

# Memorandum



DATE February 13, 2015

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

SUBJECT **The Mayflower Building (411 N. Akard Street) Downtown Connection TIF District**

On Tuesday, February 17, 2015 the Economic Development Committee will be briefed on the Mayflower Building redevelopment project in the Downtown Connection TIF District.

Briefing material is attached.

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



Ryan S. Evans  
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  
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

# The Mayflower Building (411 N. Akard Street) *Downtown Connection TIF District*

Economic Development Committee  
February 17, 2015



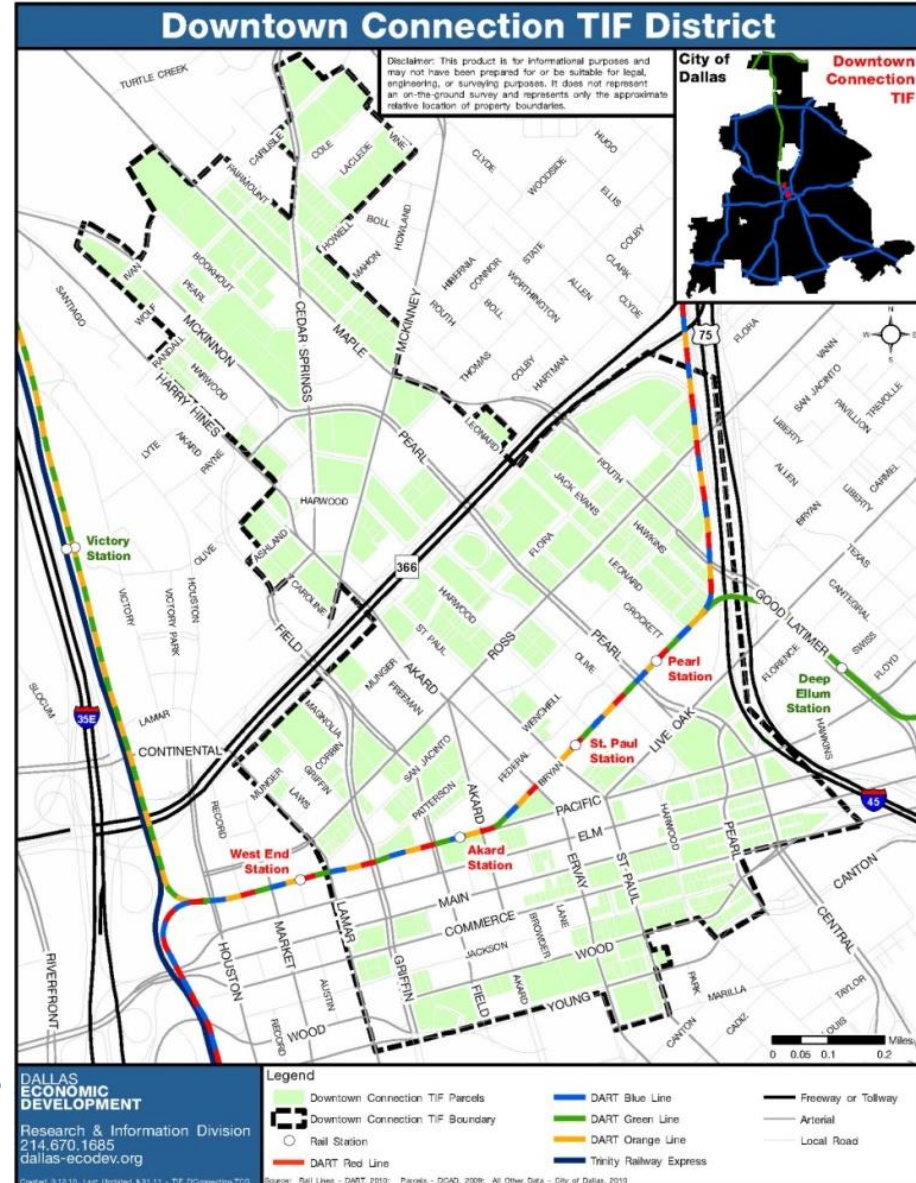
# Purpose

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- Provide background information on Downtown Connection TIF District
- Review the Mayflower Building redevelopment project
- Review Budget Status of Downtown Connection TIF District
- Obtain Economic Development Committee's approval for consideration of the project by City Council on February 25, 2015

