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2020 SEP -3 AM 11:16 CITY SECRETARY DALLAS, TEXAS

City of Dallas

1500 Marilla Street, Room 6ES Dallas, Texas 75201

Public Notice

200680

POSTED CITY SECRETARY DALLAS, TX



Economic Development Committee

September 8, 2020 1:00 PM

2020 CITY COUNCIL APPOINTMENTS

COUNCIL COMMITTEE	
ECONOMIC DEVELOPMENT	ENVIRONMENT AND SUSTAINABILITY
Atkins (C), Blewett (VC), Gates, McGough, Narvaez,	Narvaez (C), Atkins (VC), Blackmon, Blewett, Gates
Resendez, West	
GOVERNMENT PERFORMANCE AND FINANCIAL	HOUSING AND HOMELESSNESS SOLUTIONS
MANAGEMENT	West (C), Thomas (VC), Arnold, Blackmon, Kleinman,
Gates (C), Mendelsohn (VC), Arnold, Bazaldua,	Mendelsohn, Resendez
Kleinman, Narvaez, Thomas	
PUBLIC SAFETY	QUALITY OF LIFE, ARTS, AND CULTURE
McGough (C), Arnold (VC), Bazaldua, Blewett,	Arnold (C), Gates (VC), Atkins, Narvaez, West
Medrano, Mendelsohn, Thomas	
TRANSPORTATION AND INFRASTRUCTURE	WORKFORCE, EDUCATION, AND EQUITY
Kleinman (C), Medrano, (VC), Atkins, Bazaldua,	Thomas (C), Resendez (VC), Blackmon, Kleinman,
Blewett, McGough, West	Medrano
AD HOC JUDICIAL NOMINATING COMMITTEE	AD HOC LEGISLATIVE AFFAIRS
McGough (C), Blewett, Mendelsohn, Narvaez, West	Johnson (C), Mendelsohn (VC), Atkins, Gates,
	McGough
AD HOC COMMITTEE ON COVID-19 RECOVERY	
AND ASSISTANCE	
Thomas (C), Atkins, Blewett, Gates,	

Mendelsohn, Narvaez, Resendez
(C) – Chair, (VC) – Vice Chair

This Economic Development Committee meeting will be held by videoconference. The meeting will be broadcast live on Spectrum Cable Channel 95 and online at bit.ly/cityofdallastv.

The public may also listen to the meeting as an attendee at the following videoconference link: https://dallascityhall.webex.com/dallascityhall/onstage/g.php?MTID=e56ac4a915dd098a543d319017cb3de90

Call to Order

MINUTES

1. <u>20-1728</u> Approval of the August 3, 2020 Economic Development Committee Meeting Minutes

Attachments: Minutes

BRIEFING ITEMS

A. 20-1746 Cornerstone Community Development Corporation. Two-phase Project for the Redevelopment of a 5,000 SF Building Located at 2839 Ervay Street in Dallas, TX

[Courtney Pogue, Director, Office of Economic Development]

<u>Attachments:</u> Presentation

B. 20-1747 St. Philips Retail Redevelopment Development [Courtney Pogue, Director, Office of Economic Development]

Attachments: Presentation

C. <u>20-1749</u> Villas at Western Heights A Mixed-Income Development Project in the Fort Worth Avenue TIF District

[Kevin Spath, Assistant Director, Office of Economic Development]

Attachments: Presentation

D. <u>20-1748</u> ForwardDallas Update and Area Planning Program [Peer Chacko, Director, Planning and Urban Design]

Attachments: Presentation

BRIEFING MEMORANDUMS

E. 20-1750 Professional Services Contract with Pacheco Koch Consulting Engineers,

Inc. for Engineering Design of the Trinity Strand Trail Hi-Line Span Project

(Design District TIF District)

[Kevin Spath, Assistant Director, Office of Economic Development]

Attachments: Memo

F. 20-1751 Proposed Texas Enterprise Project Assignments Regarding Doctor's

Hospital

[Robin Bentley, Assistant Director, Office of Economic Development]

Attachments: Memo

G. 20-1752 Historic Preservation Tax Exemption Sunset

[Murray Miller, Historic Preservation Office, Office of Historic Preservation]

Attachments: Memo

<u>ADJOURNMENT</u>

EXECUTIVE SESSION NOTICE

A closed executive session may be held if the discussion of any of the above agenda items concerns one of the following:

- 1. seeking the advice of its attorney about pending or contemplated litigation, settlement offers, or any matter in which the duty of the attorney to the City Council under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with the Texas Open Meetings Act. [Tex. Govt. Code §551.071]
- 2. deliberating the purchase, exchange, lease, or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.072]
- 3. deliberating a negotiated contract for a prospective gift or donation to the city if deliberation in an open meeting would have a detrimental effect on the position of the city in negotiations with a third person. [Tex. Govt. Code §551.073]
- 4. deliberating the appointment, employment, evaluation, reassignment, duties, discipline, or dismissal of a public officer or employee; or to hear a complaint or charge against an officer or employee unless the officer or employee who is the subject of the deliberation or hearing requests a public hearing. [Tex. Govt. Code §551.074]
- 5. deliberating the deployment, or specific occasions for implementation, of security personnel or devices. [Tex. Govt. Code §551.076]
- 6. discussing or deliberating commercial or financial information that the city has received from a business prospect that the city seeks to have locate, stay or expand in or near the city and with which the city is conducting economic development negotiations; or deliberating the offer of a financial or other incentive to a business prospect. [Tex Govt. Code §551.087]
- 7. deliberating security assessments or deployments relating to information resources technology, network security information, or the deployment or specific occasions for implementations of security personnel, critical infrastructure, or security devices. [Tex Govt. Code §551.089]



City of Dallas

Agenda Information Sheet

File #: 20-1728 Item #: 1.

Approval of the August 3, 2020 Economic Development Committee Meeting Minutes

Ad Hoc Committee on COVID-19 Recovery and Assistance Meeting Record

The Ad Hoc Committee on COVID-19 Recovery and Assistance meetings are recorded. Agenda materials are available online at www.dallascityhall.com. Recordings may be reviewed online at https://dallastx.swagit.com/ad-hoc-committees.

Note: This meeting was conducted via videoconference to comply with a social distancing mandate during a declared state of disaster.

Meeting Date: August 20, 2020 Convened: 1:31 p.m. Adjourned: 3:45 p.m.

Committee Members Present: Committee Members Absent:

Casey Thomas, Chair Tennell Atkins David Blewett Jennifer Gates Cara Mendelsohn

fer Gates Other Council Members Present:

N/A

N/A

Jaime Resendez Omar Narvaez

AGENDA

CALL TO ORDER

1. Approval of the August 6, 2020 Ad Hoc Committee on COVID-19 Recovery and Assistance Meeting Minutes

Action Taken/Committee Recommendation(s): A motion was made to approve the minutes for the August 6, 2020 Ad Hoc Committee on COVID-19 Recovery and Assistance meeting. The motion passed unanimously.

Motion made by: Adam Bazaldua Motion seconded by: Tennell Atkins

BRIEFINGS

2. COVID-19 Testing and Data Update

Presenter(s): Dr. Kelvin Baggett, City of Dallas Health and Healthcare Czar; Dr. Timothy Bray, The Urban Institute for Urban Policy Research, University of Texas at Dallas

Action Taken/Committee Recommendation(s): The region's foremost health experts gave updates on COVID-19 testing and data. There were comments from the committee on the City's partnerships and contact tracing. Information only.

3. 59 Asks: Restaurant and Hospitality Advisory Committee Economic Stabilization and Recovery Request of the City of Dallas

Presenter(s): Randall White, Founder and Advisor, Hospitality and Advisory Committee

Action Taken/Committee Recommendation(s): Randall White gave a briefing on measures the restaurant and hospitality industry are suggesting in response to the COVID-19 pandemic. There were questions about code enforcement. Information only.

4. City of Dallas Return to Work Update

Presenter(s): Kimberly Bizor Tolbert, Chief of Staff, City Manager's Office

Action Taken/Committee Recommendation(s): Kimberly Bizor Tolbert provided an updated briefing on the City's Return to Work plan. There were questions about hybrid meetings and building retrofitting. Information only.

5. Monitoring and Enforcement of Current City Emergency Regulations and Executive and County Orders Presenter(s): Jon Fortune, Assistant City Manager

Action Taken/Committee Recommendation(s): Jon Fortune provided a brief update on enforcement of emergency regulations. Information only.

- 6. Focus Area Updates
 - a) Tennell Atkins: Economic and Development Funds/Policies
 - b) Jennifer Gates: Public Health
 - c) Jaime Resendez: Technology, Youth, and Schools
 - d) Cara Mendelsohn: Homeless Populations
 - e) Omar Narvaez: Senior Population
 - f) David Blewett: Budget Implications and Tax Revenue

Action Taken/Committee Recommendation(s): Committee members provided updates on their assigned focus areas. Information only.

BRIEFING MEMORANDUMS

7. COVID-19 Housing Productivity Update

Presenter(s): N/A

Action Taken/Committee Recommendation(s): No discussion on this item. Information Only.

8. Update on CARES Act Funding for Emergency Rental Assistance Program

Presenter(s): N/A

Action Taken/Committee Recommendation(s): No discussion on this item. Information only.

ADJOURN

APPROVED BY: ATTESTED BY:

Casey Thomas, Chair Ad Hoc Committee on COVID-19 Recovery and Assistance Anne Lockyer, Coordinator Ad Hoc Committee on COVID-19 Recovery and Assistance



City of Dallas

Agenda Information Sheet

Cornerstone Community Development Corporation. Two-phase Project for the Redevelopment of a 5,000 SF Building Located at 2839 Ervay Street in Dallas, TX [Courtney Pogue, Director, Office of Economic Development]



Cornerstone Community Development Corporation

The Crossing: Corner Store and Community Kitchen

Economic Development Committee September 8, 2020

> Courtney Pogue, Director Office of Economic Development City of Dallas

Presentation Overview



- Background
- Proposed Project
- Staff Recommendation
- Next Steps
- Appendix



Background



Project Developer: Cornerstone Community Development Corporation (CCDC) and/or a special purpose for profit entity.

Project Summary: The Crossing is a two-phase project for the redevelopment of a 5,000 SF building located at 2839 Ervay Street in Dallas, TX. Phase I, which entails approximately 2,000 SF, of the Crossing consisted of the first community laundromat in the area in a number of years. Phase 2 of the remaining 3,000SF will be for a community market and kitchen. The community market will provide access to food, drink, and essential household items at affordable prices and the community kitchen will be a shared space available for local entrepreneurs, small businesses, and culinary education programming. The estimated project costs for Phase 2 is \$793,865.

City Assistance: The development is seeking City Assistance in the amount of \$390,000 for the project.



Background



The Equitable Development Plan

was completed in early 2020. TREC, Dallas College, LiftFund, and TMF with support from JPMorgan Chase, via \$6 million grant, have formed the

<u>Dallas</u>

Collaborative for Equitable

Development which will foster community development in the Forest District, The Bottom, and West Dallas.



Residents let us know exactly what their community needed.

The following reflect the Forest District's priorities for equity based on the input gained through several community outreach opportunities. This formed the foundation of the working group and the basis of the equitable development plan:



Historical Equity

 Equitable development would address historical injustices in the community, including disinvestment and property abandonment. Injustices could be corrected by addressing the community's current needs for employment, healthy food, and transportation, and by ensuring residents are well-positioned to benefit from any new investment in the Forest District.



Physical Equity

- All new development should primarily support current residents, but also attract new residents.
- Residents believe their neighborhood's proximity to Downtown Dallas, the Trinity River, and the Great Trinity Forest are strong assets to leverage with any future development.
- New retail is supported, particularly a grocery store that has fresh produce. New business would be a mix of small business and big box stores.



Social Equity

 Residents are skeptical of new residential and commercial development in the district, with many residents explaining that new development may not benefit existing residents, and could cause displacement and loss.



