

Memorandum



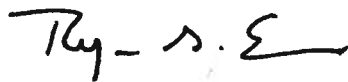
DATE April 15, 2016

TO Members of the Economic Development Committee:
Rickey D. Callahan (Chair), Casey Thomas, II (Vice Chair), Adam Medrano,
Lee M. Kleinman, Carolyn King Arnold, B. Adam McGough

SUBJECT **Old Dallas High School Redevelopment Project – Deep Ellum TIF District**

On Monday, April 18, 2016, the Economic Development Committee will be briefed on the Old Dallas High School project to redevelop properties at the south east corner of Bryan and Pearl Streets in the Deep Ellum TIF District. Briefing materials are 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
Eisa Cantu, Assistant to the City Manager – Mayor & Council

Old Dallas High School Redevelopment Project

Deep Ellum TIF District

Economic Development Committee
April 18, 2016



**DALLAS
ECONOMIC
DEVELOPMENT**



City of Dallas

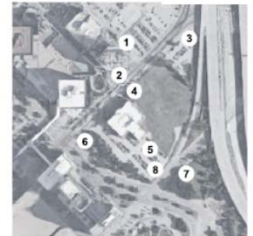
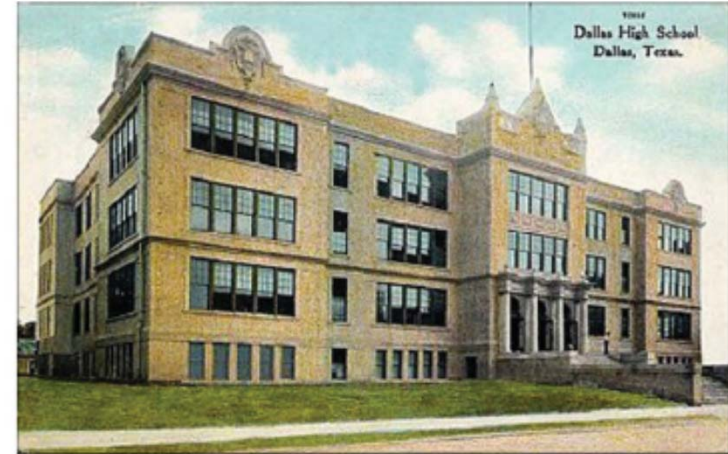
Purpose

- Review redevelopment of Old Dallas High School property assemblage at 2218 Bryan Street, located at the southeast corner of North Pearl Expressway and Bryan Street, in the Deep Ellum TIF
- Recommend Economic Development Committee approval of \$6.2 Million TIF funding commitment for Old Dallas High School project for council consideration on April 27, 2016

Old Dallas High School *Background*

Old Dallas High School –

- The original three-and-one-half story Classical Revival building, designed by Dallas architecture firm Lang & Witchell was completed in 1907. A subsequent addition was made in 1911
- Originally known as Dallas High School, the complex was renamed in 1941 for Dr. Norman Robert Crozier, a well-regarded principal and later DISD superintendent
- From 1942 to 1974 it served as the Crozier Technical High School

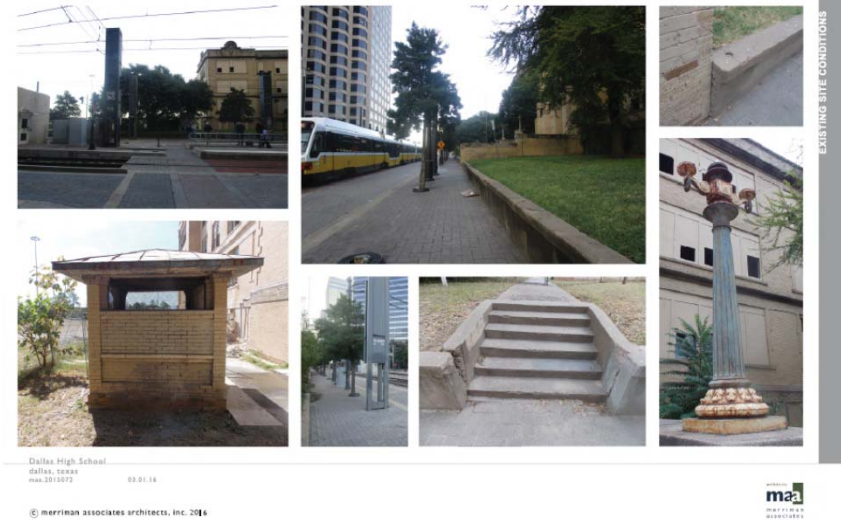


Existing site and parking lot photos

Dallas High School Background

(Cont'd)