# Downtown Connection TIF District Background

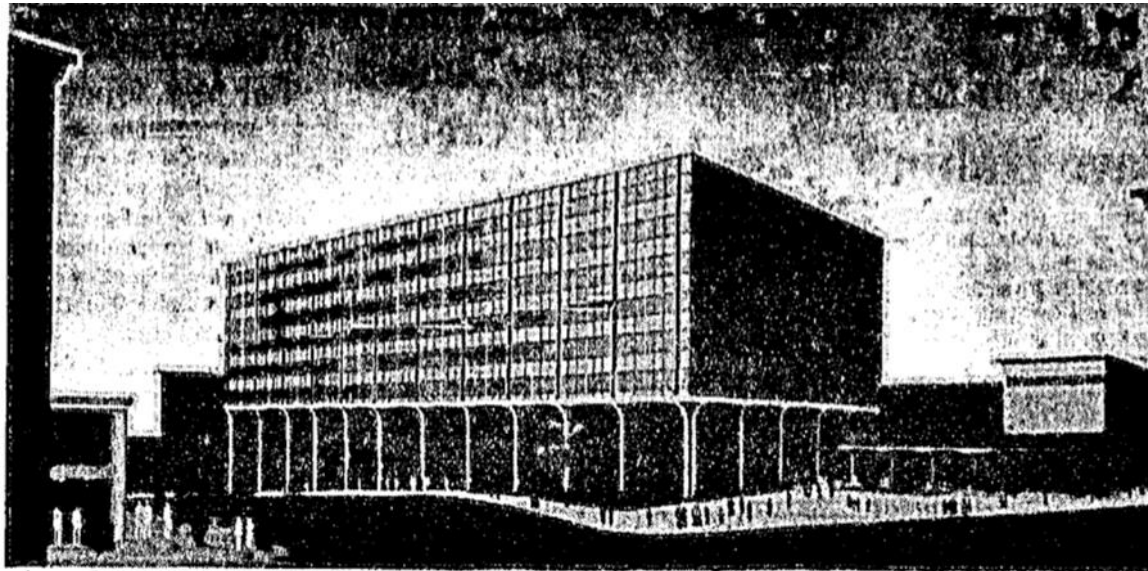
- Created June 2005
- Project Plan and Reinvestment Zone Financing Plan originally approved August 2005, amended May 2013 to increase budget for district
- Expires December 31, 2035, or when approximately \$514.9 million in TIF increment has been collected (NPV of \$231.6 million)
- Established to fund 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 Connection TIF District

## *411 N. Akard Street*

- Constructed in 1965, 9-Story building, 750 space sub-surface garage
- Building has been vacant for nearly 10 years
- Sub-surface garage currently services Ross Tower adjacent to building



### **HOW MAYFLOWER OFFICE BUILDING WILL LOOK**

Here is Architect Thomas E. Stanley's rendering of the proposed new 9-floor Mayflower Office and Self-Park Garage Building, to occupy most of the block bounded by Akard, Federal, Field and Patterson. The office building will have retail and cafeteria space located on the first floor, according to Charles S. Sharp, president of Mayflower In-

vestment Co., the Fidelity Union Life Insurance Co. subsidiary which is putting it up. The second through eighth floor will contain 45,000 square feet of gross rentable space per floor. Lower floors will contain 750 car stalls for convenience of tenants, as well as for patrons of Sanger-Harris at the department store's announced new location.

