

Memorandum



DATE October 31, 2017

CITY OF DALLAS

TO Honorable Members of the Economic Development and Housing Committee: Tennell Atkins (Chair), Rickey D. Callahan (Vice Chair), Lee M. Kleinman, Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder and Omar Narvaez

SUBJECT **Historic Preservation Tax Exemption for Factory Six03 at 603 Munger Avenue in the West End Historic District**

Summary

GPIWE Limited Partnership, an affiliate of Granite Properties ("Granite Properties"), has applied for a tax exemption through the Historic Preservation Tax Incentive Program. Granite Properties has invested \$27,290,475 in the formerly vacant 603 Munger Avenue property and begun repositioning it as 230,726 square feet of office and retail space to be known as Factory Six03. Staff recommends approval of Granite Properties' request for a historic tax exemption on the property.

Background

Article XI of the Dallas Development Code established the Historic Preservation Tax Incentive Program, allowing property owners to receive tax exemptions for restoration of historic properties. Dallas Development Code Section 11.201(e) requires the City Council to review any exemption greater than \$50,000.

The Brown Cracker and Candy Company building in the West End Historic District was built in stages between 1903 and 1923. The building was most recently known as the West End Marketplace, and until its closing more than 10 years ago, hosted a variety of tourist and destination activities.

Granite Properties intends to reposition the unused historic building as creative office space, as well as restaurant/retail uses. The renovation work includes repairing and replacing key internal structural components removed in 1985, as well as reconditioning historic windows, masonry walls and the historic exterior. The basement will be converted into 55 parking spaces. Both the four-story and seven-story portions of the building will have additions to the top for an executive office, tenant lounge and conference center, and a new entrance will be added to the building. The National Park Service will review and approve all additions in compliance with national historic renovation guidelines.

Granite Properties received City Council approval for tax increment financing (TIF) as part of the City Center TIF District on January 25, 2017, but subsequently withdrew its

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acceptance of the TIF offer. In lieu of TIF funding, Granite Properties has applied for a historic tax exemption in support of approximately \$30 million in investment. The building qualifies under the "Urban Historic District" exemption, which allows for up to a 100% exemption of the City portion of property taxes for up to a 10-year period. To qualify for this exemption, the cost of rehabilitation must exceed 75% of the pre-rehabilitation value of the structure.

The 2016 Dallas Central Appraisal District (DCAD) appraised value for the 603 Munger Avenue account is \$4,600,000, with an improvement value of \$790,640 and land value of \$3,809,360. The applicant is therefore required to invest approximately \$592,980 in the property to qualify for the exemption. As of August 31, 2017, the applicant has spent \$27,290,475 on eligible items. The new value after completion is estimated to be \$34,761,334, with an estimated annual tax assessment of \$236,012. It will take the city fewer than two years to recoup the foregone revenue (estimated at \$366,620 over 10 years).

Recommendation

Granite Properties has met all conditions for a historic tax exemption on the property at 603 Munger Avenue. The Landmark Commission approved a certificate of eligibility, and staff recommends the City Council approve a historic preservation tax exemption for the Factory Six03 project at 603 Munger Avenue for a 10-year period on 100% of the land and structure value.

The City established the historic tax exemption program to support restoration and adaptive reuse of the City's historic properties. A decision not to support a tax exemption for a property in full compliance with the program would diminish the program's effectiveness and ability to attract future investment in historic properties.

Please contact me or David Cossum If you have any questions.



Majed A. Al-Ghafry, P.E.
Assistant City Manager

c: Honorable Mayor and Members of the City Council
T.C. Broadnax, City Manager
Larry Casto, City Attorney
Craig D. Kinton, City Auditor
Biliera Johnson, City Secretary (Interim)
Daniel F. Solis, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
Jo M. (Jody) Puckett, Assistant City Manager (Interim)

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
Nadia Chandler Hardy, Chief of Community Services
Raquel Favela, Chief of Economic Development & Neighborhood Services
Theresa O'Donnell, Chief of Resilience
Directors and Assistant Directors

Memorandum



DATE October 30, 2017

TO Members of the Economic Development & Housing Committee:
Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman,
Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,
Omar Narvaez

SUBJECT **Upcoming Agenda Item-Extension of Loan Agreement with Dallas Area
Habitat for Humanity (Joppa area)**

On Monday, November 6, 2017, you will be briefed on the Joppa Project and the need to extend the loan agreement with the Dallas Area Habitat for Humanity (Habitat).

