



City of Dallas

Lancaster-Corning Retail Development Project

in the Lancaster Corridor Sub-District of the TOD TIF District

**Economic Development Committee
February 5, 2024**

Kevin Spath, AICP, EDFP, HDFP
Assistant Director
Office of Economic Development



- Background
- Proposed Project
- Staff Recommendation
- TOD TIF District Board Recommendation and Next Step

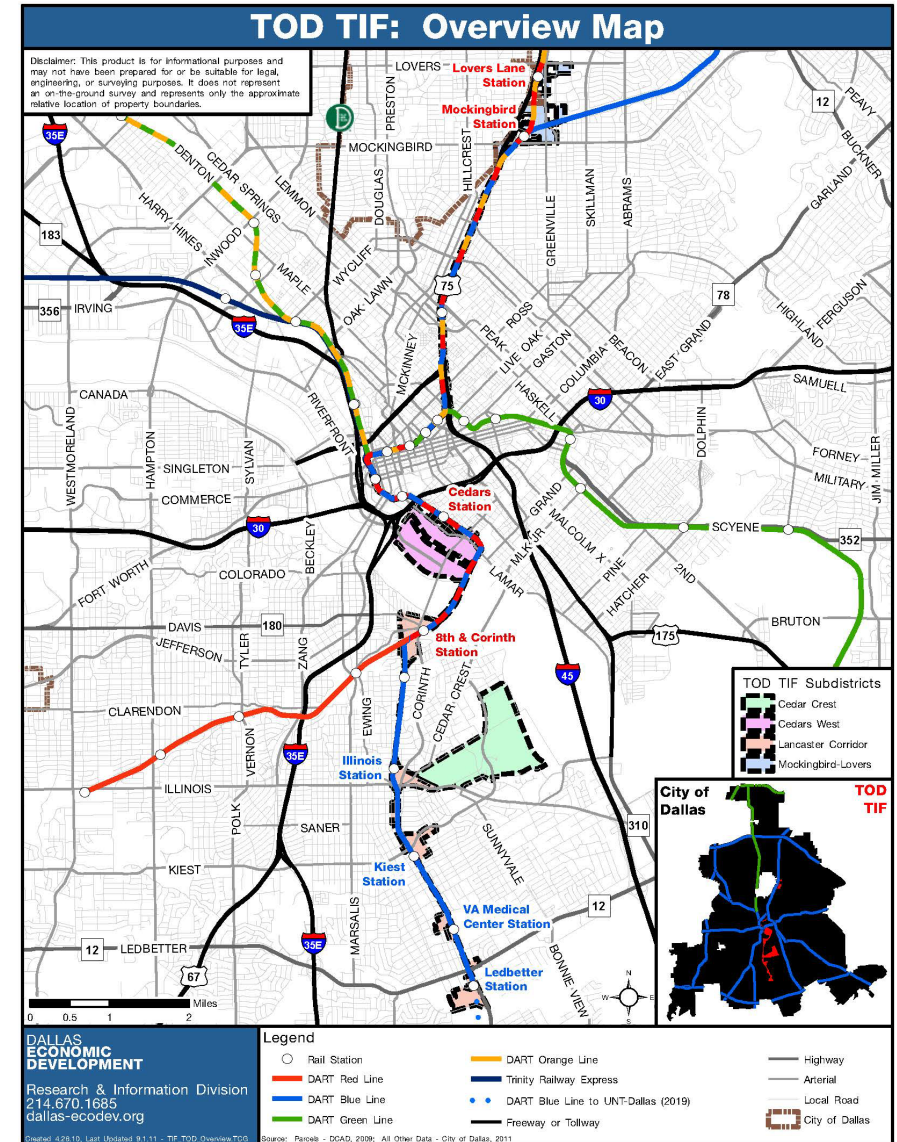
- Appendix



Background: TOD TIF District



- Established December 10, 2008 to encourage dense and pedestrian-friendly transit-oriented development (TOD) around DART stations in the central portion of the City, help create a series of unique destinations, and foster the construction of facilities beneficial to the DART light rail system.
- 4 Sub-Districts:
 - Mockingbird/Lovers Lane
 - Cedars West
 - Lancaster Corridor (includes the 8th & Corinth, Illinois, Kiest, VA Medical Center, and Ledbetter DART station areas)
 - Cedar Crest
- City's first "barbell" TIF district structure, providing a mechanism to allow for increment sharing to enhance funding for more distressed areas to jump start catalyst projects such as Lancaster Urban Village (**40% of the increment generated by the Mockingbird/Lovers Lane Sub-District and 10% of the increment generated by the Cedars West Sub-District is annually transferred to the Lancaster Corridor Sub-District**)





Background: TOD TIF District

- Linking light rail station areas facilitates tax increment sharing to help stimulate Lancaster Corridor development by providing additional project subsidies to the Lancaster Corridor from a portion of increment transferred from the Mockingbird/Lovers and Cedars West Sub-Districts.