Planning / Policy Equity

 Community members want to work toward common goals and bring different stakeholders to discussions about the district's future. There is frustration that current and past neighborhood development efforts have failed to gather significant community participation.



Economic Equity

 New jobs should be available for current residents, and job training and recruitment should be tailored to match their skills.



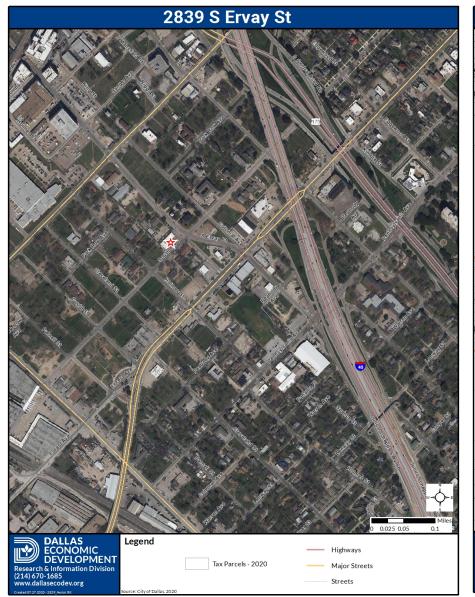


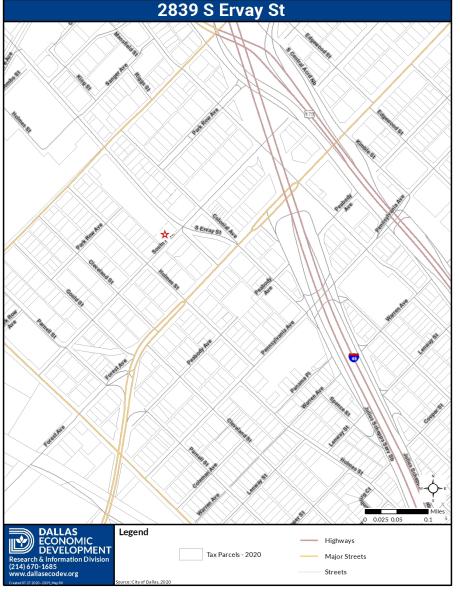


Background – Location of Project



Aerial and Map







Background – Previous Conditions



 CCDC acquired the property in 2017 from George Reeves III, Ltd. The former owner was motivated to sale the property due to a history of nuisance activity occurring on and around the property.







Background



Address	2839 South Ervay Street Dallas, TX 75215
Parcel Identification Number	00000141520500000
Year Built	1968
Description	1-story masonry retail building
Building SF	Approximately 5,000 SF
Land SF	18,400 SF (0.42 Acres)
Tenancy	Laundromat, Community Kitchen, and Corner Store
Business Plan for Asset Reposition	Cornerstone Community Development Corporation (CCDC) will renovate the building into a laundromat (completed) and community kitchen and corner store (2020-21)
Back Story	Vacant retail building



Proposed Project - Renderings





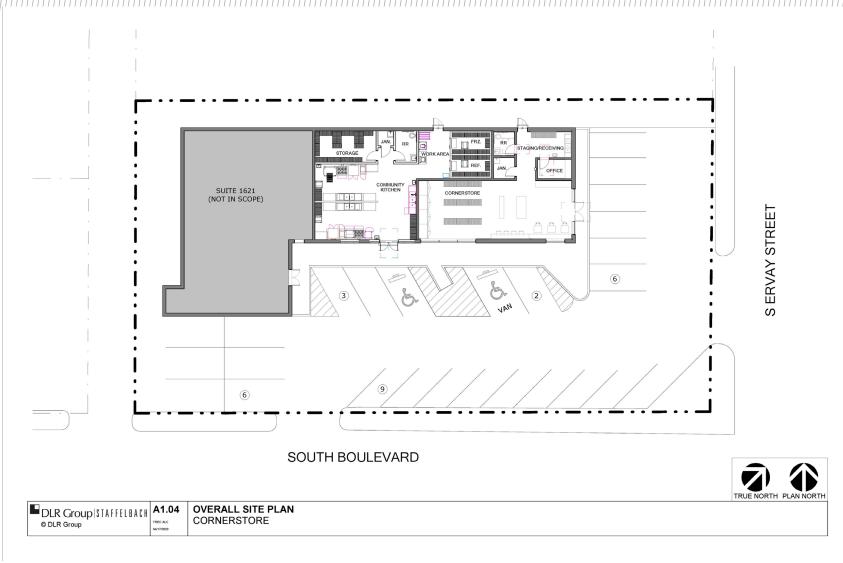






Proposed Project – Site Plan







Source: DLR Group

Proposed Project - Budget



Item	Cost	% of Total
General and Existing Conditions	\$73,000	9.2%
Exterior Improvements	\$21,383	2.7%
Hard Construction Costs	\$128,035	16.1%
Equipment	\$245,485	30.9%
Furnishings	\$39,400	5.0%
Plumbing	\$54,537	6.9%
HVAC	\$92,500	11.7%
Electrical	\$43,813	5.5%
Electronic Safety and Security	\$2,600	0.2%
Professional Services	\$31,500	4.0%
Contingencies	\$61,613	7.8%
TOTAL	\$793,865	100.0%



Proposed Project: Financing Sources



Sources	Amount	% of Total
TREC Grant	78,550	9.9%
In-Kind Contributions	\$275,651	34.7%
TREC Loan	\$49,664	6.3%
Economic Development Grant*	\$390,000	49.1%
TOTAL	\$793,865	100.0%

*TREC will provide a bridge loan for the economic development grant until the project is stabilized.



Proposed Project - NOI Analysis



	Proforma Information
Effective Gross Income (Corner Store and Kitchen)	\$42,240 (\$15 PSF COSTAR)
Expenses	(\$8,026) (PSF per appraisal)
Net Operating Income	\$34,214
Cap Rate	8.75% - Appraisal
Estimated Stabilized Value	\$391,017



Proposed Project – Gap Analysis



Project Costs to Project Value Assessment

A financial gap does exist using the income capitalization approach to value and the total project costs without the incentive.

	Without the Incentive	With the Incentive
Stabilized Project Value	\$391,017	\$391,017
Total Project Costs	\$793,865	\$403,865 (Adjusted based on incentive)
(GAP)	(\$402,848)	(\$12,848)
NOI	\$34,214	\$34,214
Return on Costs	4.3% (NOI/TPC)	8.5% (NOI/Adj. TPC)

The Project achieves an acceptable ROC (8.5%) for Class B Retail Property in DFW with the incentive. CBRE's 2H 2019 Cap Rate Survey Class B retail should be between 7.5% to 9%.



13

Proposed Project – Grocery Gap



- The proposed Corner Store and Kitchen fills a grocery gap area.
- 2,816 square feet includes 1,327 SF for grocery and 1,489 SF for a community kitchen.

Grocery Gap Assessment	1 Mile Radius	3 Mile Radius	5 Mile Radius
Grocery Store Potential Sales (Leakage) Source: ESRI	\$923,460	\$24,143,306	\$39,049,040
Avg. Sales Per SF (Industry Standard)	\$350	\$350	\$350
Demand in Market	2,639 SF	68,980 SF	111,569 SF
Corner Store and Kitchen SF (Includes Community Kitchen Space)	2,816 SF	2,816 SF	2,816 SF



Proposed Project



Severely Distressed Census Tract

Census Tract: 48113003400

NMTC Qualified, Severely Distressed (ACS 2011-2015)
Qualified Opportunity Zone: NO

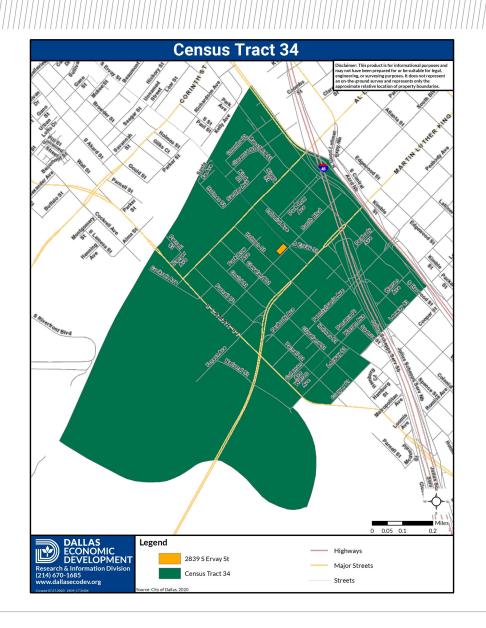
Census Tract: 48113003400 Per Capita Income: \$16,267

Median Family Income: \$32,804 Unemployment Rate: 13.55%

Source: 2018 ACS Data

Opportunities:

- The census tract is NMTC and CDBG eligible.
- The area is also a USDA low food access tract
 - Tracts in which at least 500 people or 33% of the population lives farther than 1 mile (urban)
- The Census tract is also a focus area for the Chase Bank's Pro Neighborhood Initiative



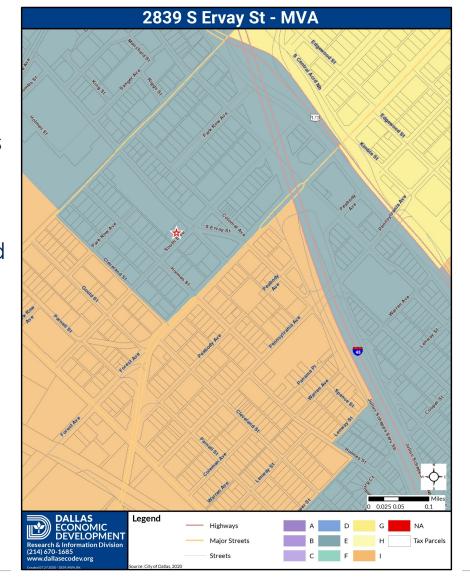


Proposed Project



Market Value Analysis (MVA)

- The Market Value Analysis (MVA) is a tool to assist residents and policy-makers to more precisely target intervention strategies in weak residential markets and support sustainable growth in stronger residential markets
- The proposed Project is located in a market type E
 residential real estate market which represents a middle
 residential real estate market. a non-residential tract and
 is surrounded to the north by residential market type H.
 Market type H reflects a weak residential real estate
 market in Dallas. Market type E is also nearby,
 representing a middle residential real estate market
- Proposed Project will provide much needed redevelopment to area and provide synergy for the ongoing revitalization efforts in the community. The community kitchen and the corner store are sorely needed additions to the Forest District.





Staff Recommendation – Grant Funding



 Authorize a grant agreement with Cornerstone Community Development Corporation, ("Developer") and/or its affiliates in an amount not to exceed \$390,000 for redevelopment of the property located at 2839 Ervay Street Dallas, TX into a community kitchen and corner store. The City's obligation shall secured by a performance deed of trust.

CCDC – City Funding Sources	Amount
2017 Bonds – Proposition I: Economic Development	\$390,000
TOTAL CITY FUNDING – amount not to exceed	\$390,000



Staff Recommendation



Pursuant to the P/PPP Guidelines and Criteria (effective for the period January 1, 2020 through December 31, 2020), the proposed development is located in a Target Area. A simple majority vote of the Dallas City Council is required.

The proposed project meets the minimum eligibility criteria of the Neighborhood Commercial Retail Redevelopment Grant Program of the City's Public/Private Partnership Program (P/PPP) as it will involve a private investment exceeding \$250,000. Total private investment for the subject project is \$793,865.



Operational Impact



Incentives



Economic Development Grant \$390,000

Investment



Improvements \$793,865

Jobs



Jobs 1 FTE and 2 PTE created

Revenue



Projected 20 Yr. Property Tax Revenue \$308,633

Projected 20 Yr. Sales Tax Revenue \$170,870



Staff Recommendation – Conditions



- CCDC shall document a minimum investment in the Project of \$450,000 including equipment, build-out, construction, and other hard costs (excluding attorney's fees, developer fees, leasing commissions, or other profit items). CCDC shall incur these costs prior to December 31, 2022.
- The Developer shall ensure that no less than eight (8) slots are available annually, during the five year compliance period, in The Crossing for food entrepreneurs/small business/food vendors from the South Dallas Community.
- CCDC shall host a minimum of one (1) hiring event by December 31, 2022 in the South Dallas community.
- CCDC shall also host a minimum of one (1) vendor day event by December 31, 2022 in which food entrepreneurs/small businesses in the South Dallas Community will have the opportunity to pitch their food products to be sold at The Crossing.
- CCDC shall host one (1)information session annually at the Project to educate aspiring food entrepreneurs and local small businesses about opportunities within the shared kitchen space at The Crossing.



