

Memorandum



DATE May 15, 2015

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

SUBJECT **1712 Commerce Hotel Project: Downtown Connection TIF District**

On Monday, May 18, 2015, you will be briefed on the 1712 Commerce Hotel Project: Downtown Connection TIF District. The briefing materials are attached for your review.

If you have any questions, please let me know.

A handwritten signature in blue ink, appearing to read 'Ry - S. E'.

Ryan S. Evans
First Assistant City Manager

C: A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager – Mayor & Council

1712 Commerce Hotel Project
Downtown Connection TIF District

Economic Development Committee
May 18, 2015

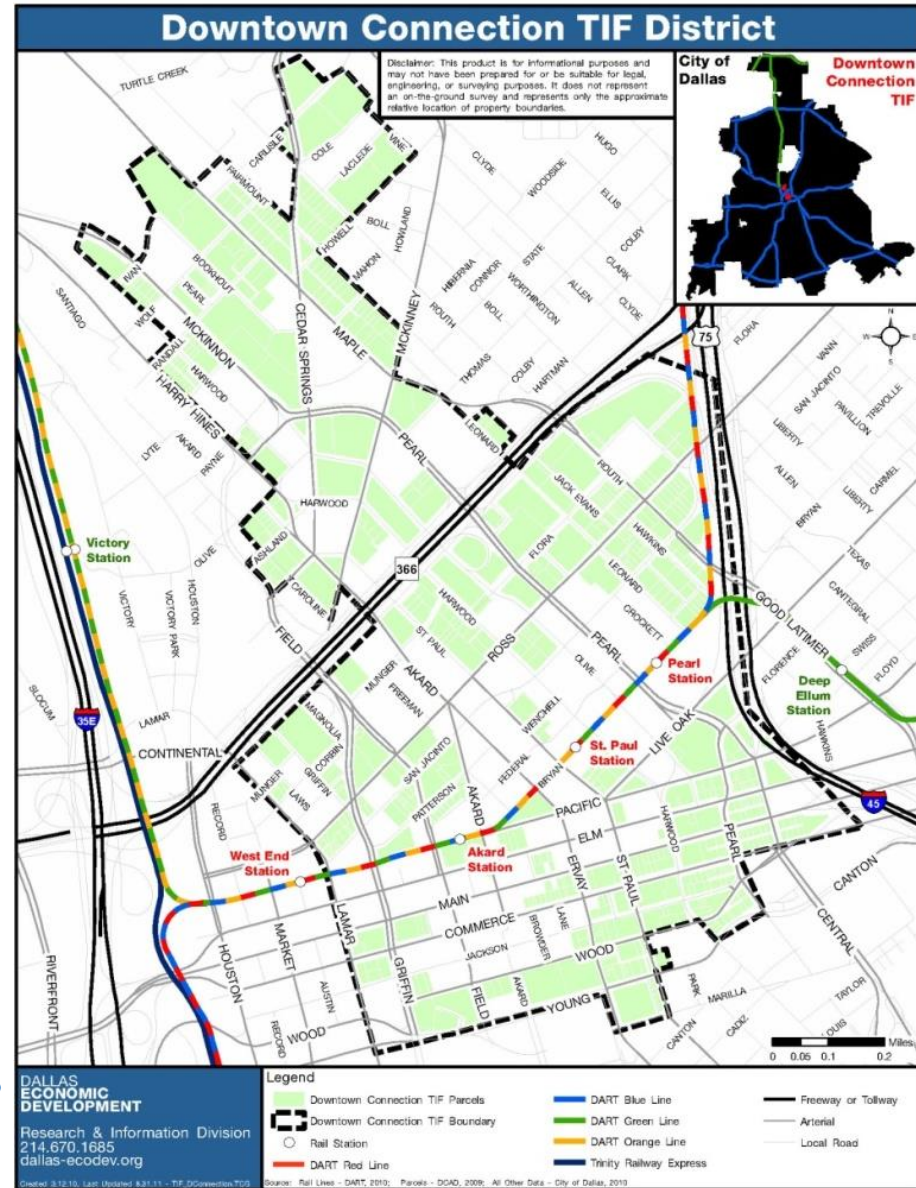


Purpose

- Provide background information on Downtown Connection TIF District
- Review the 1712 Commerce Hotel project
- Review Budget Status of Downtown Connection TIF District
- Obtain Economic Development Committee's approval for consideration of the project by City Council on May 27, 2015

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 \$514.9 million in TIF increment has been collected (NPV of \$231.6 million), see Appendix E.
- 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

