

Memorandum



DATE February 2, 2018

TO The Honorable Members of the Economic Development & Housing Committee:
Tennell Atkins, Chair, Rickey D. Callahan, Vice-Chair, Lee M. Kleinman,
Scott Griggs, Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder,
Omar Narvaez

SUBJECT **Amendment to Statler Development Agreement with Centurion Acquisitions, LP**

On Monday, February 5, 2018, you will be briefed on proposed amendments to the Statler/Library Project's development agreement. The briefing materials are attached for your review.

Summary

On April 23, 2014, City Council approved a development agreement with Centurion Acquisition, LP and committed a TIF subsidy in the amount of \$46,500,000 for the redevelopment of the Statler building, Old Dallas Central Library and construction of a new parking garage on Jackson Street adjacent to the Old Library building.

Centurion has requested an amendment to the project's development agreement to remove and replace the requirement of a minimum of 90,000 square feet of new above ground parking garage construction with the requirement of a minimum of 150,000 square feet of new below ground parking garage space constructed as part of redevelopment of the Statler building.

Additionally, Centurion has agreed that it will complete construction of an underground parking garage known as the Jackson Street Garage that was originally contemplated as the site for the 90,000 square feet above-ground garage, which will result in a total of 400,000 of new parking space. Mehrdad Moayedhi has agreed to sign a personal guarantee in the amount of \$5,000,000 for the benefit of the City to be released upon completion and receipt of a Certification of Occupancy for the new underground Jackson Street Garage by December 31, 2019.

Staff Recommendation

Staff recommends City of Dallas approval of the requested amendment to the Statler/Library Project's development agreement.

February 2, 2018
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Should you have any questions, please contact me at (214) 671-5257.



Raquel Favela
Chief of Economic Development & Neighborhood Services

c: The Honorable Mayor and the Members of City Council
 T.C. Broadnax, City Manager
 Larry Casto, City Attorney
 Craig D. Kinton, City Auditor
 Billerae Johnson, City Secretary (Interim)
 Daniel F. Solis, Administrative Judge
 Kimberly Bizer Tolbert, Chief of Staff to the City Manager
 Majed A. Al-Ghafry, Assistant City Manager

 Jon Fortune, Assistant City Manager
 Jo M. (Jody) Puckett, Assistant City Manager (Interim)
 Joey Zapata, Assistant City Manager
 M. Elizabeth Reich, Chief Financial Officer
 Nadia Chandler Hardy, Chief of Community Services
 Theresa O'Donnell, Chief of Resilience
 Directors and Assistant Directors

Amendment to Statler Development Agreement with Centurion Acquisitions, LP

**Economic Development and
Housing Committee
February 5, 2018**

**Robin Bentley, Assistant Director
Office of Economic Development**



Presentation Overview

- Background/History
- Purpose
- Development Agreement Amendment Proposal
- Proposed Action



Background/History

Statler Hilton Building – 1914 Commerce Street

- Originally opened 1956 as Statler Hilton Hotel (1,000 rooms)
- Designed by William Tabler
- Closed in 2001, vacant for 16 years
- 2008, named to America's 11 Most Endangered Historic Places List by 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 library moved to its current location, the J. Erik Jonsson building



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Background/History

- April 23, 2014, Council authorized an agreement with Centurion Acquisitions, LP for the redevelopment of the Statler and the library, with a total TIF incentive not to exceed \$46.5M.
- The resolution stated that the Statler would contain 90,000 square feet of new parking garage construction.
- A six-story parking garage on Jackson Street was proposed to satisfy this requirement. This new garage was to be built on top of an existing underground garage, keeping the existing 58 below-grade spaces and adding approximately 215 above-ground spaces.

Purpose

- Review the current status of the Statler redevelopment project.
- Review proposed amendments to the development agreement.
- Obtain Economic Development and Housing Committee approval for consideration of this item by City Council on February 28, 2018.

Statler Project Status

The Statler development agreement required redevelopment of **400,000 square feet**, including the **90,000 square feet of parking space**. To date, the following has been accomplished:

- More than **675,000 total square feet** has been redeveloped, including:
 - Statler Hotel: opened in October 2017.
 - Retail and Restaurant: Overeasy and Bourbon and Banter opened in October of 2017.
 - Residential: The Statler Residences opened in May of 2017. 106 of the 219 units are currently leased, including 22 affordable units.
 - Office: The Dallas Morning News moved into the Old Library Building in December 2017.
 - Parking: An underground parking garage was built under the Statler, and the Jackson Street Garage is under construction, but has not been completed.

