Rail~Volution 101
October 28, 2008
Dallas, Texas
Dallas is growing

- From 2000 to 2008 Dallas added almost 112,000 persons
- By the year 2050, the region will double to about 14 million people
- City is committed to ensuring that “In-town” and TOD development is part of that growth
- Despite national downturn the Texas economy is still strong
FINANCIAL MELTDOWN

Deepening despair

Short-selling ban made matters worse

The moratorium on short-selling expires at midnight tonight. Has it settled the downward pressure on financial stocks or the market in general?

Hardly. Overall, it made matters worse by heightening uncertainty, creating massive volatility and frightening investors into thinking the government plans to use the ban as a repeat tool.

That's the consensus I found among folks who consider themselves "longs."

Federal Reserve rate hike is because of expected inflation.
Background

• **ForwardDallas!** encourages high density, mixed-use development adjacent to DART light rail stations to fuel growth in sustainable patterns.

• The DART Light Rail system currently spans 45 miles and 35 stations. **By 2014,** the system will expand to **90 miles and 45 stations.**

• Dallas’ experience has shown that public partnerships and public investment are **proven tools that stimulate new (re)development.**

• **Catalyst projects** and significant **front-end investment** are necessary for success.
DART serves Dallas and surrounding cities with two light rail lines (red and blue). Trinity Railway Express (Regional) is independently operated.
DARTGreen Line southern leg will start running in 2010, and northern portions in 2011 and beyond.
Successful Partnerships

• **DART** and the City have partnered to attract high quality development and enjoyed many great successes.

• Partnerships and public investment have enabled developers to add density and enhance the quality of DART facilities.

  - Mockingbird Station, Park Lane Place, Victory, Lake Highlands Town Center, Cityplace, and Cedars.
Significant Programs

• Public/Private Partnership Program and the Master Developer Agreement
  - Commitment to assist a developer in creating transit-oriented development with incentive and assistance in land assembly, brownfield remediation costs, infrastructure and other aspects of horizontal development

• TOD TIF
  - City is creating a tax increment financing district along rail lines to enhance financing for transit-oriented projects

• Form Based Zoning Ordinance
  - Dense urban and mixed use development forms specifically designed for TOD projects as by-right districts allow for both flexibility and predictability
Building Livable Communities with Transit

Mockingbird Station
Mockingbird Station
Mockingbird Station

- No Tax Increment Financing (TIF) District
- Initial developer ran into financial difficulties
- Project was developed under standard zoning existing at the time
- What ultimately made this project succeed was the flexibility and cooperation of DART and the City
- Currently DART is working with the City and a developer to create a 20-story building on existing parking lot
Mockingbird Station
Building Livable Communities with Transit

The Beat / Cedars Station
The Beat / Cedars Station

1. Cedars Station
2. The Beat Condominiums
3. Southside on Lamar
Southside on Lamar

The ‘transit adjacent’ Southside on Lamar was the pioneer development and the Beat Condominiums built on the success of that project.

The property was included in a City-initiated re-zoning. The zoning allows greater flexibility in uses, increased FAR, parking reductions, and special considerations for street-frontages.

Developers received a 10-year Historic Tax Abatement to help finance the project.

Dallas Police Headquarters across the street.
The Beat / Cedars Station

- The Beat Condominiums used TIF financing for environmental remediation, wastewater infrastructure and burying utilities.
- Success of Southside provided the momentum for this project.
- What was learned:
  - Smaller projects need existing amenities.
  - TIF support is crucial for difficult sites.
  - Appropriate zoning already in place encourages project development.
Building Livable Communities with Transit

Downtown Dallas

The Ambrose

Baylor Hospital
Building Livable Communities with Transit

The Ambrose

Baylor Hospital
Building Livable Communities with Transit
TOD Challenges

- Land assembly, brownfield, and pre-development issues
- Higher construction costs for “urban” projects - structured parking, green space and pedestrian amenities
- Inadequate or obsolete infrastructure
- Outdated zoning and land use regulations hinder development and may allow land uses that discourage or negatively impact the pedestrian environment.
- Untested markets with no comparable rent values making it difficult to attract equity and lending dollars for the project
- Complicated financing
New tools to meet the challenges

• In recent years, the Dallas City Council and DART Board have created several important tools that address these challenges and make public partnership and public investment possible
  – Utilizing Surplus property
  – a Master Development Agreement
  – Revision of the Public/Private Partnership program
  – Revision of the TIF policies and programs
  – Form-based zoning districts (final action this month!)
Public/Private Partnership

• The Public/Private Partnership Program was amended to create a special category for TOD projects.