Staff Recommendation - Conditions



- Developer will make a good faith effort to comply with City's Business Inclusion and Development
 ("BID") goal of 25% participation by certified Minority/Women-owned Business Enterprises ("M/WBE") for
 all hard construction expenditures of the Project and meet all reporting requirements
- CCDC shall partner with Dallas College and/or business educational provider to offer a minimum of one (1) business financial literacy/small business workshop annually during the compliance period to educate food entrepreneurs regarding business and financial management. The workshops must be held in the South Dallas Community, as defined by the South Dallas Fair Park Opportunity Fund boundaries.
- CCDC shall seek to establish partnerships with the Dallas Independent School District, such as DISD
 Career Development Center in Culinary Arts and/or Dallas College to provide educational
 opportunities for individuals interested in a career in the culinary arts or the food industry.
- CCDC shall annually offer a minimum of one (1) healthy food/preparation and cooking demonstration at The Crossing each year during the five (5) year compliance period.



Staff Recommendation – Conditions



- All permanent Full-Time Equivalents (FTE- 35hrs or more per week) hired in relation to this Project on or after the date of the City Council authorization of the proposed incentive agreement shall be paid a minimum starting hourly wage of \$15.00 per hour including tips (excluding overtime, bonuses, and benefits). The project shall create 1 FTE prior to December 31, 2022.
- A minimum of 50% of all new FTE hired related to this Project on or after the date of the City Council authorization shall be residents of the South Dallas Community, as defined by the South Dallas Fair Park Opportunity Fund boundaries, ("Local Hiring Requirement") at time of hiring.
- The Conditional Grant will be secured by a performance deed of trust recorded in the real property records of Dallas County against the owner's interests in the subject property. Failure to maintain and operate the building for five (5) years after the date of the Grant payment (the "Compliance Period") shall be a default of the Conditional Grant and an uncured default may result in enforcement of the City's interests or any other action allowed by law.



Next Steps



 An agenda item will be placed on the Dallas City Council voting agenda no later than October 28, 2020



Appendix: Development Team



Role	Party Name
Owner	Cornerstone Community Development Corporation
Owner's Representative	TREC
Project Management	TREC Foundation
Development Advisor	Caddis
Financial Advisor	CBRE
Contractor	The Whiting-Turner Contracting Company
Architect	DLR Group/Staffelbach
MEP Engineer	Telios
Civil Engineer	Winkleman & Associates
Financial Consultant	Bank of America



Appendix: Underwriting



- Recommended incentive: \$390,000 Economic Development Grant
- Conclusions of independent underwriting:
 - **Development team**: Experienced development team led by TREC. Strong operational partners.
 - Contributed Capital: TREC will provide a \$475,000 grant and a \$1,000,000 bridge loan for the ED grant in conjunction with lender.
 - Permanent debt capacity of Project: Based on the traditional underwriting (LTV and DSCR)
 the project can only support a limited amount of conventional debt.
 - Appraisal and Market Assessment: The project assumptions are line with the market conditions.
 - Cost estimates of Project: The project costs reasonable.
 - Rational for economic development assistance based on Returns: 8.5% yield on the adjusted total projects costs with the incentive within reasonable range for an entrepreneurial return for retail redevelopment project.





Cornerstone Community Development Corporation

The Crossing: Corner Store and Community Kitchen

Economic Development Committee September 8, 2020

Courtney Pogue, Director Office of Economic Development City of Dallas





City of Dallas

Agenda Information Sheet

File #: 20-1747 Item #: B.

St. Philips Retail Redevelopment Development [Courtney Pogue, Director, Office of Economic Development]



St. Philips Retail Redevelopment Project

Economic Development Committee September 8, 2020

Courtney Pogue, Director Office of Economic Development City of Dallas

Presentation Overview



- Background
- Proposed Project
- Staff Recommendation
- Next Steps
- Appendix





Project Developer: St. Philips School and Community Center and/or special purpose forprofit entity.

Project Summary: The project entails the redevelopment of an approximately 12,000 SF commercial structure located at 1632 Martin Luther King Jr. Boulevard in Dallas, TX. The developer plans to completely renovate the existing structure and create a minimum of five (5) modern leasable units. The purpose of the project is to provide increased quality, commercial services to the community such as a sit-down restaurant and dental/medical services. The estimated project costs are \$3,054,846

City Assistance: The development is seeking City assistance in the amount of \$1,000,000 for the proposed project.





The Equitable Development Plan

was completed in early 2020. TREC, Dallas College, LiftFund, and TMF with support from JPMorgan Chase, via \$6 million grant, have formed the

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Collaborative for Equitable

Development which will foster community development in the Forest District, The Bottom, and West Dallas.

WHAT WE HEARD FROM FOREST DISTRICT OUTREACH

Residents let us know exactly what their community needed.

The following reflect the Forest District's priorities for equity based on the input gained through several community outreach opportunities. This formed the foundation of the working group and the basis of the equitable development plan:



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- New retail is supported, particularly a grocery store that has fresh produce. New business would be a mix of small business and big box stores.



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Planning / Policy Equity

 Community members want to work toward common goals and bring different stakeholders to discussions about the district's future. There is frustration that current and past neighborhood development efforts have failed to gather significant community participation.



Economic Equity

 New jobs should be available for current residents, and job training and recruitment should be tailored to match their skills.









- City staff has been in discussions with St. Philips School and Community Center for the redevelopment of 1632 Martin Luther King, Jr. Blvd. in Dallas, TX for more than a year.
- For seven decades, St. Philip's School and Community Center (St. Philip's) has served as an anchor institution and resource for the South Dallas Community. Now known as the Forest District, this area is deeply rooted in poverty; with a median income of \$24,702 compared to the city of Dallas which has a median income of \$45,215. Revitalization depends on successful economic development initiatives along the major commercial corridors in South Dallas.





- The 1632 Martin Luther King Jr. Blvd project is the revitalization of a commercial structure on the corner of Martin Luther King Jr. Blvd and Colonial Avenue. The project concept is the complete renovation of the existing commercial retail structure, creating modern leasable units. Also the purpose of the project is to provide increased services to the community and to bring hope to the community by evidence of investment on the Martin Luther King Jr. Corridor.
- The proposed project also supports the 2019 Chase Pro Neighborhoods Initiative along with their 2019 Community Master Plan to revitalize the Forest District.
- As part of St. Philips overall plan, St. Philips and its development partners plan to investment over \$6.4 million to rejuvenate the community.



St. Philip's Recent Investments



1516, 1602, 1612 MLK

4 Liquor Stores/4 Lots **Small Business Development**

3006 Holmes

14 Apartments/2 Lots Affordable Housing & **Restore Crime haven**

C

1624 MLK

Local Hardware Store Small Business Retention

D

1628 MLK

Local Gvm & Barber **Small Business** Retention

Ε

1632 MLK

New Retail Former Nightclub

3015 Colonial

Community **Athletic Fieldhouse Former Nightclubs**

G

3016 Colonial

Community **Innovation Center**



Former Nightclub

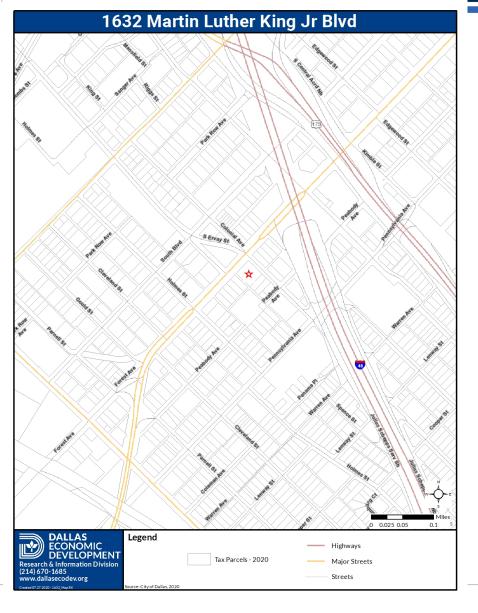


Background - Project Location



Aerial and Map

















CATALYST URBAN DEVELOPMENT



Current Photograph of Proposed Project

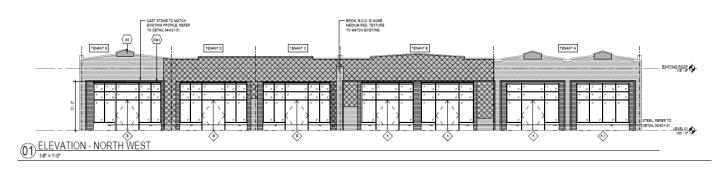


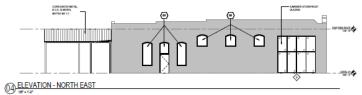
Rendering of Proposed Project

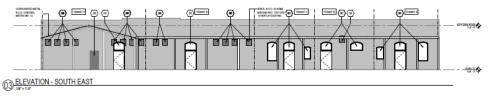




Elevations











Severely Distressed Census Tract

Census Tract: 48113003400

NMTC Qualified, Severely Distressed (ACS 2011-2015)

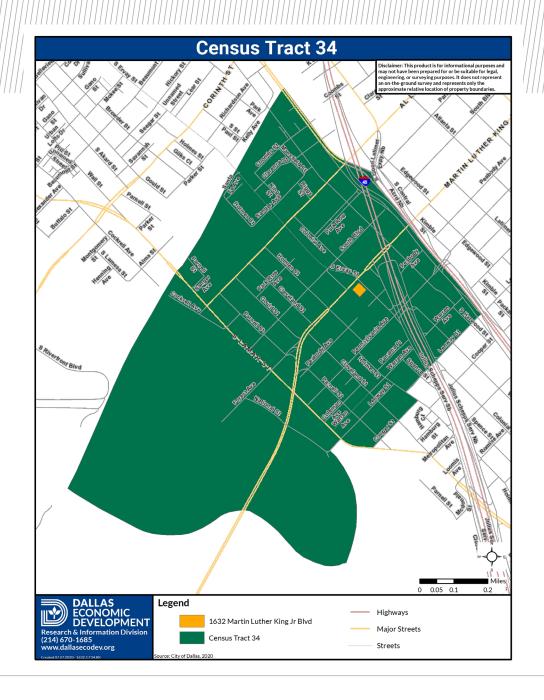
Qualified Opportunity Zone: NO

Census Tract: 48113003400
Per Capita Income: \$16,267
Median Family Income: \$32,804
Unemployment Rate: 13.55%

Source: 2018 ACS Data

Opportunities:

- The census tract is NMTC and CDBG eligible.
- The Census tract is a focus area for the Chase Pro Neighborhood Initiative by led TREC.