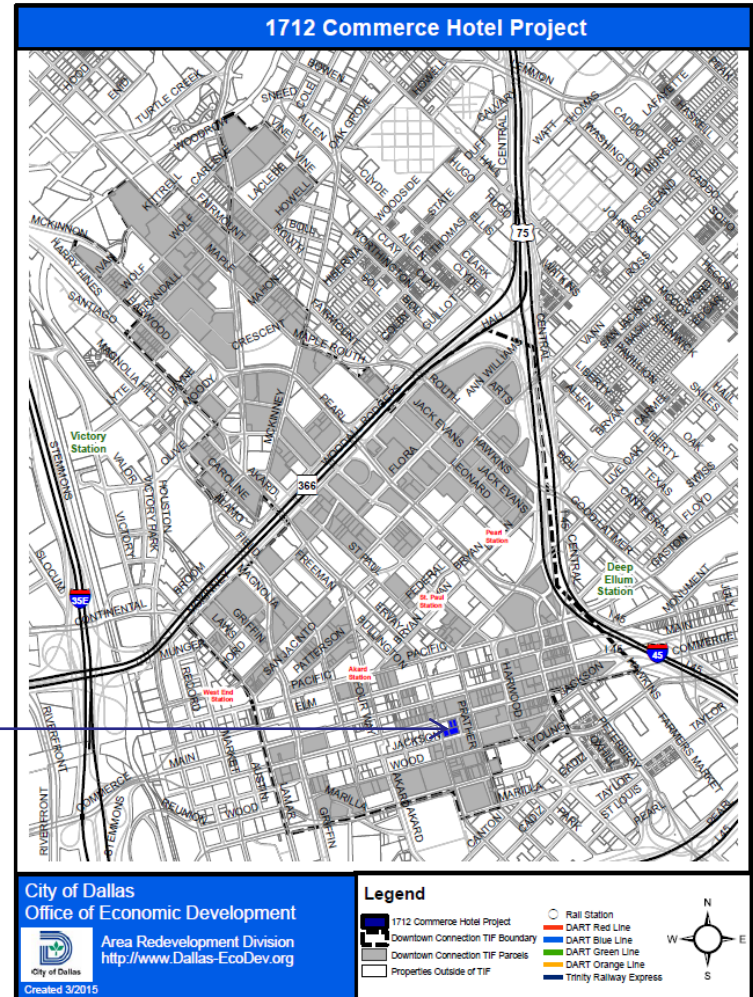


1712 Commerce Hotel

Project Location

- Original building was built in 1955
- Located at the corner of Commerce Street, Prather Street, and Jackson Street
- Building has been vacant for the past 20 years

1712 Commerce Hotel



1712 Commerce Hotel

Project Description

- **Hotel:** 244 hotel rooms (approximately 158,992 square feet)
- **Retail:** 16,428 square feet of retail space on ground floor
- **Parking:** 360 guest/public parking spaces (approximately 158,992 square feet) – new construction
- **Project Cost:** \$54,880,025
- **Start Construction:** 12/2015
- **Complete Construction:** 07/2017
- **Design Review:** Design Peer Review Panel (12/19/2014) reviewed and approved design of project
- **Historic Tax Credits:** Developer applied for Historic Tax Credits for project



1700 Commerce Hotel

Project Description

1712 Commerce Hotel Developer also renovating 1700 Commerce Building:

- 1700 Commerce Hotel: 176 hotel rooms (approximately 136,637 square feet)
- Retail: 4,000 square feet of retail space on ground floor
- Project Cost: \$35,000,000
- Start Construction: 12/2015
- Complete Construction: 07/2017

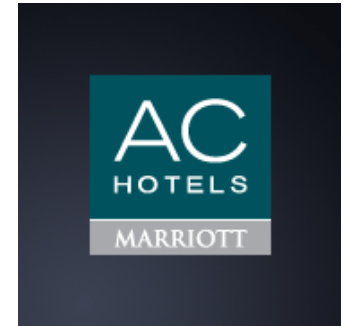


1712 and 1700 Commerce Hotel

Potential Hotel Brands

1712 Commerce Hotel

- Residence Inn
 - 121 Rooms
 - AC Hotels by Marriott
 - 123 Rooms
- (a new luxury brand boutique hotel)