Statler Images



Statler Images

Statler Hotel Room



Before



After

Statler Courtyard



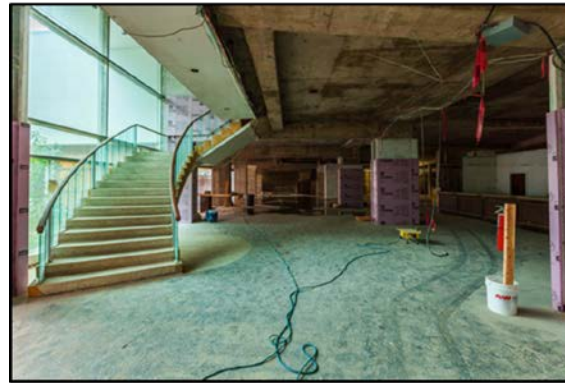
Before



After

Statler Images

Statler Lobby/Entrance



Before



After

Statler Ballroom



Before



After

Statler Images

Statler – Overeasy (diner)



Before



After

Statler – Bourbon and Banter (speakeasy)

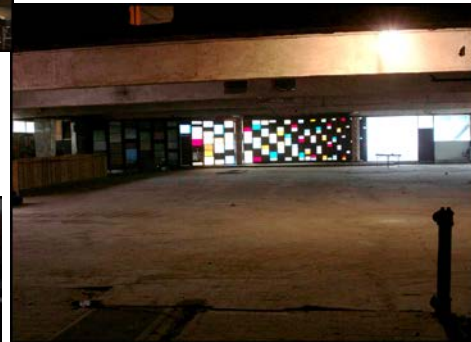


Before



After

Statler – Scout (entertainment space)



Before



After

Library Images

Old Library Bldg – Dallas Morning News



Before

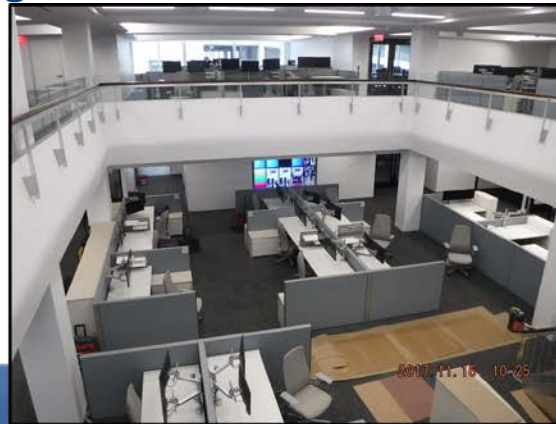


After

Old Library Bldg – Dallas Morning News



Before



After

Jackson Garage

- Original project requirements included the construction of a new, above-ground parking garage on Jackson Street.
- Construction of the garage encountered significant obstacles related to the 7-level design of the building.
 - Portion of garage site located in the Harwood Historic District. Historic Landmark Commission and Urban Design Peer Review were not supportive of scale and façade treatment of the garage given its location in the historic district and adjacency to the proposed Harwood Park.
 - Approval of a land swap with the City to complete land assemblage for the garage.
 - Thoroughfare plan amendment for Harwood Street to eliminate encroachment of garage property into the City's right of way.

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Jackson Garage

- The developer opted to build an underground parking structure, rather than the planned above-ground garage.
- The construction budget for garage increased from \$8.5M to \$17M due to this change in scope.
- Construction start was delayed from January 2017 to October 2017.
- Construction is currently underway.

Jackson Garage

- Because of the delays related to the Jackson Garage, the developer constructed 150,000 square feet of parking in the basement levels of the Statler to serve the redeveloped buildings.
- The developer has requested that the City accept the 150,000 sf garage constructed under the Statler in satisfaction of the contractual requirement to construct 90,000 sf of above-ground parking space in the Jackson Garage. The parking provided within the Statler Building exceeds the original requirement (but is not a new building).
- Additionally, the developer has pledged to complete construction of the Jackson Garage, for a total parking square footage of approximately 400,000 sf and 815 additional spaces.
- To ensure timely completion of the Jackson Garage, Mehrdad Moayedı agreed to give the City a \$5M personal completion guarantee.

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Amendment Request

- DEVELOPMENT AGREEMENT AMENDMENT:
 - Exchange the contractual requirement of a minimum of 90,000 square feet of new above ground parking garage construction with a minimum of 150,000 square feet of new underground parking garage space constructed beneath the Statler building.
- NEW OBLIGATION:
 - Separate from the TIF development agreement requirements, developer will complete construction of the Jackson Garage and will secure this obligation by execution of a personal guarantee by Mehrdad Moayedí in the amount of \$5M to be released upon completion and receipt of a Certification of Occupancy for the Jackson Street Garage by December 31, 2019.

Next Steps

- On January 11, 2018, the Downtown Connection TIF Board of Directors reviewed and recommended approval of the proposed development agreement amendments.
- Recommend Committee approval to forward the item for full Council consideration on February 14, 2018.

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**Economic Development and
Housing Committee
February 5, 2018**

**Robin Bentley, Assistant Director
Office of Economic Development**