Summary

City Council approved a loan agreement on June 10, 2015 by Resolution No. 15-1078, for the construction financing of 18 scattered single-family homes in the Joppa Neighborhood area (Project), for an up to amount of \$540,000 in HOME Investment Partnership Program (HOME) funds. The loan agreement expired on August 31, 2017. Staff recommends the extension of the agreement for the period August 31, 2017 through April 30, 2018.

Background

In June 2015, the City approved a loan agreement with Habitat in the amount not to exceed of \$540,000 for construction financing of 18 homes. Initially, the Project start date was delayed due to the length of time it took to complete the environmental review. To date, all 18 homes are built and pre-sold to an eligible homebuyer at or below 80% of Area Median Family Income. As each home is sold, a partial lien release is recorded.

Following is a summary of the project budget details for further information.

City HOME Funds	\$ 540,000.00 ¹
Gift in Kind Materials	\$ 118,800.00
Private Financing	\$ 3,391,654.94
Total Development Cost	\$ 4,050,454.94

Issue

The current term of the contract expired on August 31, 2017. In August 2017, Bill Hall, CEO of Habitat, petitioned to extend the completion date to April 30, 2018 in order to submit the remaining documentation and close out the project. The developer had a change in staff that contributed to the delay in submission of the Davis Bacon documentation for 13 of the 18 homes built.

Alternatives

If the contract extension is not approved, Habitat will not receive the remaining contract balance of \$61,350 and the approved homebuyers designated for the remaining lots will not close on their homes as planned.

Fiscal Impact

The Project was awarded HOME funds under Resolution No. 15-1078 during 2014-2015 Fiscal Year. To date, \$478,650 has been expended. The remaining amount is \$61,350. There is no cost consideration to the City as part of this extension request.

Departments/Committee Coordination

On June 10, 2015, the City Council approved HOME funds by Resolution No. 15-1078.

On September 14, 2016, City Council amended the housing development loan agreement with Habitat to extend the completion date to August 31, 2017, by Resolution No. 16-1449.

In August Habitat requested an extension through April 30, 2018 in order to submit all Davis Bacon documentation.

1: Of the \$540,000 HOME loan commitment, \$478,650 has been expended, leaving a balance of \$61,350.

Staff Recommendation

Staff recommends authorization of the extension to April 30, 2018. To ensure performance over the next four months, the amendment to the loan agreement will contain the following performance requirements to which Habitat has agreed to follow:

- a) Habitat will submit monthly status reports on the completion of the Davis Bacon items;
- c) Habitat will submit complete homebuyer files for staff's review by April 30, 2018;
- d) Habitat will submit its final payment request by April 30, 2018; and,
- b) Habitat will report delays to staff immediately, but no later than within one week of identifying the issue.

With the Committee's approval, the item will be placed on the City Council agenda for November 8, 2017.

Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela
Chief of Economic Development & Neighborhood Services

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| <p>c: The Honorable Mayor and the Members of City Council
T.C. Broadnax, City Manager
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AGENDA ITEM # 27

STRATEGIC PRIORITY: Mobility Solutions, Infrastructure, and Sustainability

AGENDA DATE: November 8, 2017

COUNCIL DISTRICT(S): 1

DEPARTMENT: Public Works Department
Office of Economic Development

CMO: Majed Al-Ghafry, 670-3302
Raquel Favela, 670-3309

MAPSCO: 44Z

SUBJECT

Authorize (1) the First Amendment to the Funding Agreement with the North Central Texas Council of Governments and the State of Texas for the Zang Triangle Sustainable Development Infrastructure Project to revise the project limits, change the reimbursement schedule to solely cover the construction phase, and extend the project completion deadline; and (2) an Amendment to Resolution No. 12-1624, previously approved on June 27, 2012, to correct the funding source to receive and deposit funds from the Texas Department of Transportation for the Zang Triangle Sustainable Development Infrastructure Project - Financing: No cost consideration to the City

BACKGROUND

The Zang Triangle Sustainable Development Infrastructure Project was submitted by the City of Dallas and selected as a candidate project and subsequently selected by the North Central Texas Council of Governments (NCTCOG) in their 2009/2010 Sustainable Development Program (SDP) Call for Projects.

On June 27, 2012, City Council authorized an agreement with NCTCOG and the State of Texas to obtain funding for costs of design and construction of the Zang Triangle Sustainable Development Infrastructure Project by Resolution No. 12-1624.