- Vacant since the 1990s.
- Original structure, along with a 25'-0" buffer, was designated a City of Dallas Landmark in December 2000. It is also listed on the National Register of Historic Places
- MSW Crozier Tech, LP purchased the building in August 2015
- Matthews Holdings Southwest Inc. is the developer for the project
- Matthews Holdings Southwest Inc. and MSW Crozier Tech, LP will collectively be referred to as MSW
- Development of Old High School site creates unique redevelopment issues for Matthews Holdings Southwest because of historic restraints
- Remainder of site will not be owned by Matthews Holdings Southwest



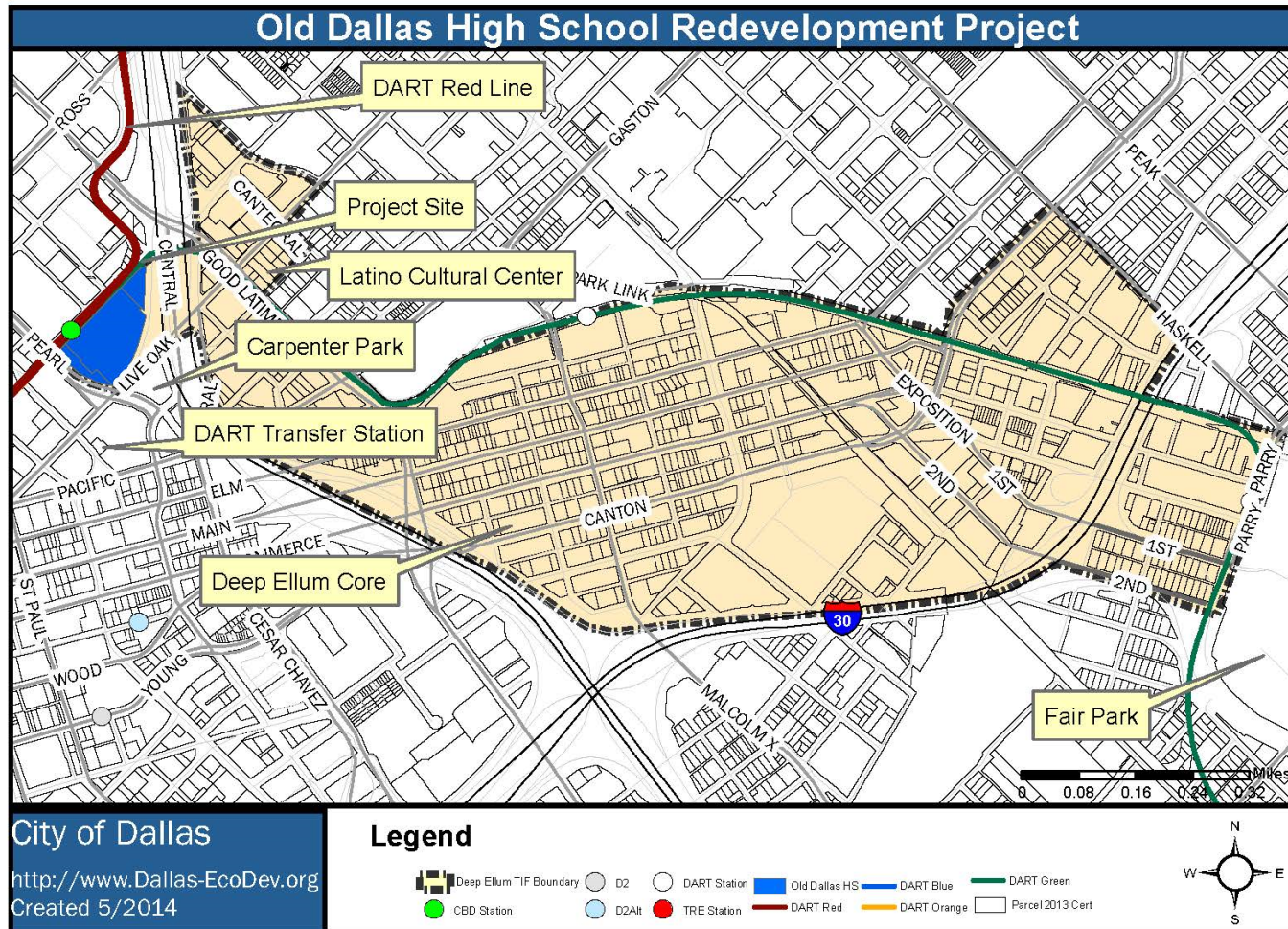
Existing site photos

Old Dallas High School Background (cont'd)

- **Redevelopment Plan**

- Once completed, the restored High School building will include approximately 26,000 square feet of retail space and 66,000 square feet of office space
- A new addition will be added to accommodate the retail space. It will be used as a restaurant and will have patio space
- 35,000 square feet of space will be rented to an architect firm
- The existing parking lot, mostly gravel and broken concrete, will be improved to serve the entire site
- The existing building will be restored to meet historic preservation standards
- Redevelopment of this site is an important link in the pedestrian connection between the Latino Cultural Center and Deep Ellum and the Arts District and the Downtown core
- Developers are also currently in discussions with TxDOT to remove an off ramp from US-75 for Live Oak to improve vehicular access to the site from Live Oak Street