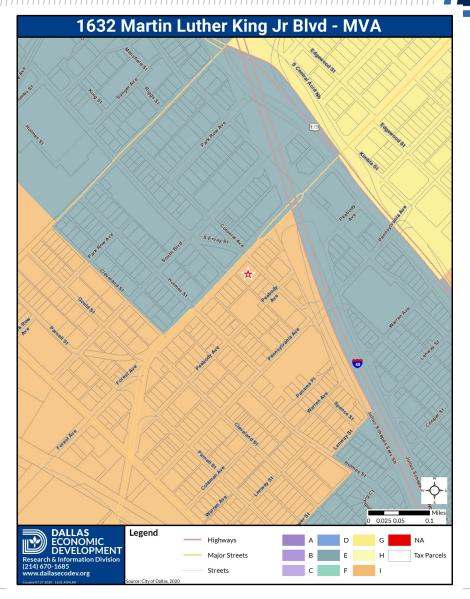






Market Value Analysis (MVA)

- The Market Value Analysis (MVA) is a tool to assist residents and policy-makers to more precisely target intervention strategies in weak residential markets and support sustainable growth in stronger residential markets
- The proposed Project is located residential market type I.
 Market type I reflects a weak residential real estate market in Dallas. Market type E is also nearby, representing a middle residential real estate market.
- I-45 is a barrier separating the Project from the stronger market type E.
- The proposed Project will provide much needed quality retail, jobs, and entrepreneurship/small business opportunities in a rapidly changing neighborhood, particularly east of the Project site







Address	1632 Martin Luther King Blvd, Dallas, TX
Parcel Identification Number	00000142087000000
Year Built	1913
Description	1-story masonry retail building
Business Plan for Asset Reposition	St. Philips as part of their overall redevelopment strategy for the community plans to renovate and secure quality tenancy for the newly rehabbed 12,000 SF building.
Back Story	Vacant building





FACILITY:

St Philips plans to redevelop a 12,000 square foot property located at 1632 Martin Luther King Blvd.

• TIMELINE:

Construction will begin by Fall 2020 and be complete the project before December 31, 2022.

• INVESTMENT:

	Amount	% of Total
Acquisition	\$501,043	16.4%
Site Improvements	\$409,482	13.4%
Construction	\$1,527,788	50.0%
Professional Fees	\$359,843	11.8%
Other	\$256,691	8.4%
TOTAL	\$3,054,846	100.0%





Sources:

	Amount	% of Total
TREC Grant	\$475,000	15.5%
Pro Bono Services	\$274,727	9.0%
St, Philips Equity	\$517,986	17.0%
Bank Loan	\$787,133	25.8%
Economic Development Grant (To be bridged with bank financing)	\$1,000,000	32.7%
TOTAL	\$3,054,846	100.0%

^{*} Chase Bank/TREC will provide a bridge loan for the city assistance. City assistance only will be provided upon city completion of the project.



Proposed Project - Tenancy



Suite	Tenant	RSF	Use	Lease Commence (Estimated)	Lease Expiration (Estimated)	Base Rent	Comments
Restaurant	Tenant A	2,975	Restaurant	10/01/2020	09/31/2025	\$15 NNN	LOI
Retail	Tenant B	3,500	Restaurant/Retail	10/01/2020	09/31/2025	\$15 NNN	LOI
Service	Tenant C	1,825	Dentist	10/01/2020	09/30/2024	\$15 NNN	Negotiating a LOI
Service	Tenant D	1,825	Retail/Office	10/01/2020	09/30/2025	\$15 NNN	Negotiating a LOI
Service	Tenant E	1,875	Retail/Office	10/01/2020	09/30/2025	\$15 NNN	Negotiating a LOI
		12,000 RSF					

A well-known mobile food operator will open its first brick and mortar location in the proposed project. A sit-down restaurant was among the top two priorities expressed by the community during the year-long equitable development planning process. The restaurant plans to partner with a Dallas based not for profit organization that will not only bring a desired service to the neighborhood, but also transform the lives of young adults through the not for profit organization's program that equips the community's most at-risk youth with life skills, education and employment opportunities.



Proposed Project – NOI Analysis



	Proforma Information
Effective Gross Income	\$250,727
Expenses	(\$82,750)
Net Operating Income	\$168,006
Cap Rate	9.0% - Market Data – COSTAR
Estimated Stabilized Value (Year 3)	\$1,866,738





Proposed Project – Gap Analysis



Project Costs to Project Value Assessment

A financial gap does exist using the income capitalization approach to value and the total project costs without the incentive.

	Without the Incentive	With the Incentive
Stabilized Project Value	\$1,866,738	\$1,866,738
Total Project Costs	\$3,054,846	\$2,054,846 (Adjusted based on incentive \$1,000,000)
(GAP)	(\$1,188,846)	(\$188,108)
Return on Costs	5.5% (NOI/TPC)	8.2% (NOI/Adj. TPC)

The Project achieves an acceptable ROC (8.2%) for Class B Retail Property in DFW with the incentive. CBRE's 2H 2019 Cap Rate Survey Class B retail should be between 7.5% to 9%.



Proposed Project-IRR Gap Analysis



	Without Incentive	With Incentive (\$1MM)
Unlevered IRR - No Debt	0.97%	5.68%
Levered (IRR) - \$787K	1.88%	16.18%

- The project's total budget is \$3.054 million. Given the project's maximum debt capacity of just over \$787,000 and equity and contributions, the project has a financial gap of approximately \$1,000,000.
- The need for a \$1,000,000 from OED is justified due to a below market leveraged internal rate of return of 1.88% without the incentive (\$3.054 million equity investment). Also, the project cannot support additional debt due to conventional underwriting standards.
- The subject development with city assistance achieves a 16.18% levered IRR with city assistance (\$1MM from the city and capital/contributions from the development team); thus, the project can only move forward city assistance.



Operational Impact



Incentives



Jobs

Revenue



Economic Development Grant \$1,000,000



Improvements \$3,054,846



Jobs 15 FTE created over 5 years



Projected
25 Yr. Property Tax
Revenue
\$1,134,023

Projected 25 Yr. Sales Tax Revenue \$6,015,779



Proposed Incentive/Key Terms



INCENTIVE

\$1,000,000 in 2017 general obligation bond funds (Economic Development Prop. I – District #7 Discretionary Funds) as a conditional grant. The grant will be payable upon the completion of the project which shall be defined as having a final certificate of occupancy and more than 50% of the space is occupied and leased.

The Grant shall be payable as a reimbursement for eligible expenses actually incurred during the construction or to pay down a bridge loan (or other credit facility) established to pay such expenses, and shall only be paid after a final certificate of occupancy and the building is open. The grant shall require the developer/operator to operate the facility for no less than five (5) years.



Proposed Incentive/Key Terms



KEY TERMS: The conditional grant will be contingent upon the following key provisions:

- The Developer shall document a minimum private investment in the Project of \$1,500,000 prior to December 31, 2022.
- The Developer shall obtain <u>building permit(s) for the Project by December 31, 2021</u>.
 Demolition permits and/or foundation permits shall not fulfill this requirement.
- Developer shall complete the construction of the Project and obtain the final Certificate of Occupancy (CO) or equivalent evidence of completion of the buildings by December 31, 2022.
- Developer shall secure 40% pre-leasing (letters of intent) prior to the City executing the agreement.
- Upon the stabilization of the Project, the Developer shall maintain at least 50% occupancy for a period of no less than five (5) years.



Proposed Incentive/Key Terms



- The Developer shall make a good faith effort to attach a rider to the leases with the tenants requiring the tenants to pay hourly wages no less than \$15 per hour and ensure the tenant's workforce is comprised of no less than 25% City of Dallas residents.
- The Project shall create a minimum of fifteen (15) full-time equivalents (FTE) during the five (5) year compliance period. FTE jobs shall be greater than 35 hours per week. Jobs created by the tenants may be included in the fifteen (15) FTE requirement. The jobs shall be created no later than December 31, 2027.
- The Developer shall make a good faith effort to comply with the City's Business Inclusion and Development ("BID") goal of 25% participation by certified Minority/Women-owned Business Enterprises ("M/WBE") for all hard construction expenditures on the Project and meet all reporting requirements
- The Conditional Grant will be secured by a performance deed of trust recorded in the real property records of Dallas County against the owner's interests in the subject property. Failure to maintain and operate the building for five (5) years after the date of the Grant payment (the "Compliance Period") shall be a default of the Conditional Grant and an uncured default may result in enforcement of the City's interests or any other action allowed by law.



Staff Recommendation



- Pursuant to the P/PPP Guidelines and Criteria (effective for the period January 1, 2020 through December 31, 2020), the proposed project is located in a non-Target Area.
- Minimum eligibility criteria for projects in Non-Target Area: create/retain 100 jobs or provide \$5 million investment.
- With a total project cost of \$3.054 million, the proposed project does not meet the minimum eligibility criteria.
- Project that does not meet minimum eligibility but still significantly advances the public purpose of economic development can be considered on a case-by-case basis as a non-conforming project.
- Non-conforming project requires a ¾ vote of the City Council (12 of the 15 members).



Next Steps



 An agenda item will be placed a Dallas City Council voting agenda no later than October 28, 2020.



Appendix: Underwriting



- Recommended incentive: \$1,000,000 Economic Development Grant
- Conclusions of independent underwriting:
 - **Development team**: Experienced development team led by TREC
 - **Equity investors**: TREC will provide a \$475,000 grant . Additionally, a \$1,000,0000 bridge loan for the City's Grant will be arranged with a lender.
 - **Permanent debt capacity of Project**: Based on the traditional underwriting (LTV) and DSCR) the project can only support \$787,000 of conventional debt.
 - Appraisal and Market Assessment: The project assumptions are inline with the market conditions.
 - Cost estimates of Project: costs reasonable; development costs could be higher than projected since the
 figures provided by the developer do not represent contracted prices.
 - Rational for economic development assistance based on Returns: 16.18% IRR, within reasonable range for an entrepreneurial return for retail redevelopment project.



Appendix: Development Team



Role	Party Name
Project Owner	St. Philips School and Community Center
Owner's Representative	TREC/TREC Foundation
Development Consultant	42 Real Estate
Architect	Perkins+Will
MEP Engineer	Schmidt and Stacy Consulting Engineers
Civil Engineer	Kimley-Horn & Associates
Property Management	The Beck Group
Leasing	The Retail Connection

^{*} All members of the development team are donating their services to the project.



Appendix: Ownership Entities



St. Philip's School & Community Center

- Incorporated in 1947; Original non-profit entity
- Purpose: Provide Faith Based Education & Compatible Community Services
- Operates School & Community Center

SPSCC Foundation

- Incorporated in 1997; Supporting non-profit organization for SPSCC
- Purpose: Promote Long Term Financial Stability
- Receive and Invest Endowment Gifts and Bequests

1600 Pennsylvania

- Incorporated in 2009; Repurposed in 2017; Supporting non-profit org. for SPSCC
- Purpose: Community Development Corporation
- Planning, Public Safety, Quality Housing & Economic Development

SP 1600 Penn Foundation

- Incorporated in 2011; Supporting non-profit organization for SPSCC
- Purpose: Acquisition and Holding of Real Estate
- Created primarily for environmental risk protection while holding real estate

Housing LLCs

- Incorporated in 2018; For-profit corporations (LLC sole partner = SP 1600 Penn Fdn)
- Purpose: Housing Development
- Development, Management & Operations of Multi-family Housing

1632 MLK LLC

- Incorporated in 2020; For-profit corporation (LLC sole partner = SP 1600 Penn Fdn)
- Purpose: Economic Development
- Development, Management & Operations of Retail Center





St. Philips Retail Redevelopment Project

Economic Development Committee September 8, 2020

Courtney Pogue, Director Office of Economic Development City of Dallas





City of Dallas

Agenda Information Sheet

File #: 20-1749 Item #: C.