• TOD Guidelines require:
  ➢ A cumulative investment of $300 million for new mixed-use commercial, retail and/or residential development
  ➢ Development to occur in at least two DART stations
  ➢ Residential developments seeking incentives must have a 20% affordable housing set aside in northern Dallas and provide mixed-income housing in southern communities
A Proposed Transit TIF

- Mockingbird/Lovers
- Cedars (West)
- 8th & Corinth Station
- Illinois Station
- Crest Shopping Center
- Kiest Station
- VA Station
A Proposed Transit TIF

- Redevelopment along the transit corridor and encouraging transit-oriented, mixed-use development around DART stations are top priorities of the Dallas City Council.
- Linking areas along the transit corridor from Mockingbird Station to the Lancaster station will stimulate new urban development and permit tax increment sharing to occur.
- Catalyst projects by Prescott Realty Group and the development of the Bush Library will generate early increment that can jump start projects along the transit corridor, especially in the southern sector.
Preliminary Plan Goals

- **Jump start development** in the southern sector along the transit corridor.
- Create **$3.3 billion of additional taxable value** of which $2.25 billion is attributable to new private investment in projects in the TOD TIF District.
- Generate approximately $182 million (NPV; 2008 dollars) and $330 million total in TIF increment over life of the TIF - 25 years.
- Allocate 20% of the increment generated in the north to affordable housing and 40% for redevelopment in the southern locations during the life of the TIF District.
Preliminary Plan Goals

• Encourage development projects that will increase DART ridership within the TOD TIF District.
• Encourage redevelopment of properties in the TOD TIF District consistent with ForwardDallas!
• **Attract higher density private development:**
  – 1,150,000 square feet of retail
  – 1,180,000 square feet of office space
  – 9,500,000 square feet of residential development - town home, multi-family, and single-family projects
  – 370,500 square feet of hotel development.
Mockingbird Station - Current Conditions

- Despite close proximity to the Mockingbird Station, older core area faces redevelopment challenges - surface parking lots and underutilized warehouses, and brownfield sites.
Mockingbird Station
Projected Private Development

Long-term development potential

- 4.2 million square feet of residential
- 215,000 square feet of retail
- 600,000 square feet of office
- 145,000 square feet of hotel
Mockingbird Station Development Concepts
Cedars West

• The existing land uses in this area are remain industrial in nature with aging and inadequate infrastructure.

• Redevelopment of this area is a high priority as part of the Trinity River Corridor Project.
Cedars West
Projected Private Development

Long-term development potential:
- 4.9 million square feet of residential
- 720,500 square feet of retail
- 457,500 square feet of office
- 150,000 square feet of hotel
Cedars West
Building Livable Communities with Transit

VA Station
Current Conditions

- The DART rail line serves Veterans Memorial Hospital, and ideal anchor for redevelopment opportunities. The existing land uses include functionally obsolete retail and commercial uses.
Lancaster Corridor
Projected Private Development

Long-term development potential:

- 450,000 square feet of residential
- 215,000 square feet of retail
- 125,000 square feet of office
- 75,000 square feet of hotel
Lancaster Corridor
Preliminary Forecasts

- The estimated base value of $320,000,000
- Anticipated to grow to $3.6 billion by 2038 – with $2.25 billion forecast from new private investment.
Preliminary Budget

The potential public improvements, based on preliminary estimates of $182,000,000 (NPV)

- Public infrastructure improvements (water, wastewater, storm, paving, streetscape, utility burial/relocation, and land acquisition)
- Environmental remediation & demolition
- Facade restoration
- Parks, public plazas, open spaces, trails & gateways
- Grants for high density projects
- Transit-related improvements
- Affordable housing
TOD TIF Benefits

• Facilitates a tax increment sharing arrangement that stimulates southern sector development and provides development in the north with needed infrastructure and pedestrian connectivity improvements.

• Supports *ForwardDallas* higher density, mixed-use goals proximate to transit stations

• Creates a replicable model for future TOD-related collaboration and partnership with DART.
Financing

• Current state of credit and capital markets
• Blended financing
• Closing the gap with public participation
Zoning and Entitlements

• **Zoning = Risk**
  - Often inappropriate
  - Time and cost of securing zoning
  - Lack of transparency in regulations
  - Interpretation and enforcement
Zoning and Entitlements

• New Form-based Zoning Ordinance
• Slated for Council action 11/10/08
  - Market-tested regulations
  - Entitles urban-style development patterns with significant parking reductions
Public Partnerships

• Make sense for realizing public goals
• Make sense for today’s development climate
Keys to a successful project

• Start early and “set the stage”
  – Coordinate with public agencies
  – Understand the benefits and constraints of public participation and public investment

• Pre-development issues are lengthy

• Understand Zoning and Entitlements

• TOD financing is complex and may need assistance

• No OJT!
Questions?