

Memorandum



CITY OF DALLAS

DATE February 28, 2014

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

SUBJECT **Incentives for Hartford Building Renovation – City Center TIF District**

On Thursday, March 6, 2014 the Economic Development Committee will be briefed on Incentives for Hartford Building Renovation – City Center TIF District.

Briefing material is attached.

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

A handwritten signature in blue ink that reads "Ryan 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
Frank Libro, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor and Council

Incentives for Hartford Building Renovation

City Center TIF District

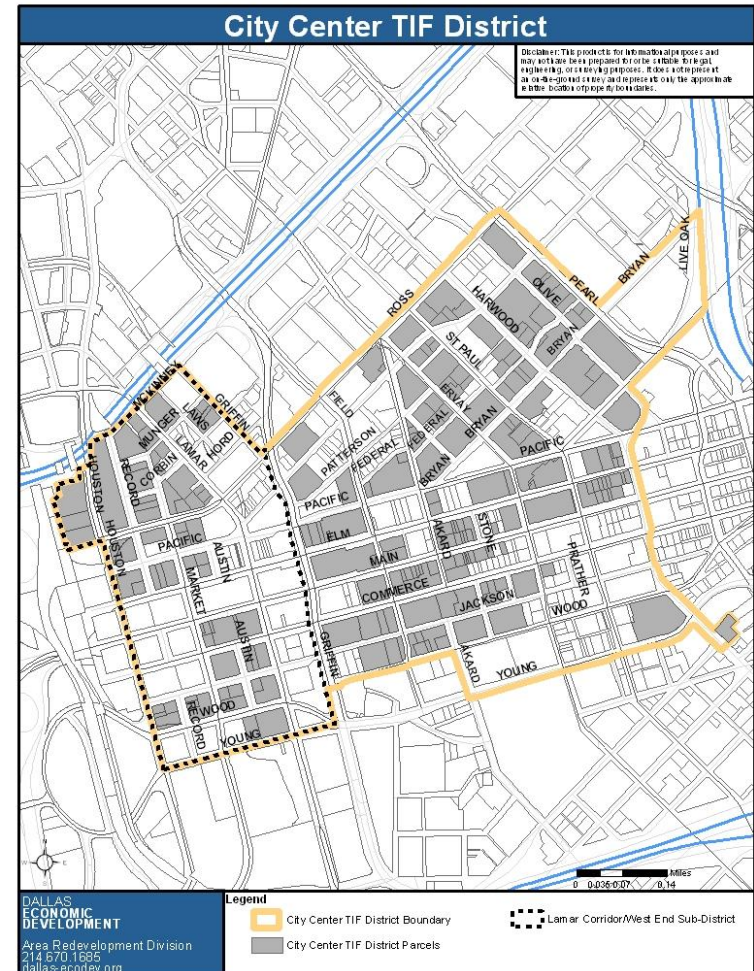
Economic Development Committee
March 6, 2014

Purpose

- Provide background information on City Center TIF District
- Review the Hartford Building Project
- Obtain Economic Development Committee's approval for consideration of the project by City Council on March 26, 2014