Villas at Western Heights A Mixed-Income Development Project in the Fort Worth Avenue TIF District [Kevin Spath, Assistant Director, Office of Economic Development]



Villas at Western Heights

A Mixed-Income Development Project in the Fort Worth Avenue TIF District

Economic Development Committee September 8, 2020

> Kevin Spath, Assistant Director Office of Economic Development City of Dallas

Presentation Overview



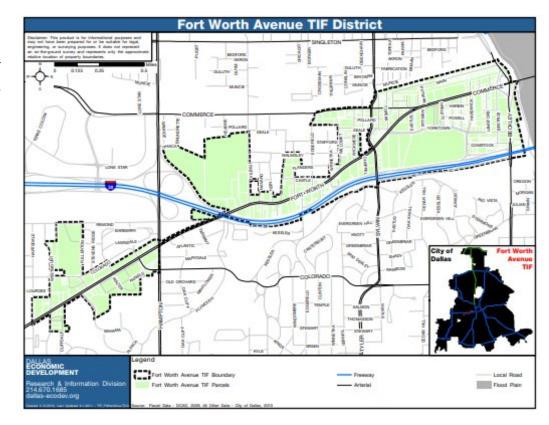
- Background
- Proposed Project
- Staff Recommendation
- Next Steps
- Appendix



Background - Fort Worth Avenue TIF District



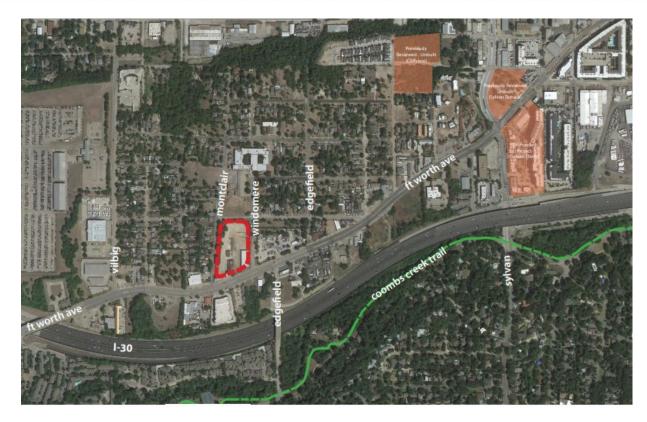
- Established in 2007 as a long-term tool to create a more sustainable mix of residential uses in the corridor and to take advantage of under-developed land parcels near downtown Dallas
- TIF District took effect on January 1, 2008 and is scheduled to terminate on December 31, 2029
- City of Dallas (85%) and Dallas County (55%) are the two participating jurisdictions; City's participation rate is 70% in 2021 and 2022 and drops to 55% thereafter until termination
- To date, taxable value of real property has increased by \$341.8 million within the District, an increase of 397% from the base value





Background - Location of Project





Villas at Western Heights (the "Project") is located at 1515 Fort Worth Avenue in City Council District 6



Background - Existing Conditions



- Project site has been cleared and is currently vacant, with the exception of a former machine shop and a structure that provides coverage for parking along Fort Worth Avenue
- Small single family parcel at the corner of N. Montclair and Castle was re-zoned to Subdistrict 2A of PDD 714 on June 24, 2020, to be consistent with remainder of site (structure was removed prior to rezoning)





Proposed Project - Summary



Project Developer: Villas at WH 20, LP, a Texas limited partnership, with equity investment in the form of 9% Low Income Housing Tax Credits (LIHTC) from Royal Bank of Canada (TDHCA notification of LIHTC award July 23, 2020)

Project Summary: Developer submitted an incentive application to the City of Dallas Office of Economic Development for Villas at Western Heights (the "Project")

• 130 unit mixed-income senior residential development (104 affordable units; 26 market rate units)

	RESID UNITS
30% AMI	11
50% AMI	42
60% AMI	51
Low Income Total	
Market Rate	26
Total Units	130

Bedroom Type	RESID UNITS		
1 Bedroom	88		
2 Bedroom	42		
Total Units	130		

Total Project cost estimated at \$30.5 million



Proposed Project - Summary



- In January 2020, the City's Urban Design Peer Review Panel ("UDPRP") reviewed the Project
- UDPRP commended the development team for securing affordable housing and delivering the ability to age-in-place in a rapidly transitioning neighborhood
- UDPRP recommended:
 - Exploring the orientation along Ft. Worth Ave to improve the building's urban form
 - Re-orienting the structure and parking to provide a building facade along Castle Street
 - Determining if more density along Ft. Worth Avenue and Castle Street is possible
 - Reducing the building setback to create a consistent urban edge
 - · Street-facing entries for ground-level units, including a small fenced front-yard
 - A landscape buffer with street trees between back-of-curb and sidewalk
 - Barrier-free ramp design at intersection corners at 90 degrees to intersections
- As a result, Developer made changes to accommodate UDPRP's recommendations



Proposed Project - Renderings





Detail View



View from North Windomere Avenue

Source: Mucasey & Associates



Proposed Project - Site Plan



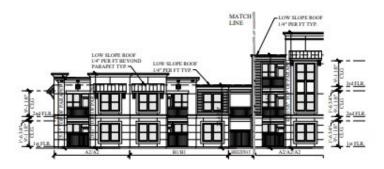


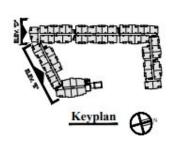


Source: Mucasey & Associates

Proposed Project - Elevations







ELEVATION - FORT WORTH AVENUE - "D"



ELEVATION - FORT WORTH AVENUE - "E"

Villas At Western Heights Mucasey & Associates, Architects VINEES
With FLASTER VINEER
39% F

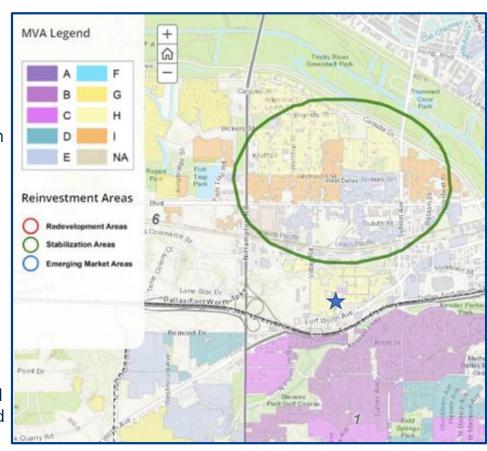


Source: Mucasey & Associates

Proposed Project

Market Value Analysis (MVA)

- Market Value Analysis (MVA) is a tool to assist residents and policy-makers to more precisely target intervention strategies in weak residential markets and support sustainable growth in stronger residential markets
- located on a non-residential tract; surrounded to the north by residential market type H. Market type H reflects a weak residential real estate market in Dallas. Market type E is also nearby, representing a middle residential real estate market
- I-30 is a barrier separating the Project from the stronger market type B in the north Oak Cliff area
- located on the periphery of the West Dallas Stabilization Area as designated in the City's Comprehensive Housing Policy
- will provide much needed mixed-income housing focused on elderly households in a rapidly changing neighborhood





Proposed Project - Budget



Uses	Amount	Percent
Acquisition	\$7,510,000	25%
Off-Site Infrastructure	\$342,400	1%
On-Site Preparation	\$806,835	3%
Site Amenities	\$506,560	2%
Building Construction, Finish-Out & Furniture	\$12,017,193	39%
Contingency (5.5%)	\$751,793	2%
Contractor Overhead & Profit	\$1,846,509	6%
Professional Fees (e.g. A&E, landscape architecture, interior design)	\$1,598,656	5%
Soft Costs (e.g. legal, marketing and financing fees, leasing commissions)	\$1,813,555	6%
Reserves	\$671,972	2%
Developer Fee	\$2,593,000	9%
Total Uses	\$30,458,473	100%



Staff Recommendation - TIF Funding



 Authorize a development agreement and all other necessary documents with Villas at WH 20, LP, ("Developer") and/or its affiliates in an amount not to exceed \$7,678,874 for affordable housing, of which \$2,500,000 is to be advanced into the Project at the acquisition closing, secured by a deed of trust

Villas at Western Heights – City Funding Sources	Amount
Fort Worth Avenue TIF District Affordable Housing Budget Category	\$7,678,874
TOTAL CITY FUNDING – amount not to exceed	\$7,678,874



Staff Recommendation - TIF Funding



14

TIF Subsidy in a total amount not to exceed \$7,678,874, payable in at least two (and possibly three) installments

- <u>Installment #1 (anticipated in 2020 or 2021)</u>. Contemporaneously with the acquisition closing of the Project, \$2,500,000 of available cash in the Fort Worth Avenue TIF District Fund shall be provided to facilitate construction of the Project. City's payment of Installment #1 shall be secured by a Deed of Trust on the property and shall take the 1st lien position until such time of construction financial closing, at which time the Deed of Trust may be subordinate only to senior construction lenders holding a lien against all or part of the property
- <u>Installment #2 (anticipated in 2022 or 2023)</u>. Upon completion of the Project and Developer's satisfaction of all terms and conditions in the Development Agreement, the Developer shall be released. At that time, the Developer shall become eligible to receive the available remaining portion of the TIF Subsidy in the form of Installment #2 in accordance with the Fort Worth Avenue TIF District Increment Allocation Policy (as proposed to be amended)
- <u>Installment #3</u> (in the year following payment of Installment #2, if needed to reach the total TIF subsidy amount)

Staff Recommendation - TIF Funding



- To facilitate the TIF Subsidy for the Project, Staff proposes that the Fort Worth Avenue TIF District Board of Directors amend the District's Increment Allocation Policy
 - The District's Increment Allocation Policy provides the prioritization rules for annual disbursement of current and future TIF funds
 - The recommended amendment creates a "Mixed-Income Project Leveraging Non-City Funds" category for projects leveraging state or federal assistance
 - A Mixed-Income Project Leveraging Non-City Funds would:
 - a) be eligible to receive the District's Available Cash (not otherwise allocated or set aside) as of the date of the amended Increment Allocation Policy (approximately \$4.25 million), and
 - b) 75% of the Shared Increment, subject to the satisfaction of all Project terms and conditions, until the Project is paid in full, if there are additional TIF District Projects eligible for TIF payment

Notes:

- The current Increment Allocation Policy contemplates payment prioritization for a catalyst project that is no longer relevant
- At this time, there are no TIF projects in the payment queue
- Villas at Western Heights could be paid in full upon project completion and satisfaction of all Project requirements



Staff Recommendation - Conditions



- Developer will invest and document a minimum of \$18,500,000 in private improvements in the Project, including site acquisition (excluding City's advance), off-site infrastructure, on-site preparation, site amenities, building construction/finish-out/furnishings, and professional fees
- The Project will include a minimum of 130 residential units of which 80% (104 units) shall be set aside for elderly households earning 30%, 50% and 60% of the Area Median Income for a minimum period of 15 years (although anticipated to be set aside for 45 years for LIHTC)
- At least 10% of the Project's residential units must be set aside and leased to voucher holders or abide by any amendments to Ordinance 30246 and Chapter 20A
- Developer will obtain a building permit by September 30, 2021; a foundation permit may constitute
 meeting the obligation of this requirement
- Construction of the Project, including associated public improvements/streetscape improvements, will be substantially complete by December 31, 2022 or the placed in-service deadline established by Texas Department of Housing and Community Affairs (TDHCA) as evidenced by letter of acceptance, certificate of completion, or similar documentation from the City



Staff Recommendation - Conditions



- The proposed management entity 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
- Developer will execute a 20-year Operating and Maintenance Agreement for all non-standard public improvements prior to payment of Installment #2
- Developer will make a good faith effort to comply with City's Business Inclusion and Development ("BID") goal of 25% participation by certified Minority/Women-owned Business Enterprises ("M/WBE") for all hard construction expenditures of the Project and meet all reporting requirements
- Until the Project has passed final building inspection and all required paperwork for payment of Installment #2 has been submitted, Developer will submit to the Office of Economic Development quarterly status reports for ongoing work on the Project as well as public improvements
- Developer will construct the Project (public and private improvements) in substantial conformance with the conceptual site plan and conceptual renderings approved by the City's Planning and Urban Design Department, addressing the comments provided by the Urban Design Peer Review Panel on January 24, 2020; allowable minor modifications may include those required for compliance with development regulations



Staff Recommendation - Conditions



- For all permanent employment opportunities, Developer shall submit a written plan describing how
 Developer or property management group will use and document best efforts to recruit and hire
 residents of the city of Dallas. At a minimum, the written plan shall describe how local recruitment will
 be targeted through local advertisement, community outreach, local engagement, participation in
 local job fairs, and/or coordination with local hiring sources
- Prior to payment of Installment #2, Developer will provide evidence that a minimum of 40% of the residential units are leased and occupied. Prior to payment of Installment #3, Developer will provide evidence that a minimum of 60% of the residential units are leased and occupied
- Developer shall submit the Affirmative Fair Housing Marketing Plan for approval
- Within 90 days of site acquisition closing, Developer shall provide evidence of binding commitments of all capital sources necessary to complete the Project
- Director of the Office of Economic Development may authorize minor modifications to the Project, including, but not limited to, adjustment in unit type, unit mix, set-aside duration, qualifying Area Median Family Income and/or evidence of capital commitment extension (if consistent with TDHCA Project requirements and TIF District policies)
- After approval of the TIF Board and Director of the Office of Economic Development, deadline extension up to 12 months may be granted

