

## Category: Creative Financing

### Project: Lancaster Urban Village

#### Project Location: 4300 S. Lancaster Rd., Dallas, TX 75213

**Status:** Construction completed in May 2014 and property leasing is underway

**Cost:** \$28,743,392

**Description:** Lancaster Urban Village (LUV) development is a transit oriented development (TOD) with mixed-income multifamily housing units that will serve the needs of persons newly employed in the area as well as those currently employed in the area and with mixed-use retail. The project includes activities that increase economic opportunity principally for low- and moderate-income persons by creating permanent jobs and providing affordable housing accessible to both existing and planned jobs in the project area. LUV is located across the street from the Veteran's Administration (VA) Medical Center, the second largest system in the country, which serves over 113,000 veterans a year, with over one million outpatient episodes per year, and employs some 4,700 people. The hospital also serves as a major research center and teaching facility. LUV also provides transportation connections via the Dallas Area Rapid Transit Blue Line light rail station at the VA stop.

The Lancaster Urban Village development is the first of four development projects planned for the City of Dallas Neighborhood Investment Program (NIP) Lancaster Corridor Target Area. The commercial portion of the Lancaster Urban Village development delivers 13,926 square feet of retail, restaurant, small office and commercial space and a 405-space parking garage to the NIP Lancaster Corridor area, which generates permanent jobs and goods and services for the area. The housing component of the project provides 193 mixed-income, multi-family rental units with 51.8% (100 units) of the units rent-restricted for 15 years for affordability to low- to moderate-income persons.

**Community Needs Addressed:** Lancaster Urban Village has leased 71% of its apartments and 13% of its commercial space with the remaining 87% pre-leased. The development is located in a Dallas census tract with median household income of \$23,500 and 18.4 percent unemployment. The main goals for the project are affordable housing and workforce development. The project targets the demographics of the neighborhood. About 59 percent of the residents in this census tract are black, and 40 percent are Latino. The poverty rate is 41 percent, nearly three times the national average.

This 3.5-acre development includes residential and commercial space, and will eventually include an expansion of the Urban League of Greater Dallas and North Central Texas to include space for trade-skill and workforce development classes. More than half of the apartments will have income restrictions, keeping the units affordable to LMI individuals and families. Mixing affordable units with those that are market rate will also reduce income segregation and may improve economic mobility.

The site of Lancaster Urban Village was an area without any new development for over 40 years. It is in an area near Dallas Area Rapid Transit (DART) light-rail stations in what is known as the Lancaster Corridor. The stations service the VA Medical Center (right across the street from the project), Lancaster-Kiest Shopping Center, Paul Quinn College and Cedar Valley College.

While much of the Dallas region has enjoyed strong economic development, the Lancaster Corridor and southern Dallas as a whole have not. Although 45 percent of Dallas' population is in the southern sector, this area represents only 15 percent of the total tax base. The development neighborhood along Lancaster Road was a high-crime area with rundown, dilapidated motels. These buildings were knocked down, paving the way for reinvestment and revitalization.

**Benefits and Outcome:** LUV increases economic opportunity principally for low- and moderate-income persons, creates permanent jobs, and provides affordable housing accessible to both existing and planned jobs, and creates retail, restaurant, small office and commercial space that provide goods and services to the surrounding community.

The commercial aspects of the project meet the national objective of benefiting low- and moderate-income persons by providing job creation through commercial development that will create employment opportunities in which a minimum of 72 permanent full-time equivalent jobs will be created for low- and moderate-income persons. These jobs will be held by individuals with incomes at 80% or less of the Dallas area median family income (AMFI) established by the Department of Housing and Urban Development (HUD). In addition to providing permanent full-time jobs, any community-serving businesses generated by the project will also provide goods and services to the 11,369 low- and moderate-income residents in the NIP Lancaster Corridor area.

The potential is great for Lancaster Urban Village to spur economic growth in the region. The development's close proximity to the VA Medical Center will appeal to the housing needs of the hospital's employees. And its new commercial space and retail will be a draw for the more than 30,000 annual visitors to the hospital area.

**Project Collaborators:** The Lancaster Urban Village venture involved the efforts of several entities that own and manage the property or provided financing from multiple sources. City Wide Community Development Corporation (CWCDC) is the lead-agency in development of the project and is a non-profit Community Based Development Organization (CBDO). CWCDC owns 100% interest in the residential component of the project and owns the controlling interest (95%) of the commercial development, and Urban Lancaster Community Development Corporation (ULCDC) owns a 5% non-controlling interest in the commercial component. The project is 100% owned by 501(c)(3) entities, and CWCDC controls and manages the project. The project has complex ownership and management structure as outlined below:

- The City of Dallas (Texas) acts as a borrower of HUD CDBG Section 108 Guaranteed Loan funds and issued a debt obligation to CWCDC for use of CDBG Section 108 funds.
- CWCDC is responsible for undertaking the project.
- The principal developer of the project is Lancaster Urban Village Development Partners, LP, which is 70% owned by Catalyst Urban Development, LLC and 30% owned by CWCDC.
- Additional sources of capital for funding the project were provided by the City of Dallas through its Public Private Partnership program and through the sale of New Market Tax Credits allocated by the City of Dallas.
- The assets including land, parking and improvements and the commercial retail and small office space constructed on property, associated with the commercial development of the project, are owned by Lancaster Urban Village Commercial, LLC, whose owners are CWCDC (95%) and Urban Lancaster Community Development Corporation (5%).
- The residential component of the project is owned by Lancaster Urban Village Residential, LLC, which is 100% owned by CWCDC.

**What Makes Your Project Unique?** : The City of Dallas creatively harnessed a multiple-area TOD to provide retail, residential and office space in a low-income area. The City used the advantage of a strong economic area to develop TIF increment for a weaker area and used four other financing tools to fund the Lancaster Urban Village project.

In 2008, the Dallas Office of Economic Development created the TOD Tax Increment Financing (TIF) District, spanning from North Dallas to the Lancaster Corridor along the DART rail in these areas. This TIF district consists of four subdistricts, the economically flourishing Mockingbird Station and three less-developed regions, including Lancaster Corridor. The strength of this type of TOD TIF project lies in its funding structure, an increment sharing arrangement in which some projected revenue increases are passed from the higher-income subdistrict to lower-income ones. Mixed-income housing is required for each development in all TIF financed projects.

In this case, the City of Dallas combined the two. This shared-increment area along the transit line, allows the higher growth in North Dallas to fund the southern sector. Because TIF funds are generated by future increases in property values, the funds are typically not available as a source of project financing; rather, they are used to back loans, like HUD Section 108 loans. The government guarantees this type of loan to provide economic development, housing rehabilitation or construction benefiting low- and moderate-income persons. The Section 108 loan funded a large portion of the project. Additional financing sources included FHA Section 221(d)(4) loan, which insures mortgage loans against losses for multifamily residential units; the New Markets Tax Credit Program, which attracts investment capital to low-income communities by giving investors a tax credit in exchange for making equity investments in community development entities; and public-private partnership funds which are locally generated funds.

**Organization's Name:** City of Dallas, TX

**Website:** <http://dallascityhall.com>

**Main Contact:** Charles Brideau

**Email:** [charles.brideau@dallascityhall.com](mailto:charles.brideau@dallascityhall.com)

**Phone Number:** 214-670-3633