# The Mayflower Building (411 N. Akard Street)

## *Project Location*



# The Mayflower Building (411 N. Akard Street)

## *Project Description*

- Residential: 215 residential units (43 Affordable units – 20%)
- Retail/Restaurant: 13,700 sf retail/restaurant space on ground floor
- Residential Parking: 2<sup>nd</sup> and 3<sup>rd</sup> floors converted to 216 parking spaces for residents
- Existing 750 parking spaces below building will not be accessible to residents
- Project Cost: \$56,109,085
- Start Construction: 09/2015
- Complete Construction: 06/2017
- Design Review: Urban Design Peer Review Panel reviewed the project's design 11/21/2014
- Historic Tax Credits: Developer has applied for Historic Tax Credits for project



# The Mayflower Building (411 N. Akard Street)

## *Developer – Historic Restoration, Inc.*

- Historic Restoration, Inc (HRI Properties), a New Orleans based, full service real estate development company and a national leader in the adaptive reuse of historic structures and creation of large-scale mixed-use projects.
- HRI Properties has redeveloped 70 projects nationwide totaling \$2 billion in development costs
  - 5,226 apartment units and condominiums
  - 298,380 sq. ft. retail space
  - 4,066 hotel rooms
  - 1,080,024 sq. ft. office space
- The group is currently redeveloping 1600 Pacific Street building (LTV Tower) downtown into a mixed use building with 171 hotel rooms (Hilton Garden Inn), 186 apartments and ground floor retail/restaurant uses





# The Mayflower Building (411 N. Akard Street)

## *Project Funding Sources and Uses*

Sources	Amount	%	Uses
Developer Equity	\$9,870,940	18%	Acquisition and Construction
Project Financing	\$24,000,000	43%	Construction
Federal Historic Tax Credit	\$9,302,596	17%	Construction
State Historic Tax Credit	\$8,435,549	15%	Construction
Deferred Developer Fee	\$3,500,000	6%	Construction
Affordable Housing TIF Grant	\$1,000,000	2%	Construction
<b>\$56,109,085 100%</b>			

# The Mayflower Building (411 N. Akard Street)

## *Proposed TIF Funding*

- Majority of proposed TIF funds will reimburse costs associated with redeveloping a vacant building: demolition and abatement, historic façade restoration, streetscape and utilities
- Project will provide 20% (43 units), double the minimum affordable residential units required for TIF funding (10%), as a result, project is eligible for an Affordable Housing TIF Grant
- The Affordable Housing TIF Grant is payable upon receipt of a CO for the residential portion of the project
- The Mayflower Building redevelopment project would not occur, but for TIF funding
- Specific TIF Funding Conditions, see **Appendix B**

Description	Amount
<b>Redevelopment of Vacant/Underutilized Downtown Buildings</b>	
Streetscape/Utilities	\$837,188
Demolition and Abatement	\$2,192,139
Historic Façade Restoration	\$1,770,919
Architectural and Engineering	\$500,000
Economic Development TIF Grant <i>(building mechanical systems)</i>	\$3,699,754
<b>Affordable Housing TIF Grant</b> <i>(Separate DCTIF Line Item)</i>	\$1,000,000
<b>Total Proposed TIF Funding</b>	<b>\$10,000,000</b>

# The Mayflower Building (411 N. Akard Street)

## *TIF Board Funding Recommendation*

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- On December 11, 2014, the Downtown Connection TIF District Board of Directors reviewed and approved TIF funding for the Mayflower Building redevelopment project in an amount not to exceed \$10,000,000.
- On February 12, 2014, the Downtown Connection TIF District reviewed and approved revised conceptual design plans for the project.

