



Legislation Details (With Text)

File #: 22-1405 **Version:** 1 **Name:**

Type: ITEMS FOR INDIVIDUAL CONSIDERATION **Status:** Approved

File created: 6/8/2022 **In control:** Office of Economic Development

On agenda: 6/22/2022 **Final action:**

Title: Authorize a development agreement ("Agreement") and all other necessary documents with I-20 Lancaster Development, LLC and/or its affiliates for a City Subsidy in an amount not to exceed \$34,210,966.00 comprised of (1) an amount not to exceed \$2,800,000.00 in the form of an economic development grant payable from the City's Public/Private Partnership Fund ("PPP Grant"); and (2) an amount not to exceed \$31,410,966.00 plus an additional grant in lieu of interest payable from future University TIF District funds ("TIF Subsidy") in consideration of the University Hills Phase I Project on property generally bounded by Interstate Highway 20 (Lyndon B. Johnson Freeway), Lancaster Road, and the DART rail line in Tax Increment Financing Reinvestment Zone Number Twenty One (University TIF District) - Financing: Public/Private Partnership Fund (\$2,800,000.00) and University TIF District Fund (\$31,410,966.00) (subject to annual appropriations from tax increments)

Sponsors:

Indexes: 12, 8

Code sections:

Attachments: 1. Map, 2. Resolution, 3. Exhibit A, 4. Exhibit B, 5. Exhibit C, 6. Exhibit D

Date	Ver.	Action By	Action	Result
------	------	-----------	--------	--------

STRATEGIC PRIORITY: Economic Development

AGENDA DATE: June 22, 2022

COUNCIL DISTRICT(S): 8, 12

DEPARTMENT: Office of Economic Development

EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize a development agreement ("Agreement") and all other necessary documents with I-20 Lancaster Development, LLC and/or its affiliates for a City Subsidy in an amount not to exceed \$34,210,966.00 comprised of **(1)** an amount not to exceed \$2,800,000.00 in the form of an economic development grant payable from the City's Public/Private Partnership Fund ("PPP Grant"); and **(2)** an amount not to exceed \$31,410,966.00 plus an additional grant in lieu of interest payable from future University TIF District funds ("TIF Subsidy") in consideration of the University Hills Phase I Project on property generally bounded by Interstate Highway 20 (Lyndon B. Johnson Freeway), Lancaster Road, and the DART rail line in Tax Increment Financing Reinvestment Zone Number Twenty One (University TIF District) - Financing: Public/Private Partnership Fund (\$2,800,000.00) and University TIF District Fund (\$31,410,966.00) (subject to annual appropriations from tax increments)

BACKGROUND

I-20 Lancaster Development, LLC and/or its affiliates (“Developer”) is proposing the University Hills Phase I Project (the “Project”), a catalyst project on property located generally east of Lancaster Road and north of Interstate Highway 20 within the University Hills Sub-District (“Sub-District”) of the University TIF District (“TIF District”).

The TIF District was created by City Council in late 2017 to stimulate private investment and development and serve as a long-term funding tool to help implement the City’s UNT-Dallas Area Plan. The proposed Project is the critical first step to the comprehensive development of the Sub-District described in the TIF District’s Project Plan and Reinvestment Zone Financing Plan (“TIF Plan”). Roughly bounded by Interstate Highway 20 (Lyndon B. Johnson Freeway), Lancaster Road, and the DART rail line, the Sub-District includes approximately 279 acres of vacant and undeveloped property. In alignment with the UNT-Dallas Area Plan, a goal of the TIF Plan is to create a 250+ acre mixed-use development in this Sub-District with a variety of housing types and commercial development.

The proposed Project will include horizontal infrastructure improvements necessary to support the Phase I vertical development of approximately 240 single-family attached townhomes, 300 single-family detached homes, 250 multi-family residential units, and 80,000 square feet of retail/office space.

The Developer will complete the horizontal infrastructure improvements necessary to make the Phase I building pad sites shovel-ready, will construct or cause the construction of the multi-family residential units, and will cause other parties to complete the vertical construction of the single-family and retail/office components.

The anticipated total cost of the Project’s horizontal development, including costs expended to-date, is approximately \$63,203,279.00 and is comprised of the following: (i) land acquisition costs of approximately \$21,500,000.00; (ii) public infrastructure costs of approximately \$31,410,966.00; and (iii) private improvement costs of approximately \$10,292,313.00.