**TIF Project & Financing Plan - Estimated Increment Generation & Allocation
by Sub-District during 30-year term**

Sub-District	Property Value Estimate - New Development	Increment Generated (NPV)	Estimated TIF Budget Allocation (NPV 2009 dollars)
Lancaster Corridor	\$171,203,800	\$13,197,448	\$49,781,005
Cedar Crest	\$325,976,685	\$25,834,552	\$25,326,728
Mockingbird - Lovers	\$839,888,351	\$76,557,143	\$30,020,910
Cedars West	\$1,094,082,000	\$69,588,554	\$54,576,532
Affordable Housing (all sub-districts)	---	---	\$21,832,521
Administration	---	---	\$3,640,000
Total		\$185,177,697	\$185,177,697



Background: Property History



- Property (approximately 1.5 acres) is City-owned vacant land (former home of Lancaster-Kiest Branch Library) currently addressed as 3011 – 3039 South Lancaster Road. Existing zoning: CR (Community Retail).
- In 2021, the Property was included in the City's (Housing Department) 1,000 Unit Housing Challenge RFP (Phase 1) but did not receive any proposals.
- On May 26, 2022, the City (Office of Economic Development) issued an RFP (City Solicitation BVZ22-00019439) for commercial development of the Property.
- In the RFP, City sought commercial development proposals that could achieve the following objectives:
 - Applies an urban design approach that complements the scale and character of the surrounding area, while respecting the existing context, features, assets, and elements
 - Aligns with the City's (a) conceptual site plan for the site and (b) plans, policies, and goals including those established by the ForwardDallas Comprehensive Plan, the Lancaster Corridor Station Area Plan, the TOD TIF District Project Plan, and Urban Design Guidelines for Projects Located in City of Dallas TIF Districts
 - Leverages the City's financial investment for development of the Property in a public-private partnership while respecting the vitality and quality of the surrounding neighborhood with priority given to projects that include sit-down restaurant uses, and/or include a retail use (e.g., bank) that is underrepresented in the neighborhood surrounding the Property



