF Districts is on-going. Major TIF-related projects that completed construction in FY 2018, with a combined value over \$1 billion, are shown in the following table and took place in several districts. City Council also authorized one development agreement in FY 2018 for the Reimagine Red Bird project in the Mall Area TIF District. This project is anticipated to have a value of \$115 million at completion.

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Major TIF-Related Projects Completed in FY 2018

Project	District	Description	Value^	TIF Investment
Completed in FY 2018				
1217 Main Street	City Center	6250 sf retail; 18,750 sf office	\$1,450,000	\$0
Factory Six03	City Center	165,000 sf office; 9,000 sf retail	\$73,261,290	\$0
Courtyard Marriott Hotel	City Center	167 hotel rooms	\$26,115,410	\$0
717 N. Harwood	City Center	400,000 sf office; 7,000 sf retail	\$45,917,540	\$0
Signet Jewelers/Zales Campus	Cypress Waters	250,000 sf office	\$29,832,240	\$0
The Sound Retail	Cypress Waters	35,000 sf retail	\$8,750,000	\$0
The Wharf at The Sound	Cypress Waters	296 resid. units	\$15,000,000	\$0
Bleecker Street at The Sound	Cypress Waters	243 resid. units	\$29,016,000	\$0
Single-Tenant Office	Cypress Waters	216,400 sf office	\$18,286,700	\$0
Multi-Tenant Office	Cypress Waters	250,000 sf office	\$14,508,830	\$0
Residence Inn Hotel	Davis Garden	103 hotel rooms	\$11,180,390	0*
Old Dallas High School	Deep Ellum	26,000 sf retail; 66,000 sf office	\$50,409,542	\$6,240,934
Statler/Library	Downtown Connection	219 resid. units; 161 hotel rooms; 60,000 sf retail; 88,000 sf office	\$90,931,000	\$46,500,000
Tower Petroleum Cambria Hotel	Downtown Connection	150 hotel rooms; 6,174 sf retail	\$20,000,000	\$10,300,000
Corrigan Tower 1900 Pacific Res	Downtown Connection	150 resid. units	\$23,000,000	\$9,700,000
500 S. Ervay	Downtown Connection	274 hotel rooms; 238 resid. units; 29,400 sf retail	\$49,313,120	\$0
Park District	Downtown Connection	228 resid. Units; 500,000 sf office; 20,000 sf retail	\$110,729,000	\$0
Broadstone, Ltd	Fort Worth Ave	308 apartment units; 15,035 sf retail	\$42,341,950	\$0
Lincoln Kessler Park	Fort Worth Ave	299 resid units; 20,000 sf retail	\$39,792,370	\$0
Marriott Hotel	Mall Area	256 hotel rooms	\$30,000,000	\$0
Bishop Hi Line	Oak Cliff Gateway	118 resid. units	\$16,300,000	\$0
Lookout Apartments at Lake Highlands Town Center	Skillman Corridor	259 resid. units	\$27,779,890	\$0
The Katy	Sports Arena	461 apartment units; 2,000 sf retail	\$185,000,000	\$0
The 23 Dallas	Sports Arena	285 apartment units; 23,000 sf retail; 44,000 sf cinema	\$80,000,000	\$0
Longhorn Ballroom Phase I	TOD	43,032 sf entertainment venue renovation	\$2,000,000	0**

^Values reflect current DCAD market value for completed projects or estimated value for those planned

**Project is located within the Canyon in Oak Cliff that has up to \$128.9 million in future TIF reimbursement subject to meeting all requirements; however, the hotel does not have direct TIF incentives.*

***Project incentives were Public/Private Partnership Economic Development Grant.*

Major TIF-Related Projects Approved in FY 2018

Project	District	Description	Value [^]	TIF Investment
Approved in FY 2018				
Reimagine Red Bird	Mall Area	Renovation 600,000 sf retail; new construction 100,000 sf retail	\$115,000,000	\$15,600,000

[^]Values reflect current DCAD market value for completed projects or estimated value for those planned

Retired TIF Districts

TIF districts are intended to boost real estate markets and grow the City's tax base. The City of Dallas has also been successful in promoting strong urban design and encouraging the creation of unique neighborhoods as part of the TIF program. Both the State-Thomas TIF (sunset in 2008) and Cityplace (sunset in 2012) have been success stories from both an economic and place making perspective. Over 6,300 residential units and 743,000 square feet of commercial space had been completed in the two districts. Based on available 2018 data, the property value growth in State-Thomas TIF has exceeded \$661 million or 1,393% and Cityplace TIF \$1.2 billion or 2,648% from inception. Both State-Thomas and Cityplace Area TIF Districts have expired, are no longer collecting increment, and estimated to contribute \$14.4 million combined to the City for tax year 2018.

State law requires the preparation of an annual report for each TIF District that summarizes the activities of each area. The state requirements for this report are minimal. In order to better explain the progress of each TIF District, staff has created an individual report that shows additional information. The reports include the following information:

- Map of the TIF District
- Mission Statement
- Accomplishments to Date
- Project Status – Type and amount of new development by project including private investment, new residential units, commercial space created, TIF investment, completion (or expected completion) date
- Other District-wide initiatives, where applicable
- Mixed-Income Housing Summary
- Taxable value and increment revenue summary – what are the captured appraised value for the District and the expected increment collection
- Objectives and Success Indicators for the TIF District
- Summary of City Council actions related to the TIF District
- TIF Project Plan budget status – projected increment revenues to retire TIF fund obligations, expenditures, and the total plan budget
- M/WBE participation in TIF Contracts
- Bond sales and repayment, where applicable
- FY 2018-2019 Work Program

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Seventeen of the TIF District Boards of Directors have met and voted to recommend the annual reports for City Council approval. The Davis Garden TIF Board scheduled a meeting, but, in the absence of a quorum, no official action was taken. The University TIF does not currently have an appointed Board; therefore, those annual reports are being forwarded without a board recommendation. State law does not require that the board approve the report prior to City Council. The Annual Reports, upon adoption by City Council, will be submitted to the other taxing jurisdictions participating financially in each District and to the State Comptroller.

