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June 22, 2011

WHEREAS, the City recognizes the importance of its continued role in local economic development; and

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WHEREAS, on October 26, 2005, the City Council authorized the creation Tax Increment Reinvestment Zone Number Fourteen, (the "Skillman Corridor TIF District"), in accordance with the Tax Increment Financing Act, as amended, V.T.C.A Texas Tax Code, Chapter 311) to promote development and redevelopment in the Skillman Corridor area through the use of tax increment financing by Ordinance No. 26148, as amended; and

WHEREAS, on December 13, 2006, the City Council authorized the Skillman Corridor TIF District Project Plan and Reinvestment Zone Financing Plan by Ordinance No. 26534 as amended; and

WHEREAS, the creation of a mixed-use, transit oriented town center in core of the Skillman Corridor TIF District is necessary for the future growth and expansion of residential and commercial activity within the City of Dallas; and

WHEREAS, the use of economic development incentives is a necessary tool in attracting a catalyst development to the Skillman Corridor TIF District; and

WHEREAS, on June 13, 2007, the City Council authorized a development agreement with PC LH Land Partners, LP ("PC LH") to provide TIF funding not to exceed \$23,000,000 related to the development of the Lake Highlands Town Center by Resolution Nos. 07-1739 and 07-1740; and

WHEREAS, on December 13, 2010, the Skillman Corridor TIF Board approved and recommended to the Director of the Office of Economic Development that certain Project deadlines be extended by six months; and

WHEREAS, on March 9, 2011, the City Council authorized the establishment of the Skillman Corridor TIF District Grant Program to implement the Project Plan and Reinvestment Zone Financing Plan; and

WHEREAS, on May 24, 2011, the Skillman Corridor TIF District Design Review Committee reviewed the current plans for the Lake Highlands Town Center development and preliminary comments from consultant Street Works, LLC and provided a recommendation to the Skillman Corridor TIF District Board of Directors; and

June 22, 2011

WHEREAS, on June 1, 2011, the Skillman Corridor TIF Board of Directors provided a recommendation to the City Council for an amendment to the development agreement with PC LH Land Partners, LP for the development of the Lake Highlands Town Center and for authority to dedicate future TIF Revenues up to \$40,000,000; and

WHEREAS, PC LH has completed certain requirements of the original development agreement as listed in the attached **Exhibit A**; and

WHEREAS, in furtherance of the Skillman Corridor TIF District Project Plan and Reinvestment Zone Financing Plan and to promote within the Skillman Corridor TIF District: (1) development and diversification of the economy, (2) elimination of unemployment and underemployment, and (3) development and expansion of commerce, the City desires to provide economic incentives to PC LH for the construction of a town center containing a minimum of 1,500,000 square feet of residential, retail, and office space located at the northeast and southeast corners of Skillman Street and Walnut Hill Lane in the Skillman Corridor TIF District as described in (**Exhibit B - Conceptual Site Plan and Exhibit C - Conceptual Phase I Elevations** that may be modified in conformance with a collaborative process with PC LH, an independent consultant, and the City).

NOW, THEREFORE,

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

Section 1. That the City Manager upon approval as to form by the City Attorney is hereby authorized to execute an amended development agreement with PC LH Land Partners, LP ("PC LH") on behalf of the Skillman Corridor TIF District for the development of the Lake Highlands Town Center.

Section 2. That the Skillman Corridor TIF District Board of Directors is authorized to dedicate future Skillman Corridor TIF revenues in an amount not to exceed \$40,000,000 as further described in **Exhibit D** for the development of the Lake Highlands Town Center located in the Skillman Corridor TIF District.

Section 3. That as part of consideration for an amendment to increase the TIF Subsidy, PC LH will engage an independent development consultant acceptable to the City to work in a collaborative process with the City to further evaluate the Lake Highlands Town Center development plan with community input based on a specific scope of work to be developed and accepted by all parties.