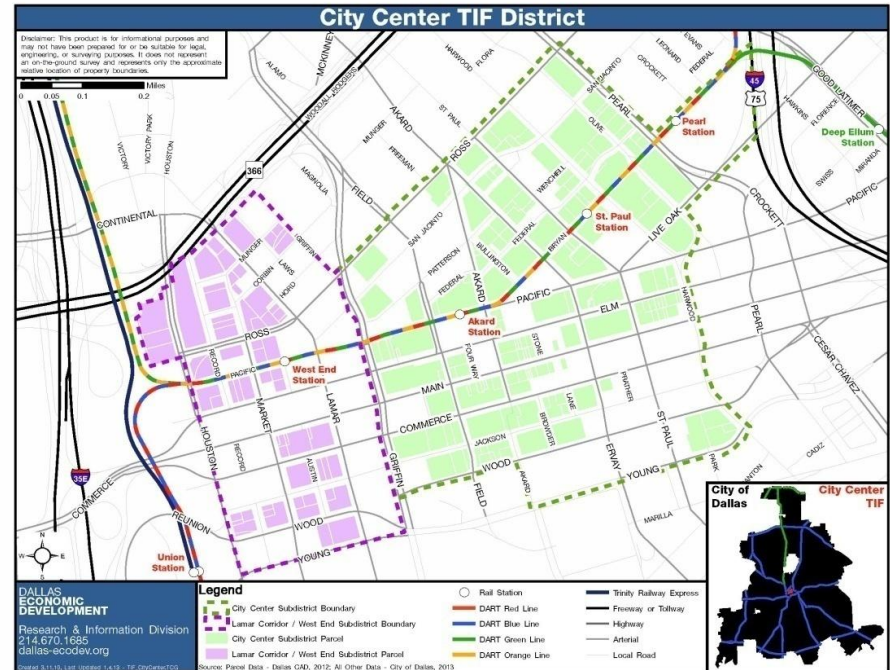
City Center TIF District Background

- Created to develop an attractive, sustainable urban core and reimburse costs of public improvements and redevelopment of vacant or underutilized buildings downtown
- District was amended December 2012 to:
 - Extend District's Boundary to the West End area
 - Extend Term of District
 - Increase District's Budget
 - Decrease City Participation Rate
 - Establish Other Taxing Jurisdiction Participation Rates



City Center TIF District Amendments

- Boundary Adjustment
(Creation of two Sub-districts)
 - City Center Sub-district – original district boundary (green dashed line)
 - Lamar Corridor/West End Sub-district – approximately 27 acres; encompasses properties along the Lamar Corridor and properties in the Historic West End area (lavender dashed line)
- Term Extension
 - City Center Sub-district – 12/31/2012 to 12/31/2022 (10 yrs)
 - Lamar Corridor/West End Sub-district – 12/31/2012 to 12/31/2037 (25 year term)



City Center TIF District Amendments (Continued)

- **District Budget Amendment**
 - The District's budget increased from \$87.6M to \$152.00 M
 - The increased budget:
 - Provides a source of funding to stimulate redevelopment of the Lamar Corridor and Historic West End area
 - Provides a source of funding to accomplish recommendations of the Downtown Dallas 360 Area Plan, that wouldn't otherwise be funded
 - Provides a source of funding to fill in redevelopment gaps in the downtown core

City Center TIF District Projected Increment Revenues to Retire TIF Fund	
Category	TIF Budget
Original City Center TIF Collections**	\$75,696,253
Public Infrastructure Improvements <i>Streetscape Improvements, Pedestrian Linkages, Lighting, Utility Burial, Utility Upgrades</i>	\$8,500,182
Parking	\$5,500,000
Redevelopment/Development Projects <i>Environmental Remediation, Interior & Exterior Demolition, Façade Improvements/Restoration, TIF Grants</i>	\$40,972,111
District Wide Improvements	\$4,000,000
Affordable Housing	\$6,500,000
Ground Floor Activation <i>(in the form of a TIF Grant)</i>	\$8,300,000
Plan Implementation/Administration	\$2,500,000
Total Project Costs	\$151,968,546
<i>Budget shown above in total dollars, as approved in the Amended Project Plan and Reinvestment Zone Financing Plan for the District.</i>	

City Center TIF District *Amendments (Continued)*

- Amendment led to increased activity in the zone
- Projects from 2005 -2011:
 - Dallas Power & Light Buildings (2005)
 - Interurban Building (2005)
 - Gulf States (2007)
 - Republic Tower (2007)
 - 1608 Main Street & Pedestrian (2008)
 - Joule Hotel (2008)
 - Mosaic – Fidelity Union (2007)
 - Metropolitan (2007)
- Projects from 2011 – Present:
 - Fairfield Residences at West End
 - Purse & Co. Lofts
 - Flora Lofts
 - Liberty State Building Relocation
 - 211 North Ervay



