Interlocal Agreements and Ground Leases to Implement Transit Oriented Development (TOD) Opportunities with the Town of Addison and the City of Richardson

Committee-of-the-Whole
June 8, 2021

Jack Wierzenski, Director Economic Development
TOD Opportunity – ILA Ground Lease Proposal Update

• The Town of Addison and City of Richardson have been in negotiations with DART to develop a Public/Public/Private Partnership with each City to develop a TOD on DART Property

• DART staff negotiated a DRAFT ILA with the Town of Addison, however, were ultimately unable to reach agreement and, in April, the Town determined to move forward with advertising an RFP for just the 15-acre Addison property
TOD Opportunity - TOD ILA Ground Lease Proposal

• The Town of Addison and DART have since discussed the ILA further and have agreed to modify the ILA and move forward and finalize negotiations
• The City of Richardson and DART staff met May 27, 2021, and discussed the Draft ILA following the same format and business points as the Draft Addison ILA
• The City has asked for a week to review with their counsel and meet back with DART to finalize negotiations of the ILA
Background of TOD ILA Ground Lease Proposal

- The City of Richardson recently completed planning a comprehensive planning study of the 1,200-acre area around the Arapaho Station
- The City rezoned the property and rebranded the area as the Innovation Quarter. It is now positioned to move forward with initial stages of implementation of the plan, with the Arapaho Station being a priority for TOD
TOD Policy - Purpose

• DART’s real property assets can also be used to leverage the viability of the transit system and to add to its value to the community

• DART seeks to work in close partnership with its service area cities to identify and implement Transit Oriented Development (TOD) opportunities which reflect service area cities land use, housing, parking, and other related goals and policies

• Promoting quality transit-oriented development on or near the DART transit system can elevate the quality of life, attract riders and generate new opportunities to create direct and indirect revenue for DART
#02
SCORE 81

## Arapaho Center Station

<table>
<thead>
<tr>
<th>Station Name</th>
<th>City</th>
<th>Address</th>
<th>Size (Acres)</th>
<th>Rail/Bus</th>
<th>Walk Score</th>
<th>TIF District</th>
<th>Parking Spaces Provided</th>
<th>Average Usage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arapaho Center Station</td>
<td>Richardson</td>
<td>200 Woodall Dr.</td>
<td>14.45</td>
<td>LRT/Bus</td>
<td>42</td>
<td>Reinvestment Zone Number 1 (Richardson)</td>
<td>1,121</td>
<td>31%</td>
</tr>
</tbody>
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TOD Opportunity – Addison and Richardson Proposal

- Develop a Public/Public/Private Partnership with DART and the City to develop a TOD on DART Property
- DART would enter into an Interlocal Agreement with each municipality which would detail Transit Oriented Development performance requirements reflected in DART’s 2020 TOD Guidelines and TOD Policy
Draft ILA Terms

- Each City will initiate a Request For Proposal (RFP) process which may result in a selection of a Master Developer, a Master Development Agreement, and Sublease with the selected developer.
- The Cities will have up to a 60-month “Pre-Development Period” for: Master Developer selection, survey/platting, securing entitlements, financing, permitting and commencing construction.
- DART will participate in the Master Developer review and selection and TOD plan review process.
- DART will coordinate with FTA to ensure FTA requirements are met.
TOD ILA Terms (continued)

• Lease requirements securing economic rent and market rate statutory obligations with escalations are incorporated:
  – DART would enter into a 49-year term ground lease with two 25-year extension options provided for the DART owned property
  – Rent commences earlier of: a) expiration of Pre-Development Period, b) date DART's ability to use its transit facilities on the DART property is adversely impacted, or c) issuance of Certificate of Occupancy ("C of O") for first building on DART property
TOD ILA Terms (continued)

- Annual Base Rent:
  - No Base Rent is payable to DART during the 60-month Pre-Development Period
  - 180 days prior to expiration of the Pre-Development Period, initial Base Rent shall be determined by DART’s and the City’s respective appraisers based on the “market value of the land” multiplied by no less than 4% as determined by the appraisers to be market value
TOD ILA Terms (continued)

- Base Rent Adjustments: No later than 180 days preceding the expiration of the first 5 years following the Pre-Development Period and each fifth year thereafter [or possibly every tenth year if DART’s counterparty agrees to also adjust each time a new Certificate of Occupancy is issued], Base Rent shall be adjusted to no less than 2.0% or more than 3.0% per year cumulative since the most recent Rent Adjustment Date, with adjusted Base Rent calculated to be equal to the greater of:
  o The appraised market value of the DART land, and
  o The appraised market value [on an as stabilized basis] of all improvements located on the DART property times 15%, multiplied by no less than 4% or equivalent value
TOD ILA Terms (continued)

• Base Rent Adjustments will be undertaken every Rent Adjustment Date or when a new C of O is issued for each new building/other improvements constructed on the DART land to reflect increases in land/improvements value

• In the event the [City or Town] receive excess annual base rent under the Sublease, excluding property taxes, sales taxes, reimbursable development costs, and other tax receipts, [it] will share 50% with DART

• DART, the Cities, and the selected developer will coordinate the planning of future TOD on DART property and incorporation of required DART Facilities
TOD ILA Terms (continued)

• Master Lease Agreement will require that the Sublease Agreement and any subsequent subleases covering all or part of the DART Property require that the Cities provide notice to DART of the name and contact information for the purchaser or sublessee promptly after it receives actual knowledge of any sale, lease or sublease of DART property excluding space tenants, thereof, including transfers of controlling interest in the Master Developer or any sublessee.

• The Cities, as ground lessee, will agree to comply with Federal Transit Administration regulations applicable to DART and the development of the DART Property.
TOD Opportunity – Next Steps

- Continue meeting with Addison and Richardson to finalize ILA and lease business terms
- Bring back to the Committee for consideration