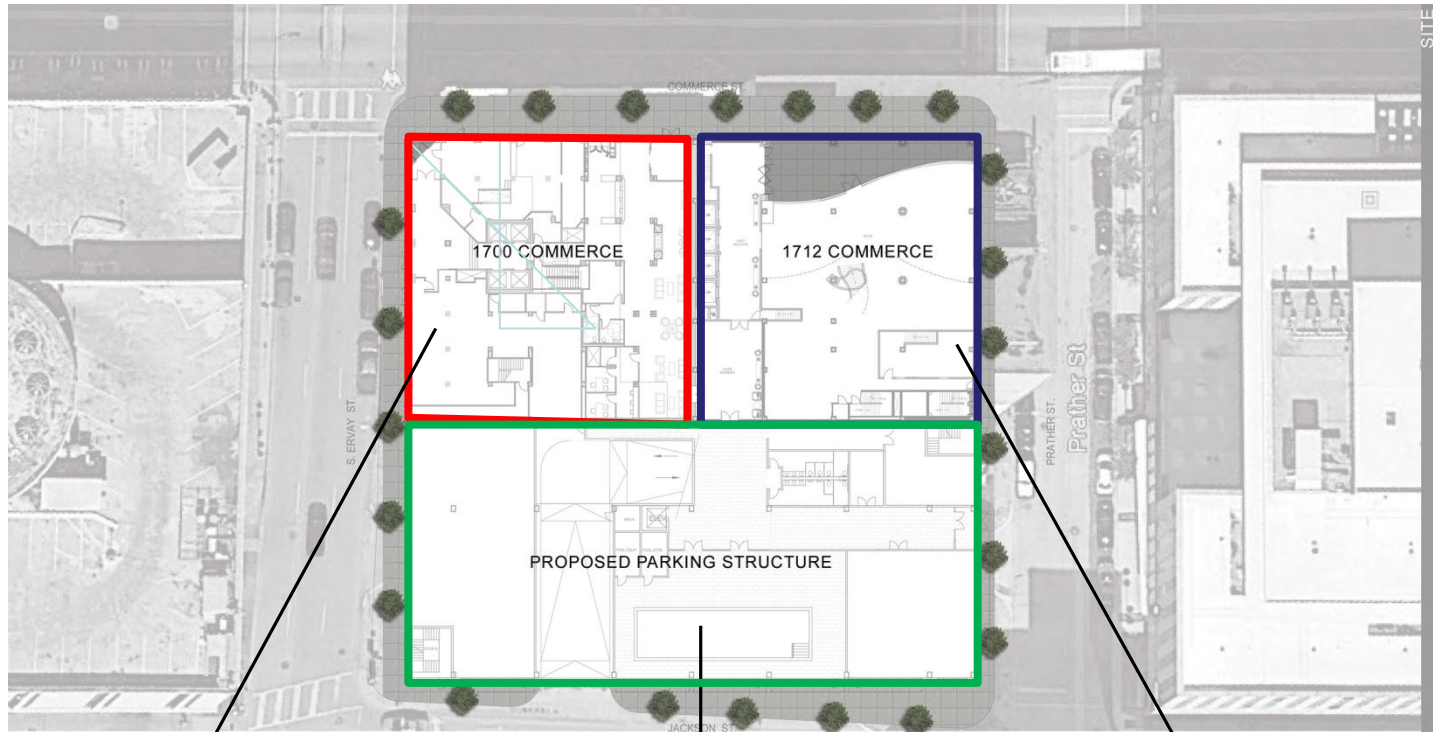
1700 Commerce Hotel

- Hampton Inn
 - 176 rooms



These two buildings will be connected internally, at the first floor for the public and at basement level for services.

1712 and 1700 Commerce Hotel & Garage *Project Site Plan*



1700 Commerce Hotel
City Center TIF
Not eligible for TIF Funding

New construction on existing
surface parking lot

1712 Commerce Hotel
Downtown Connection TIF
Requesting \$10.5 M TIF funding

1712 and 1700 Commerce Hotel & Garage

Summary of Project Highlights

1712 Commerce Building Project Facts	
Minimum Hotel Space	100,000 s.f. Approx. 190 rooms
Minimum Retail Space	9,000 s.f.
Parking Spaces – new construction	100,000 s.f /300 spaces inside building
Required Private Investment – (construction hard and soft costs)	Min. \$42,000,000
Expected Total Project Cost	\$54,880,025
TIF Funding	\$10,500,000
% TIF funds to 1712 Commerce Building and Garage cost	19.13%
% TIF funds to 1712 Commerce Building, Garage and 1700 Commerce Building	11.68%
Return on Investment without TIF – 1712 Commerce Building and Garage	5.51%
Return on Investment with TIF – 1712 Commerce Building and Garage	6.81%
Return on Investment without TIF for the total Project (1712 Commerce Building, 1700 Commerce Building and Garage)	6.94%
Return on Investment with TIF - TIF for the total Project (1712 Commerce Building, 1700 Commerce Building and Garage)	7.86%
Deadline to Obtain Building Permit	December 1, 2015
Deadline to Obtain Final CO	July 1, 2017

1712 Commerce Hotel and 1700 Commerce Hotel

Funding Sources and Uses

Description	1712 Commerce Building and Garage	1700 Commerce	Total Amount	%	Uses
Developer Equity	\$22,880,025	\$12,950,000	\$35,830,025	39.8%	Acquisition and Construction
Loan	\$32,000,000	\$22,050,000	\$54,050,000	60.2%	Construction & Renovation
Total Project Cost	\$54,880,025	\$35,000,000	\$89,880,025		

