



## Legislation Text

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**File #:** 19-1518, **Version:** 1

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**STRATEGIC PRIORITY:** Economic and Neighborhood Vitality  
**AGENDA DATE:** October 23, 2019  
**COUNCIL DISTRICT(S):** 2  
**DEPARTMENT:** Office of Economic Development  
**EXECUTIVE:** Michael Mendoza

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### **SUBJECT**

Authorize amendments to Resolution No. 14-1271, as amended, previously approved on August 13, 2014, for a development agreement with Texas IntownHomes, LLC (the “Developer”) for the Cedar Branch Townhome Project (the “Project”) in the Southwestern Medical Tax Increment Financing (“TIF”) District to **(1)** limit the City’s remedy for any default by the Developer to only forfeiture of the affordable housing grant and public infrastructure TIF funds not yet paid to the Developer at the time of default; **(2)** extend the Phase I completion deadline for the project from June 30, 2020 to December 31, 2022; **(3)** extend the Phase II completion deadline for the project from June 30, 2022 to December 31, 2027; **(4)** allow the \$2,888,366.00 TIF subsidy for public infrastructure improvements to be evenly divided among the 23 affordable townhomes and paid to the Developer at the closing of each affordable townhome sale to a qualified buyer; **(5)** allow for no recapture of TIF subsidy amounts (both affordable housing grant and public infrastructure payments) paid to the Developer at the closing of an affordable townhome sale to a qualified buyer; **(6)** increase the minimum private investment for the project from \$25,000,000.00 to \$26,500,000.00 as consideration for the requested amendments; and **(7)** correct the City approval needed for completion of the townhomes - Financing: No cost consideration to the City

### **BACKGROUND**

The Cedar Branch Townhome Project was originally approved by City Council in 2014 with the goal of becoming the first project in a TIF district to provide mixed-income for-sale housing. As proposed in 2014, the Project included the construction of 112 3-story townhomes in two phases (Phase I - 50 units; Phase 2 - 62 units). 89 units would be sold at market rate with sale prices ranging from \$335,000.00 to \$490,000.00, and 23 townhomes (20% of the total number of units) would be sold at \$150,000.00 per unit. The TIF subsidy approved for the Project was \$7,898,366.00.

The TIF subsidy included \$2,888,366.00 to reimburse the costs of public infrastructure improvements that would help link the Medical District (Parkland, UT Southwestern and Children’s Medical Center) and DART’s light rail station to the residential neighborhood located along Hawthorne Avenue.

The remaining \$5,010,000.00 of the TIF subsidy would be used to buy down the cost of the 23 affordable units.

The affordable units would be sold to those buyers with a household income at or below 80% of area median income (AMI) for the Dallas Standard Metropolitan Statistical Area and would be subject to a limitation on net worth of less than \$150,000.00 (“Qualified Buyer”).

The \$5,010,000.00 portion of the TIF subsidy would be disbursed to the Developer in the form of a \$150,000.00 TIF grant to offset the difference between the market rate (\$300,000.00) and the affordable sale price (\$150,000.00) for each townhome sold to a Qualified Buyer. Upon sale, the City would retain a lien on each affordable unit to ensure future sales of the affordable unit, during the 20-year term of the agreement, would continue to meet program guidelines for affordability. Owners of the affordable units would be allowed to re-sell the affordable homes with limitations: (1) homes must be sold to Qualified Buyers; (2) if the homes are sold within a year of the initial purchase, the price would be limited to the \$150,000.00 purchase price; and (3) after the first year, the resale price proceeds would be subject to the distribution requirements of the pilot program.

Since City Council’s original approval of the TIF subsidy in 2014, multiple deadline extensions have been granted to accommodate unanticipated delays with the Project. During the building permit process in 2015, the City determined the zoning for the development would have to be amended to allow for a reduction in the paving width of Hawthorne and Bengal Streets. The Developer began the rezoning process, including conducting community meetings. City Council approved the amendment to the planned development zoning on May 25, 2016.

