

Memorandum



CITY OF DALLAS

DATE April 4, 2014

TO Members of the Economic Development Committee: Tennell Atkins (Chair), Rick Callahan (Vice Chair) Scott Griggs, Adam Medrano, Jerry Allen, Lee Kleinman

SUBJECT **Statler/Library/Jackson Street Project Downtown Connection TIF District**

On Monday, April 7, 2014 the Economic Development Committee will be briefed on Statler/Library/Jackson Street Project Downtown Connection TIF District

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.

A handwritten signature in black ink, appearing to read 'Ry - S. Evans'.

Ryan S. Evans
Interim First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M. S. Ernst, City Attorney
Judge Daniel F. Solis, Administrative Judge
Rosa A. Rios, City Secretary
Craig D. Kinton, City Auditor
Jill A. Jordan, P. E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Shawn Williams, Interim Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor and Council

Statler/Library/Jackson Street Project
Downtown Connection TIF District

Economic Development Committee

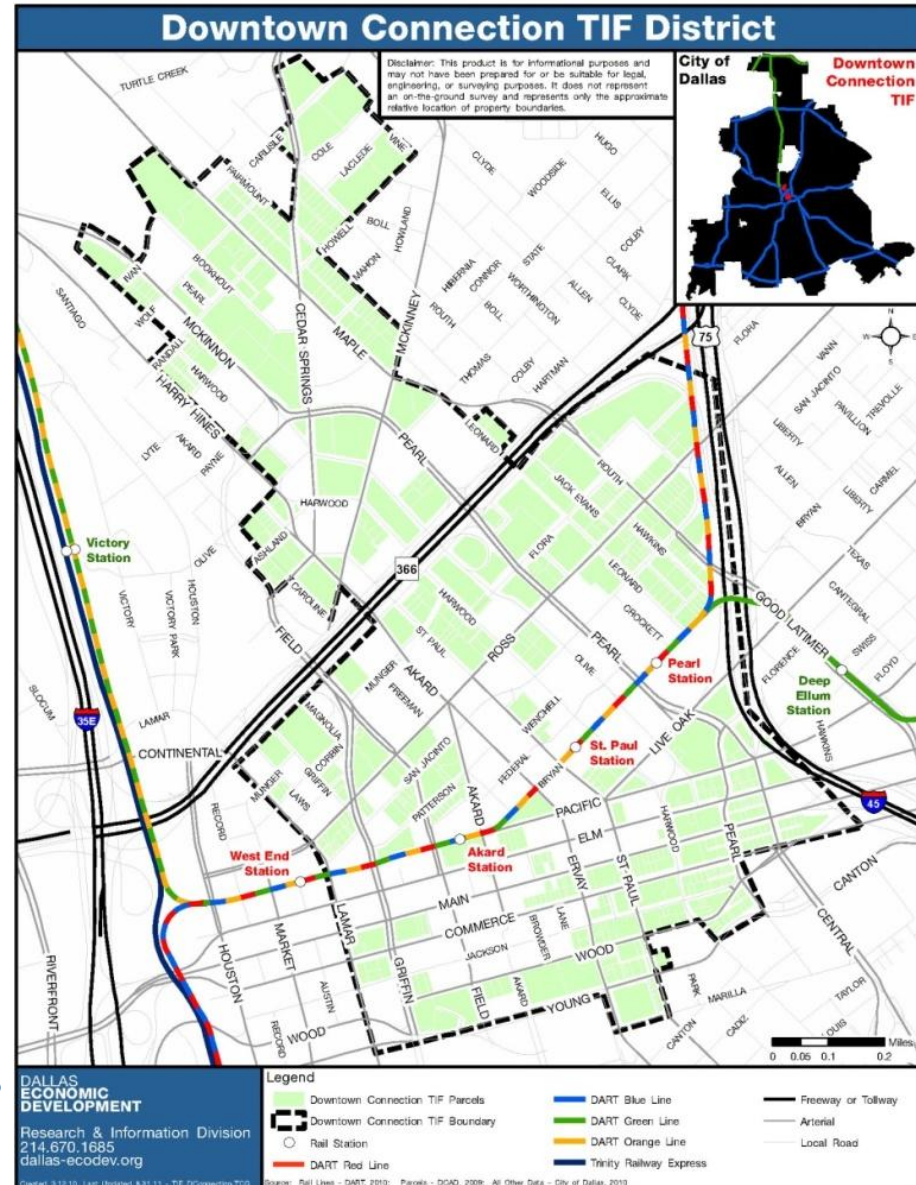
April 7, 2014

Purpose

- Provide background information on Downtown Connection TIF District
- Review the Statler/Library/Jackson Street Project
- Review Budget Status of Downtown Connection TIF District
- Obtain Economic Development Committee's approval for consideration of the project by City Council on April 23, 2014