The estimated total cost of \$63.2 million (and the minimum investment requirement of \$60 million as described below) reflects only the horizontal development component; however, Developer’s minimum requirements to facilitate Phase I vertical development are conditions of the City’s payment of the TIF Subsidy as described below.

In consultation with the City’s independent outside underwriter, staff reviewed the Developer’s incentive application and proposed the following incentive to support this catalytic project. On June 3, 2022, Developer accepted the proposed incentive and the associated terms and conditions were accepted in an executed Letter of Intent.

1. **TIF Subsidy**: Staff proposes to pay Developer a TIF Subsidy in an amount not to exceed \$31,410,966.00 plus an additional grant not to exceed 6% of this dedication.
 - **Offset of Other Funds**: If, in the future, the Project is approved for funding from other sources such as Dallas Water Utilities or Coronavirus Local Fiscal Recovery Funds that

partially offset the cost of the public infrastructure necessary and/or reduce the financial gap of the Project, Developer understands and agrees that the TIF Subsidy allocated to the Project shall be reduced commensurately.

- Interest: Interest shall accrue beginning when all conditions to pay the TIF Subsidy are met including an audit of documentation supporting the request to begin payments. Such interest shall be compounded semi-annually based on the existing unpaid TIF Subsidy and shall cease to accrue under the Agreement when the unpaid balance, plus any previously accrued interest, is fully disbursed, or upon expiration of the term of the University TIF District as provided in the ordinance creating same, as may be amended.

2. **City Fee Reimbursement (PPP Grant)**: Additional funding up to \$2,800,000.00 will be made available to the Developer in the form of a grant payable from the City's Public/Private Partnership Program Fund to offset the cost of City permit and inspection fees.

TERMS AND CONDITIONS

City Fee Reimbursement (PPP Grant)

All permitting, plan review, and inspection fees incurred by Developer on or before December 31, 2026 in an amount not to exceed \$2,800,000.00 shall be reimbursed (PPP Grant) to Developer through City's Public/Private Partnership Program Fund. Developer shall submit such reimbursement request no later than June 1, 2027.

TIF Subsidy

Developer shall be eligible to begin receiving TIF Subsidy payments after its satisfaction of the conditions of this section and upon its completion of the public infrastructure necessary for the Project. The TIF Subsidy shall be deployed from the University TIF District budget under the University Hills Sub-District public infrastructure improvements category with an economic development grant in lieu of interest. Material deadlines, terms, and conditions include:

1. Purchase of Land: On or before December 31, 2023, Developer shall purchase the entire assemblage of real property (approximately 279 acres) from CADG Property Holdings I, LLC and provide evidence of such purchase to the Director of the Office of Economic Development (the "Director").
2. Construction Funding: On or before December 31, 2023, Developer shall secure and provide evidence to the Director of construction funds or financing for the horizontal development of the Project.
3. Minimum Investment: On or before December 31, 2026, Developer must document a minimum investment of \$60,000,000.00 in the horizontal development of the Project.

4. Environmental Remediation: Developer shall perform all legally required environmental remediation and any demolition necessary to construct the Project by December 31, 2025.
5. Site Preparation Work: Developer shall perform all necessary site work to prepare the site for the infrastructure improvements necessary to support the planned vertical improvements included with the Project and obtain the City's written final acceptance (if necessary) of such site work by December 31, 2025.
6. Infrastructure Construction and Acceptance: The Developer shall construct the infrastructure improvements necessary to support the planned vertical improvements included with the Project and obtain the City's written final acceptance of same by December 31, 2026.
7. Design Guidelines for Vertical Construction: By September 30, 2023, Developer shall submit traditional neighborhood design guidelines and/or a pattern book, for the development, for the University Hills Sub-District for review and approval by the City's Planning and Urban Design (PUD) staff. These specific guidelines, as special conditions for the University TIF District, will be incorporated into a set of master design guidelines to be adopted by the University TIF District Board of Directors (as approved, the "Design Guidelines").
8. Real Estate Covenants: Developer shall establish covenants for all future vertical development in the Project. The set of covenants shall be provided for review and approval by the Director by September 30, 2023. Once approved by Director, Developer shall file the approved covenants in the real property records of Dallas County with Developer's filing of the final plat for the Project. Covenants shall address each of the following:
 - a. Design Guidelines: A requirement that future vertical construction in the University Hills Sub-district shall conform with the Design Guidelines.
 - b. Affordable Housing (Rental Multi-Family Residential): Deed restrictions ensuring that multi-family developments built on the Project site shall comply with the TIF program mixed-income housing requirements; that such units shall be marketed pursuant to an Affirmative Fair Housing Marketing Plan approved by Director; and that multi-family developers building on the Project site shall abide by the City's voucher related Ordinance 30246; as amended May 11, 2022.
 - c. Homebuyer Assistance Program (For-Sale Single-Family Residential): A requirement that for-sale home builders building homes on the Project site shall partner with the City to market and encourage home buyers to participate in the City's to-be-developed homebuyer assistance program for the University Hills Sub-District, which is anticipated to offer closing cost, down payment, and/or other financial assistance to certain income qualified households, as outlined in the homebuyer assistance program statement to be approved by the Board. Homebuyer assistance funds will be funded from the first \$5,300,000.00 of District increment (less administrative costs), inclusive of the current cash balance. Staff estimates that the homebuyer assistance program will be fully funded in this amount by 2023, after which any additional homebuyer assistance would come only from the 10% affordable housing line item in the TIF District Project Plan and Financing Plan. The TIF Subsidy will be funded from increment accrued after the homebuyer assistance program is fully funded.