In June 2016, City Council approved an extension of the Project’s start date to June 30, 2017 and completion date to June 30, 2021. In 2017, City Council approved an extension of the Project’s start date to June 30, 2018 and completion date to June 30, 2022. The deadline extension provided additional time for the Developer to (1) redesign the Cedar Branch Bridge required to be constructed along with the Project; and (2) seek an abandonment from the City of a portion of an existing floodway management area to construct a retaining wall for erosion control, hike and bike trail, and portions of the townhomes. The final plat addressing the abandonment of the floodway management area was approved by the City in May 2018. Construction plans for the Cedar Branch Bridge are currently under review by the City.

The Developer received a building permit and began construction of the Project in June 2018. Currently, 19 townhomes are under construction, of which 9 are affordable units. An additional 6 townhomes have been submitted to the City for building permits. The public infrastructure improvements associated with the Project are complete. To date, the Developer has invested approximately \$8,000,000.00. Although significant progress has been made on the Project since 2018, the Developer now requests additional amendments.

The Developer has indicated that the residential market has softened and wants to ensure that the construction of townhomes coincides with actual market demand. Additionally, the amendments establish and/or modify the amount of TIF subsidy the Developer will be eligible to receive when an affordable townhome is sold to a Qualified Buyer, the portions of TIF subsidy that will be subject to recapture, and the City's remedy in the event of default by the Developer.

The requested amendments are as follows:

1. Extend Project completion deadlines.
  - Phase I
    - Complete Phase I and receive a Certificate of Completion from the City's Sustainable Development and Construction Department for Phase I townhomes by December 31, 2022
  - Phase II
    - Complete Phase II and receive a Certificate of Completion from the City's Sustainable Development and Construction Department for Phase II townhomes by December 31, 2027
2. Allow the \$2,888,366.00 TIF subsidy for the public infrastructure improvements to be divided among the 23 affordable townhomes and disbursed to the Developer at the closing of the sale of each affordable townhome to a Qualified Buyer, if the public infrastructure improvements are completed in accordance with the development agreement.
3. Establish that, upon completion and at the closing of a sale of an affordable townhome to a Qualified Buyer, the Developer will be eligible for a TIF subsidy payment comprised of an affordable housing grant payment of \$150,000.00 and a public infrastructure payment of \$125,581.13 (for a total TIF subsidy payment of \$275,581.13).
4. Allow for no recapture of TIF subsidy amounts (both affordable housing grant and public infrastructure payments) paid to the Developer at the closing of an affordable townhome sale to a Qualified Buyer, if completion and sales of the townhomes and completion and acceptance of the public infrastructure improvements were in accordance with the development agreement.
5. Limit the City's remedy for default by the Developer to only forfeiture of the TIF subsidy not yet paid to the Developer at the time of default, if completion and sales of the townhomes and completion and acceptance of the public infrastructure improvements were in accordance with the development agreement.
6. Increase the Developer's minimum private investment for the Project from \$25,000,000.00 to \$26,500,000.00 as consideration for the requested amendments.

The Southwestern Medical TIF District Board of Directors supports the Developer's request.

### **ESTIMATED SCHEDULE OF PROJECT**

Began Construction            June 2018  
Complete Construction        December 2027

### **PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)**

On April 27, 2005, City Council authorized the establishment of Tax Increment Financing Reinvestment Zone Number Ten (the "Southwestern Medical TIF District"), City of Dallas, Texas (hereinafter referred to as the "Zone") and established a Board of Directors for the Zone in accordance with the Tax Increment Financing Act, Chapter 311 of the Texas Tax Code, V.T.C.A. (the "Act"); as amended, to promote development or redevelopment in the Zone by Resolution No. 05-1361; Ordinance No. 25965, as amended.

On January 11, 2006, City Council authorized the Southwestern Medical TIF District Project Plan and Reinvestment Zone Financing Plan by Resolution No. 06-0144; Ordinance No. 26205, as amended.