Flora Lofts



Fairfield Residences at West End



211 North Ervay



Liberty State Building Relocation



Purse & Co. Lofts

City Center TIF District

The Hartford Building

- Constructed in 1960
- First downtown development project by Trammell Crow
- Originally served as the regional office for the Hartford Fire Insurance Group
- Over 50% vacant - Several floors were closed for more than a decade
- Adjacent to St. Paul DART Light Rail Station
- To be redeveloped as office space with retail spaces at the ground level



The Hartford Building Redevelopment

Project Description

- **Project Scope:**
 - Restore historic façade
 - Complete environmental remediation/interior demolition
 - Streetscape and Park Improvements
 - Renovate up to 161,082 square feet office/commercial space and approximately 12,396 square feet of ground floor retail/restaurant/commercial space
- **Project Cost:** \$5,561,448
- **Project Start Date:** Immediately
- **Project Completion Date:** December 31, 2015

The Hartford Building

Design Review

- On January 24, 2014 the Urban Design Peer Review Panel revised the project's design and approved recommendations. Project owner incorporated recommendation into project's design.

Current



Proposed



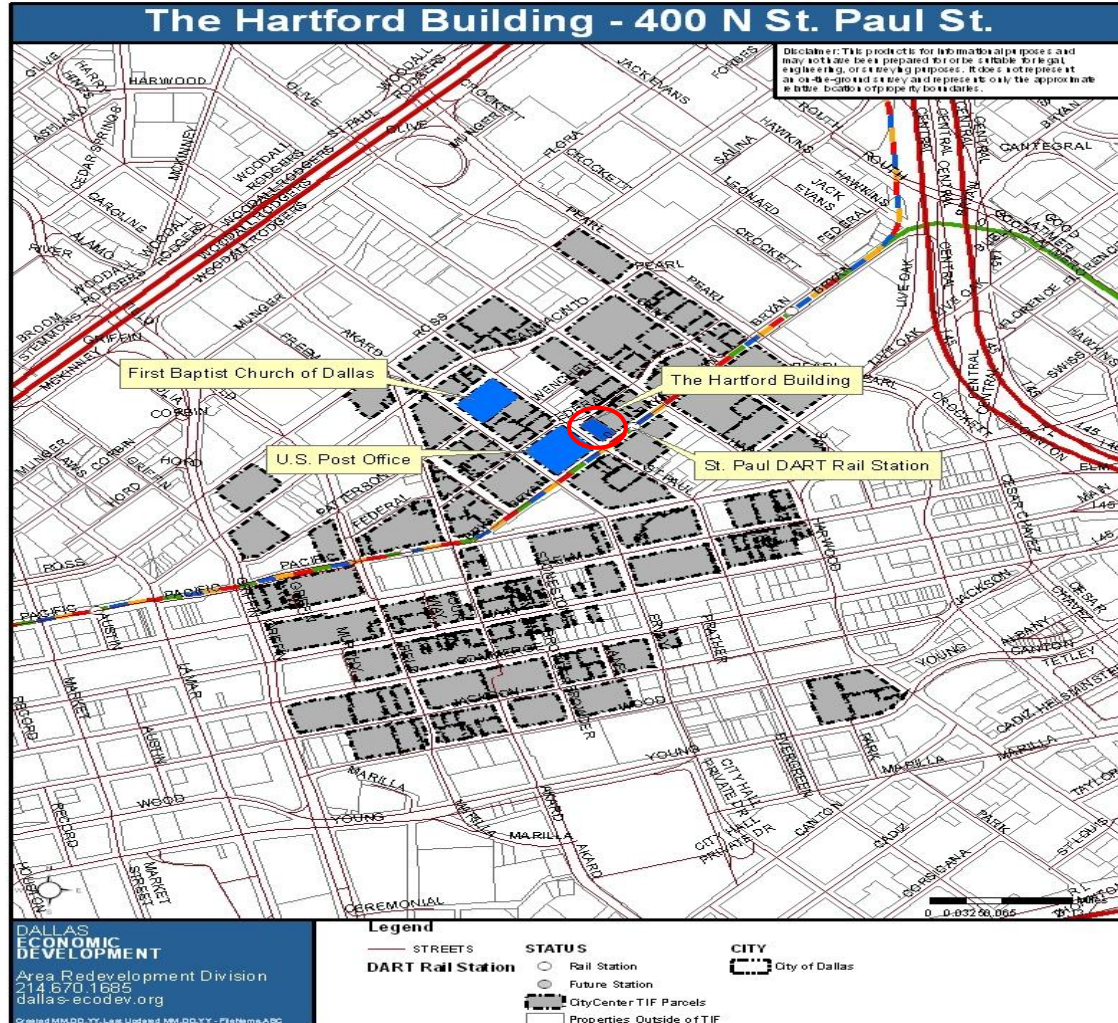
Federal Street - Improvements along Federal including addition of outdoor dining and removal of existing canopies.