Section 4. That the City Controller is authorized to encumber and disburse funds from: Skillman Corridor TIF District Fund - Fund 0052, Department ECO, Unit P373, Activity SCTI, Object 3072, Program No. SCTIF001, CT ECOP373I136-01, Vendor No. VS0000021277, in an amount not to exceed \$643,000;

Skillman Corridor TIF District Fund - Fund 0052, Department ECO, Unit P373, Activity SCTI, Object 4550, Program No. SCTIF001, CT ECOP373I136-02, Vendor No. VS0000021277, in an amount not to exceed \$257,000;

Skillman Corridor TIF District Fund - Fund 0052, Department ECO, Unit P373, Activity SCTI, Object 4510, Program No. SCTIF001, CT ECOP373I136-03, Vendor No. VS0000021277, in an amount not to exceed \$18,100,000;

Skillman Corridor TIF District Fund - Fund 0052, Department ECO, Unit P373, Activity SCTI, Object 4210, Program No. SCTIF001, CT ECOP373I136-04, Vendor No. VS0000021277, in an amount not to exceed \$3,000,000;

Skillman Corridor TIF District Fund - Fund 0052, Department ECO, Unit P373, Activity SCTI, Object 3016, Program No. SCTIF001, CT ECOP373I136-05, Vendor No. VS0000021277, in an amount not to exceed \$18,000,000;

for a total amount not to exceed \$40,000,000.

Section 5. That nothing in the resolution shall be construed to require the City to approve future dedications of Skillman Corridor TIF revenues (the "TIF Subsidy") from any source of City funds other than the Skillman Corridor TIF District Fund Any portion of the TIF Subsidy that remains unpaid due to lack or unavailability of Skillman Corridor TIF District funds shall no longer be considered project costs of the Skillman Corridor TIF District, and the obligation of the Skillman Corridor TIF District or the City to pay PC LH shall automatically expire.

Section 6. That the TIF Subsidy to be provided to PC LH will be based on the Skillman Corridor TIF District's Increment Allocation Policy, as amended by the TIF board of Directors June 1, 2011 attached hereto as **Exhibit E**.

Section 7. That in addition to the amended conditions set out above, the Agreement is hereby expressly made subject to all of the following contingencies which must be performed or occur:

A. Horizontal Completion & Phase I Vertical Development

1. As recognition for the district wide benefits of the completed park and trails as well as horizontal development of the site, payments for a \$10 million share of the TIF funding pledge will be conditioned on the following for tax increment payments:
 - (a) An initial increment payment from a portion of available TIF District increment up to \$1,370,000 will be made available upon: (1) submission of a City certificate of acceptance or equivalent for other public horizontal improvements and (2) submission of documentation showing evidence of payment of hard and soft costs incurred with the development of the park space.
2. The tax increment payments for the balance of \$10 million (estimated at \$8,630,000) will begin annually upon completion of Phase I vertical development with the following contingencies:
 - (a) A minimum private investment of \$15,000,000 in hard construction costs and soft costs directly related to construction.
 - (b) Completion of a minimum 238,000 gross building square feet (inclusive of parking structures) of residential, retail and/or office space.
 - (c) Phase I will be subject to a design review process by the Skillman Corridor TIF District's Design Review Committee. TIF financial incentives shall be contingent on conformance to any reasonable requirements set by this committee and approved by the Skillman Corridor TIF Board of Directors. It is understood that such requirements would consider financial feasibility and market driven forces in addition to design that impact the success of the project.
 - (d) PC LH shall obtain a building permit by December 31, 2012.
 - (e) PC LH shall obtain a certificate of occupancy by December 31, 2014.
 - (f) A minimum of 20% of all residential units will meet affordability criteria.
 - (g) Commercial space must be at least 60% pre-leased (evidenced by executed letters of intent, leases in negotiation, or executed leases).

Section 7. (Continued)

- (h) Any additional streetscape improvements adjacent and connecting to Phase I vertical development that were not constructed in the public horizontal phase due to pending vertical construction shall be completed in accordance with the requirements of zoning or building inspection, and to the satisfaction of TIF approved development plans as part of a collaborative process.