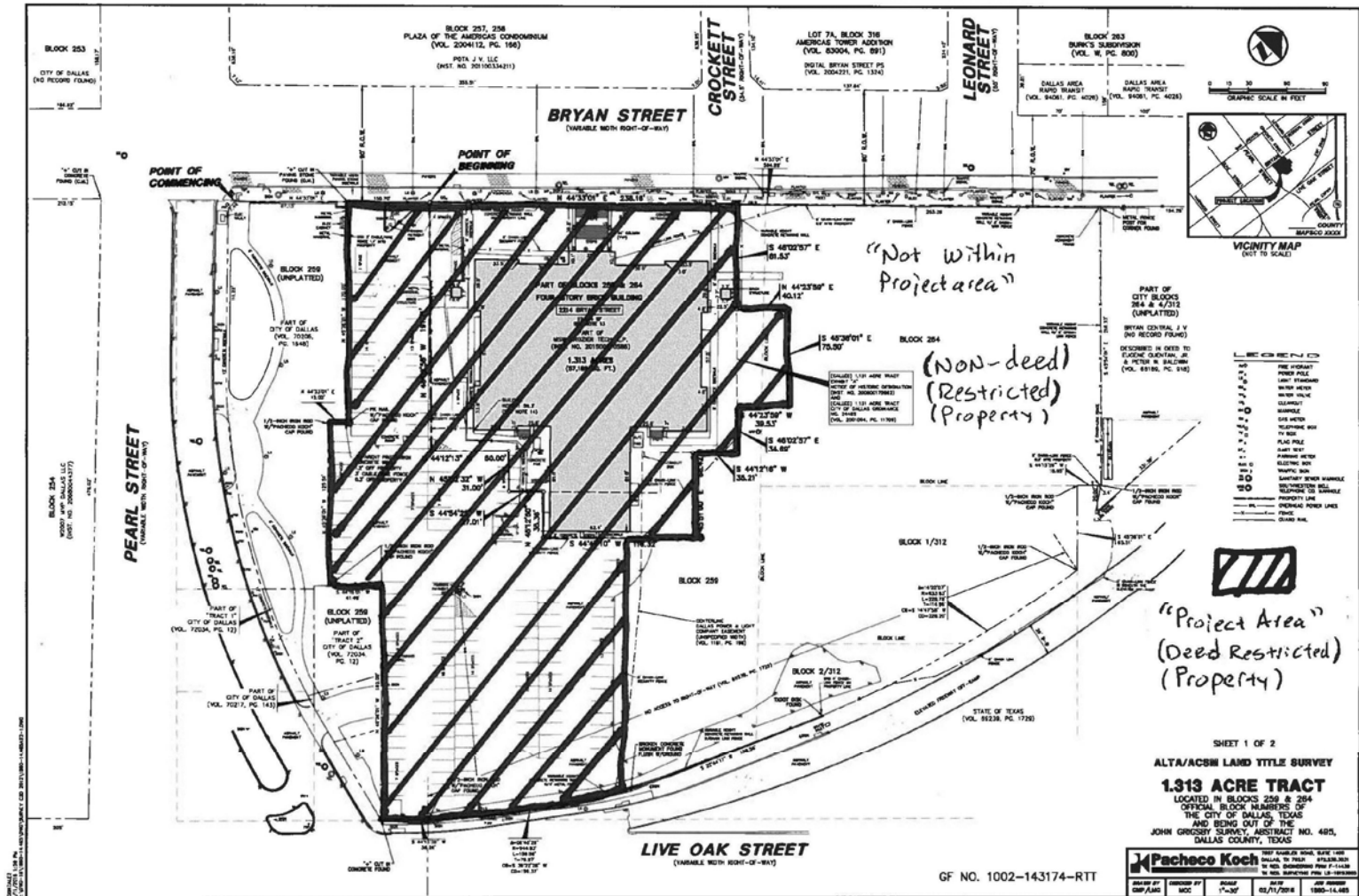
Project Site



Old Dallas High School - Redevelopment

- Multifamily residential rental units are not anticipated at this time, but if residential units are constructed within the project area, MSW will be required to comply with the Deep Ellum TIF Districts mixed income housing policy
- MSW Crozier Tech, LP intends to sell some of the remaining property surrounding the project area, however, if MSW (or its affiliate or subsidiary) retains any interest or repurchases such property and it's later developed as residential, MSW will be required to comply the TIF districts mixed income housing policy

Old Dallas High School – Site Map



Dallas High School - After Elevations



Dallas High School – Interior Design



Project Sponsorship

Matthews Southwest is parent company of Matthews Holdings Southwest, Inc. and MSW Crozier Tech, LP, headquartered in Lewisville, Texas with additional offices in Dallas, Texas; Calgary, Alberta; and Mississauga, Ontario. Since 1988, MSW has acquired, built, and managed the development of hotel, office, mixed use, retail, residential, entertainment and industrial developments. Locations of development projects include the United States, Canada, Mexico and Dubai per MSW EMEA (Europe, Middle East, and Africa). Dallas projects include South Side Flats by Jefferson, South Side on Lamar, NYLO Dallas South Side Hotel, Omni Dallas Convention Center Hotel, and Alamo Drafthouse Cinema (See Appendix A).

Old Dallas High School- *Strategic Importance*

- Redevelops key historic downtown Dallas building
- Help improve connection between downtown and Art District with Latino Cultural Center and Deep Ellum
- Creates pedestrian destination at a light rail station and enhances Carpenter Park
- Provides possibility of ultimately replacing highway ramp and improving vehicular access to site from Live Oak Street

Old Dallas High School

Project Funding Sources and Uses

Project Sources of Funding and Uses

Sources	Amount	%	Uses
Equity	\$11,816,550	23%	Acquisition and Construction
Construction Loan	\$25,204,771	50%	Construction
State Historic Tax Credits	\$6,179,179	12%	Construction
Federal Historic Tax Credits	\$7,209,042	14%	Construction
	\$50,409,542		

Old Dallas High School

Proposed TIF Funding

- Portion of TIF funds will reimburse streetscape, environmental remediation and demolition, and façade restoration.