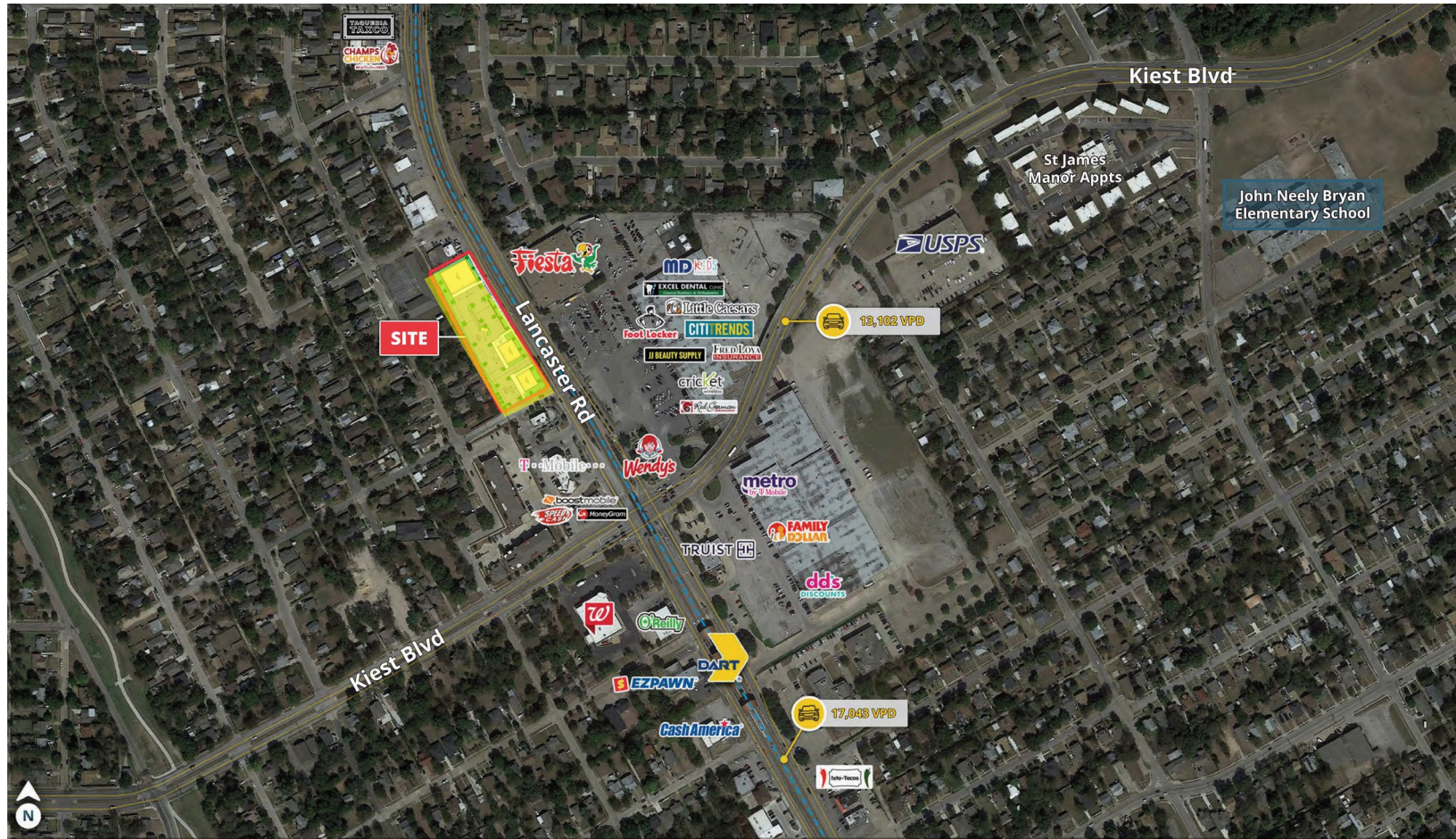
Background: Property History



- On July 8, 2022, the RFP closed with the City having received three proposals.
- On October 26, 2022, by Resolution No. 22-1638, City Council authorized selection of UCR Development Services LLC (Developer), proposer of the most advantageous proposal of three.
- Also on October 26, 2022, by Resolution No. 22-1639, City Council authorized execution of a right-of-entry agreement and negotiation of a development agreement with Developer incorporating the selected conceptual proposal and including the sale of the Property for a price no less than fair market value (sale proceeds to be deposited in General Fund).



Background: Location of Project



Project is located at the northwest corner of South Lancaster Road and Corning Avenue (yellow highlighted area above) in City Council District 4 in the Lancaster Corridor Sub-District of the TOD TIF District



Proposed Project: Summary



Project Developer: UCR Development Services LLC (“Developer”) a Texas limited liability company and/or its affiliates or assigns will directly or indirectly control the Project.

Project Summary

- Developer’s acquisition of the Property from the City at the “as is” fair market value
- Developer’s new ground-up construction of three free-standing retail/restaurant buildings totaling approximately 11,640 gross square feet, including:
 - Building A: approximately 3,000 gross square foot 1-story single-tenant building with drive-through (build-to-suit for Frost Bank)
 - Building B: approximately 6,361 gross square foot 1-story multi-tenant building
 - Building C: approximately 2,279 gross square foot 1-story single-tenant building with drive-through
- Developer’s construction of site improvements including grading, paving, utilities, parking improvements (including approximately 69 parking spaces), irrigation, landscaping, hardscaping, lighting, and perimeter streetscape improvements
- Total Project cost: estimated \$5,548,754
 - Property acquisition approximately \$259,407
 - Hard costs approximately \$3,985,527
 - Soft costs approximately \$1,303,820