On August 13, 2014, City Council authorized a TIF development agreement with Texas IntownHomes, LLC to provide reimbursement: (1) for providing affordable for-sale housing units in accordance with the Mixed Income Housing Guidelines for Single Family Homes Pilot Program in an amount not to exceed \$5,010,000.00; (2) for eligible infrastructure improvement costs associated with the Cedar Branch Townhomes Project in an amount not to exceed \$2,888,366.00; and (3) intent to purchase the affordable townhomes in an amount not to exceed \$3,450,000.00 and intent to sell the affordable townhomes and receive proceeds from the sale of the affordable townhomes to qualified buyers in an amount not to exceed \$1,800,000.00 (includes receipt of an amount of up to \$150,000.00 per unit for up to 12 units if Developer is unable to sell the Phase II units); in accordance with the Southwestern Medical TIF District Project Financing Plan and Southwestern Medical District Grant Program by Resolution No. 14-1271.

On August 13, 2014, City Council authorized a TIF development agreement with Texas IntownHomes, LLC to reimburse eligible project costs related to the land acquisition, bridge construction, and other infrastructure improvements associated with the Cedar Branch Bridge Project in an amount not to exceed \$826,500.00 in Tax Increment Financing Reinvestment Zone Number Ten (Southwestern Medical TIF District) by Resolution No. 14-1273.

On June 22, 2016, City Council authorized an amendment to Resolution No. 14-1271, previously approved on August 13, 2014, which authorized a TIF development agreement with Texas IntownHomes, LLC to extend deadlines to start construction, obtain building permits, meet the minimum investment requirements, obtain a certificate of occupancy, complete construction of the infrastructure improvements, complete construction of each phase of the Project, and to execute an operating and maintenance agreement for the Cedar Branch Townhomes Project by Resolution No. 16-1058.

On June 22, 2016, City Council authorized an amendment to Resolution No. 14-1273, previously approved on August 13, 2014, which authorized a TIF development agreement with Texas InTownHomes, LLC to extend the complete construction deadline and the associated public improvements from June 30, 2020 to June 30, 2021 for the Cedar Branch Bridge Project by Resolution No. 16-1059.

On June 14, 2017, City Council authorized (1) an amendment to Resolution No. 14-1271, previously approved on August 13, 2014, which approved a TIF development agreement with Texas InTownHomes, LLC for the development of for-sale townhomes, to extend deadlines to start construction, obtain building permits, meet the minimum investment requirements, obtain a Certificate of Occupancy, complete construction of the infrastructure improvements, complete construction of each phase of the Project; and execution of an operating and maintenance agreement for the Cedar Branch Townhomes Project by Resolution No. 17-0923.

On June 14, 2017, City Council authorized amendments to Resolution No. 14-1273, previously approved on August 13, 2014, which approved a TIF development agreement with Texas InTownHomes, LLC to incorporate additional requirements for the construction of a bridge, a hike and bike trail system, and a retaining wall by Resolution No. 17-0924.

On September 11, 2019, the Southwestern Medical TIF District Board of Directors reviewed and recommended approval of amendments to Resolution No. 14-1271, as amended, approved by City Council on August 13, 2014, authorizing a TIF development agreement with Texas Intown Homes, LLC (the "Developer") for the Cedar Branch Townhome Project (the "Project") in the Southwestern Medical TIF District to (1) extend the Phase I completion deadline for the Project from June 30, 2020 to December 31, 2022; (2) extend the Phase II completion deadline from June 30, 2022 to December 31, 2027; (3) require the \$2,888,366.00 TIF subsidy for public infrastructure improvements to be divided among the 23 affordable townhomes and paid to the Developer at the closing of each affordable townhome; (4) acknowledge that, upon completion and at the closing of an affordable townhome, the Developer will be eligible for a TIF subsidy payment comprised of an affordable housing grant payment and a public infrastructure payment; (5) acknowledge that the TIF subsidy paid to the Developer at the closing of an affordable townhome shall not be subject to recapture; (6) establish that the City's remedy for non-performance or a default by the Developer shall be forfeiture of affordable housing grant and public infrastructure payment TIF funds not yet paid to the Developer at the time of non-performance or default; and (7) increase the minimum private investment for the project from \$25,000,000.00 to \$26,500,000.00 as consideration for the requested amendments.

City Council will be briefed by memorandum regarding this matter on October 11, 2019.

### **FISCAL INFORMATION**

No cost consideration to the City.

**DEVELOPER CONTACT INFORMATION**

**Texas InTownHomes, LLC**

Frank Liu, Manager  
1520 Oliver Street  
Houston, Texas 77007

**MAP**

Attached