Downtown Connection TIF District Background

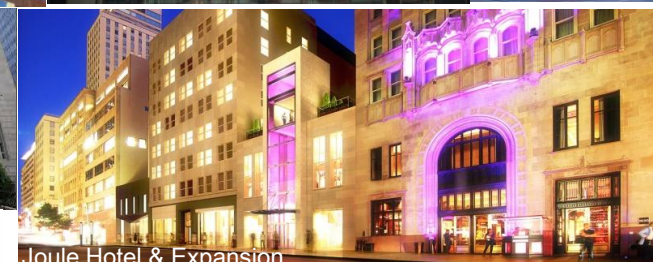
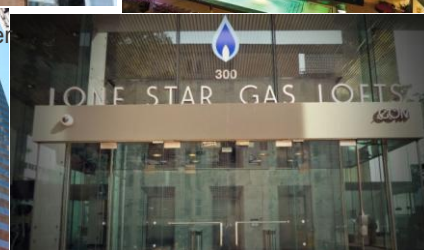
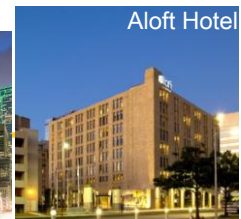
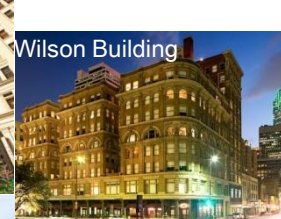
- Created June 2005
- Project Plan and Reinvestment Zone Financing Plan originally approved August 2005, amended May 2013 to increase budget for district
- Expires December 31, 2035, or when approximately \$500.7 million in TIF increment has been collected (NPV of \$231.6 million)
- Established to fund projects creating a greater density/critical mass of development within an expanded Downtown core with focus on strengthening connectivity to/between the core and growing downtown areas



Downtown TIF Districts

Downtown Progress

- Over 10 million square feet of space has been renovated (35 buildings) or currently under renovation (8 buildings)
- Approx. 7.8 million square feet of vacant building space has been renovated and repurposed
 - Davis Building
 - Mosaic
 - Mercantile
 - Third Rail Lofts
 - Magnolia Hotel
 - 1505 Elm
 - Joule Hotel & Expansion
 - Aloft Hotel
 - CityWalk @ Akard
 - Interurban Building
 - Metropolitan
 - Kirby Building
 - Wilson Building
 - DP&L Buildings
 - Iron Cactus
 - Lone Star Gas Lofts Ph 1
 - Continental
 - Republic Tower
 - Old Post Office
 - Gulf States
- Another 2.6 million square feet vacant building space is currently under renovation or planned for renovation
 - One Dallas Center
 - Tower Petroleum
 - 500 South Ervay
 - Lone Star Gas Lofts Ph 2
 - Corrigan Tower
 - 211 N. Ervay
 - 1600 Pacific Ave.



Downtown Connection TIF District

Statler/Library Buildings Background

Statler Hilton Building – 1914 Commerce Street

- Originally opened 1956 as Statler Hilton Hotel (1,000 rooms)
- Designed by William Tabler
- Changed ownership 1988, renamed Grand Hotel
- Closed in 2001, vacant for 13 years
- In 2008, named to the America's 11 Most Endangered Historic Places List by the National Trust for Historic Preservation.