1712 Commerce Hotel

Project Proforma

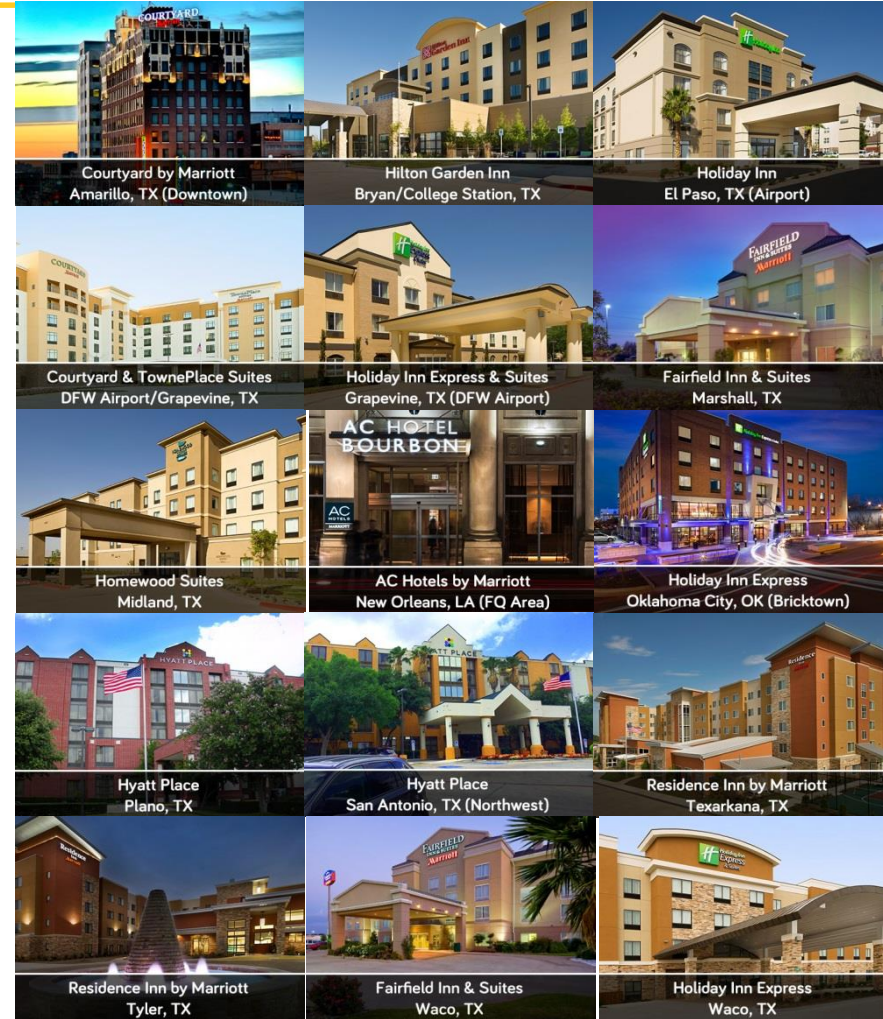
PROJECT DESCRIPTION:		1712 Commerce Street		
SITE AREA In acres		0.53		
BUILDING AREA (q.s.f.):		175,420		
NUMBER OF FLOORS/STORIES:		21		
CONSTRUCTION PERIOD:		18 mo		
ANTICIPATED CONSTR START DATE:		12/1/2015		
Project Component	SF	Rooms	Total SF	\$ per SF
Hotel	158,992	206	175,420	-
Retail	16,428			
Total	175,420	206	175,420	\$4.34
Income (Annual)				
Revenue year 5	\$9,137,314			
less vacancy	27%			
less expenses	(\$6,114,368)			
NOI (w/o TIF)	\$3,022,946			
Project Costs				
Acquisition Costs	\$7,975,000			
Hard Costs	\$32,110,025			
Soft Costs	\$6,020,000			
FFE Costs	\$3,000,000			
Public Improvement costs	\$5,775,000			
Total Project Cost (incl. public)	\$54,880,025			
			Total Project Cost (incl. public costs)	\$54,880,025
			CITY ASSISTANCE (current \$)	\$10,500,000
			Total Project Cost (with City \$)	\$44,380,025
			Return on Cost Analysis	
			NOI/Total Project Costs	
			Return on Cost (no City \$)	5.51%
			Return on Cost (with City \$)	6.81%

1712 Commerce, 1700 Commerce & Garage Proformas

PROJECT DESCRIPTION:		1712 Commerce Building, Garage and 1700 Commerce Building		
SITE AREA In acres		0.53		
BUILDING AREA (g.s.f.):		175,420		
NUMBER OF FLOORS/STORIES:		21		
CONSTRUCTION PERIOD:		18 mo		
ANTICIPATED CONSTR START DATE:		12/1/2015		
Project Component	SF	Rooms	Total SF	\$ per SF
Hotel	158,992	206	175,420	-
Retail	16,428			
Total	175,420	206	175,420	\$7.53
Income (Annual)		Total Project Cost (incl. public costs)		\$89,880,025
Revenue year 5	\$15,847,625	CITY ASSISTANCE (current \$)		\$10,500,000
less vacancy	27%	Total Project Cost (with City \$)		\$79,380,025
less expenses	(\$9,605,547)	Return on Cost Analysis		
NOI (w/o TIF)	\$6,242,079	NOI/Total Project Costs		
Project Costs		Return on Cost (no City \$)		6.94%
Acquisition Costs	\$14,475,000	Return on Cost (with City \$)		7.86%
Hard Costs	\$51,054,525			
Soft Costs	\$11,970,000			
FFE Costs	\$5,250,000			
Public Improvement costs	\$7,130,500			
Total Project Cost (incl. public)	\$89,880,025			

