Legislation Details (With Text)

File #:	21-1856 **Version:** 1	**Name:**	
Type:	ITEMS FOR INDIVIDUAL CONSIDERATION	**Status:**	Deferred
File created:	9/17/2021	**In control:**	Office of Economic Development
On agenda:	10/13/2021	**Final action:**	
Title:	Authorize (1) designating approximately 5.4 acres of property addressed as 1823 North Hall Street, located at the northwest corner of North Hall Street and Flora Street in Dallas, Texas, as City of Dallas Neighborhood Empowerment Zone No. 19 ("City of Dallas NEZ No. 19"), pursuant to Chapter 378 of the Texas Local Government Code, to promote the creation of affordable housing and an increase in economic development in the zone, establish the boundaries of the zone, and provide for an effective date; and (2) a real property tax abatement agreement with SEK Hall Street, LLC or an affiliate thereof ("SEK Hall Street") for a period of ten years in an amount equal to the City's taxes assessed on 90 percent of the increased taxable value of real property in conjunction with a new mixed-income and mixed-use development project (the "One City View Project") to be situated on approximately 5.4 acres at 1823 North Hall Street (the "Property") in City of Dallas NEZ No. 19, in accordance with the City's Public/Private Partnership Program - Estimated Revenue Foregone: $3,892,504.00 over a ten-year period		
Sponsors:			
Indexes:	14		
Code sections:			
Attachments:	1. Map, 2. Resolution, 3. Exhibits A through J-1		

Date	Ver.	Action By	Action	Result

STRATEGIC PRIORITY: Economic and Neighborhood Vitality

AGENDA DATE: October 13, 2021

COUNCIL DISTRICT(S): 14

DEPARTMENT: Office of Economic Development

EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize **(1)** designating approximately 5.4 acres of property addressed as 1823 North Hall Street, located at the northwest corner of North Hall Street and Flora Street in Dallas, Texas, as City of Dallas Neighborhood Empowerment Zone No. 19 ("City of Dallas NEZ No. 19"), pursuant to Chapter 378 of the Texas Local Government Code, to promote the creation of affordable housing and an increase in economic development in the zone, establish the boundaries of the zone, and provide for an effective date; and **(2)** a real property tax abatement agreement with SEK Hall Street, LLC or an affiliate thereof ("SEK Hall Street") for a period of ten years in an amount equal to the City's taxes assessed on 90 percent of the increased taxable value of real property in conjunction with a new mixed-income and mixed-use development project (the "One City View Project") to be situated on

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approximately 5.4 acres at 1823 North Hall Street (the "Property") in City of Dallas NEZ No. 19, in accordance with the City's Public/Private Partnership Program - Estimated Revenue Foregone: $3,892,504.00 over a ten-year period

BACKGROUND

SEK Hall Street, a joint venture between the Kroger Texas L.P. ("Owner") and SE Hall Street Partners, LLC (Southeastern or SEDA) ("Developer"), together referred to as Owner/Developer, plans to develop a mixed-use and mixed-income project known as One City View Project (the "Project") on a vacant 5.4 acre site at the intersection of North Hall Street and Flora Street. The Project site was previously owned by the Dallas Housing Authority and is subject to a restrictive covenant running with the land that requires 20% of any residential units built on the site to be affordable at/below 60% Area Median Family Income ("AMFI") for the Dallas metro area.

The Project will include an approximately 80,000 square foot Kroger store on the ground floor and a total of 375 apartments on the upper four levels, including 51 studio units, 270 one-bedroom units, and 54 two-bedroom units. Of the 375 total apartments, 75 apartments (20%) will be rent restricted for households earning a maximum of 60% AMFI. The Project will also include an integrated parking structure with approximately 779 spaces. The total Project cost is an estimated $108.34 million.

Under the City's Market Value Analysis ("MVA"), the Project is located within market type C (market type C reflects a relatively strong residential real estate market) and abuts market type G (market type G reflects a relatively weak residential real estate market in Dallas).

The Project is also located at the edge of a high opportunity area (i.e. census tract with a poverty rate of 20% or below). More broadly defined, high opportunity areas are characterized as neighborhoods with strong economic, environmental, and educational outcomes. Recent research suggests that locating affordable housing in high opportunity areas appears to have a positive effect on the economic mobility of the residents.

According to the United States Department of Agriculture ("USDA") Food Access Research Atlas, the Project is also located in an area characterized as a food desert (i.e. low-income census tract where more than 100 housing units do not have a vehicle and are more than ½ mile from the nearest supermarket).

The Project was reviewed by the City's Urban Design Peer Review Panel ("UDPRP") on May 29, 2020, and, as a result, the Developer changed the Project's design to accommodate recommendations by the UDPRP.

Over the past several months, staff in the Office of Economic Development, along with the City's independent outside underwriter, have been extensively reviewing the Project and the Developer's incentive application. Originally, the Developer had requested City subsidies with a total estimated value of $4.3 million to fill the Project's financial gap. However, based on the City's outside underwriting, the Office of Economic Development negotiated a detailed Letter of Intent with the Owner/Developer for a City subsidy estimated to result in $3,892,504.00 of City real property taxes foregone over a ten-year period. The City subsidy to fill the Project's financial gap is in the form of a real property tax abatement for a period of ten years in an amount equal to the City's taxes assessed

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on 90% of the increased value of the Property. On September 13, 2021, the Owner/Developer agreed to and executed the detailed Letter of Intent. Detailed terms and conditions of the tax abatement are included in the Resolution accompanying this agenda item.

To facilitate a tax abatement agreement at this location, staff is also recommending the designation of City of Dallas Neighborhood Empowerment Zone No. 19. Pursuant to Chapter 378 of the Texas Local Government Code, a NEZ must be created for at least one of the following purposes: creation or rehabilitation of affordable housing; economic development opportunities in the zone; or an increase in the quality of social services, education, or public safety to residents of the zone.

Pursuant to the City's Public/Private Partnership Program ("P/PPP") Guidelines & Criteria (effective for the period July 1, 2021 through June 30, 2022), the Project is located in a non-target area. The minimum eligibility criteria for a project in a non-target area is the creation/retention of 100 jobs or the provision of $5 million investment. With a total Project cost of $108 million, the Project substantially exceeds the $5 million minimum eligibility criteria for a non-target area. Pursuant to the P/PPP Guidelines, a real property tax abatement *up to* 50% for 10 years may be offered to a project, and a real property tax abatement *higher than* 50% may be offered to a project that significantly advances the public purpose of economic development. Such a project is considered a "Non-Conforming Project" under P/PPP Guidelines. Staff believes that this Project will significantly advance the public purpose of economic development. Therefore, staff's recommendation of a real property tax abatement of 90% for 10 years to facilitate this Project constitutes a "Non-Conforming Project." **Under P/PPP Guidelines, a "Non-Conforming Project" in a non-target area requires a ¾ vote of City Council for approval.**

ESTIMATED SCHEDULE OF PROJECT

Begin Construction	August 2022
Complete Construction	September 2024

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Economic Development Committee was briefed by memorandum regarding this matter on September 21, 2021. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=9823133&GUID=BD5C2B25-F410-4E74-AB2A-417DC7E19BA0>

FISCAL INFORMATION

Estimated Revenue Foregone: $3,892,504.00 over a ten-year period

OWNER

SEK HALL STREET, LLC

Mark Senn, Southeastern President, acting as Managing Member for SEK Hall Street, LLC

MAP

Attached