Old Dallas Central Library – 1954 Commerce Street

- Originally constructed in 1958 as the Dallas Public Library
- Building has been vacant since 1982 when the public library moved to its current location, the J. Erik Jonsson building



Statler/Library Buildings

Previous TIF Funding

- June 2011, City Council approved a development agreement with Ricchi Development Group (Ricchi) and TIF funding for redevelopment of the Statler and Library buildings
 - Statler – \$13,168,950
 - Library – \$3,020,350
- In 2013, the TIF award for the project was cancelled as a result of the developer not meeting project deadlines
- Those funds were reallocated to the current TIF funding request under consideration
- August 2013, Centurion Acquisitions L.P. entered into a contract with Ricchi to purchase both buildings
- Closing is scheduled for the end of April 2014
- If buildings are not purchased by Centurion, the buildings will go back to the original Chinese owner potentially delaying redevelopment indefinitely

Statler/Library/Jackson Street Project

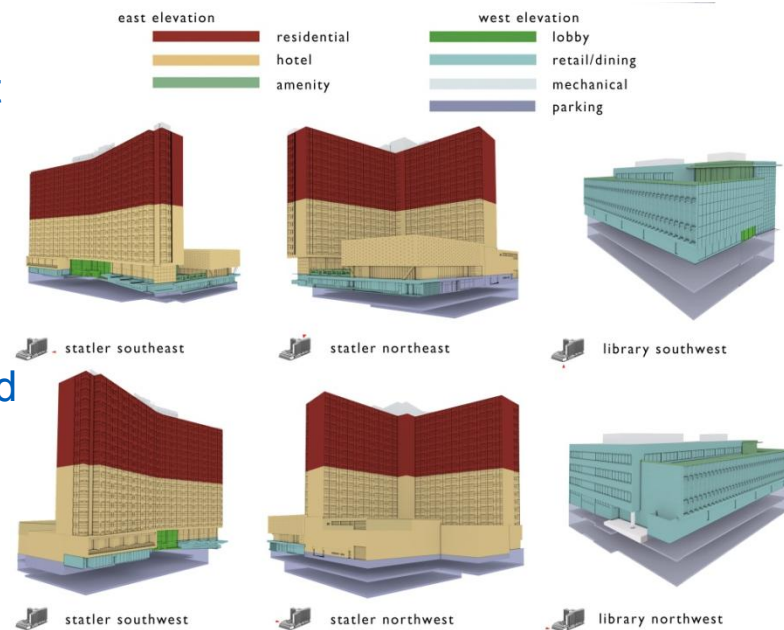
Project Description

- **Statler/Library Buildings:**

- **Residential** (Statler Only) – 229 Units (upper eleven stories)
- **Hotel Rooms** (Statler Only) – 164 rooms (middle five stories)
- **Restaurant/Retail** (Statler Only) – 33,695 square feet
- **Office Space** (Library Only)– 78,378 square feet
- **Hotel Amenity Space** (Both Buildings) – 31,571 square feet (ballrooms, meeting spaces, lounge/bar)
- **Theater** (Both Buildings)- 13,926 square feet
- **Parking** – 234 spaces (beneath building)

- **Jackson Street:**

- **Parking** – 58 space below ground garage (existing)
- **New Construction** - 93,200 above ground parking garage
 - 215 parking spaces
 - 9,700 square feet ground floor retail
- **Surface Parking** – 54 spaces



Statler/Library/Jackson Street Project

Project Description (continued)

- **Project Cost:** \$175,299,650
- **Start Construction:** 12/31/2014
- **Complete Construction:** 10/01/2017
- **Design Review:** Design Peer Review Panel (10/25/2013) reviewed and approved design of project
- **State and Federal Historic Tax Credits:** Developer will seek state and federal historic tax credits for the project



view of the north elevation of the statler



view sw of library at corner of s harwood & commerce



night view of new retail/vehicle park



view southeast of statler



view across main street garden toward commerce st

Statler/Library/Jackson Street Project

Project Map

- Project includes redevelopment of the Old Statler and Library Buildings and surface parking lots at the northeast and southeast corners of the Jackson and S. Harwood Streets



Statler/Library/Jackson Street Project

Strategic Importance

- Redevelops key buildings adjacent to Main Street Garden Park
- Revitalizes and transforms a dormant and underutilized segment of downtown
- Compliments adjacent redevelopment projects: Continental Building and Atmos Complex
- Begins to bridge the gap between the Main Street core, Farmer's Market and Deep Ellum
- Creates street front retail on Commerce Street
- Provides transient parking essential to developing and maintaining an active retail corridor
- Creates jobs downtown
- Removes over 669,000 (both buildings) square feet of space from the downtown's vacant building inventory