B. Future Phases of Vertical Development

1. The remaining TIF payments will be based on the following contingencies being met by December 31, 2019. TIF payments will be pro-rated as part of a phasing plan approved in a supplemental agreement at a later date and if the overall minimum is not met by December 31, 2019, the subsidy will be capped at a pro-rated amount as defined in a supplemental agreement.
 - (a) Completion of a minimum 1,262,000 gross building square feet of space for retail, office or residential use including parking structures.
 - (b) An additional \$123,500,000 minimum private investment in hard construction costs and soft costs directly related to construction.
 - (c) Completion of a clock tower (turret or spire) landmark feature. This landmark feature will be located in conformance with a collaborative process with PC LH, an independent development consultant, and the City built with materials such as brick, stone or stucco that complement the LHTC development.
 - (d) A minimum of 20% of total residential units would meet affordability criteria or an alternative provision for meeting this requirement approved by the City and County.
 - (e) Commercial space must be at least 60% pre-leased (evidenced by executed letters of intent, leases in negotiation, or executed leases).
 - (f) Any additional streetscape improvements adjacent and connecting to vertical development that were not constructed in the public horizontal phase due to pending vertical construction shall be completed in accordance with the requirements of zoning or building inspection, and to the satisfaction of TIF approved development plans as part of a collaborative process.

Section 7. (Continued)

- (g) Design review for future phases will be based on a conceptual plan being developed as part of a collaborative process with PC LH, an independent development consultant, and the City for individual sections of the site as well as an overall plan. Conformance with an approved conceptual plan will not require follow up review for each phase unless there are modifications requested that would require review by the Skillman Corridor TIF District's Design Review Committee. TIF financial incentives shall be contingent on conformance to any reasonable requirements set by this committee and approved by the Skillman Corridor TIF Board of Directors. It is understood that such requirements would consider financial feasibility and market driven forces in addition to design that impact the success of the project.
- 2. The development phasing schedule for Future Phases, recommended development mix, and reimbursement pro-rata formula for the remaining subsidy will be examined as part of the independent consultant review process and brought back to the Skillman Corridor TIF District's Design Review Committee and TIF Board. Notwithstanding the above, payment subsidies earned on projects completed by December 31, 2019 cannot be subsequently terminated even if the overall development square footage and a minimum investments are not met by December 31, 2019. The TIF Board shall have the ability to authorize a supplement to the development agreement specifying additional provisions for Future Phases.
- C. Other Contingencies
 - 1. The executed operating and maintenance agreement for non-standard public improvements currently in place shall be amended to have the term extended based upon the completion of Phase I minimum private investment and be in effect for at least 20 years from this completion date.
 - 2. Compliance with City M/WBE Business Inclusion and Development (BID) and Fair Share Policies for any additional future contracts.
 - 3. PC LH agrees to cause the residential development of the Property to be marketed pursuant to the affirmative fair housing marketing plan approved by the City.
 - 4. PC LH agrees to make reasonable efforts to promote the hiring of neighborhood residents for any new jobs created.

Section 7. (Continued)

5. PC LH shall submit quarterly (once in every three months, starting from the Phase I construction start date) project status reports to the OED Staff for ongoing work on the Project as further specified in the development agreement.

Section 8. That the Director of the Office of Economic Development, after approval and recommendation of the Skillman Corridor TIF District Board of Directors, may authorize minor modifications to the project including development mix and/or may grant one deadline extension each up to 6 months for Phase I and Future Phases.

Section 9. That this action will supersede Resolution Nos. 07-1739 and 07-1740 with the exception of requirements that PC LH has met and are still in effect.

Section 10. 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.

Distribution: Office of Economic Development, Tenna Kirk, 5CS
Office of Economic Development, Sajid Safdar, 2CN
City Attorney's Office – Sarah Hasib

APPROVED BY
CITY COUNCIL

JUN 22 2011

Richard Martinez
City Secretary

Exhibit A
Lake Highlands Town Center (LHTC)
Requirements met in the original development agreement

- Demolition or construction started by December 31, 2008 (*demolition began in November 2007*).
- PC LH complied with the Skillman Corridor TIF District Student Retention/Relocation Policy with former tenants assisted in relocation and the minimal impact on Richardson Independent School District (RISD) enrollment.
- Documentation was presented showing property acquisition costs of \$41.5 million as part of overall minimum private investment requirements.
- Public improvements for Phase I and future phases per original plans were substantially complete by December 31, 2010. A certificate of acceptance from the City's Public Works Department is in progress.
- Related park and trail improvements were completed in accordance with the City's Park and Recreation Department and Park Board approved agreements. The park land was conveyed to the City on March 31, 2011.
- An Operations and Maintenance agreement was executed for non-standard public improvements.
- City M/WBE goals were met for contracts to date including an overall 26% participation (with privately bid portions achieving a 33% participation).