Proposed Project: Conceptual Site Plan



Proposed Project: Conceptual Elevations



Building A



Building A



Building B



Building B

Elevations – Front View

3011-3039 S Lancaster Rd
Dallas, TX

Elevations – Street View

3011-3039 S Lancaster Rd
Dallas, TX

GSO ARCHITECTS

UCR
DEVELOPMENT



Proposed Project: Urban Design



- In August 2023, the City's Urban Design Peer Review Panel ("UDPRP") reviewed the Project and applauded the Developer's efforts to bring meaningful community retail development to this location.
- UDPRP recommendations:
 - Exploration of the potential for a City reduction in required parking and using the platting and easement process to gain buildable square footage.
 - Further design thought given to the parking lot and consideration of possibly eliminating south driveway on Lancaster Road.
 - Improved building placement (closer to the street) along Lancaster Road and parking configuration that enhances the pedestrian experience.
 - Updated site/landscape plan to bring activity to Lancaster Road and capitalize on proximity to DART bus and rail and the Cedar Crest Trail nearby.
- **As a result, Developer provided a written response in December 2023 and will continue to collaborate with OED and PUD staff to accommodate the UDPRP recommendations to the maximum extent practicable.**



Proposed Project: Budget



USES	AMOUNT	PERCENT	INVESTMENT EXPENDITURE (Eligible towards minimum investment requirement)
Acquisition	\$259,407	4%	\$259,407
On-Site Improvements	\$950,472	17%	\$950,472
Off-Site Improvements	\$307,987	6%	\$307,987
Building (Hard) Construction Costs	\$2,368,399	43%	\$2,368,399
Contingency (9%)	\$477,198	9%	
Professional Fees	\$276,406	5%	\$276,406
Construction Finance	\$276,861	5%	
Permanent Finance	\$0	0	
Soft Costs	\$392,893	7%	
Reserves	\$0	0	
Developer Fee	\$239,132	4%	
Total Uses	\$5,548,755	100%	\$4,162,671



Proposed Project: Sources



Sources	Amount	Percent
Bank Loan	\$3,159,049	57%
Investor Equity	\$611,705	11%
TIF Subsidy	\$1,778,000	32%
Total Sources	\$5,548,754	100%



Staff Recommendation: TIF Funding



- On January 16, 2024, staff executed a Letter of Intent for a development agreement with Developer which includes a recommended TIF Subsidy in a total amount not to exceed **\$1,778,000 as gap financing** to support the Project. The TIF Subsidy shall be payable upon completion of the Project and upon Developer's satisfaction of all terms and conditions in the development agreement.
- The budget shown below outlines the anticipated TIF Subsidy in accordance with the established budget in the TOD TIF District Project Plan and Reinvestment Zone Financing Plan.

Category	Amount
Public Infrastructure Improvements	\$337,987
Grant	\$1,440,013
TOTAL TIF SUBSIDY – amount not to exceed	\$1,778,000

Note: The TIF Subsidy sourced from the TOD TIF District Fund could be less if final (actual documented) costs for the public improvements are less or if adequate tax increment does not accrue to the TIF District Fund.

Funds may be shifted from one category to another as long as the total amount of TIF Subsidy does not exceed \$1,778,000; however, the Grant component shall be limited to \$1,500,000. No interest shall accrue on any portion of the TIF Subsidy.



Staff Recommendation: Conditions



- Minimum Investment Requirement. Developer shall incur (or cause to be incurred) and provide documentation evidencing a **minimum of \$4,000,000 in eligible Investment Expenditures** in the Project, including site acquisition, environmental remediation, demolition, off-site infrastructure, sitework, building construction/finish-out, and professional fees (e.g. architecture, engineering, landscape architecture, interior design, surveying, environmental remediation).
- Minimum Project Requirements. Project shall include Developer's **acquisition of the Property and development of a minimum of 11,000 gross square feet of retail/restaurant space**.
- Property Acquisition Deadline. Developer shall **close on the acquisition of Property at the "as is" fair market value by June 30, 2024**.
- Building Permit Deadline. Developer shall **replat the Property** pursuant to all city and state regulations and **obtain a building permit for the Project (including all buildings) by December 31, 2025**.
- Completion Deadline. **Construction of the Project, including associated public improvements/streetscape improvements, shall be complete, and all portions of the building(s) shall be occupiable by December 31, 2027**, as evidenced by certificate(s) of occupancy, letter(s) of acceptance, certificate(s) of completion, and/or similar documentation from the City.



