

Irving

IN FOCUS

McDougal
Redevelopment
Project

Overview

- > City has contracted with McDougal Companies to redevelop its downtown area to revitalize it and make it more economically vibrant. (Memo of Understanding – Dec. 14, 2006)**
- > City Council has authorized \$24 million under the Comerica credit facility to assist McDougal's redevelopment efforts.**
- > McDougal has named the redevelopment project Heritage Crossing.**
- > Property acquisition is exceeding time expectations.**
- > City Council's appointed advisory committee has reviewed and provided comments to draft design guidelines.**
- > McDougal is set to announce the first \$35 million project by the end of the year.**
- > The development project will generate substantially greater property tax revenues than what is presently in place.**

Overview

- > **Individual property owners decide whether they want to sell; there will be no eminent domain to assist McDougal in purchasing properties.**
- > **Selling price is negotiated between McDougal and the property owner.**
- > **The city plans to make available \$15 million from the 2006 bond program for use on the approved public infrastructure improvements.**

Land Banking

- > Irving began land banking in 2004. Purchases to date:**
 - Lot 1, Block 1 (313 W. Irving Blvd.)
 - Handy House (129 W. Irving Blvd.)
 - Lumber Yard (200 N. Main St.)

- > McDougal assumes all costs associated with property acquisition including demolition, maintenance, taxes and interest – Washington Mutual example:**
 - City purchased for \$525,000
 - City added interest of \$39,046
 - McDougal purchased for \$564,046

- > City has received \$1 million in grant funds from NCTCOG this year; \$250,000 in matching funds has been set aside.**
 - Grant funds will be used to land bank property within 1/2 mile of the TRE station (primarily east of Britain Road along Irving Boulevard and 2nd Street).
 - Sent letter this summer to area property owners to determine interest in selling; expects to purchase additional property in the next 60 days.

McDougal/ Comerica Relationship

- > **McDougal has a direct borrower/lender relationship with Comerica Bank. (The city is not involved in this relationship.)**
 - **Loans include costs of acquisition, demolition, maintenance, interest, taxes and all costs associated with the property.**
 - **McDougal uses a number of local and Lubbock-based Realtors to negotiate property purchases.**
 - **Realtors are paid a commission at closing.**
 - **McDougal must repay loans within 60 months with project construction loan proceeds.**
 - **McDougal will put together the land for a project, design it, and then obtain construction financing for the specific project.**
 - **When property is rolled into a construction loan, McDougal pays back all costs associated with that property including the purchase, demolition, maintenance, interest and taxes.**

City/ Comerica Relationship

- > **City has an agreement with Comerica Bank to purchase any loan in the event McDougal defaults in his obligations to the bank (currently at \$24 million).**
- > **Just under \$10 million has been used to facilitate the purchase of non-apartment property. The remaining \$14+ million has been used to acquire:**
 - **Villa Martinique (demolished)**
 - **Lakes at Hilltop (must operate until Summer 2009)**
 - **O'Connor Place (demolished)**
 - **Imperial Courtyard (demolished by Nov. 31)**
 - **Vista del Lago (demolished by Jan. 15, 2009)**
- > **Monetary default highly unlikely because all costs of the loan are paid from loan proceeds.**
- > **If the city purchases a loan, then it has the right to foreclose and own the property.**
- > **If the city is required to purchase a loan, Comerica Bank has already extended a short-term loan to fund the city's obligation until other funding sources can be determined.**

City/ McDougal Relationship

- > **City and McDougal have a Consulting Services Agreement (Resolution No. 2-7-08-059)**
 - **2008-09 Requirements**
 - **\$12,500 paid to McDougal each month**
 - **Reimbursable expenses to McDougal not to exceed \$124,000**
 - **Facilitate creation of the TIF**
 - **Prepare design guidelines**
 - **Continue to purchase properties**
 - **Create comprehensive marketing program**
 - **Present first project with minimum private investment of \$35 million**

City/ McDougal Relationship

- **2009-10 Requirements**
 - **\$12,500 paid to McDougal each month**
 - **Reimbursable expenses not to exceed \$100,000**
 - **Begin construction of first \$35 million project**
 - **Present second redevelopment project with minimum private investment of \$30 million**
 - **Continue to purchase properties**
 - **Provide status report to City Council in January**

- > **McDougal is ahead of schedule in acquiring property.**

- > **As a result of McDougal's work in Irving, several other cities have solicited McDougal to partner with them in redevelopment efforts – Farmers Branch, San Antonio and Lubbock (new project).**

- > **McDougal has assured his full attention to Heritage Crossing.**