St. Paul Street - Improvements along St. Paul including removal of existing canopies and improvement to existing sidewalks

Hartford Pocket Park – Improvements to the park include the removal of an existing wing wall, lighting, installation of new trees, and new ground materials

The Hartford Building

Project Funding Sources and Uses



The Hartford Building

Project Funding Sources and Uses (Continued)

Funding Sources	Amount	%	Uses
<i>Equity</i>	\$3,491,448	62.78%	Acquisition and Construction
<i>Construction loan</i>	\$2,070,000	37.22%	Construction Costs
Total development funding (total sources)	\$5,561,448	100.00%	

The building owners are still in the application process and have not determined the exact economic impact of the historic tax credits. Any economic benefit would impact the construction loan amount requested.

The Hartford Building

Proposed TIF Funding

- Funding proposed reimburses developer for environmental remediation, exterior façade improvements, and public improvements to the sidewalks and landscaping in the form of a TIF Grant Reimbursement.
- Improvements to pocket park (owned by the City of Dallas) and located directly across Federal Street from the Hartford Building are funded by TIF Fund reimbursement.
- Most of the TIF funding commitment is in the form of a grant to enable the development to maximize funding from non-city sources (historic tax credits). Similar smaller TIF deals on smaller buildings like this have reimbursed applicants for costs of environmental, demolition, façade restoration, and streetscape improvements. The funding request for this project is proportional to other similar buildings.

Description	Amount
Public Infrastructure Improvements	\$231,000
<i>Parks and open space</i>	
Economic Development TIF Grant*	\$969,000
Total TIF Funding Recommended	\$1,200,000

* Equivalent to costs associated with historic façade restoration, environmental remediation & demolition, and streetscape improvements

The Hartford Building

TIF Board Funding Recommendation

- On February 13, 2014, the City Center TIF District Board of Directors reviewed and approved TIF funding for the Hartford Building Renovation project in an amount not to exceed \$1,200,000

Strategic Importance of Proposed Project

- Restores existing building to its historic condition and brings vacant commercial space up to code and in leasable condition.
- Adds needed improvements to pocket park across the street and provides a needed amenity for the neighboring businesses

Recommendation

- Staff requests ECO Committee's approval of consideration of a development agreement with The Dallas Hartford, LLC for TIF reimbursement not to exceed \$1,200,000 for the Hartford Building project by City Council at their March 26, 2014 Council meeting.

APPENDICES

Appendix A: The Hartford Building

Conditions of TIF Funding

- Minimum private investment of \$5,000,000 for the Project (acquisition, construction and construction related soft costs).
- The term “Invest” or “Investment” means the sum of all acquisition costs, construction costs (hard and soft) paid, payable or actually incurred by or on behalf of the Owner, with respect to the Project and the improvements thereon. Construction related soft costs include the following items: architecture and engineering, interior design, remediation and demolition. Carrying or other similar costs shall not be considered toward this definition of project investment. The owner must provide verification of all expenditures.
- Redevelopment of the Project shall include:
 - Minimum 145,000 square feet of office/commercial space; and
 - Minimum 9,900 square feet of retail/restaurant/office space; and
 - Minimum 10,000 square feet of improved open space.
- Obtain a building and/or demolition permit and start construction for the Project by June 1, 2014;
- Obtain a Certificate of Occupancy (CO) for the Project by December 31, 2015;