Staff Recommendation: Conditions



- Public Access to Infrastructure Not Owned by City. Prior to completion of the Project and at no cost to City, Developer shall **provide public access easements, deed restrictions, or other instruments** reasonably acceptable to the Director if any street and utility infrastructure improvements associated with the Project remain in non-City ownership but require public access
- Property Management. The **proposed property management group** for the Project must be submitted at least three months prior to Project completion for review by the Director of the Office of Economic Development to consider acceptance based on the management entity's comparable experience managing other comparable properties, such approval not being unreasonably withheld
- Operating and Maintenance Agreement. If applicable, and prior to Project Completion, Developer shall execute a **20-year Operating and Maintenance Agreement** for any Non-Standard Public Improvements associated with the Project
- Business Inclusion. Developer shall make a good faith effort to comply with City's Business Inclusion and Development ("BID") **goal of 40% participation by certified Minority/Women-owned Business Enterprises ("M/WBE")** for **all hard construction expenditures** of the Project and meet all reporting requirements



Staff Recommendation: Conditions



- Quarterly Reporting. Until all buildings in the Project have passed final building inspection and all required paperwork documenting Project completion has been submitted to the Office of Economic Development, Developer shall submit to the Office of Economic Development **quarterly status reports** for ongoing work on the Project (including any public improvements). Such status reports shall be due within 30 calendar days following the end of each calendar quarter after the City Council approval date.
- Urban Design. Following a review of the Project's preliminary conceptual drawings and renderings on August 25, 2023, the City's **Urban Design Peer Review Panel (UDPRP)** provided advice (see Slide 11). On December 5, 2023, Developer submitted a written response to the City's Planning and Urban Design Department ("PUD") staff. **Prior to the City's execution of a development agreement with the Developer, the Developer shall submit revised conceptual drawings and renderings to PUD staff for final review. The revised conceptual drawings and renderings shall be attached as exhibits to the development agreement.** Prior to the submittal of construction plans to the City's Development Services Department as part of a building permit application, Developer shall submit a set of the construction plans to PUD staff for a final staff review to ensure that the Project will be constructed in substantial conformance with the revised conceptual drawings and renderings accepted by PUD. PUD staff shall complete the final staff review within 10 business days of submission by Developer.



Staff Recommendation: Conditions



- Local Hiring. For all permanent employment opportunities created by operation of the Project, Developer shall submit to the City **a written plan describing (1) how Developer or its property management group shall use and document commercially reasonable efforts to recruit and hire residents of the city of Dallas and (2) how Developer or its property management group shall cause tenants of all buildings in the Project to use and document commercially reasonable efforts to recruit and hire residents of the city of Dallas.** At a minimum, the written plan shall describe how Developer, its property management group, and/or tenants will target local recruitment through local advertisement, community outreach, local engagement, participation in local job fairs, and/or coordination with local hiring sources. The plan shall be subject to approval by the Director of the Office of Economic Development.
- Modifications. If the Developer desires to make modifications to the Project which will prevent the Developer from substantially complying with the design advice contained in Slide 11, then the Developer shall request the Director's approval for such design modifications prior to making them. In his or her sole discretion, the Director may refer any proposed design modifications to the TIF Board and/or UDPRP if the proposed design modifications materially affect the Project. **The Director shall approve any modifications to the Project necessitated by requirements imposed by applicable law or regulations administered by the City,** including, but not limited to, those required for compliance with development regulations administered by the City. In addition, the **Director of the Office of Economic Development may, after approval and recommendation of the TOD TIF District Board, authorize an extension of the Project deadlines up to 12 months.**



Staff Recommendation: Conditions



- Minimum Lease. Prior to or contemporaneously with the City's execution of a development agreement, the Developer shall execute a **minimum 10-year lease to secure Frost Bank as an anchor tenant**.
- Minimum Occupancy. Prior to the City's disbursement of any portion of the TIF Subsidy, the Developer shall provide evidence of the following:
 - Frost Bank is open to the public and has commenced daily operations
 - A minimum of 51% of the remaining rentable building area not leased and occupied by Frost Bank is leased and occupied by other tenants
- Specific Uses Not Allowed. During the term of the development agreement, the following uses are not allowed on the Property:
 - pawn shop
 - sexually oriented business
 - payday lender
 - indoor commercial amusement/recreation
 - auto service center
 - car wash
 - alcoholic beverage establishment
 - motor vehicle fueling station
 - liquor store



Staff Recommendation: Conditions



- Post-Construction Audit and Possible Reduction in TIF Subsidy. Following completion of the Project and being placed in service, the **City shall conduct a post-construction audit** to review detailed information evidencing the Developer's actual costs incurred to deliver the Project. **For every \$100,000 in actual costs incurred below the estimated total cost of \$5,548,755, the City shall reduce the TIF Subsidy (in the Grant category) by \$30,000.** The City agrees to complete such audit within three (3) months of City's receipt of all necessary supporting documentation from Developer.