BACKGROUND (continued)

The original scope of work and project limits for the Zang Triangle Sustainable Development Infrastructure Project (also known as the Colorado Boulevard/Beckley Avenue Sidewalk Enhancement Project) entailed sidewalk improvements, crosswalk enhancements, landscaping and pedestrian lighting along: (1) Colorado Boulevard from Zang Boulevard to Ballard Street, (2) Beckley Avenue from Greenbriar Lane to Colorado Boulevard, and (3) Zang Boulevard from Plowman Avenue to Beckley Avenue. However, based on community stakeholder input, including Methodist Medical Center, the project limits were modified to: (1) Colorado Boulevard from Zang Boulevard to Ballard Street, (2) Beckley Avenue from Colorado Boulevard to Zang Boulevard; and (3) Zang Boulevard from Plowman Avenue to Colorado Boulevard. The design for the project is complete. Construction is estimated to start in early 2018, which will allow for some of the other public and private development projects currently under construction in the area to get completed, thus reducing construction related traffic impacts.

This action will authorize (1) the First Amendment to the Funding Agreement with North Central Texas Council of Governments and the State of Texas for the Zang Triangle Sustainable Development Infrastructure Project to revise the project limits, change the reimbursement schedule to solely cover the construction phase, and extend the project completion deadline; and (2) an Amendment to Resolution No. 12-1624, previously approved by City Council on June 27, 2012, to correct the funding source to receive and deposit funds from the Texas Department of Transportation for the Zang Triangle Sustainable Development Infrastructure Project.

The NCTCOG Sustainable Development Program will reimburse \$1,750,000 of the total project costs. The required 20 percent local match will be funded in an amount of \$437,500 in the 2006 Bond Funds that have been allocated for pedestrian improvements in this area.

ESTIMATED SCHEDULE OF PROJECT

Began Design	July 2013
Completed Design	January 2017
Begin Construction	April 2018
Complete Construction	February 2019

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On August 25, 2010, City Council authorized support for projects selected within the City of Dallas for the Regional Transportation Council Sustainable Development Program and authorized the City Manager to negotiate agreements with the North Central Texas Council of Governments and private sector partners, where applicable by Resolution No. 10-2152.

On June 27, 2012, City Council authorized an agreement with North Central Texas Council of Governments and the State of Texas to obtain funding for the costs of design and construction of the Zang Triangle Sustainable Development Infrastructure Project by Resolution No. 12-1624.

On June 12, 2013, City Council authorized a professional services contract with Lina T. Ramey & Associates, Inc. for engineering design of sidewalk enhancements for the Colorado Boulevard/Beckley Avenue area by Resolution No. 13-0965.

On April 26, 2017, City Council authorized a contract with Texas Standard Construction, Ltd. for the construction of the Colorado Boulevard/Beckley Avenue Area Sidewalk Enhancement Project by Resolution No. 17-0691.

MAP

Attached

November 8, 2017

WHEREAS, the Regional Transportation Council (RTC) is the regional transportation policy board of the North Central Texas Council of Governments (NCTCOG), and is a regional forum for cooperative decisions on transportation; and

WHEREAS, pursuant to Chapter 228 of the Texas Transportation Code, the State of Texas provided surplus revenue from a State Highway 121 Toll Project to RTC for its Sustainable Development Program; and

WHEREAS, the RTC approved \$41 million for the 2009-2010 Sustainable Development Program Call for Projects; and

WHEREAS, the City of Dallas issued Requests for Proposals to private developers and other organizations to solicit projects to submit to the RTC's Sustainable Development Call for Projects; and

WHEREAS, the City of Dallas submitted sixteen infrastructure projects, including the Zang Triangle Infrastructure Project, and seven planning projects to the RTC's Sustainable Development Call for Projects; and

WHEREAS, on June 3, 2010, the RTC approved \$13,779,712.00 in Regional Toll Revenue (RTR) or local funds for nine infrastructure and three planning projects in the City of Dallas; and

WHEREAS, the RTC awarded funding included \$1,750,000.00 in RTR funds for the Zang Triangle Sustainable Development Infrastructure Project; and

WHEREAS, on August 25, 2010, City Council authorized support for projects selected within the City of Dallas for the RTC Sustainable Development Program, and authorized the City Manager to negotiate agreements with North Central Texas Council of Governments and private sector partners by Resolution No. 10-2152; and

WHEREAS, on June 27, 2012, City Council authorized an agreement with North Central Texas Council of Governments and the State of Texas to obtain funding for costs of design and construction of Zang Triangle Sustainable Development Infrastructure Project, in an amount not to exceed \$1,750,000.00, by Resolution No. 12-1624; and