Appendix A: The Hartford Building

Conditions of TIF Funding (Continued)

- Obtain final acceptance of public infrastructure improvements associated with the Project, as evidenced by the issuance of a Green Tag from the Public Works and Transportation Department by December 31, 2015 and submit documentation to the Office of Economic Development (the “OED”);
- Execute an Operating and Maintenance agreement for public infrastructure improvements associated with the Project by December 31, 2015, for a period of 20 years;
- A minimum of at least 50% of ground floor space must be occupied prior to TIF Reimbursement;
- Owner shall submit to the Director of the OED a quarterly status report for ongoing work on the project, as well as public improvements. Status reports will be due once every three months after the Council approval date;

Appendix A: The Hartford Building

Conditions of TIF Funding (Continued)

- Owner shall make a good faith effort to: (i) comply with the Business Inclusion and Development (“BID”) goal of twenty-five percent (25%) Minority/Women-owned Business Enterprise (M/WBE) participation for TIF reimbursable improvements, and (ii) achieve a goal of 25% certified M/WBE participation for total private improvement construction expenditures for the Project, and meet all reporting requirements for each;
- If the open space is not improved or if the proposed design plans are not approved, the amount of TIF Reimbursement for the Project will be reduced by to the amount of TIF funds allocated to the improvement of the open space; and
- If necessary, the project deadline can be extended up to 6 months, subject to the Office of Economic Development Director’s and City Center TIF District Board of Director’s approval.

Appendix B: Project Requirements/Other Information

The Hartford Building Project Facts	
Minimal Retail Space	12,396
Required Private Investment	\$5,000,000
Expected Total Project Cost	\$5,561,448
TIF Funding	\$1,200,000
% TIF Funds to Total Project cost	21.58%
Return on Cost without TIF	7.37%
Return on Cost with TIF	9.40%
Deadline to Obtain Building Permit	June 1, 2014
Deadline to Obtain Final CO	December 31, 2015

Appendix C: The Hartford Building Renovation Project Proforma

The Hartford Building City Center TIF District		
PROJECT DESCRIPTION:	The Hartford Building Redevelopment Project	
PROJECT TYPE:	Restaurant/Retail Project	
CONSTRUCTION START DATE:	June 1, 2014	
PROJECT SCHEDULE:	December 31, 2015	
Use Breakdown	SF	Total Leasable SF
Office/Commercial Space	161,082	161,082
Retail/Restaurant/Commercial Space	12,396	12,396
Total Building Square Footage	173,478	173,478
Project Costs		
Hard Cost	\$942,086	
Soft Cost	\$1,503,162	
Land Costs/Acquisition	\$3,116,200	
Public Costs		
Total Project Cost (without City \$)	\$5,561,448	
Total Project Cost	\$5,561,448	
TIF Assistance	\$1,200,000	
Net Cost to Developer (after TIF reimbursement)	\$4,361,448	
Return on Cost Analysis NOI/Total Project Costs		
Return on Cost (without City \$)	7.37%	
Return on Cost (with City \$)	9.40%	
Income		
Commercial Revenue*	\$1,430,722	
Residential Revenue	0	
Total Revenue	\$1,430,722	
Expenses		
Operating Expense	\$1,020,605	
Total Expenses	\$1,020,605	
NOI	\$410,117	

Appendix D: The Hartford Building

Development Team – The Dallas Hartford, LLC

- **Ken Good, Jr.** , A Dallas based entrepreneur/investor with broad-based real estate and other holdings. Mr. Good's primary businesses include/have included: venture capital, real estate development, medical technology, computers, and international financial consulting. Mr. Good holds a B.A. in Economics from Trinity University in San Antonio, Texas and an M.B.A. from the Darden Graduate School of Business at the University of Virginia. Mr. Good serves on the Board of Directors of the Good Foundation and is active in numerous civic activities.