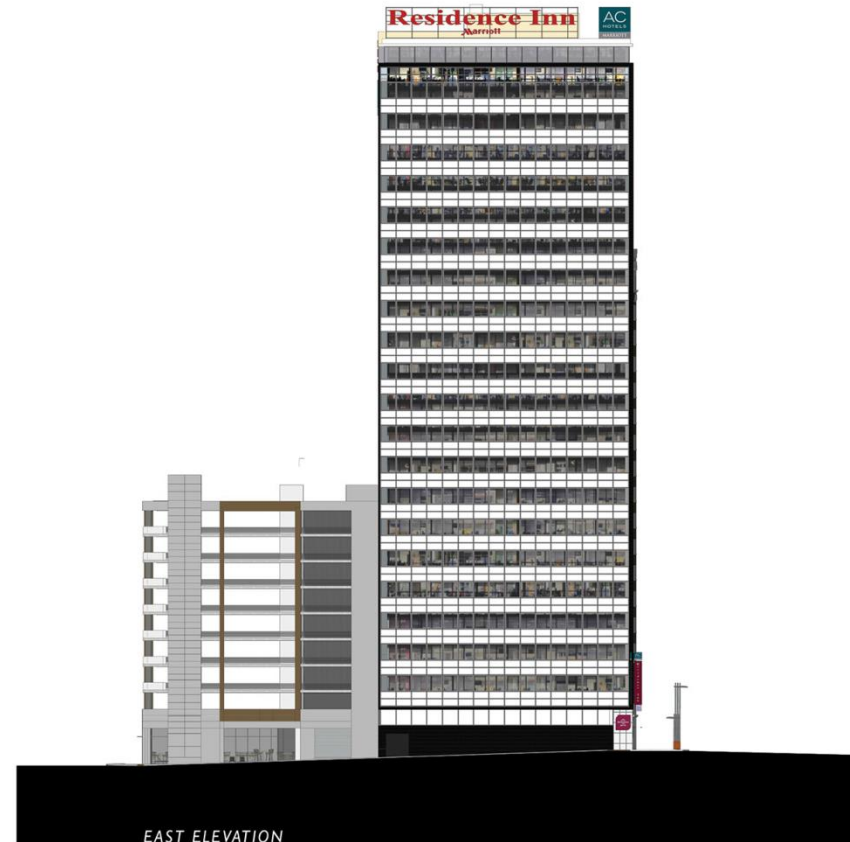
1712 Commerce Hotel *Developer*

- NewcrestImage, LLC, parent company of Supreme Bright Dallas II, LLC, is privately owned and operated since 1977.
- Texas based hotel development, construction, and management firm (see Appendix D).
- Successful track record in rehabilitating historic buildings
 - Fisk Medical Arts Building in Amarillo, TX
- Earned top recognition in hospitality excellence
 - Courtyard by Marriott at the Historic Fisk Building in Downtown Amarillo, TX won the top design award for adaptive reuse of a historic building from the Texas Downtown Association (TDA) in 2011
 - Hampton Inn & Suites in Waco, TX received Hilton's most prestigious award, the Connie Award in 2010
 - Fairfield Inn & Suites in Marshall, TX received Marriott's prestigious award, the Diamond Award in 2010



1712 Commerce Hotel

Project elevations



1712 Commerce Hotel *Parking Garage*



NEW PROPOSED GARAGE LOOKING NORTH



NEW PROPOSED GARAGE LOOKING NORTHWEST



NEW PROPOSED GARAGE LOOKING NORTH



NEW PROPOSED GARAGE LOOKING NORTHEAST

1700 Commerce Hotel

Project elevations



1712 Commerce Hotel

Project Rendering



VIEW LOOKING SOUTHWEST

1700 Commerce Hotel *Project Rendering*



1712 Commerce Hotel

Proposed TIF Funding

- Proposed TIF funds will reimburse costs associated with redeveloping a vacant building: environmental remediation/demolition , historic façade restoration, streetscape and utilities
- 1712 Commerce Hotel redevelopment project would not occur, but for TIF funding

Description	Amount
Redevelopment of Vacant Underutilized Downtown Buildings	
<i>Façade Restoration</i>	\$2,050,000
<i>Environmental Remediation/Demolition</i>	\$1,000,000
<i>Streetscape Improvements</i>	\$1,150,000
<i>Water and Sewer upgrades</i>	\$600,000
<i>Economic Development TIF Grant (offset costs of building mechanical systems and cost of the parking)</i>	\$5,700,000
Total TIF Funding Recommended	\$10,500,000

Note: (1) Costs may be moved between the categories based on actual expenditures except for the TIF Grant and as long as the total TIF reimbursement does not exceed \$10.5 million. (2) No interest shall accrue on any portion of the TIF Reimbursement; and (3) If Dallas Water Utility (DWU) reimburses/funds partially or completely towards the utility upgrades on Commerce Street, Prather Street, Jackson Street and Ervay Street, TIF reimbursement will be reduced by amount of DWU funding.