9. Management Entity: On or before December 31, 2025, Developer shall establish a homeowner's association, public improvement district, or other management entity acceptable to Director to ensure upkeep of common spaces, including the green spaces and amenity center, and to provide additional security and other neighborhood services.
10. Repayment Obligation: Developer shall be eligible to begin receiving disbursement of the TIF Subsidy once Developer completes and documents its completion of each of the foregoing elements. Developer shall be liable for repayment of the TIF Subsidy (the "Repayment Obligation") until it completes the Minimum Vertical Related Items defined herein. Such Repayment Obligation will be documented in a form approved by the City Attorney, which may include deed restrictions, a deed of trust, or other documents. The Repayment Obligation may be forgiven as described below.
11. Security: Any deed of trust, deed restrictions, or other security documents required by the City Attorney's Office to secure the Repayment Obligation shall be executed by Developer simultaneously with the Agreement in a form approved by the City Attorney's Office. Such documents shall be recorded in the Real Property Records of Dallas County against Grantee's interests in the Property within fourteen (14) days of execution of the Agreement. Such documents shall be released upon expiration of and satisfaction of obligations under the Agreement, or upon Developer's sale of any portion of the property to an unaffiliated developer for completion of vertical construction. Such documents shall be subordinate to construction/permanent lenders during the term of this Agreement. Developer shall provide a title policy to the City prior to the execution of the Agreement.
12. Minimum Vertical Requirements: Developer shall complete the sale of all single-family lots and multi-family/commercial pad sites to developers acceptable to Director in his or her reasonable discretion, such approval not to be unreasonably withheld, by December 31, 2026. Developer shall (i) prepare and sell sites to third party builders for the construction of a minimum of 200 single-family attached townhomes, 250 single-family detached homes, and 30,000 square feet of non-residential space, and (ii) construct or cause the construction of a minimum of 200 units of multi-family (the "Minimum Vertical Related Items"). All construction must be completed in conformance with the Design Guidelines, covenants, affordable housing restrictions, and other requirements described herein.
13. Forgiveness of Repayment Obligation: The Repayment Obligation shall be forgiven in the following tranches so long as Developer is otherwise in compliance with this Agreement:
 - a. Twenty-five percent (25%) upon the sale of 200 residential lots to third-party builders for construction of single-family attached townhomes, which sale must be completed no later than December 31, 2032
 - b. Twenty-five percent (25%) upon the sale of 250 lots to third-party builders sufficient for construction of single-family detached homes, which sale must be completed no later than December 31, 2032
 - c. Twenty-five percent (25%) upon the completion of construction of 200 units of multi-family residential evidenced by a certificate of occupancy or equivalent documentation received on or before December 31, 2032
 - d. Twenty-five percent (25%) upon the sale of land to a third-party builder sufficient for

construction of at least 30,000 square feet of non-residential office or retail space, which sale must be completed no later than December 31, 2032