TOD TIF District Board of Directors Recommendation and Next Step



- January 23, 2024: TOD TIF District Board of Directors reviewed and unanimously recommended for City Council approval as recommended by staff
- February 28, 2024: City Council



Appendix: Development Team



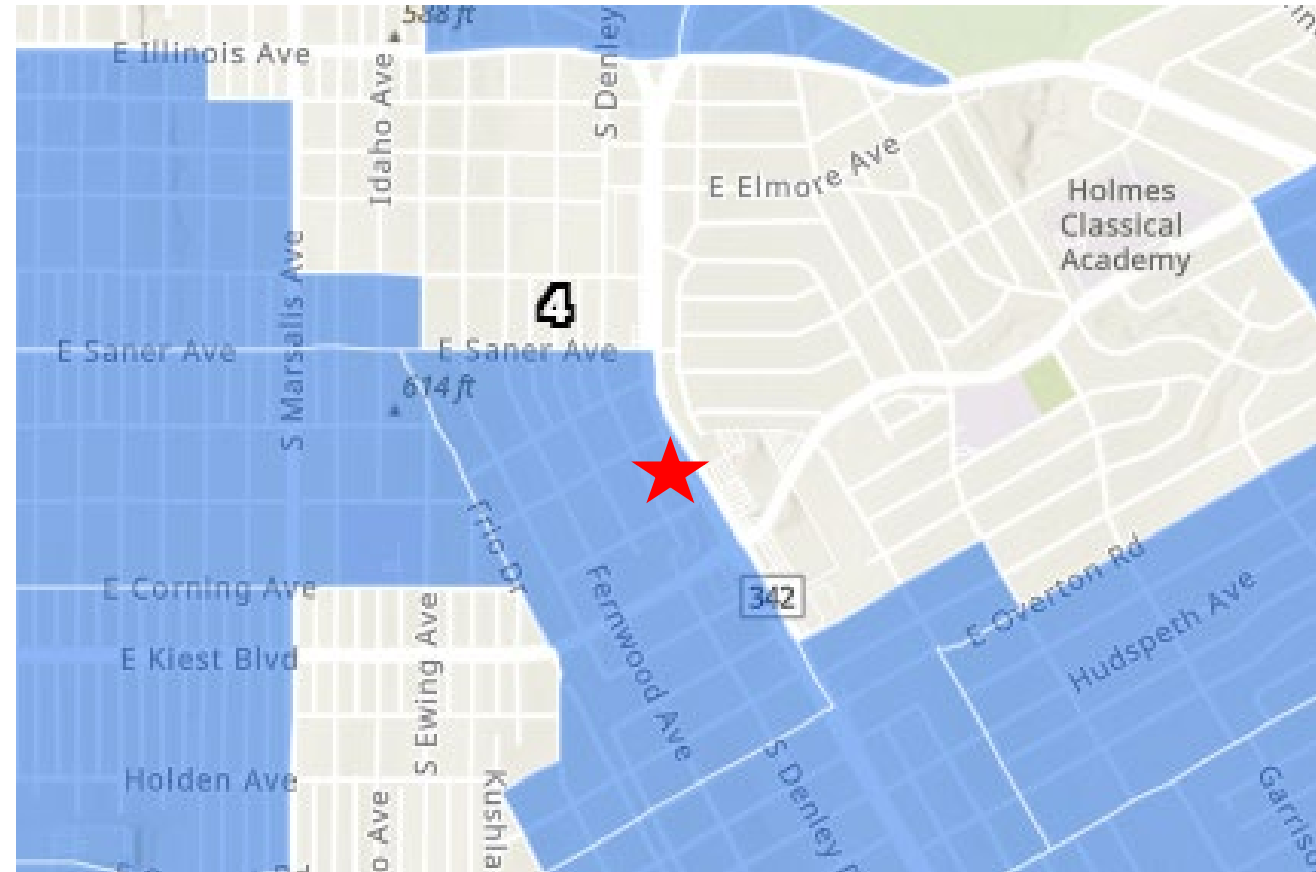
Role	Party Name
Developer/Primary Contact	Don Bouvier, UCR Development Services LLC
Architect	GSO Architects
Engineer	ClayMoore Engineering
General Contractor	TBD
Property Management	TBD