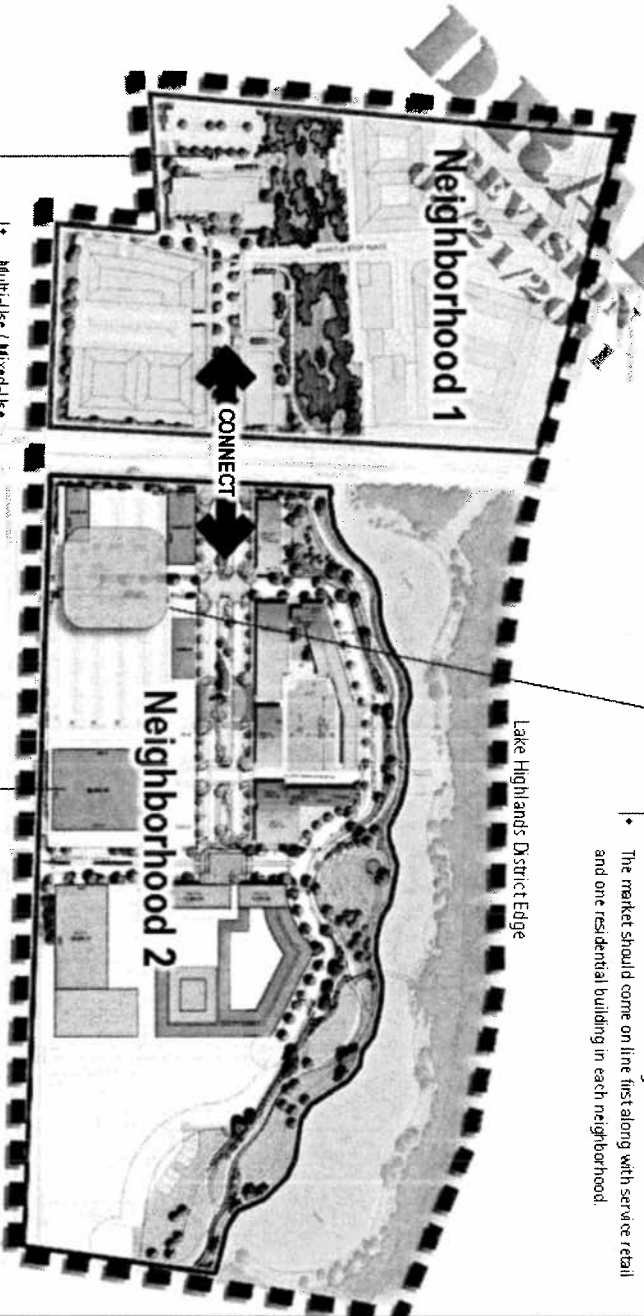
Exhibit B Lake Highlands Town Center (LHTC) Conceptual Site Plan

ONE DISTRICT, TWO NEIGHBORHOODS

We see a district with two neighborhoods both mixed and multiple use where appropriate

- There are two separate mixed use neighborhoods, one around the DART station, and the other around the water feature. Together they make up a new TOD (Transit oriented DISTRICT). So the LHTC is actually two mixed use neighborhoods connected carefully to create one new urban focused District.

- The market is the key retail component of a merchandising program, it should be located as close as possible to where the two mixed use neighborhoods connect. It should be within a walkable distance from each neighborhood. The market should come on line first along with service retail and one residential building in each neighborhood.