1712 Commerce Hotel

TIF Board Funding Recommendation

- On March 12, 2015, the Downtown Connection TIF District Board of Directors reviewed and approved TIF funding for the 1712 Commerce Hotel redevelopment project in an amount not to exceed \$10,500,000 (see Appendix A).

Strategic Importance of Proposed Project

- Activates a vacant building in the downtown core
- Activates the ground floor of a building located on a street with heavy pedestrian activity



Remaining Downtown Projects/Priorities

- \$21.3 M left for project funding (see Appendix C)
- Projects Anticipated to Request TIF Funding:
 - Ross/Field Project
 - Spire Project
 - Redevelopment Block (1607 Main Street, 1615 Main Street, 1600 - 1614 Elm Street)
 - Thanksgiving Square
 - 500 S. Ervay Street

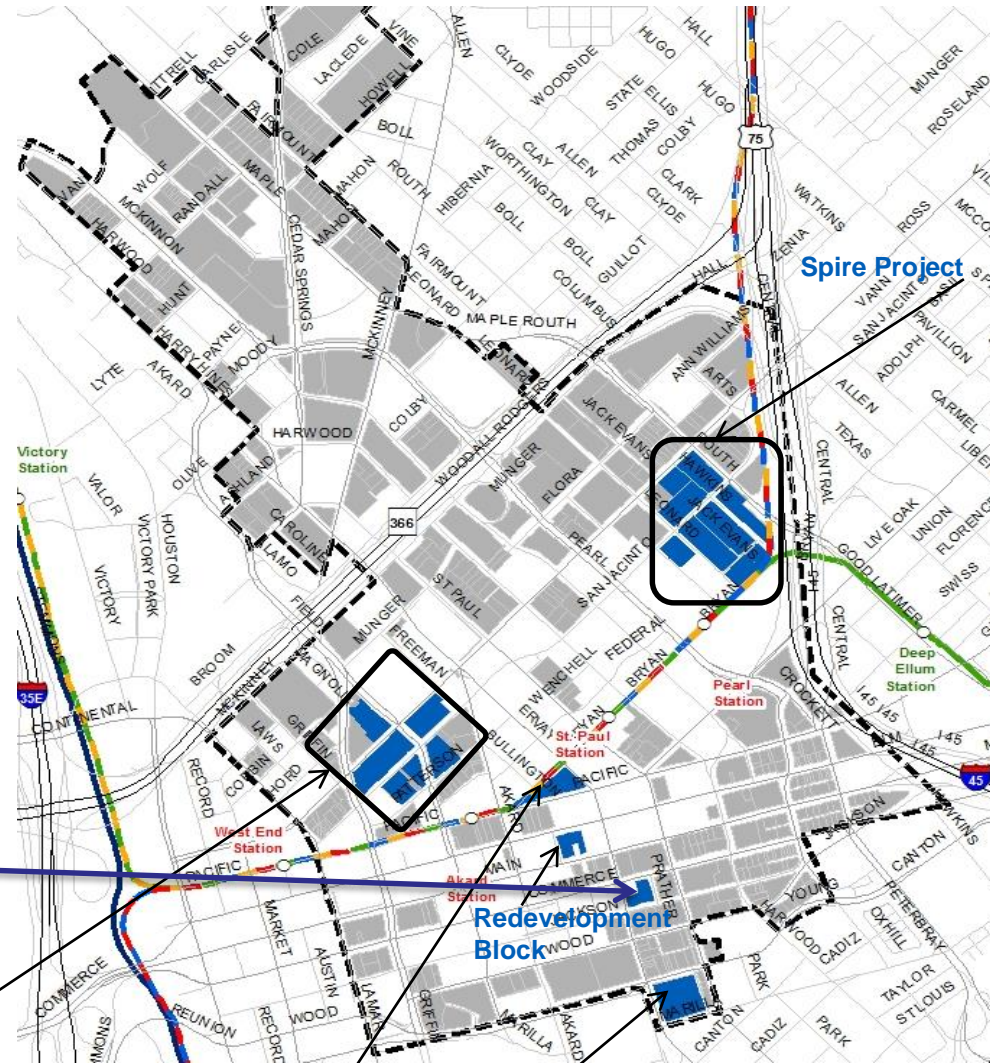
Project under consideration
1712 Commerce

Ross/Field Project

500 S. Ervay

Thanksgiving Square

Redevelopment Block



Recommendation

- Staff requests ECO Committee's approval of consideration of a development agreement with Supreme Bright Dallas II, LLC, for TIF reimbursement not to exceed \$10,500,000 for the 1712 Commerce Hotel project by City Council at their May 27, 2015 Council meeting.