Statler/Library/Jackson Street Project

Project Team

- **Developer: Centurion American** - Since 1990, Centurion has developed well over 10,000 single-family lots in dozens of premier communities surrounding North Texas. Centurion has demonstrated the ability to successfully work with investors, land-owners, financial institutions, and vendors to acquire over 15,000 acres of land inventory for a diverse mix of developments in size and scope and has delivered award winning communities with impeccable amenities
 - **Mehrdad Moayed**i, President CEO - More than 25 years of hands-on experience in the development industry
 - **Urban Development Projects**
 - Stoneleigh Residences – Redevelopment of the Stoneleigh condominium tower in Uptown
 - 22 story residential high rise
 - 70 luxury condos
 - Three Thousand Flora – 49 townhomes near downtown
- **Architect: Merriman Associates/Architects**
 - **Jerry Merriman**, President and Founder – has over 35 years of experience with over 300 municipalities nationwide, and numerous countries internationally
 - **Downtown Projects**
 - Mosaic
 - Continental
 - Gulf States
 - Lone Star Gas Lofts
 - 1414 Elm
 - 1401 Elm Street
 - Energy Plaza
 - Corrigan Tower



Statler/Library/Jackson Street Project

Project Funding Sources and Uses

Sources	Amount	%	Uses
Private Equity	\$33,736,650	19%	Acquisition and Construction
Loan	\$90,563,000	52%	Construction
Historic Tax Credits	\$51,000,000	29%	Construction
\$175,299,650			

Statler/Library/Jackson Street Project

Proposed TIF Funding

- Portion of TIF funds will reimburse streetscape and utility improvements.
- Majority of funding commitment is an Economic Development TIF Grant, to make the project viable
- The project would not occur, but for TIF funding

Description	Amount
Redevelopment of Vacant/Underutilized Downtown Buildings	
<i>Streetscape Improvements</i> (includes utilities, design, engineering and architectural costs)	\$3,000,000
<i>Economic Development TIF Grant</i> (offsets portion of costs for stair park only)	\$43,500,000
Total TIF Base Funding Proposed	\$46,500,000

Statler/Library/Jackson Street Project

TIF Board Funding Recommendation

- On March 27, 2014, the Downtown Connection TIF District Board of Directors reviewed and approved TIF funding for the Statler/Library/Jackson Street project in an amount not to exceed \$46,500,000, of which \$43,500,000 is in the form of an Economic Development TIF Grant.

Statler/Library/Jackson Street Project

Highlights of TIF Funding Conditions

- Minimum private investment \$120,000,000, acquisition, construction and construction related soft costs;
- Minimum private investment shall include \$16,000,000 for the following TIF Eligible expenditures associated with the Project
 - Environmental Remediation/Demolition – minimum \$3,500,000
 - Historic Façade Restoration – minimum \$9,000,000
 - Streetscape Improvements – minimum \$3,500,000
- Redevelopment shall include a minimum of 400,000 square feet:
 - Minimum 30,000 square feet of retail/restaurant space.
 - Minimum 160,000 square feet (approximately 170 residential units) of residential space,
 - Minimum 10,000 square feet of theater space
 - Minimum 120,000 square feet of hotel space
 - Minimum 80,000 square feet of new parking garage construction
- Start construction and/or demolition for the Project by June 30, 2014;
- Certificate of Occupancy (CO) for the Project by October 1, 2017;
- 25% of total net leasable commercial (non-residential) space with a minimum of 50% of ground floor space that front onto a street must be occupied prior to TIF payment;
- Project shall be managed by a management company acceptable to Director;

Statler/Library/Jackson Street Project

Highlights of TIF Funding Conditions (Continued)