# Strategic Importance of Proposed Project

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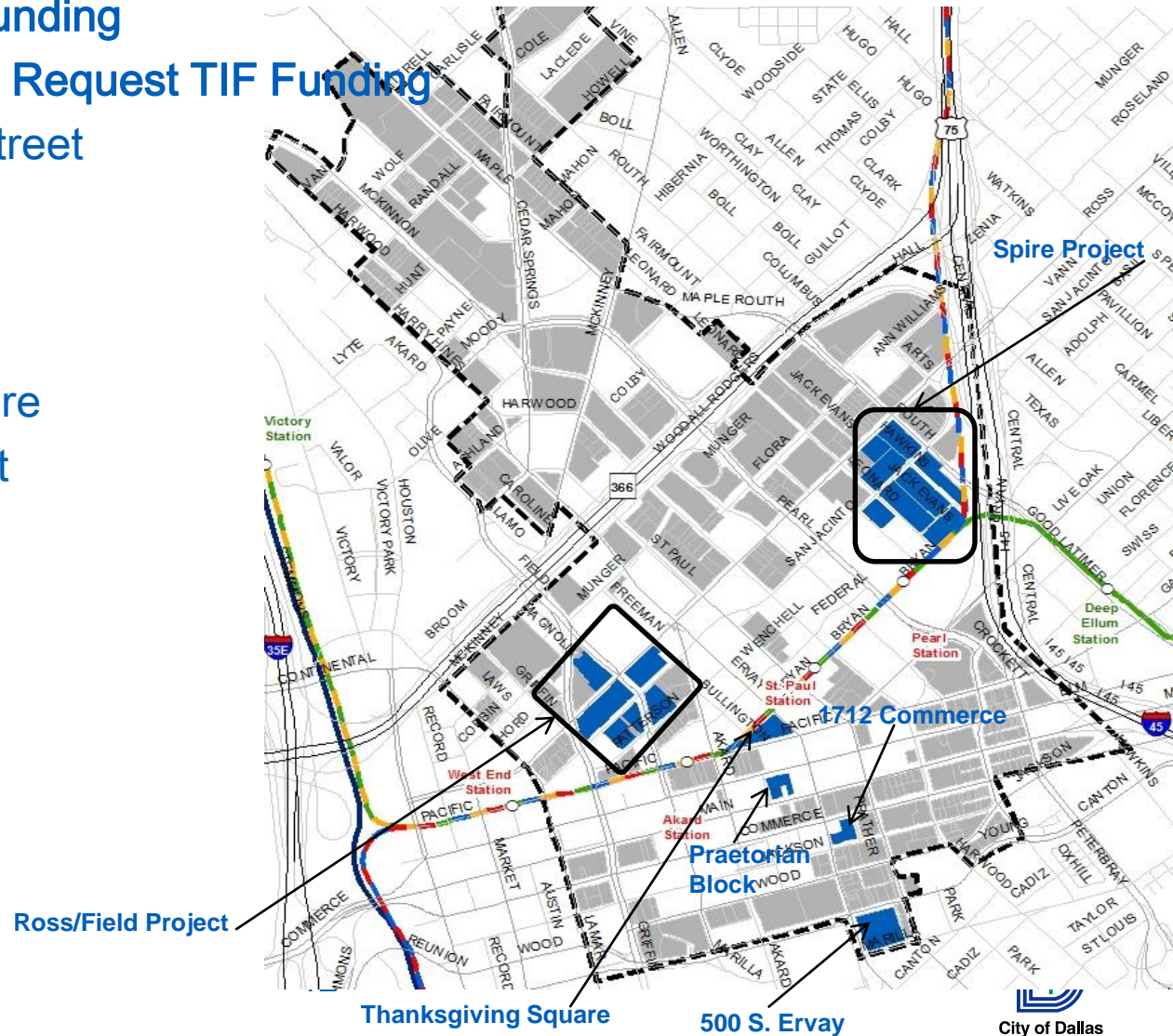
- Activates a vacant building in the downtown core
- Adds to the residential population downtown
- Adds to the number of affordable residential unit stock downtown
- Activates the ground floor of a building located on a street with heavy pedestrian activity

# Remaining Downtown Projects/Priorities

\$33M left for project funding

## Projects Anticipated to Request TIF Funding

- 1712 Commerce Street
- Ross/Field Project
- Spire Project
- Praetorian Block
- Thanksgiving Square
- 500 S. Ervay Street



# Recommendation

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- Staff requests ECO Committee's approval of consideration of a development agreement with Akard Owner, LLC, for TIF reimbursement not to exceed \$10,000,000 for the Mayflower Building redevelopment project by City Council at their February 25, 2015 Council meeting.