Appendix: Target Area



- Project is in a Target Area pursuant to the City's Economic Development Policy and Incentives Policy (depicted in blue color on the map)
- Target Areas align with the state's Enterprise Zones and are block groups within the City where the poverty rate exceeds 20% based on the last decennial census (2020)



 Target Areas



Appendix: TOD TIF District Budget



Category	Estimated TIF Expenditures (Current dollars)	Allocated to Date	Pending Allocation for Lancaster-Corning Retail Project	Balance
Lancaster Corridor Sub-district *Public Infrastructure Improvements *Environmental remediation & demolition *Parks, open space, trails, gateways *Façade restoration *Grants for high density projects *Transit related improvements	\$123,434,123	\$4,215,673	\$1,778,000	\$117,440,450
Cedar Crest Sub-district *Public Infrastructure Improvements *Environmental remediation & demolition *Parks, open space, trails, gateways *Façade restoration *Grants for high density projects *Transit related improvements	\$56,863,171	\$0		\$56,863,171
Mockingbird/Lovers Lane Sub-district *Public Infrastructure Improvements *Environmental remediation & demolition *Parks, open space, trails, gateways *Façade restoration *Grants for high density projects *Transit related improvements	\$70,472,628	\$19,920,416		\$50,552,212
Cedars (West) Sub-district *Public Infrastructure Improvements *Environmental remediation & demolition *Parks, open space, trails, gateways *Façade restoration *Grants for high density projects *Transit related improvements	\$141,237,006	\$3,505,000		\$137,732,006
Affordable Housing	\$52,890,940	\$13,756,184		\$39,134,756
Administration and Implementation	\$8,920,617	\$749,374		\$8,171,243
Total Project Costs	\$453,818,485	\$42,146,647	\$1,778,000	\$409,893,838
<i>Budget shown in total dollars. TIF Plan shows budget in net present value (NPV)</i>				



Appendix: Projected Tax Increment



- Pursuant to the TOD TIF District Increment Allocation Policy, the Project will be eligible to receive payments from the Lancaster Corridor Sub-District current/future revenue which includes increment generated by the project, any unallocated increment from within the sub-district, as well as revenue that is transferred from the Mockingbird/Lovers Lane and Cedars West sub-districts pursuant to the Policy.
- Based on current available Lancaster Sub-District revenue, the full amount of the TIF Subsidy for the Project will be available for disbursement upon Developer's completion and satisfaction of all agreement requirements.



Appendix: Projected Taxable Value



- Current taxable value: \$0 (Property is tax-exempt)
- Projected post-completion taxable value: \$2,153,400



Appendix: TOD TIF District Project Plan



- Project meets the **goals and objectives of the TOD TIF District Project Plan (Lancaster Sub-district)**, including:
 - To create additional taxable value attributable to new private development projects
 - To attract upgraded retail space
 - To encourage development projects that will increase DART ridership at rail stations
 - To diversify retail and commercial uses in the District
- Project is eligible for a TIF Grant under the TOD TIF District Grant Program



Appendix: Underwriting



- Developer's amended incentive application requested \$2,000,000 in TIF Subsidy
- Grow America [formerly National Development Council (NDC)], under contract with the City, conducted independent underwriting of the incentive application.
- Conclusions of independent underwriting:
 - **Development team:** highly qualified and experienced; was reviewed and selected as part of City RFP process
 - **Financial capacity:** Developer's capacity was reviewed as part of the City RFP process; strong interest in the Project garnered by Frost Bank in consideration of a construction/permanent loan (and as a tenant) as evidenced in letter provided by the financial institution
 - **Permanent debt capacity of Project:** Grow America finds the Project's debt capacity to be maximized; Frost Bank strongly interested as both the construction and permanent lender
 - **Appraisal/Market Study:** Developer's assumptions are consistent with information presented in the appraisal
 - **Cost estimates of Project:** estimated hard costs are reasonable for this type of development in the current market; soft costs are at the higher end of the expected range; construction costs could be higher than projected since the estimates do not represent contracted prices
 - **Rationale for TIF Subsidy based on returns:** TIF Subsidy is projected to result in a yield on cost that is slightly less than the Project's desired 9.5% rate; the estimated capitalization rate for the Project is 7.5%, meaning the Project does not exceed a yield on cost of cap rate + 2% (typically demanded for projects in distressed sub-markets)





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