Building a Thriving Urban Economy: Transit Oriented Development

Transportation and Environment Committee
DART Board Joint Meeting

November 26, 2007
Purpose of the Briefing

- Define transit oriented development (TOD) and its role in building Dallas’ urban character
- Discuss how a TOD programmatic approach helps “connect-the-dots” and address development gaps and urban economy challenges
- Explain the importance of an integrated TOD strategy that incorporates development code amendments with economic development initiatives
- Review the master development approach and the role of public support programs in its implementation
- Highlight key elements of the proposed Master Development Agreement with Cherokee New Transit, LLC
Transit Oriented Development (TOD)

- TOD is the creation of high quality, compact, livable mixed-use communities centered around transit systems.
Why is TOD important to Dallas?

- Provides a higher quality of life through convenient places to live, work, and play
- Enhances mobility and reduces complete dependence on automobiles
- Increases DART ridership and leverages investment in targeted areas of Dallas
- Generates density and mixed-uses resulting in more efficient and valuable real estate near stations
- Reduces sprawl and enhances our ability to maintain economic competitiveness with our suburbs through an urban alternative
- Reduces traffic congestion and required parking at community centers
- Enhances economic efficiencies by reducing air pollution and spending less personal wealth on passenger transportation
- Supports growing national acceptance of Smart Growth and Federal policies that focus on sustainable development and air quality
- Responds to changing family structure (more singles, empty-nesters, etc.) and associated lifestyles
Local TOD Perspective

- Dallas is considered to be a “new” transit market since our public transit utilization share (bus & rail) is under 4% of region wide commutes
  - Primary markets have public transit utilization of 9 to 25% and include regions such as New York, Chicago, San Francisco and Washington DC among others
  - Secondary markets have public transit utilization of 4 to 8% and include Atlanta, Miami, Seattle, Portland, Denver among others
Local TOD Perspective: (continued)

- With the development and expansion of DART, several TODs have occurred in Dallas and a number exist and are planned in our suburbs.

- Examples of TOD in Dallas include: West Village, City Place, Mockingbird Station, Victory, South Side on Lamar, Park Lane Place and the proposed Lake Highlands Town Center among others.
Local TOD Perspective: Mockingbird Station

- Mockingbird Station
  - 215,000 sf residential/211 units
  - 138,000 sf office
  - 212 sf retail
  - 8.7 acres
  - Taxable Value $72.8M
Local TOD Perspective: Park Lane Place

- Park Lane Place
  - 750,000 sf retail
  - 336,000 sf office
  - 500,000 sf residential
  - 200 hotel rooms
  - 33 acres
  - Estimated taxable value after completion $550M
Factors Influencing Dallas’ Existing or Ongoing TOD Projects

- TOD projects in Dallas represent the confluence of City initiatives and market forces
  - Opportunities to assemble property ready for redevelopment
  - Synergies with existing or planned developments adjacent to sites
  - Leveraged off of public investment and support
Why We Need a TOD Program: Connects-the-Dots to Consolidate Multiple Strategic Initiatives

- DART and multiple City initiatives all contribute to the urban development strategy

1. Revitalize the CBD (underway)

2. Build sustainable urban neighborhoods adjacent and connected to the CBD (underway)

3. Build connectivity between neighborhoods and Trinity (underway)

4. Provide urban development opportunities throughout the City and connect these neighborhoods to a revitalized urban core through Transit Oriented Development
Why We Need a TOD Program: Jump Starts Southern Sector Development Opportunities and Supports Transitional Neighborhoods With Redevelopment

- Well-documented progress since last recession in all areas of economic activity
- Gains concentrated in Uptown, Downtown and other neighborhoods with existing strong economic development assets
- Much of the rest of Dallas faces challenges in achieving similar levels of investment and prosperity
- Failure to stimulate meaningful private investment in more neighborhoods will increase Dallas’ long-term revenue and service challenges
Why We Need a TOD Program: Address Competitive Pressures from Suburban Markets