Next Steps

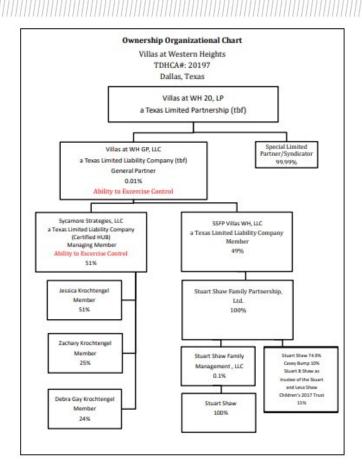


- On September 1, 2020, the Fort Worth Avenue TIF District Board of Directors reviewed and recommended for approval TIF funding for the Villas at Western Heights in an amount not to exceed \$7,678,874
- An agenda item will be placed on the City Council voting agenda on September 23, 2020



Appendix: Ownership Structure





- Limited Partners/Owners
 - 0.01% owned by Villas at WH GP, LLC. (General Partner)
 - 49% SSFP Villas WH, LLC (Stuart Shaw)
 - 51% by Sycamore Strategies, LLC
 - Founded in 2016 by Jess Krochtengel, with Zachary Krochtengel as a minority member
 - Part of the development group on two successful applications during the 2017 TDHCA 9% competitive round
 - Legacy Trails of Decatur, a 70-unit Elderly Limitation property and Westwind of Killeen, a 110-unit general population property, representing over \$18,000,000 of LIHTC and over \$40,000,000 in development
 - 99.99% owned by a to be formed investor Limited Partner. Developer Stuart Shaw Family Partnership, Ltd. (SSFP)

Senior Lender: Amegy Bank or Chase Bank

Construction Lender: Amegy Bank or Chase Bank

LIHTC Syndicator: Royal Bank of Canada Capital Markets



Appendix: Development Team



Role	Party Name
Developer Entity/Primary Contact	Villas at WH 20, LP (Sycamore Strategies, LLC)
Developer	Stuart Shaw Family Partnership, Ltd. (SSFP)
Architect	Mucasey & Associates
Contractor	Bonner Carrington Construction (an SSFP affiliate)
Property Management	SSFP or an affiliate
Leasing	Alpha Barnes Real Estate Services



Appendix: Fort Worth Avenue TIF District Budget



Fort Worth Ave TIF District Plan Budget Categoty	Fort Worth Ave TIF District Budget*	Budget Allocated to Date	Budget Allocated to Villas at WH	Budget Remaining
Public infrastructure improvement	\$78,952,931	\$1,062,563		\$77,890,368
Affordable housing	\$10,594,923	\$0	\$7,678,874	\$2,916,049
Environmental remediation & demolition	\$12,713,908	\$0		\$12,713,908
Parks, open space, trails, and gateways	\$12,713,908	\$250,000		\$12,463,908
Façade restoration	\$6,356,954	\$0		\$6,356,954
Economic development grants	\$21,189,846	\$2,500,000		\$18,689,846
Administration and implementation*	\$4,661,766	\$508,784		\$4,152,982
Total project costs	\$147,184,237	\$4,321,347	\$7,678,874	\$135,184,016

^{*} Budget shown above in current dollars; TIF Project Plan shows budget in net present value



Appendix: Projected Tax Increment



- Current (2020) taxable value of the real property per DCAD: \$1,056,880 (\$8,208 annual City taxes)
- DCAD values LIHTC projects using a formula of 7% cap rate; therefore, the estimated post-completion taxable value (City staff estimate): \$8,966,014

Projected Tax Increment created by the Project through life of Fort Worth Avenue TIF District

Tax	Property Value	Anticipated	Participation	TIF	Participation	TIF	Total
Year	Estimate	Captured	Rate	Contribution	Rate	Contribution	TIF
		Value	City	City	County	Dallas County	Contribution
2020 "Base"	\$1,056,880						
2022	\$8,966,014	\$7,909,134	70%	\$42,996	55%	\$10,575	\$53,571
2023	\$9,145,335	\$8,088,455	55%	\$34,548	55%	\$10,815	\$45,363
2024	\$9,235,814	\$8,178,934	55%	\$34,935	55%	\$10,936	\$45,870
2025	\$9,325,329	\$8,268,449	55%	\$35,317	55%	\$11,055	\$46,372
2026	\$9,413,771	\$8,356,891	55%	\$35,695	55%	\$11,174	\$46,868
2027	\$9,602,047	\$8,545,167	55%	\$36,499	55%	\$11,425	\$47,924
2028	\$9,794,088	\$8,737,208	55%	\$37,319	55%	\$11,682	\$49,001
2029	\$9,989,970	\$8,933,090	55%	\$38,156	55%	\$11,944	\$50,100
TOTAL				\$295,464		\$89,606	\$385,070



Appendix: Underwriting



- Developer's amended incentive application requested \$8,000,000 in TIF funding
- National Development Council (NDC), under contract with the City, conducted independent underwriting
 of the incentive application
- Conclusions of independent underwriting:
 - Development team: highly qualified; experienced
 - Equity investors: as a tax credit project, nearly half of project funding comes from equity generated from the LIHTCs; audited Financial Statements for the guarantor general partner show a more than adequate ability to fund required guarantees
 - Permanent debt capacity of Project: Maximized; Letters of interest from two lenders, each with very similar terms; Project does not have additional debt capacity beyond \$8.15 million assumed by Developer
 - Appraisal and Market Study: applicant's assumptions are consistent with information presented
 - Cost estimates of Project: costs reasonable; development costs could be higher than projected since the
 figures provided by the developer do not represent contracted prices. The potential for higher costs merits
 developer's argument for not maximizing the deferment of the developer fee
 - Rationale for subsidy: main driver of the subsidy need is TDHCA's artificial restriction of the tax credits to \$1.5 million per year (\$15 million total). Without the TDHCA restriction, the project has the potential to qualify for over \$25.5 million in tax credits which would eliminate the gap
 - Rational for subsidy based on Returns: 4.87% IRR, within reasonable range; no undue enrichment



Appendix: Sources and Underwriting



 TIF Subsidy Installment No. 1 provides equity for land acquisition (unimproved land is challenging to finance/achieve favorable loan terms since low collateral)

Construction Sources	Amount	Percent
Debt (Amegy Bank or Chase Bank)	\$21,826,778	72%
3rd Party Equity as 9% LIHTC (Royal Bank of Canada*)	\$4,262,029	14%
TIF Funds Installment No. 1	\$2,500,000	8%
Deferred Developer Fee	\$1,869,166	6%
City Grant (Approved Feb. 12, 2020 by Resolution 20-0289)	\$500	0%
Total Uses	\$30,458,473	100%

^{*} Royal Bank of Canada (RBC) Community Investments, the tax credit investment arm of Royal Bank of Canada

- Staff utilized the underwriter's preferred scenario when structuring the proposed TIF Subsidy, balancing the uncertainty created by potential higher construction costs with requiring the Developer to maximize non-City resources in filling the gap
 - defers a portion of the developer fee to be used as project financing so that there is capacity to direct the remainder towards construction contingency, if needed

Preferred Source Scenario (Permanent)	Amount	Percent
Permanent Loan (Amegy Bank or Chase Bank)	\$8,150,000	27%
3rd Party Equity as 9% LIHTC (Royal Bank of Canada*)	\$13,948,605	46%
Deferred Developer Fee	\$680,994	2%
City (Fort Worth Avenue TIF District Funds)	\$7,678,874	25%
Total Uses	\$30,458,473	100%





Villas at Western Heights

A Mixed-Income Development Project in the Fort Worth Avenue TIF District

Economic Development Committee September 8, 2020

> Kevin Spath, Assistant Director Office of Economic Development City of Dallas





City of Dallas

Agenda Information Sheet

File #: 20-1748 **Item #:** D.

ForwardDallas Update and Area Planning Program [Peer Chacko, Director, Planning and Urban Design]



FORWARDALLAS Update and Area Planning Program

Council Economic Development Committee Briefing September 8, 2020

> Peer F. Chacko, Director Planning & Urban Design City of Dallas

Presentation Overview



- Purpose
- ForwardDallas Plan Update Overview
- Upcoming agenda item for consultant contract
- Proposed Area Planning Program Overview
- Initial area planning priorities
- Staff recommendations and next steps
- Appendix: ForwardDallas Plan Update Additional Information





Purpose



- Brief Committee on upcoming Council action on ForwardDallas Update consultant procurement.
- Propose an Area Planning Program in conjunction with the ForwardDallas Plan Update.





FORWARDALLAS Plan Update Goals





•Refresh the land use vision through inclusive community engagement.



•Strengthen land use policies to promote balanced and sustainable growth.



Advance strategic and proactive implementation.



Strategic Planning Themes*



 Preliminary themes that resonate across the city. Additional themes may emerge through the process.



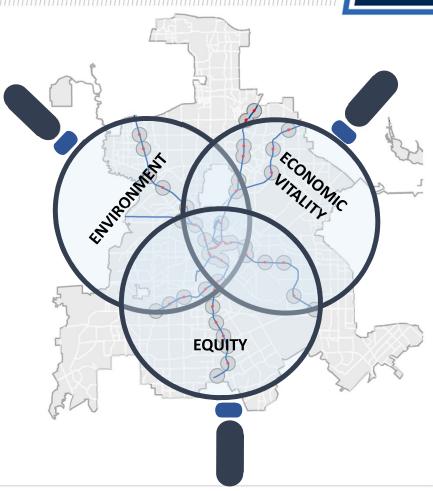




Tools for Evaluating Growth



- Define land use and development performance metrics.
- Establish tools to evaluate alternative growth scenarios.
- Create reporting tools to monitor cumulative impacts of land development.

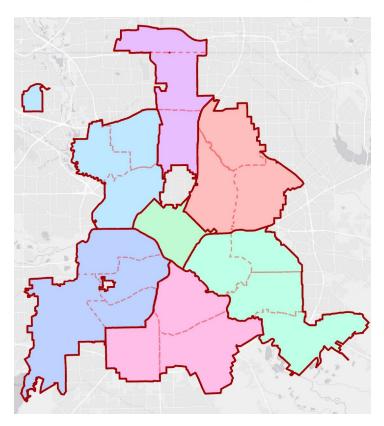




Planning at Different Scales



- Define planning districts and subdistricts to facilitate:
 - Equity evaluation and mitigation
 - Neighborhood engagement in planning at relatable scales.
 - Systematic area planning to inform city-initiated zoning changes and infrastructure investment.





Implementation and Accountability



- Establish a standing City Plan Commission
 Committee to provide guidance and oversight of
 development, monitoring and implementation of
 the ForwardDallas Plan.
- Annual review and update of the implementation program in coordination with budget cycles.
- Regular review of area planning priorities to inform city-initiated zoning changes (authorized hearings).



Anticipated Deliverables



- Web-Based Plan designed for ready reference.
- Proactive Implementation Program of cityinitiated land development / infrastructure actions to be integrated into the Citywide Strategic Plan.
- Annual Monitoring and Reporting Program on land use and development performance metrics tied to equity, economic vitality, and environmental sustainability.



Process and Timeline









RFP Process



- The City issued a Request for Proposals in April 2020 for consultant services to support staff resources with emphasis on:
 - Expertise in scenario development, evaluation and performance metrics related to land use
 - Specialized expertise in communication and engagement
- Fourteen teams responded to the RFP and five teams were short-listed for interview.