WHEREAS, the Zang Triangle Sustainable Development Infrastructure Project scope is known locally as the Colorado Boulevard/Beckley Avenue Area Sidewalk Enhancement Project; and

November 8, 2017

WHEREAS, on June 12, 2013, City Council authorized a professional services contract with Lina T. Ramey & Associates, Inc. for engineering design and of sidewalk enhancements for the Colorado Boulevard/Beckley Avenue area, in an amount not to exceed \$209,789.40, by Resolution No. 13-0965; and

WHEREAS, on January 14, 2014, Administrative Action No. 14-5319 authorized Supplemental Agreement No. 1 to the professional services contract with Lina T. Ramey & Associates, Inc. for two additional neighborhood meetings and the preparation work for the Colorado Boulevard/Beckley Avenue Area Sidewalk Enhancement Project, in an amount not to exceed \$8,200.00, from \$209,789.40 to \$217,989.40; and

WHEREAS, on October 24, 2014, Administrative Action No. 14-7166 authorized Supplemental Agreement No. 2 to the professional services contract with Lina T. Ramey & Associates, Inc. to revise the construction plans due to the revised project limits and attending the Design Studio's Peer Review Committee review of the project for the Colorado Boulevard/Beckley Avenue Area Sidewalk Enhancement Project, in an amount not to exceed \$31,861.00, from \$217,989.40 to \$249,850.40; and

WHEREAS, on October 19, 2016, Administrative Action No. 16-6831 authorized Supplemental Agreement No. 3 to the professional services contract with Lina T. Ramey & Associates, Inc. to provide additional survey services and revise the construction plans to account for Streetcar's catenary poles locations within the project limit for the Colorado Boulevard/Beckley Avenue Area Sidewalk Enhancement Project, in an amount not to exceed \$11,441.98, from \$249,850.40 to \$261,292.38; and

WHEREAS, on February 10, 2017, seven bids were received for the construction of the Colorado Boulevard/Beckley Avenue Area Sidewalk Enhancement Project; and

WHEREAS, on April 26, 2017, City Council authorized a contract with Texas Standard Construction, Ltd. for the construction of the Colorado Boulevard/Beckley Avenue Area Sidewalk Enhancement Project, in an amount not to exceed \$2,006,959.57, by Resolution No. 17-0691; and

WHEREAS, it is now necessary to authorize **(1)** the First Amendment to the Funding Agreement with North Central Texas Council of Governments and the State of Texas for the Zang Triangle Sustainable Development Infrastructure Project to revise the project limits, change the reimbursement schedule to solely cover the construction phase, and extend the project completion deadline; and **(2)** an Amendment to Resolution No. 12-1624, previously approved on June 27, 2012, to correct the funding source to receive and deposit funds from the Texas Department of Transportation for the Zang Triangle Sustainable Development Infrastructure Project.

November 8, 2017

Now, Therefore,

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:

SECTION 1. That the City Manager is hereby authorized to sign the First Amendment to the Funding Agreement with the North Central Texas Council of Governments and the State of Texas for the Zang Triangle Sustainable Development Infrastructure Project, approved as to form by the City Attorney, to revise the project limits, change the reimbursement schedule to solely cover the construction phase, and extend the project completion deadline.

SECTION 2. That the City Manager is hereby authorized to amend Resolution No. 12-1624, previously approved on June 27, 2012, to correct the funding source to receive and deposit funds from the Texas Department of Transportation for the Zang Triangle Sustainable Development Infrastructure Project as indicated below:

"**Section 3.** That the ~~City Controller~~ Chief Financial Officer is hereby authorized to receive and deposit funds from the ~~North Central Texas Council of Governments~~ Texas Department of Transportation in Fund S246, Department ~~PBW STS~~, PBW, Unit P731, Activity ECSD, Revenue Source 6516, in an amount not to exceed \$1,750,000."

SECTION 3. That the City Manager is hereby authorized to reimburse to the Texas Department of Transportation any expenditure identified as ineligible. The City Manager shall notify the appropriate City Council Committee of expenditures identified as ineligible not later than 30 days after the reimbursement.

SECTION 4. That the City Manager shall keep the appropriate City Council Committee informed of all final granting agency monitoring reports not later than 30 days after the receipt of the report.

SECTION 5. That this contract is designated as Contract No. PBW-2017-00003855.

SECTION 6. That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.