- Dallas seeks to distinguish itself as the urban alternative for the region
- Suburban cities such as Plano, Richardson and Carrollton are aggressively pursuing TOD and compete for investment as well as talent
Transit-Oriented Development
Aligning the Vision with Development Opportunities
A Coordinated Transit-Oriented Development Strategy

- Develop a proposal for a TOD zoning that actually makes it easy for developers to do TOD
- Look for opportunities for pilot areas to apply new overlay
- Focus on the types of buildings and the character of the place
- Work with DART through a joint process to facilitate development plans
- Build connections through walkable open space and streets
Development Code Amendment: Market-Tested Approach

- Project oversight will include participation of local developers, neighborhood leaders, bankers, architects
  - Utilize real-world test cases;
  - Westmoreland Station
  - Kiest Station (Lancaster Rd.)
Master Development Approach to TOD: Background

- Issued an RFQ for a responsible and capable private partner to engage as a developer.
- Selected a partnership between Cherokee Investment Partners and Parsons Brinckerhoff (aka, Cherokee New Transit, LLC - “CNT”) from three respondents.
- Individual project development agreements will be submitted separately to City Council for approval, pursuant to terms outlined in the master agreement.
- City Council amended the Public/Private Partnership Program on April 11, 2007 outlining a special TOD category and establishing minimum eligibility and potential economic incentives for TOD projects.
- On April 11, 2007 City Council passed a resolution of intent authorizing City staff to negotiate definitive documents for a Master Development Agreement with CNT.
- On June 13, 2007 City Council approved a Master Development Agreement with CNT for development of multiple Dallas TOD sites.
The Role of Public Support: Public Private Partnership Program

- Public financial participation will leverage the maximum private investment and stimulate simultaneous TOD projects at multiple sites in Dallas
- Council authorized modification of City guidelines and criteria for participation in PPP projects to include a special TOD category
- The new category includes minimum eligibility and potential incentives for TOD projects:
  - Cumulative investment of $300M for new mixed-use, commercial, retail and/or residential development
  - Development to occur in proximity of at least two DART light rail stations, one or both in Southern Dallas
  - Residential developments seeking incentives have a 20 percent affordable housing set aside in North Dallas and provide mixed income in southern Dallas
  - Projects meet City’s established good faith effort guidelines for M/WBE participation
Role of Public Support: Tax Increment Finance (TIF) Districts

- Preliminary negotiations with TOD developer indicates that an expansion of the TIF program will enable the redevelopment of several areas around DART Light Rail Stations to proceed
- TIFs offer flexibility and a track record for funding similar mixed-use development projects
- The TIF program is often used by the development and banking community to bridge financing gaps, especially in areas where the cost of upgrading the infrastructure are very high
- To support the TOD effort, the City’s Financial Management Performance Criteria (FMPC) was amended by City Council on April 11, 2007 to ensure sufficient capacity to create new TIF districts based on property tax valuations within Reinvestment Zones
Proposed Terms for a Master Development Agreement with CNT

- CNT to develop a Master Plan guiding future real estate development at underdeveloped (existing and planned) station sites accounting for neighborhood context and DART line advantages.
- CNT will follow a public process for community meetings involving surrounding property owners and residents related to proposed developments.
- CNT will commit to assemble and “horizontally” develop sufficient land to enable a minimum of four sites for “vertical” development (minimum of 2 to occur in Southern Sector).
- CNT will follow the City’s Good Faith Effort plan for M/WBE participation goals and preferred contracting with businesses located within the city.
Proposed Terms for a Master Development Agreement with CNT (cont’d)

- CNT will ensure 20% affordable housing set aside for all residential at eighty percent of median income in North Dallas and mixed income housing development in Southern Sector

- City of Dallas to provide CNT with package of incentives designed to provide a 12% Return On Investment based on project pro forma. (including horizontal and vertical development)

- City of Dallas will consider necessary and appropriate economic incentives to support private investment through amended Public\Private Partnership Program including tax increment financing
Next Steps

- Project Development Agreements and public support for developers other than CNT, who with CNT meet TOD eligibility criteria (i.e. Prescott @ Lake Highlands Town Center)