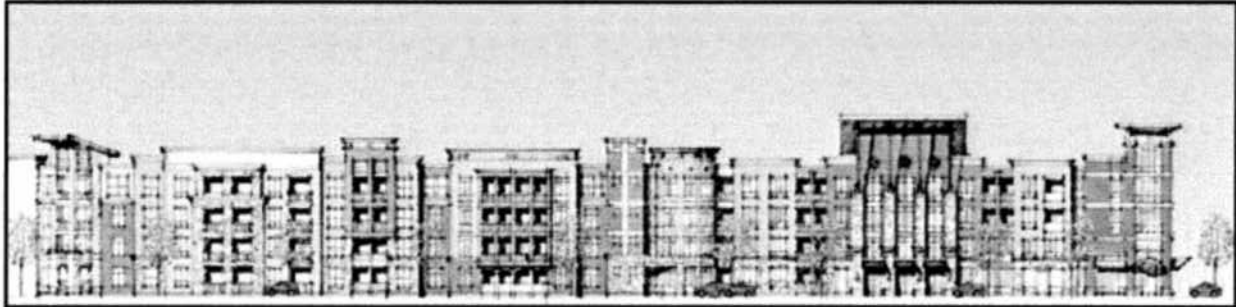


- Multi-Use / Mixed-Use
- Higher Density
- Residential in neighborhood (1) is all four-story or higher over one story of street retail, where appropriate
- Residential product is all multi-family
- This neighborhood built around the DART, is primarily residential and medical office with service & convenience retail

- Mixed-Use / Multi-Use
- Medium Density
- Residential in neighborhood (2) is all four-story or less over retail, it can be multi-family or townhouses
- Neighborhood 2 is built around the open space and water feature is residentially driven but with a majority of entertainment, food, service & market retail, all at the street.



Exhibit C
Lake Highlands Town Center (LHTC)
Conceptual Phase I Elevations



East Elevation



North Elevation

Exhibit D
Lake Highlands Town Center (LHTC)
TIF Project Budget

TIF Plan Improvement Category	Amount
Skillman/Walnut Hill TOD: environmental remediation, interior/exterior demolition, street & utility improvements, streetscape, land acquisition, and park/plaza design & acquisition	\$22,000,000
Economic Development Grant portion	\$18,000,000
TOTAL TIF REQUEST	\$40,000,000

Note - Expenditures may be shifted from one eligible non-grant, TIF-eligible item to another as long as the total amount of TIF funding does not exceed \$40,000,000. The grant portion of the TIF subsidy may be reduced if specific TIF-eligible costs are higher; however the ability to shift the budget allocation from TIF eligible to grant will be limited to up to a 20% increase (and depending on the amount of City increment vs. County/RISD increment which cannot be used for grants)

- Base level \$23 million:
 - TIF-eligible improvements estimated at \$17 million.
 - Economic development grant portion of City increment, up to \$6 million.
- Additional \$17 million (includes \$10 million requested by PC LH and up to an additional \$7 million based on specific capital expenditures)
 - TIF-eligible improvements \$5 million
 - Economic development grant portion estimated at \$12 million

**TIF Funding Increment Allocation Policy
Skillman Corridor TIF District
First Approved by TIF Board on May 30, 2007 and Amended June 1, 2011**

It is important for the City of Dallas to encourage as many projects as possible in the Skillman Corridor TIF District. In that spirit, Skillman Corridor TIF District funds will be allocated to projects proportionately, dependent on the portion of the increment created by the project and other projects by that developer in the District.

Definitions:

Project (TIF-eligible) - development or redevelopment that adds taxable real property value at a particular site or is a space or facility of public benefit such as open space, trails or cultural facilities. The Project has been approved for TIF funds and all requirements set forth in the development agreement have been completed.

Developer – A person or entity that has completed all requirements for a TIF-eligible Project as set out in the fully executed development agreement for the Project.

Related Project/Developer – if a Developer or a Developer's affiliates (as defined in a development agreement) has other development or redevelopment projects in addition to a TIF-eligible Project, increment from those Related Project(s) may be included in Individual Increment for reimbursement of the TIF-eligible Project expenses. A Developer of a TIF-eligible Project must have direct or indirect control of the ownership interest in any Related Project. These requirements will be further specified in a development agreement where applicable.

Related Projects must create new taxable real property value for the District based on the following criteria:

- New development on previously vacant land or demolished structures.
- Redevelopment or major modification of an existing building if this results in an increased taxable value of 50% or more of the original building or any increase in the floor area of an original building if the expansion is over 50% for residential projects, over 65% for mixed-use projects, and over 75% for office/commercial projects.

Total Increment – the annual amount of increment deposited into the TIF fund from the participating jurisdictions.