14. Operating and Maintenance Agreement: On or before December 31, 2025, the Developer shall execute and fund an Operating and Maintenance Agreement for all non-standard public infrastructure improvements associated with the Project. Compliance with the executed Operating and Maintenance Agreement shall be required of all future owners for the entire period (20 years) of the Operating and Maintenance Agreement. If Developer chooses to forgo the TIF Subsidy or defaults on its obligations, Developer shall remain responsible for the maintenance of the non-standard public improvements through the term of the Operating and Maintenance Agreement. Any assignment of Developer's maintenance obligations under the Agreement (and the operating and maintenance agreement) to another entity (e.g., new property owner, public improvement district, or property owner's association) shall require the prior written approval of the Director. If additional non-standard public improvements are constructed after initial execution of the operating and maintenance agreement, the agreement scope may be amended, or separate operating and maintenance agreements may be executed with other parties.
15. Required Instruments: Developer shall provide public access easements, deed restrictions, or other instruments required by the Director in a form acceptable to the City Attorney's Office if any street and utility infrastructure improvements as part of the Project remain privately owned in order to be considered for TIF Subsidy funding.
16. Parkland Dedication: Developer shall comply with the City's Parkland Dedication Ordinance.
17. M/WBE Compliance: Developer shall make good faith efforts to comply with the City's Business Inclusion and Development ("BID") goal of 32% for certified minority/women-owned business enterprise (M/WBE) participation for the hard construction costs of the horizontal infrastructure component of the Project and meet all reporting requirements for each.
18. Urban Design Peer Review Panel: The Urban Design Peer Review Panel ("UDPRP") is an independent group of professional designers selected by the City Manager with expertise in architecture, landscape architecture, engineering, and urban planning. The Project is scheduled to be reviewed by the UDPRP on July 1, 2022, and the Developer shall be required to accommodate recommendations by the UDPRP. Developer shall be required to complete the UDPRP process for the overall conceptual master plan and the Project and respond to comments to the satisfaction of the City's Department of Planning and Urban Design (PUD) staff prior to execution of the Agreement for the Project. Conformance with the approved design plans shall be a condition of TIF Subsidy payments. The Director may authorize minor modifications to the conceptual plans which may arise during the development process due to local, state, or federal regulatory requirements so long as the minor modifications are in substantial conformance with the spirit and intent of the UDPRP advice. Modifications to the conceptual plans, should the Director determine they are material, shall require review by the UDPRP. As the final step in the urban design process and prior to permit approval, Developer shall provide a set of permit drawings for the Project to the City's Department of Planning and Urban Design (PUD) for internal review and approval to ensure compliance with UDPRP recommendations and responses. The Planning and Urban Design Department shall complete the review of the permit drawings within ten (10) business days of Developer's submission. All future phases of development as illustrated in the conceptual master plan shall be required to

undergo the UDPRP process to review conformance with the approved conceptual master plan.

19. Modifications and Extensions: The Director, after approval and recommendation of the TIF Board, may authorize minor modifications to the Project so long as they are consistent with the Plan's goals and the Design Guidelines, including extensions of the any of the Project deadlines up to 24 months.

ESTIMATED SCHEDULE OF PROJECT

Begin Construction December 2023
Complete Construction December 2026

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On December 13, 2017, City Council held a public hearing and authorized the establishment of Tax Increment Reinvestment Zone Number Twenty One, the University TIF District, by Resolution No. 17-1941; Ordinance No. 30733, as amended.

On December 9, 2020, City Council authorized the Project Plan and Reinvestment Zone Financing Plan for the University TIF District by Resolution No. 20-1894; Ordinance No. 31713.

[On June 6, 2022, the Economic Development Committee was briefed regarding this matter. <http://cityofdallas.legistar.com/gateway.aspx?M=F&ID=6d96c6db-d94e-48ce-bf78-ba0b000e0a4e.pdf>](http://cityofdallas.legistar.com/gateway.aspx?M=F&ID=6d96c6db-d94e-48ce-bf78-ba0b000e0a4e.pdf)

On June 14, 2022, the University TIF District Board of Directors reviewed the Project and recommended City Council authorization of a development agreement with I-20 Lancaster Development, LLC and/or its affiliates for a City Subsidy in an amount not to exceed \$34,210,966.00.

FISCAL INFORMATION

Fund	FY 2022	FY 2023	Future Years
Public/Private Partnership Fund	\$0.00	\$0.00	\$2,800,000.00
University TIF District Fund	\$0.00	\$0.00	\$31,410,966.00

OWNER/DEVELOPER

I-20 Lancaster Development, LLC

Arthur Santa-Maria, Manager

MAP

Attached