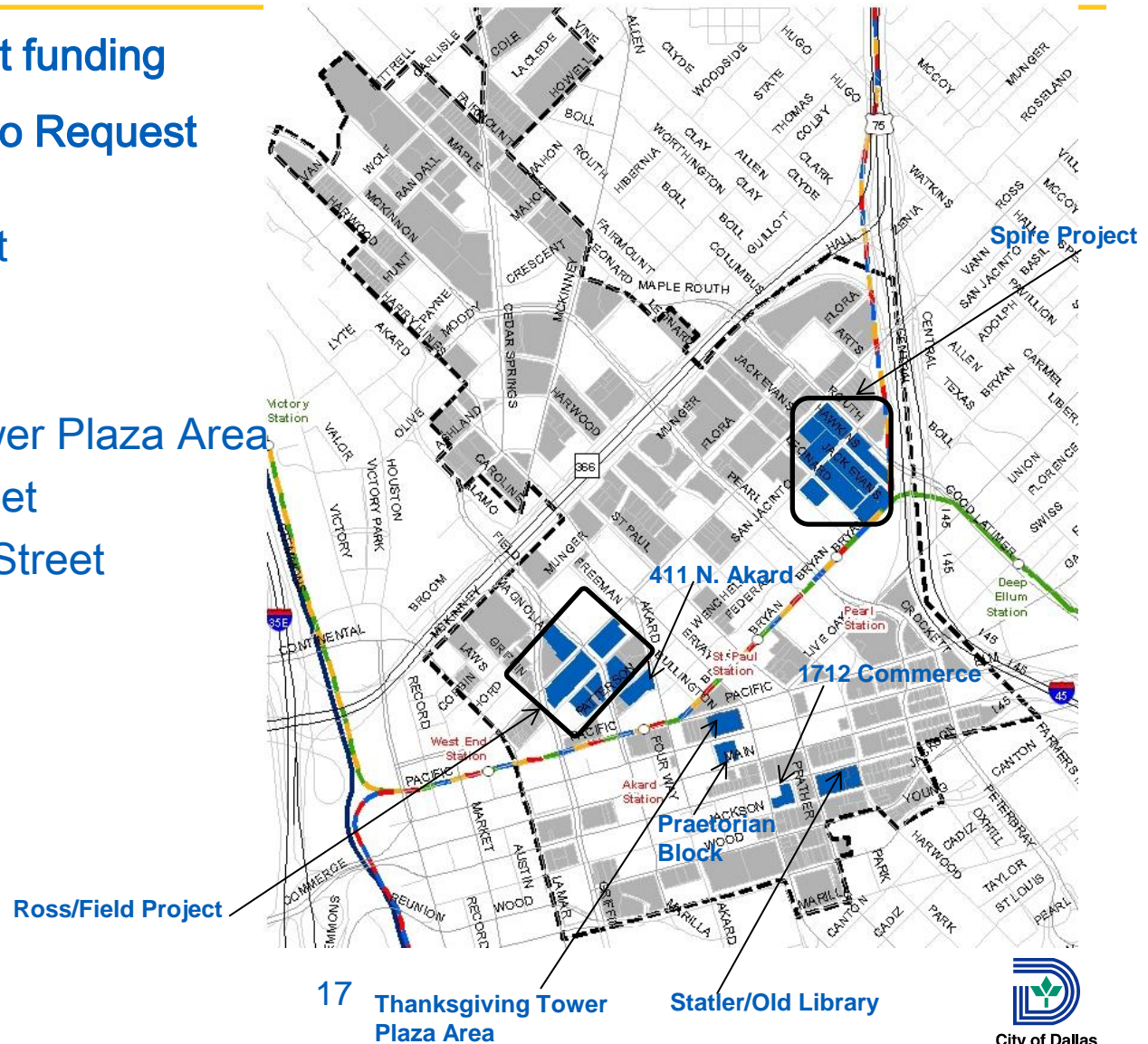
- **Mixed Income Housing Requirement:** A minimum of 10% of the Project's residential units must comply with the City's Mixed Income Housing Guidelines for the City Center TIF District;
- Market the apartments pursuant to an affirmative fair housing marketing plan;
- Final acceptance of public infrastructure improvements from Public Works and Transportation Department by October 1, 2017;
- Execute Operating and Maintenance agreement for public infrastructure improvements by October 1, 2017, for 20 years;
- Construction shall be in general conformance with site plans approved by the Downtown Connection TIF Board of Directors and Dallas City Council;
- Submit quarterly status reports for ongoing work on the project;
- 25% MWBE participation for TIF reimbursable improvements; 25% Good Faith Effort for private construction;
- Project deadline can be extended 12 months, with Director and Downtown Connection TIF District Board of Directors approval.