Preferred Vendor



Houseal Lavigne Associates Team

- Well-rounded team with national and local experience and strong expertise in scenario planning applied to city comprehensive planning:
 - Houseal Lavigne Asso. (Team lead, scenario planning & community development)
 - Norris Design (local planning & urban design)
 - K Strategies (local community outreach & public relations)

- Toole Design (mobility planning)
- ETC Institute(representative sample surveying)



Project Budget



- Consultant contract valued at \$649,960 is scheduled for Council consideration on September 23, 2020.
- Funding sources:

Building Inspections Enterprise Fund: \$415,960

Dallas County MCIP: \$234,000



Proposed Area Planning Program



 Systematic program for detailed land use planning informed by community engagement in areas prioritized for strategic City action.





Area Planning Strategy



- Develop three pilot area plans concurrently with the ForwardDallas comprehensive land use plan update using existing staff resources.
- Propose priorities for future area planning through the ForwardDallas Plan Update to align with rezoning priorities.
- Create a template for effective area planning in coordination with citywide planning.



Area Planning Steps



- Establish stakeholder task force and define initial boundary and scope
- Initial community engagement
- Regular task force meetings to develop the plan
- Additional community engagement to receive input on the draft plan
- Public adoption through City Plan Commission and City Council briefings and hearings



Stakeholder Task Force



- Provides civic-minded guidance based on local stakeholder knowledge
- Balanced representation of interests with 11 to 17 members:
 - Residential organizations
 - Business organizations
 - Local non-profits/institutions
 - Large property owner/developer
 - Small property owner/developer
 - Pro bono professional planning expertise



Role of Area Plans



- Establish detailed land use vision
- Implementation program:
 - Zoning amendments
 - Infrastructure priorities
 - Development incentives
 - Other actions to support the land development vision
- Align and incorporate into the ForwardDallas Plan

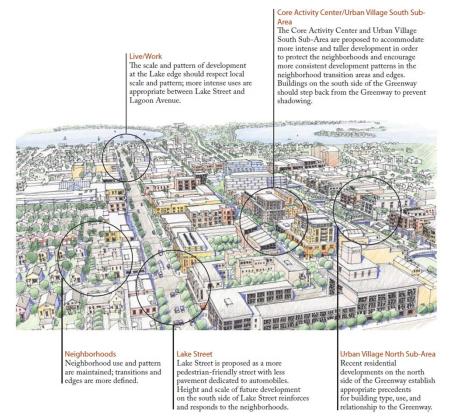


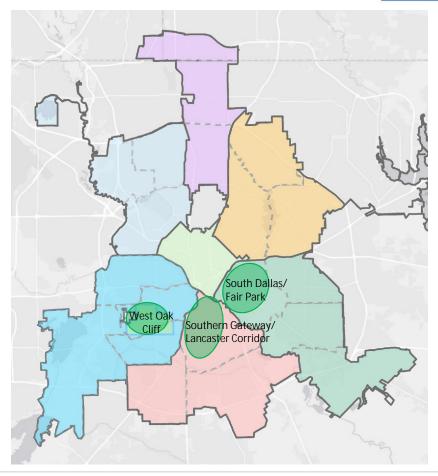
Illustration from Uptown Area Plan, Minneapolis, Minnesota



Initial Area Planning Priorities



- Address concentrations of authorized hearings for rezoning.
- Respond to major investments expected to impact land use and development.





Staff Recommendations



- Approve consultant contract with Houseal Lavigne Associates for the ForwardDallas Plan Update.
- Provide direction for staff to proceed with the area planning program.



Next Steps



- City Council action on September 23, 2020 on ForwardDallas Plan update consultant contract
 - Kickoff public process in September 2020
 - Complete draft plan by October 2021
- Initiate area planning in three prioritized areas concurrently with the ForwardDallas Plan Update and complete draft area plans by October 2022.



Appendix



FORWARDALLAS Plan Update - Additional Information

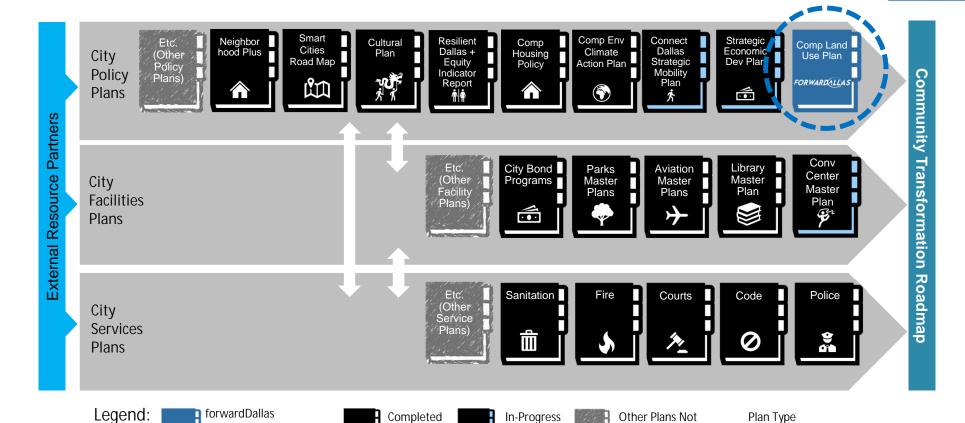


Citywide Planning Framework

Comprehensive Land

Use Plan update





Plans

Mentioned

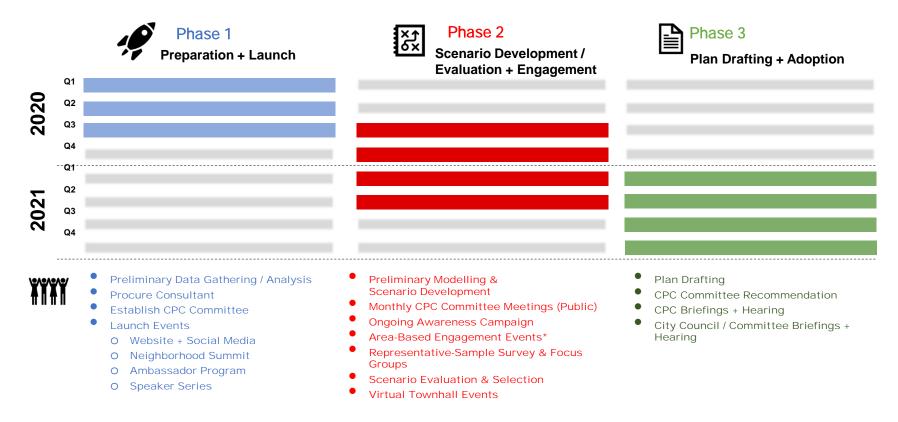
Plans



Interconnections

Process and Timeline





^{*} Subject to COVID-19 constraints



Community Engagement Strategy



- New CPC Comprehensive Land Use Plan Committee to guide the process and receive formal stakeholder input through regular public meetings
- Neighborhoods Summit to promote awareness of the process and pilot a neighborhood leadership academy concept to facilitate capacity building
- Ambassador Program to involve interested citizens and cultivate grass-roots awareness



Community Engagement Strategy



- Representative sample survey to gauge public attitudes/opinions on comprehensive land use planning themes
- Speaker Series in partnership with local professional organizations to generate discussion and interest on topics relevant to the comprehensive plan update
- Youth/Student engagement through collaboration with local schools and colleges



Engagement During COVID-19



- Virtual meetings/participatory events
- Online Awareness Campaign
 - Online education video modules
 - Online polls/surveys
 - User-friendly information posts and event calendars
 - Interactive maps
 - Regular and frequent social media posts
- Proactive outreach to neighborhood organizations, stakeholder groups and partner organizations to help spread awareness particularly among hard-to-reach populations.
- Radio and digital advertising



Strategic Planning Themes



 Preliminary themes that resonate across the city. Additional themes may emerge through the process.

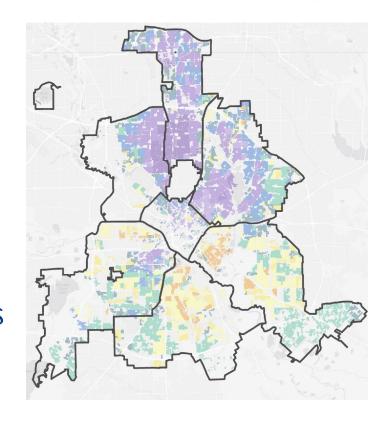




Foster Mixed Income Neighborhoods



- Establish equitable areabased mixed income housing growth targets.
- Leverage public land and rezoning to achieve affordable housing goals.
- Leverage tools such as TIFs and Neighborhood Empowerment Zones to promote affordable housing and mitigate displacement.

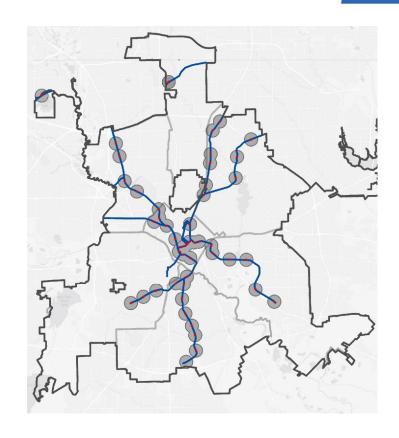




Incentivize Transit Oriented Development



- Create comprehensive transitoriented development (TOD) vision and implementation strategy.
- Leverage public land and publicprivate partnerships to facilitate catalytic TOD projects.
- Attract TOD through targeted zoning, economic development, housing and infrastructure incentives.
- Work with DART to explore opportunities for TOD along highfrequency bus routes.

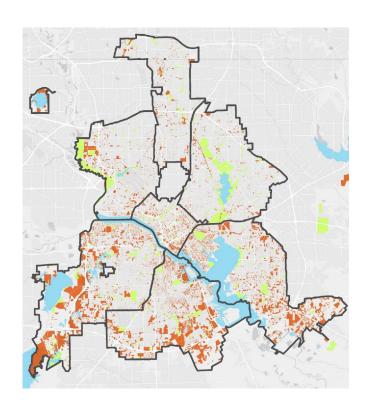




Put Vacant Land to Productive Use



- Develop strategies to discourage vacancy through interim uses, public open space or redevelopment.
- Leverage code enforcement, tax foreclosure, land banking and infrastructure investment to create development opportunities.





Revitalize Neighborhood Commercial Corridors



- Assess strengths and weaknesses of key corridors.
- Identify catalytic opportunities to spark neighborhood revitalization.
- Identify development impediments and propose solutions that leverage small business opportunities.



Bishop Arts



Promote Regional Mixed-Use Job Centers



- Leverage existing centers of regional economic activity to promote mixed-use job centers.
- Catalyze mixed use, mixed-income development through master plans for City property.

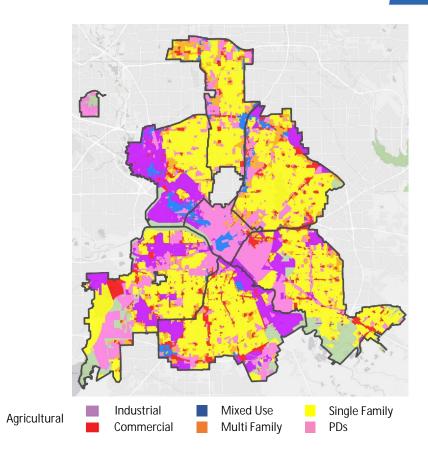




Mitigate Land Use/Zoning Inequity



- Conduct a zoning equity audit to assess land use and zoning imbalances and incompatible adjacencies.
- Recommend zoning actions to address equity issues.





Promote Green Land Development Practices



- Advance strategies to mitigate the impacts of land development on storm water run-off, urban heat-island and greenhouse gas emissions.
- Identify equitable opportunities for neighborhood-serving green space.



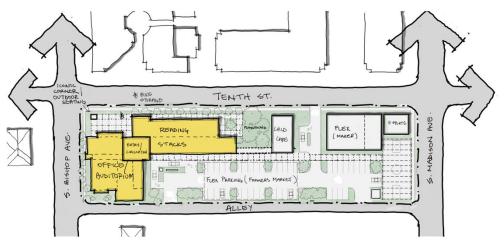


Promote Placemaking



 Promote neighborhood identity and revitalization through placemaking by leveraging city buildings, rights-ofway, historic resources and cultural activities including public art.