APPENDICES

Appendix A: 1712 Commerce Hotel

TIF Funding Conditions

- Minimum private investment of \$39,000,000 for the Project, inclusive of acquisition, construction and construction related soft costs.
- Redevelopment of the Property shall include :
 - Minimum 9,000 square feet of retail space;
 - Minimum 100,000 square feet (approximately 190 hotel rooms) of hotel space; and
 - Minimum 100,000 square feet of parking garage (approximately 300 parking spaces)
- Obtain building permit and start construction and/or demolition for Project by September 30, 2015;
- Obtain a building and/or demolition permit by December 1, 2015;
- Obtain final acceptance of public infrastructure improvements associated with Project by July 1, 2017 and submit documentation to the Office of Economic Development (the “OED”);
- Execute Operating and Maintenance agreement for non-standard public infrastructure improvements by July 1, 2017, for a period of 20 years;

Appendix A: 1712 Commerce Hotel

TIF Funding Conditions (Continued)

- On December 19, 2014, Urban Design Peer Review Panel (the “UDPRP”), met and recommended the following changes:
 - Utilize the pool area as a way to activate the street level interaction and suggests increasing the height of the pool area to vibrate the presence along the street
 - Soften parking structure lighting and articulate building façade lighting to better integrate into the urban setting
- 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 6 months, with Director and Downtown Connection TIF District Board of Directors approval

Appendix B: Downtown Connection TIF District *Reimbursement Queue*

Downtown Connection TIF District
Reimbursement Queue
As of April 2015

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	In Progress
2	Hall Lone Star ²	5/30/2010	Completed	\$852,764	\$2,000,000	\$1,078,635	No	Paid In Full
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	\$9,230,391	No	Paid In Full
5	Joule Hotel Expansion	1/19/2011	Completed	\$20,658,500	\$0	\$20,658,500	No	In Progress
6	Atmos Complex Phase I	6/20/2011	Completed	\$3,250,000	\$3,000,000	\$6,250,000	No	To Be Paid
7	Joule Hotel Expansion Amendment	8/10/2011	Completed	\$3,194,409	\$0	\$3,194,409	No	To Be Paid
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	Completed	\$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	Approved	\$10,300,000	\$0	\$10,300,000	No	N/A
12	LTV Tower Project	5/5/2014	Under Construction	\$17,500,000	\$0	\$17,500,000	No	N/A
13	The Olympic	10/24/2014	Under Construction	\$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	Statler/Library/Jackson Street	TBD	Under Construction	\$46,500,000	\$0	\$46,500,000	No	N/A
TBD	Mayflower Building (411 N. Akard St.)	TBD	Approved	\$10,000,000	\$0	\$9,000,000	No	N/A
TBD	1712 Commerce	TBD	Under Consideration	\$10,500,000	\$0	\$10,500,000	No	N/A

\$234,724,642

Appendix C: Downtown Connection TIF District

Budget Status

- Total Remaining Funds for Projects: \$21,360,475 (subject to 1712 Commerce Project approval)
- Projects Anticipated to Request TIF Funding
 - Ross/Field Project
 - Spire Project
 - Redevelopment Block (1607 Main Street, 1615 Main Street, 1600 - 1614 Elm Street)
 - Thanksgiving Plaza Area
 - 500 S. Ervay Street
 - Tower Petroleum & Corrigan Tower

Downtown Connection TIF District Current Projected Increment Revenues to Retire TIF Fund Obligations			
Category	B	C	B - C
	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	\$256,031,117	\$234,724,642	\$21,306,475
Uptown/Downtown connection improvements	\$0	\$0	\$0
Park and plaza design and acquisition	\$3,181,489	\$0	\$3,181,489
Affordable Housing²	\$3,000,000	\$3,000,000	\$0
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	\$1,299,539	\$6,833,029
Debt Service (Interest Only)	\$150,363,000	\$150,363,000	\$0
Total Project Costs	\$491,208,174	\$458,359,490	\$32,848,684

¹TIF Budget shown above in total dollars; TIF Project Plan shows the budget in net present value
²The Affordable Housing line item has been reduced by the amount of money allocated to the Continental and 411 N. Akard projects
³The 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

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.

Appendix D: 1712 Commerce Hotel

Project Team

- Developer – Supreme Bright Dallas II, LLC

Leadership Team

- Mehul Patel, Chairman & Chief Executive Officer
- Chirag Patel, Chief Financial Officer
- Daxesh Patel, Chief Operating Officer Construction Finance
- Yogi Patel, Chief Operating Officer Hotel Management
- Mital Patel, Chief Administrative Officer
- Sanjay Patel, Chief Officer Construction Project Manager