Description	Amount	%
TIF Budget - Dallas HS Mixed Use Project		
Redevelopment of Vacant Buildings/Public Plazas		
<i>Paving Streetscape, & Lighting</i> (includes paving, landscaping, streetscaping, design, electrical, mechanical, and engineering costs)	\$ 450,000	7.2%
<i>Façade Restoration/Environmental Remediation & Demolition</i>	\$ 5,590,036	89.6%
<i>Economic Development TIF Grant</i>	\$ 200,898	3.2%
Total TIF Funding Proposed	\$ 6,240,934	

Old Dallas High School Project

TIF Board Funding Recommendation

- On March 28, 2016, the Deep Ellum TIF District Board of Directors reviewed and approved TIF funding for the Old Dallas High School project in an amount not to exceed \$6,240,934, of which \$200,898 is in the form of an Economic Development TIF Grant.

Old Dallas High School

Recommendations/Next Steps

- Request Economic Development Committee Approval for consideration by City Council at its April 27, 2016 meeting of a Development Agreement with MSW Crozier Tech, LP and Matthews Holdings Southwest, Inc. for a TIF Reimbursement not to exceed \$6,240,934



APPENDICES

Appendix A: Old Dallas High School *Project Team*

- **Matthews Holdings Southwest, Inc.** is an incorporated partnership firm based in Dallas, Texas. Its parent company, Matthews Southwest brings together financial resources and experienced management to form profitable relationships focused on creating projects of lasting excellence. Through the entire development cycle, MSW strategically selects projects that identify with their core values.
- **Jack Matthews – President.** Jack has led the completion of many diverse projects including hotels, condominiums, offices, retail, residential, and industrial space. His experience and mastery of all aspects of development from Imagining on creating, acquiring the land, financing the deal, building the project, then holding or selling on completion helps to create value at all stages in the progress.
- **Kristian Teleki – Senior Vice-President of Development.** Kristian has been successfully accountably for multiple facets and disciplines including: project management; civil design; project financing; Tax Increment Financing; city entitlements; asset leasing and sales; multi-million dollar demolition projects; and property acquisitions and dispositions.
- **Jerry Click – Vice President of Construction and Design.** Jerry works as part of the management team to coordinate and oversee the construction and design of major projects with a focus on quality execution and cost management. He has extensive expertise in dealing with large projects, historic renovations, and systems management.

Appendix B: Project Requirements/Other Information

Old Dallas High School Mixed Use Project Facts	
Minimum Retail Space	10,000 SF
Minimum Common Space	8,000 SF
Minimum Office Space	55,000 SF
Parking Spaces	150
Required Private Investment - (site acquisition, construction hard and soft costs)	Min. \$45,000,000
Expected Total Project Cost	\$50,409,542
TIF Funding	\$6,240,934
% TIF funds to total project cost	12%
Return on Cost without TIF	6.10%
Return on Cost with TIF	7.00%
Deadline to Obtain Building Permit	January 1, 2017
Deadline to Obtain Final CO	December 31, 2018

Appendix C: Highlights of TIF Funding Conditions

- Minimum private investment of at least \$33,000,000 for the project for land acquisition, hard, and construction related soft costs.
- Investment shall include a minimum of \$3,250,000 for the following TIF Eligible expenditures associated with the “Project”:
 - Paving, Streetscape, & Lighting – minimum \$250,000
 - Façade Restoration/Environmental/Remediation/Demolition – minimum \$3,000,000
- Redevelopment of the Project shall include a minimum of 73,000 square feet:
 - Minimum of 10,000 square feet of retail
 - Minimum of 55,000 square feet of office.
 - Minimum of 8,000 square feet of back of house/common space.
- Start construction for the Project by January 1, 2017;
- Certificate of Occupancy (CO) for the Project by December 31, 2018;
- 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;
- On November 20, 2015, the design for the project was reviewed by the Urban Design Peer Review Panel (the "UDPRP"), an independent group of design, engineering, and/or planning professionals selected by the Dallas City Manager and required for all Deep Ellum TIF District projects.