City of Dallas

Agenda Information Sheet

File #: 20-1750 Item #: E.

Professional Services Contract with Pacheco Koch Consulting Engineers, Inc. for Engineering Design of the Trinity Strand Trail Hi-Line Span Project (Design District TIF District) [Kevin Spath, Assistant Director, Office of Economic Development]

Memorandum



DATE September 4, 2020

To Honorable Members of the Economic Development Committee: Tennell Atkins (Chair), David Blewett (Vice-Chair), Jennifer Staubach Gates, Adam McGough, Omar Narvaez, Jaime Resendez, Chad West

Professional services contract with Pacheco Koch Consulting Engineers, Inc. for engineering design of the Trinity Strand Trail Hi-Line Span Project (Design District TIF District)

On September 23, 2020, City Council will be asked to authorize a professional services contract with Pacheco Koch Consulting Engineers, Inc. in an amount not to exceed \$511,000 from the Design District TIF District Fund for schematic design, design development, construction documents, procurement and construction observation phases for the Trinity Strand Trail Hi-Line Span Project (see map in Exhibit A), a new pedestrian bridge at the end of Hi Line Drive in the Dallas Design District to connect the new Circuit Trail and the Katy Trail with the Trinity Strand Trail.

Over the past few years, Staff has been working in collaboration with the Friends of the Trinity Strand Trail, the Circuit Trail Conservancy, and Dallas County on a proposal to further trail connections in the Design District.

On February 10, 2020, the Design District TIF Board recommended TIF funding up to \$7,000,000 for design and construction of the Trinity Strand Trail Hi-Line Span Project. On August 20, 2020, the Dallas Park and Recreation Board reviewed the proposed contract with Pacheco Koch Consulting Engineers, Inc. and recommended approval.

The initial scope for the Project includes civil engineering and design services. The Project will be implemented by the City's Park and Recreation Department (PKR) in coordination with the City's Office of Economic Development (OED) and other stakeholders. The design process will begin with existing TIF funding. The timing of construction will be determined by the outcome of the design process and the availability of current/future TIF funds.

Should you have any questions, please contact Kevin Spath, Assistant Director, Office of Economic Development at 214-670-1691.

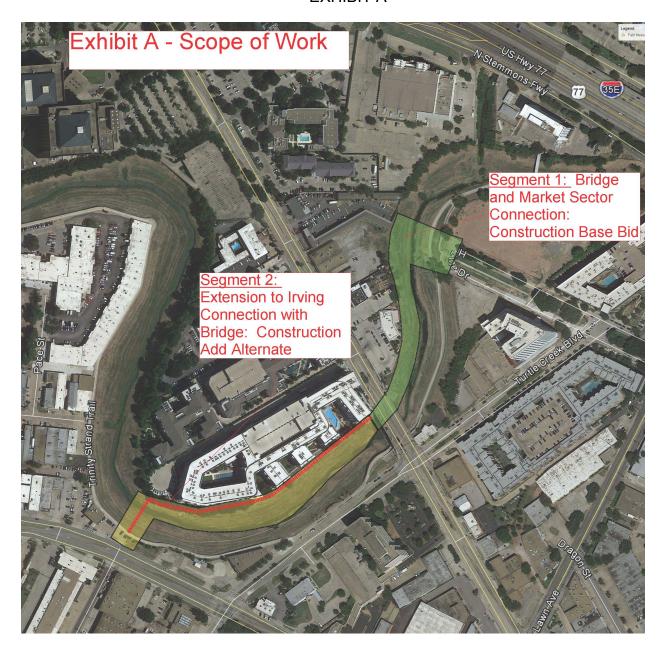
Dr. Eric Anthony Johnson

Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Bilierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizor 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 M. Elizabeth Reich, Chief Financial Officer Laila Alequresh, Chief Innovation Officer M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion Directors and Assistant Directors

EXHIBIT A





City of Dallas

Agenda Information Sheet

File #: 20-1751 **Item #:** F.

Proposed Texas Enterprise Project Assignments Regarding Doctor's Hospital [Robin Bentley, Assistant Director, Office of Economic Development]

Memorandum



DATE September 4, 2020

To Honorable Members of the Economic Development Committee: Tennell Atkins (Chair), David Blewett (Vice-Chair), Jennifer Staubach Gates, Adam McGough, Omar Narvaez, Jaime Resendez, Chad West

SUBJECT Proposed Texas Enterprise Project Assignments Regarding Doctor's Hospital

On September 23, 2020, City Council will be asked to consider two assignments of the Tenet Hospitals Limited ("Tenet") Texas Enterprise project under the Texas Enterprise Zone Act, as amended (Texas Government Code, Chapter 2303) to the Office of the Governor, Economic Development and Tourism division, through the Economic Development Bank. The two assignments are associated with Doctors Hospital at White Rock Lake ("Doctors Hospital"), located at 9440 Poppy Drive in Dallas. Please see Attachment "A" for a map presenting Doctors Hospital's District 9 location.

On February 26, 2014, City Council authorized the nomination of Tenet's Doctors Hospital designation as an Enterprise Project under the Texas Enterprise Act, as amended. On March 3, 2014, Doctors Hospital was designated as a Texas Enterprise Project for the period October 11, 2013 through March 3, 2019. The hospital was sold twice during the term of the designation, but the assignment paperwork was not filed with the Office of the Governor as required by the Enterprise Zone regulations. To resolve this issue, the current owner has requested two resolutions from the City to acknowledge each of the sales of the property, as required by the Enterprise Zone regulations.

The first resolution will acknowledge the January 1, 2016 sale of the hospital to BT East Dallas JV, LLP, a joint venture between Baylor University Medical Center, an affiliate of Baylor Scott & White Health, and Tenet Hospitals Corporation's affiliate, Healthcare Network Texas, Inc. The resolution will request City Council approval of the assignment of the enterprise project status to BT East Dallas JV, LLP.

The second resolution will acknowledge the March 1, 2018 sale of the hospital to Pipeline East Dallas, LLC, the entity currently operating the facility as City Hospital at White Rock. The resolution will request City Council approval of the assignment of the enterprise project status from BT East Dallas JV, LLP to Pipeline East Dallas, LLC.

These resolutions will allow the current owner, Pipeline East Dallas, LLC, to complete documentation required under the project designation.

September 4, 2020

Proposed Texas Enterprise Project Assignments Regarding Doctor's Hospital

Should you have any questions, please contact Robin Bentley, Assistant Director, Office of Economic Development at 214-671-9942.

Dr. Eric Anthony Johnson

Chief of Economic Development & Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
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City of Dallas

Agenda Information Sheet

File #: 20-1752 Item #: G.

Historic Preservation Tax Exemption Sunset [Murray Miller, Historic Preservation Office, Office of Historic Preservation]

Memorandum



DATE September 1, 2020

Honorable Members of the Economic Development Committee:

To Tennell Atkins (Chair), David Blewett (Vice-Chair), Jennifer Staubach Gates,
Adam McGough, Omar Narvaez, Jaime Resendez, Chad West

SUBJECT Historic Preservation Tax Exemption Sunset

REQUEST

The Landmark Commission recommends that City Council consider extending the Historic Preservation Tax Exemption Program Sunset deadline for five years through December 31, 2025.

BACKGROUND

The Historic Preservation Tax Exemption Program (Ordinance # 21874) was adopted by City Council in October 1993. The Program was then amended in 1998, 2001, 2004 and 2007. The previous sunset provision was extended in 2015 for five years. The Sunset Provision in Sec. 51A-11.401 of the Dallas City Code stipulates that no certificates of eligibility may be granted, and no applications for extension of the deadline for rehabilitation or deadline for a certificate of occupancy may be considered, by the Landmark Commission after December 31, 2020.

In 2018, following recommendations of the Downtown Dallas Historic Preservation Task Force were implemented:

- Creation of a new 'Endangered Neighborhood' category for Wheatley Place and Tenth Street Historic Districts with the same requirements for the 'Revitalizing Neighborhood' exemption.
- Allow 'Routine Maintenance' exemption for all categories and expand the timeframe from three to eight years.

HISTORIC TAX EXEMPTION PURPOSE

The purpose of the tax exemption is to encourage economic development through the revitalization and preservation of the city's historic properties and to assist in accomplishing the following goals:

September 1, 2020

DATE SUBJECT

Historic Preservation Tax Exemption Sunset

- Revitalize older neighborhoods to build and capture a stable tax base;
- Support the private sector investment in historic properties;
- Encourage home ownership;
- Promote pedestrian oriented, ground floor retail in the Urban Historic Districts;
- Support new uses for vacant and deteriorated historic buildings; and
- Encourage low- and moderate-income families to invest in Revitalizing Historic Districts.

Eligibility

- To be eligible for the program, a building must be a contributing structure in a City of Dallas historic district or be individually listed as a Dallas Landmark.
- The exemption applies to city taxes only.
- A minimum amount of expenditures toward rehabilitation efforts must be spent in order to qualify. The minimum is a percentage of the assessed value of the structure at application submission date.
- Expenditures must include eligible work.

Dr. Eric A. Johnson,

c:

Chief of Economic Development and Neighborhood Services

T.C. Broadnax, City Manager
Chris Caso, City Attorney
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Joey Zapata, Assistant City Manager Nadia Chandler Hardy, Assistant City Manager M. Elizabeth Reich, Chief Financial Officer Laila Alequresh, Chief Innovation Officer M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion Directors and Assistant Directors **Historic Preservation Tax Exemption Sunset**

BENEFITS OF HISTORIC PRESERVATION

ECONOMIC VALUES

- Increased property values, greater appreciation rates
- Enhanced business recruitment
- Jobs
 - Laborers/Construction
 - Architects/designers/local craftsman
 - Heritage tourism
 - Over 10% of all tourism dollars in Texas come from heritage tourism
 - Hotels, Restaurants, Transportation, other service industries
 - Retail
 - Manufacturing
- Grants at State and Federal levels available; Promotes philanthropic funding
- ➤ 2015 Texas Historical Commission (THC) study found that for every \$1 invested by Local/State/Federal moneys into rehabilitating a historic structure, \$4-5 dollars of private sector funds were invested.
- ➤ In 2016, Dallas' Tax Incentive Program generated more than \$260 million with forgone revenues of less than \$20 million (THC, Economic Impact Study)

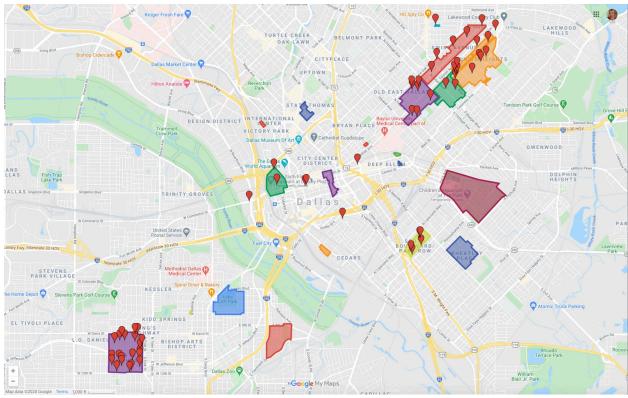
ENVIRONMENTAL VALUES

- Conserves resources and reduces waste: less materials entering landfills from demolitions and wholesale replacements; reduces carbon footprint
- Uses natural/environmentally friendly materials
- Existing assets protected, reuse of infrastructure, inhibits demolition-by-neglect
- Maintained landscapes

PARTICIPATION IN THE TAX EXEMPTION PROGRAM

96 properties are actively receiving tax exemption (FY2011-FY2020), 62 are new since 2015 that have generated \$120,044,046 in total investment where the value of the exemption has totaled \$9,793,456.

Historic Preservation Tax Exemption Sunset



Map showing the location of current properties receiving the tax exemption



Before rehabilitation

After rehabilitation with the benefit of the tax exemption program