Remaining Downtown Projects/Priorities

\$44.9M left for project funding

Projects Anticipated to Request TIF Funding

- Ross/Field Project
- Spire Project
- Praetorian Block
- Thanksgiving Tower Plaza Area
- 411 N. Akard Street
- 1712 Commerce Street



Recommendation

- Staff requests ECO Committee's approval of consideration of a development agreement with Centurion Acquisitions, L.P. for TIF reimbursement not to exceed \$46,500,000, of which \$43,500,000 is in the form of an Economic Development TIF Grant for the Statler/Library/Jackson Street project by City Council at their April 23, 2014 Council meeting.

APPENDICES

Appendix A: Project Requirements/Other Information

Statler/Library/Jackson Street Project	
Minimum Residential Space (required)	141,000 s.f. Approx. 170 Units
Minimum Affordable Housing Units	17 Units or 10% of Total Residential Units
Minimum Hotel Space	110,000 s.f.
Minimum Retail Space	40,000 s.f.
Minimum Theater Space	10,000 s.f.
Parking Garage (new construction)	90,000 s.f.
Total Parking Spaces for Project	507
Required Private Investment – (acquisition, construction hard and soft costs)	Min. 120,000,000
Expected Total Project Cost	\$175,299,650
TIF Funding	\$46,500,000
% TIF funds to total project cost	28.52%
Return on Cost without TIF	4.1%
Return on Cost with TIF	5.8%
Deadline to Obtain Building Permit	December 31, 2014
Deadline to Obtain Final CO	October 1, 2017

Appendix B: Statler/Library/Jackson Street Project

Project Proforma

Statler/Library/Jackson Street Project			
Downtown Connection TIF District			
PROJECT DESCRIPTION:	210, 300 and 308 S. Harwood St. and 2003 Jackson St.		
PROJECT TYPE:	Mixed Use		
CONSTRUCTION START DATE:	December 31, 2014		
PROJECT SCHEDULE:	October 1, 2017		
Residential Units	SF	# of Units	
Total/Avg	235,693	229	
Use Breakdown	SF	Total Leasable SF (entire project)	
Residential	187,693	534,414	
Hotel	118,161		
Retail	43,665	Total Existing Bldg SF (Gross)	Statler/Library
Theater	13,317	669,066	
Parking Garage	93,200		
Office	78,378		
Project Costs		Income	
Hard Cost	\$95,951,733	Residential Revenue	\$3,657,658
Soft Cost (less Developer Fee)	\$36,129,667	Hotel Revenue	\$9,034,670
Acquisition	\$25,618,250	Retail/Theater/Restaurant	\$1,077,683
Total Project Cost (without City \$)	\$157,699,650	Office	\$1,186,896
		Parking	\$332,087
		Total Income	\$15,288,993
Total Project Cost	\$157,699,650	Expenses	
TIF Assistance	\$46,500,000	Residential Operating Expense	(\$1,274,628)
Net Cost to Developer (after TIF reimbursement)	\$111,199,650	Hotel Operating Expense	(\$6,324,269)
		Parking Expense	(\$99,626)
		Office/Theater/Retail	(\$1,124,414)
		Total Expenses	(\$8,822,937)
		NOI	\$6,466,056
Return on Cost Analysis		Notes:	Stabilized rates in 2020; Revenue reflects vacancy rates for Residential (10%), Hotel (35%), Parking (15%) and Retail (15%)
NOI/Total Project Costs			
Return on Cost (without City \$)	4.1%		
Return on Cost (with City \$)	5.8%		