- Architect – Merriman Associates Architects, Inc

Appendix E: Increment Collection Projections

Year	Property Value	Property Value	Comp. Value	Anticipated Captured	Anticipated Increment	Anticipated Increment	Anticipated Increment	TOTAL
Funds Arrive	Total	Growth	Growth	Value	Revenue CITY	Revenue COUNTY	Revenue TOTAL	2006 NPV @ 5.00%
2006	\$561,696,137							
2007	\$759,033,448	35.13%	35.13%	\$197,337,311	\$1,208,059		\$1,438,614	\$1,370,108
	\$759,016,948			\$197,320,811		\$230,555		
2008	\$989,078,707	30.31%	76.09%	\$427,382,570	\$2,844,731		\$3,396,536	\$4,450,867
	\$988,341,787			\$426,645,650		\$551,805		
2009	\$1,515,616,786	53.24%	169.83%	\$953,920,649	\$6,065,898		\$7,224,872	\$10,691,983
	\$1,595,047,713			\$1,033,501,376		\$1,158,974		
2010	\$ 1,512,292,589	-0.22%	169.24%	\$ 947,375,272	\$6,768,369		\$7,886,151	\$17,179,939
	\$1,559,199,640			\$ 994,432,123		\$1,117,782		
2011	\$1,539,047,900	1.77%	173.01%	\$ 974,130,583	\$6,849,382		\$8,182,245	\$23,590,942
	\$1,583,755,734			\$ 1,018,988,217		\$1,332,864		
2012	\$1,546,807,101	0.50%	174.38%	\$ 981,889,784	\$7,235,640		\$8,557,298	\$29,976,530
	\$1,589,222,014			\$ 1,024,304,697		\$1,321,658		
2013	\$1,747,004,927	12.94%	209.25%	\$ 1,182,087,610	\$8,408,406		\$10,024,261	\$37,100,585
	\$1,791,557,491			\$ 1,226,640,174		\$1,615,855		
2014	\$2,151,461,278	23.15%	281.42%	\$ 1,586,543,961	\$11,306,531		\$13,429,720	\$46,190,348
	\$2,194,764,321			\$ 1,629,847,004		\$2,123,189		
2015	\$2,343,360,262	8.92%	315.38%	\$ 1,778,442,945	\$12,756,771		\$15,198,483	\$55,987,426
	\$2,391,110,733			\$ 1,826,193,416		\$2,441,712		
2016	\$2,663,588,801	13.67%	372.07%	\$ 2,098,671,484	\$15,053,771	\$2,806,029	\$17,859,799	\$66,951,794
2017	\$2,948,820,237	10.71%	422.56%	\$ 2,383,902,920	\$17,099,736	\$3,187,397	\$20,287,133	\$78,813,260
2018	\$3,203,957,492	8.65%	467.73%	\$ 2,639,040,175	\$18,929,835	\$3,528,529	\$22,458,364	\$91,318,918
2019	\$3,345,186,642	4.41%	492.73%	\$ 2,780,269,325	\$19,942,872	\$3,717,359	\$23,660,231	\$103,866,443
2020	\$3,669,385,290	9.69%	550.11%	\$ 3,104,467,973	\$22,268,349	\$4,150,829	\$26,419,178	\$117,209,923
2021	\$3,893,475,562	6.11%	589.78%	\$ 3,328,558,245	\$23,875,748	\$104,543	\$23,980,292	\$128,744,853
2022	\$3,996,878,724	2.66%	608.09%	\$ 3,431,961,407	\$24,617,459	\$0	\$24,617,459	\$140,022,395
2023	\$4,076,816,298	2.00%	622.24%	\$ 3,511,898,981	\$25,190,851	\$0	\$25,190,851	\$151,013,080
2024	\$4,161,541,544	2.08%	637.23%	\$ 3,596,624,227	\$25,798,586	\$0	\$25,798,586	\$161,732,925
2025	\$4,244,772,375	2.00%	651.97%	\$ 3,679,855,058	\$26,395,600	\$0	\$26,395,600	\$172,178,561
2026	\$4,335,001,203	2.13%	667.94%	\$ 3,770,083,886	\$27,042,812	\$0	\$27,042,812	\$182,370,712
2027	\$4,421,701,227	2.00%	683.29%	\$ 3,856,783,910	\$27,664,711	\$0	\$27,664,711	\$192,300,749
2028	\$4,510,135,251	2.00%	698.94%	\$ 3,945,217,934	\$28,299,048	\$0	\$28,299,048	\$201,974,775
2029	\$4,607,425,456	2.16%	716.16%	\$ 4,042,508,139	\$28,996,911	\$0	\$28,996,911	\$211,415,337
2030	\$4,699,573,965	2.00%	732.47%	\$ 4,134,656,648	\$29,657,892	\$0	\$29,657,892	\$220,611,298
2031	\$4,770,082,205	1.50%	744.96%	\$ 4,205,164,888	\$30,163,648	\$0	\$30,163,648	\$229,518,706
2032	\$4,817,783,027	1.00%	753.40%	\$ 4,252,865,710	\$7,377,478	\$0	\$7,377,478	\$231,593,554
2033	\$4,865,960,857	1.00%	761.93%	\$ 4,301,043,540	\$0	\$0	\$0	\$231,593,554
2034	\$4,914,620,466	1.00%	770.54%	\$ 4,349,703,149	\$0	\$0	\$0	\$231,593,554
2035	\$4,963,766,670	1.00%	779.24%	\$ 4,398,849,353	\$0	\$0	\$0	\$231,593,554
2036	\$5,013,404,337	1.00%	788.03%	\$ 4,448,487,020	\$0	\$0	\$0	\$231,593,554
TOTAL During TIF					\$461,819,094	\$24,824,179	\$491,208,174	\$231,593,554
2006 NPV @ 5%		4.66%			\$213,093,553	\$18,500,000	\$231,593,554	