Appendix C: Highlights of TIF Funding Conditions *(Cont'd)*

- Recommendations by the UDPRP related to the Project include:
 - Encourage the renovation of the historic Old Dallas High School building as the first phase of the development of the larger site;
 - Explore alternative masterplan scenarios that arrange buildings around a perimeter block development scheme that frames a pedestrian centered series of internal connections and spaces;
 - Explore options that reimagine the existing greenspace along the Pearl frontage as an opportunity to engage Pearl Street with a building edge and active uses;
 - The panel suggests emphasizing the masterplan's relationship to the existing DART station, directly engaging it as an opportunity to reimagine the larger development site as a true transit oriented development;
 - Utilize the existing alignment of Leonard Street as an opportunity to create an architectural moment that enhances the view corridor relationship to the arts district and informs future development on adjacent sites;
 - Enhance the pedestrian edge along Pearl Expressway as an important pedestrian connection to the arts district;
 - Consider utilizing the existing right of way beneath I-345 as an opportunity to create more flexibility regarding site access;
 - Consider opportunities to design interim surface parking in a manner that limits impervious area, and employs integrated storm water management techniques where possible;
 - The panel supports efforts to eliminate or reroute the existing I-345 Live Oak ramp to free up developable land and allow for better connectivity with Carpenter Park.

Appendix C: Highlights of TIF Funding Conditions *(Cont'd)*

- Construction shall be in substantial conformance with site plans approved by the Deep Ellum 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 Deep Ellum TIF District Board of Directors approval.

Appendix D: Old Dallas High School Project

Project Proforma

Old Dallas High School Pro Forma		
Deep Ellum TIF District		
PROJECT DESCRIPTION:	2218 Bryan Street	
PROJECT TYPE:	Mixed Use	
CONSTRUCTION START DATE:	May 1, 2016	
PROJECT SCHEDULE:	July 31, 2017	
Use Breakdown	SF	Total Leasable SF
Retail/Restaurant	26,000	59,058
Common Areas/Public Areas	13,000	4,800 *
Office	66,000	
Total Building Square Footage	105,000	
Project Costs		
Hard Costs	\$31,717,424	
Soft Costs	\$10,292,118	
Land Costs/Acquisition	\$8,400,000	
Total Project Cost (without City \$)	\$50,409,542	
Total Project Cost	\$50,409,542	
TIF Assistance	\$6,240,934	
Net Cost to Developer (after TIF reimbursement)	\$44,168,608	
Return on Cost Analysis		
NOI/Total Project Costs		
Return on Cost (without City \$)	0.19%	
Return on Cost (with City \$)	0.21%	
Income		
Retail/Restaurant	\$317,088	
Office	\$1,264,200	
Parking Revenue	\$480,704	
Total Revenue	\$2,061,992	
Expenses		
Operating Expense	(\$1,699,785)	
HTC Returns**	(\$267,764)	
Total Expenses	(\$1,967,549)	
NOI*	\$94,443	

NOI - Total (2017-2027)

Notes: Stabilized rates in Year 5 (2021)

*Leasable SF is for outdoor eateries in public plazas

**Historic Tax Credit Equity Return

Appendix E: Deep Ellum 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. (Includes Values from the approved Deep Ellum TIF District Plan Amendment)

Deep Ellum TIF District Project Plan Budget			
Projected Increment Revenues to Retire TIF Fund Obligations			
Category	TIF Budget*	Allocated**	Balance
Water, Wastewater, Storm & Off-site Utility Replacement	\$2,403,035	\$138,183	\$2,264,852
Paving Streetscape & Lighting	\$27,940,883	\$2,554,134	\$25,386,749
Open Space & Trails	\$2,716,474	\$1,197,998	\$1,518,476
Façade Restoration /Environmental/Remediation/Demolition***	\$10,643,883	\$8,447,324	\$2,196,559
Latino Cultural Center Area Improvements	\$9,629,490	\$0	\$9,629,490
Administration & implementation	\$4,386,446	\$300,058	\$4,086,388
Total Project Costs (excluding interest)	\$57,720,211	\$12,637,697	\$45,082,514
<i>*Budget shown above in current dollar; TIF Project Plan shows the budget in net present value.</i>			
<i>**Project and Administrative costs are allocated as increment collection began in FY 2008</i>			
<i>***Includes \$775,000 Grant under Façade Restoration/Environmental/Remediation/Demolition</i>			

Questions?