Note: Project Costs may increase by 10% based on Hotel flag

Downtown Connection TIF District

Reimbursement Queue

Downtown Connection TIF District
Reimbursement Queue
As of March 2014

Reimbursement Priority ¹	Project Name	Priority Date	Construction Status	Primary TIF Reimbursement	Maximum Interest	Total Eligible TIF Reimbursement	Project Generated Increment Only ⁴	Reimbursement Status
1	Stoneleigh Hotel	5/30/2010	Completed	\$2,500,000	\$0	\$2,500,000	Yes	To Be Paid
2	Hall Lone Star ²	5/30/2010	Completed	\$852,764	\$2,000,000	\$2,852,764	No	To Be Paid
3	Santa Fe IV - Aloft Hotel	5/30/2010	Completed	\$3,734,419	\$0	\$3,734,419	No	To Be Paid
4	Grand Ricchi Dallas - 1600 Pacific	10/26/2010	Completed	\$8,830,000	\$4,040,200	\$12,870,200	No	N/A
5	Joule Hotel Expansion	1/19/2011	Completed	\$20,658,500	\$0	\$20,658,500	No	N/A
6	Atmos Complex Phase I	6/20/2011	Completed	\$3,250,000	\$3,000,000	\$6,250,000	No	N/A
7	Joule Hotel Expansion Amendment	8/10/2011	Completed	\$3,194,409	\$0	\$3,194,409	No	N/A
8	Continental Building ³	9/16/2011	Completed	\$13,305,700	\$4,222,588	\$17,528,288	No	N/A
9	Atmos Complex Phase II	5/21/2013	Under Construction	\$11,750,000	\$5,000,000	\$16,750,000	No	N/A
10	Hall Lone Star Project - Phase II ²	8/22/2013	Under Construction	\$5,000,000	\$0	\$5,000,000	No	N/A
11	PetroCorrigan Project	2/13/2014	Under Construction	\$10,300,000	\$0	\$10,300,000	No	N/A
TBD	The Olympic	TBD	Approved	\$45,000,000	\$5,000,000	\$50,000,000	No	N/A
TBD	500 S. Ervay	TBD	Under Construction	\$5,000,000	\$0	\$5,000,000	Yes	N/A
TBD	LTV Tower Project	TBD	Approved	\$17,500,000	\$0	\$17,500,000	No	N/A
TBD	Statler/Library/Jackson Street	TBD	Under Consideration	\$46,500,000	\$0	\$46,500,000	No	N/A
						\$220,638,580		

Notes:

¹The priority ranking of an approved project is established by the submittal of evidence to the City of an executed construction loan and building permit for the project.

²Hall Lone Star Project, Phases I and II, is eligible to receive up to \$2M in interest. The full \$2M in interest is shown in Phase I of the project.

³The Total TIF Re`

⁴Based on the development agreement for the project, reimbursement may take the form of project generated increment only or project generated increment plus shared increment.

Downtown Connection TIF District

Budget Status

Budget values may fluctuate as a result of district property value changes as provided by DCAD, completion of projects within the district, changes in tax rates for taxing jurisdictions, etc.

Downtown Connection TIF District			
Current Projected Increment Revenues to Retire TIF Fund Obligations			
	B	C	B - C
Category	Estimated Total Dollar TIF Budget	Allocated ³	Estimated Total Dollar Balance
Catalyst Projects: - Environmental remediation, demolition, historic façade, restoration, street/utility improvements & streetscape improvements, land acquisition, and non project costs, including, but not limited to machinery, equipment, materials and supplies	\$68,000,000	\$68,000,000	\$0
Redevelopment of Vacant/Underutilized Downtown Buildings, Underdeveloped Parcels, Surface Parking Lots - Environmental remediation, interior/exterior demolition, historic façade restoration, street/utility improvements, land acquisition, TIF grants, affordable housing	\$265,504,895	\$220,638,580	\$44,866,315
Uptown/Downtown connection improvements	\$0	\$0	\$0
Park and plaza design and acquisition	\$3,243,249	\$0	\$3,243,249
Affordable Housing²	\$3,000,000	\$2,000,000	\$1,000,000
Retail Initiative/Streetscape Improvements	\$1,985,000	\$459,845	\$1,525,155
Downtown Area Plan	\$515,000	\$512,464	\$2,536
Administration and Implementation	\$8,132,568	\$798,136	\$7,334,432
Debt Service (Interest Only)	\$150,363,000	\$150,363,000	\$0
Total Project Costs	\$500,743,712	\$442,772,025	\$57,971,687
¹ TIF Budget shown above in total dollars; TIF Project Plan shows the budget in net present value			
² The Affordable Housing line item has been reduced by the amount of money allocated to the Continental project			
³ The Allocated total shown for the Redevelopment of Vacant/Underutilized Downtown Building line item reflects the total TIF District's commitment to projects currently in the Reimbursement Queue			