# APPENDICES

# Appendix A: Project Requirements/Other Information

Mayflower Building Project Facts	
Minimum Residential Space (required)	130,000 s.f. Approx. 161 Units
Minimum Affordable Housing Units Required	22 Units or 10% of Total Residential Units
Number of Affordable Units Provided with Project	43 Units or 20% of Total Residential Units
Minimum Retail Space	10,275 s.f.
Parking Spaces	156 parking spaces
Required Private Investment – (construction hard and soft costs)	Min. \$39,000,000
Expected Total Project Cost	\$56,109,085
TIF Funding	\$10,000,000
% TIF funds to total project cost	17.82%
Return on Cost without TIF	4.6%
Return on Cost with TIF	5.8%
Deadline to Obtain Building Permit	September 2015
Deadline to Obtain Final CO	June 2017



# Appendix B: The Mayflower Building (411 N. Akard Street)

## *Highlights of 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 (the “Project Improvements”):
  - Minimum 6,850 square feet of finished ground floor retail, restaurant, business center, and/or commercial space, including residential leasing office and fitness center, plus a minimum of 3,425 ground floor square feet completed to white box condition; and
  - Minimum 130,000 net leasable residential space (approximately 161 units); and
  - Public Infrastructure Improvements
- Obtain building permit and start construction and/or demolition for Project by September 30, 2015;
- Obtain Certificate of Occupancy (CO) for residential portion of Project by June 30, 2017;
- Obtain final acceptance of public infrastructure improvements associated with Project by June 30, 2017 and submit documentation to the Office of Economic Development (the “OED”);
- Execute Operating and Maintenance agreement for non-standard public infrastructure improvements by June 30, 2017, for a period of 20 years;

# Appendix B: The Mayflower Building (411 N. Akard Street)

## *Highlights of TIF Funding Conditions (Continued)*

- **Mixed Income Housing Requirement:** A minimum of 20% 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;
- At least 6,850 square feet of finished ground floor retail, restaurant, business center, and/or commercial space, including residential leasing office and fitness center, plus a minimum of 3,425 ground floor square feet finished to white box condition, must be completed by June 30, 2017;
- 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 C: The Mayflower Building (411 N. Akard Street)

## Project Proforma

Mayflower Building (411 N. Akard St.) Project Proforma			
Downtown Connection TIF District			
<b>PROJECT DESCRIPTION:</b>	411 N. Akard Street		
<b>PROJECT TYPE:</b>	Mixed Use		
<b>CONSTRUCTION START DATE:</b>	September 30, 2015		
<b>PROJECT COMPLETION:</b>	June 30, 2017		
<b>Residential Units</b>	<b>SF</b>	<b>Avg Unit Size</b>	
215 Units	174,055	810	
<b>Use Breakdown</b>	<b>SF</b>	<b>Tot. Leasable SF</b>	<b>Total Bldg SF (Gross)</b>
Residential	174,055	302,854	360,970
Retail	10,965		
Parking	117,834		
Back of House/Common Area	55,316		
Res. Leasing Office & Fitness Center	3,800		
<b>Income</b>			
			Residential Revenue \$3,534,013
			Res. Parking Revenue \$362,880
			Retail/Restaurant/Commercial \$282,940
			Other Income \$74,773
			<b>Total Income \$4,179,833</b>
<b>Expenses</b>			
			Expenses
			General & Administrative (includes payroll) (\$394,158)
			Repairs & Maintenance (\$131,665)
			Advertising & Marketing (\$28,841)
			Insurance (\$73,147)
			Utilities (\$168,865)
			Management Fees (\$167,193)
			Property Taxes & Franchise Taxes (\$816,321)
			Replacement Reserves - Apartments (\$70,221)
			Replacement Reserves - Commercial (\$2,926)
			<b>Total Expenses (\$1,850,412)</b>
<b>NOI</b>			
			<b>\$2,329,421</b>
<b>Notes</b> : Stabilized rates in 2021; Revenue reflects vacancy rates Residential (6%), Retail (20%)			
<b>Project Costs</b>			
Hard Cost	\$36,771,617		
Soft Cost (less Developers Fee)	\$6,337,469		
Acquisition	\$7,000,000		
<b>Total Project Cost (without City \$)</b>	<b>\$50,109,085</b>		
Total Project Cost	\$50,109,085		
TIF Assistance	\$10,000,000		
<b>Net Cost to Developer</b> (after TIF reimbursement)	<b>\$40,109,085</b>		
<b>Return on Cost Analysis</b>			
<b>NOI/Total Project Costs</b>			
Return on Cost (without City \$)	4.6%		
Return on Cost (with City \$)	5.8%		