Individual Increment – the portion of the increment that a Project or Related Project creates each year less (1) expected legal and administrative fees, (2) 30% of the RISD tax increment reserved for RISD facility improvements in the TIF Budget until a \$5 million total dollar amount has been allocated, and (3) the portion set aside for District-Wide improvements if applicable.

Net Individual Increment – Individual Increment less the Project's and/or Related Project's portion of Administrative Expenses each year. This portion will be based on the ratio of Individual Increment to Total Increment.

Administrative Expenses – the City will take a share of TIF revenue from this District for the amount it bills to the District for costs necessary for administration of the TIF District program, which may include charges from other departments, each year.

District-Wide Improvements – improvements that are not specific to a single development site such as gateways, trails, open space, public facilities, or utility/streetscape improvements benefiting multiple properties or blocks.

Shared Increment – the Total Increment less (1) expected legal and administrative fees, (2) 30% of the RISD tax increment reserved for RISD facility improvements in the TIF Budget until a \$5 million total dollar amount has been allocated, (3) the portion set aside for District-Wide Improvements if applicable, and (4) the sum of the Individual Increments of all eligible projects.

Available Cash - cash in the Skillman Corridor TIF fund that is not already allocated, encumbered, or otherwise set aside for other purposes.

Developers that are approved for TIF funding from the Skillman Corridor TIF District will be eligible, after completion of all requirements, to receive their Individual Increment. Annual allocations for each project will then be based on the Individual Increment from that project. For example, the Individual Increment for a project worth \$20 million is estimated to be approximately \$300,000 annually, but may be less depending on the actual taxable value as determined by the Dallas County Appraisal District (DCAD).

In addition to the Individual Increment, projects will be eligible to receive a portion of the Available Cash and Shared Increment, if any, from Skillman Corridor TIF District funds. The portion of the Available Cash and Shared Increment allotted to an eligible Project shall be the proportion of each eligible Project's Individual Increment to the sum of the Individual Increments for all eligible Projects for that year *with the exception of the Lake Highlands Town Center (LHTC) which may receive Shared Increment, based on provisions made in a pre-existing agreement, as amended below.*

Lake Highlands Town Center – Amended Agreement Specific Provisions

- a. Annually, after 1) administrative fees have been paid, 2) 30% of the RISD tax increment is reserved for RISD facility improvements in the TIF Budget until a \$5 million total dollar amount has been allocated, and 3) a portion of the increment, as determined by the TIF Board, has been set aside for District-wide improvements, Owner will be eligible to receive the balance of the portion of the increment that the Project or Related Projects creates (the Individual Increment).
- b. An initial lump sum one-time payment in June 2011 or thereafter from up to 75% of Available Cash will be made available once conditions specified in an amended agreement are met.
- c. In addition to this increment, the project is eligible to receive a portion of the Shared Increment under a two tier system with 75% of Shared Increment towards the first \$23 million of TIF subsidy and an additional subsidy up to \$17 million receiving Shared Increment on a proportional basis (as described in the above general policy).

Notes

In general, the assignment of increment will be done annually, after each participating jurisdiction has deposited its annual increment into the TIF fund. However, in most cases this method requires a developer with a completed project to wait months before receiving any TIF funding. Therefore, in addition to the annual allocations, upon completion of a project, and on a first-in-first-out basis, developers may apply for funding from Available Cash currently in the TIF fund, if any. This funding would be applied toward the outstanding TIF obligation.

If the appraised value of the remaining property in the TIF District decreases in value despite new development, the TIF subsidy for projects that year may be reduced or unpaid. Likewise, if the sum of 1) administrative fees, 2) RISD increment, 30% set aside for facilities, 3) District-wide improvements, and 4) the sum of the Individual Increments is greater than the Total Increment, then the Individual Increments shall be allotted on a pari passu basis dependent on the proportion of each eligible project's Individual Increment to the sum of the Individual Increments for that year.

The arrangement described herein shall not require the City to modify any prior agreement that may be inconsistent with the foregoing formula. For example, any projects approved under earlier arrangements, particularly under the first-in-first-out arrangement, shall be fully funded from the district's Available Cash and Shared Increment before newer projects are assigned additional increment.

The Skillman Corridor TIF Board may make adjustments to this funding formula at its discretion.