# Appendix D: Downtown Connection TIF District Reimbursement Queue

## Downtown Connection TIF District Reimbursement Queue As of November 2014

Reimbursement Priority <sup>1</sup>	Project Name	Priority Date	Construction Status	Primary TIF Reimbursement	Maximum Interest	Total Eligible TIF Reimbursement	Project Generated Increment Only <sup>4</sup>	Reimbursement Status
1	Stoneleigh Hotel	5/30/2010	Completed	\$2,500,000	\$0	\$2,500,000	Yes	To Be Paid
2	Hall Lone Star <sup>2</sup>	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	To Be Paid
5	Joule Hotel Expansion	1/19/2011	Completed	\$20,658,500	\$0	\$20,658,500	No	To Be Paid
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 <sup>3</sup>	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 <sup>2</sup>	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
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	Approved	\$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
						<b>\$220,638,580</b>		

### Notes:

<sup>1</sup>The 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.

<sup>2</sup>Hall 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.

<sup>3</sup>The Total TIF Reimbursement for the Continental Building project is \$22,028,288 (includes an additional \$2.5M in bond proceeds and \$2M in affordable housing funds).

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

# Appendix D: Downtown Connection TIF District Budget Status

Total Remaining Funds for Projects: \$33,038,212

## Projects Anticipated to Request TIF Funding

- 1712 Commerce Street
- Ross/Field Project
- Spire Project
- Praetorian Block
- Thanksgiving Plaza Area
- 500 S. Ervay Street

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			
Category	B	C	B - C
	Estimated Total Dollar TIF Budget	Allocated <sup>3</sup>	Estimated Total Dollar Balance
<b>Catalyst Projects:</b> - 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
<b>Redevelopment of Vacant/Underutilized Downtown Buildings, Underdeveloped Parcels, Surface Parking Lots</b> - Environmental remediation, interior/exterior demolition, historic façade restoration, street/utility improvements, land acquisition, TIF grants, affordable housing	\$253,676,792	\$220,638,580	<b>\$33,038,212</b>
<b>Uptown/Downtown connection improvements</b>	\$0	\$0	\$0
<b>Park and plaza design and acquisition</b>	\$3,166,141	\$0	\$3,166,141
<b>Affordable Housing<sup>2</sup></b>	\$3,000,000	\$2,000,000	\$1,000,000
<b>Retail Initiative/Streetscape Improvements</b>	\$1,985,000	\$459,845	\$1,525,155
<b>Downtown Area Plan</b>	\$515,000	\$512,464	\$2,536
<b>Administration and Implementation</b>	\$8,132,568	\$798,136	\$7,334,432
<b>Debt Service (Interest Only)</b>	\$150,363,000	\$150,363,000	\$0
<b>Total Project Costs</b>	\$488,838,501	\$442,772,025	\$46,066,476

<sup>1</sup>TIF Budget shown above in total dollars; TIF Project Plan shows the budget in net present value  
<sup>2</sup>The Affordable Housing line item has been reduced by the amount of money allocated to the Continental project  
<sup>3</sup>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