

Memorandum



DATE September 18, 2015

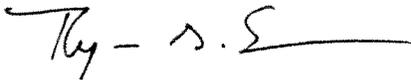
TO Members of the Economic Development Committee:
Rickey D. Callahan (Chair), Casey Thomas, II (Vice Chair), Adam Medrano, Lee M. Kleinman,
Carolyn King Arnold, B. Adam McGough

SUBJECT **717 N. Harwood Redevelopment Project (City Center TIF District)**

On Monday, September 21, 2015, the Economic Development Committee will be briefed on the proposed 717 N. Harwood Redevelopment Project in the City Center 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
Elsa Cantu, Assistant to the City Manager – Mayor & Council

*717 N. Harwood Redevelopment Project
City Center TIF District
(City Center Sub-District)*

Economic Development Committee
September 21, 2015



Purpose

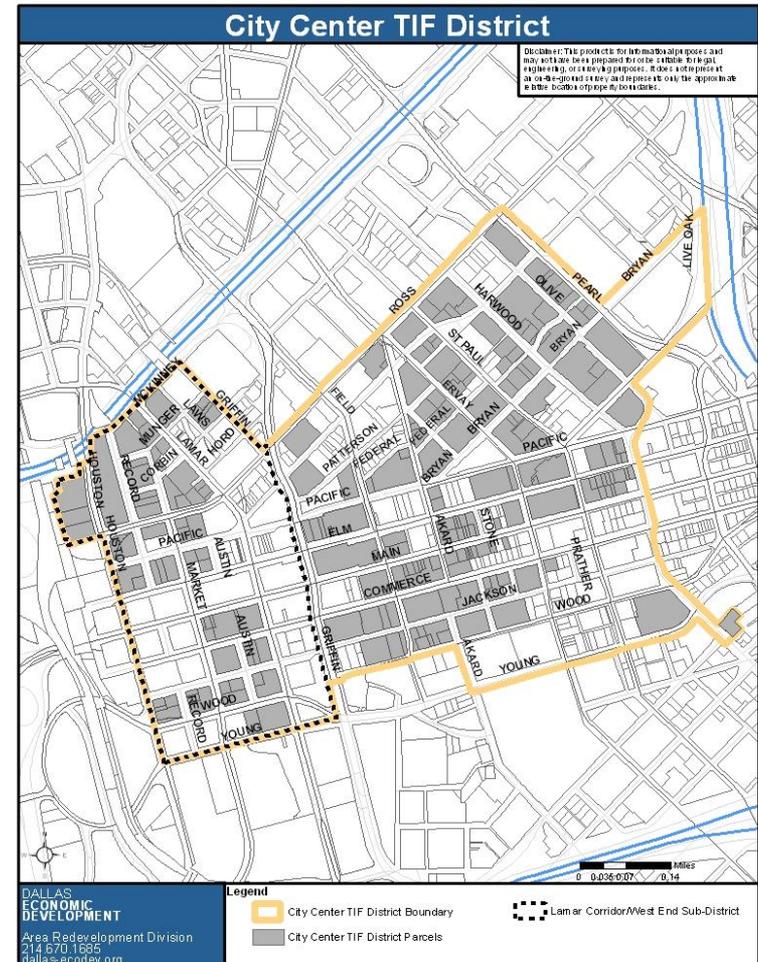
Provide background information on City Center TIF District

Review the 717 N. Harwood redevelopment project

Obtain Economic Development Committee's approval for consideration of the project by City Council on October 7, 2015

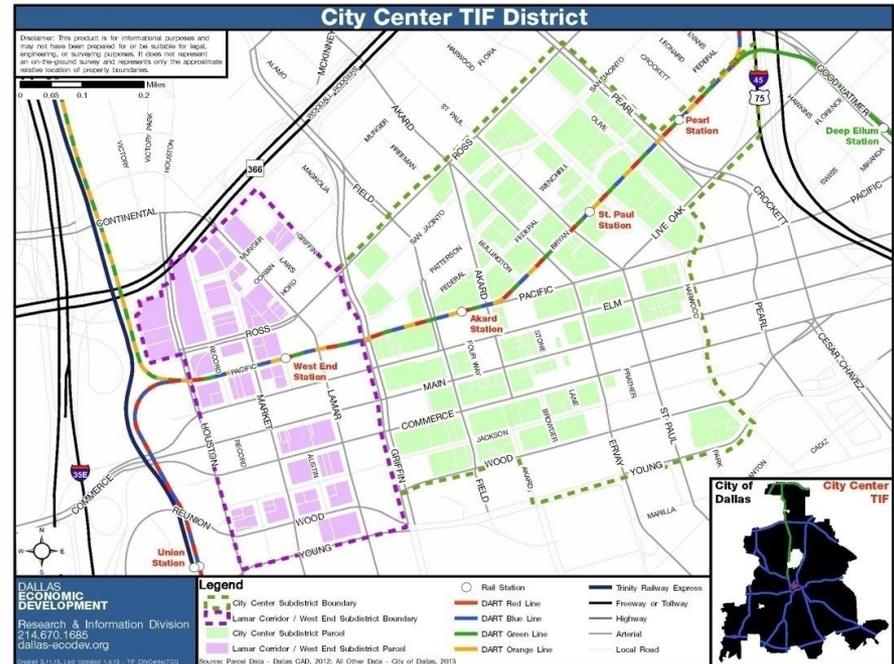
City Center TIF District Background

- 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)

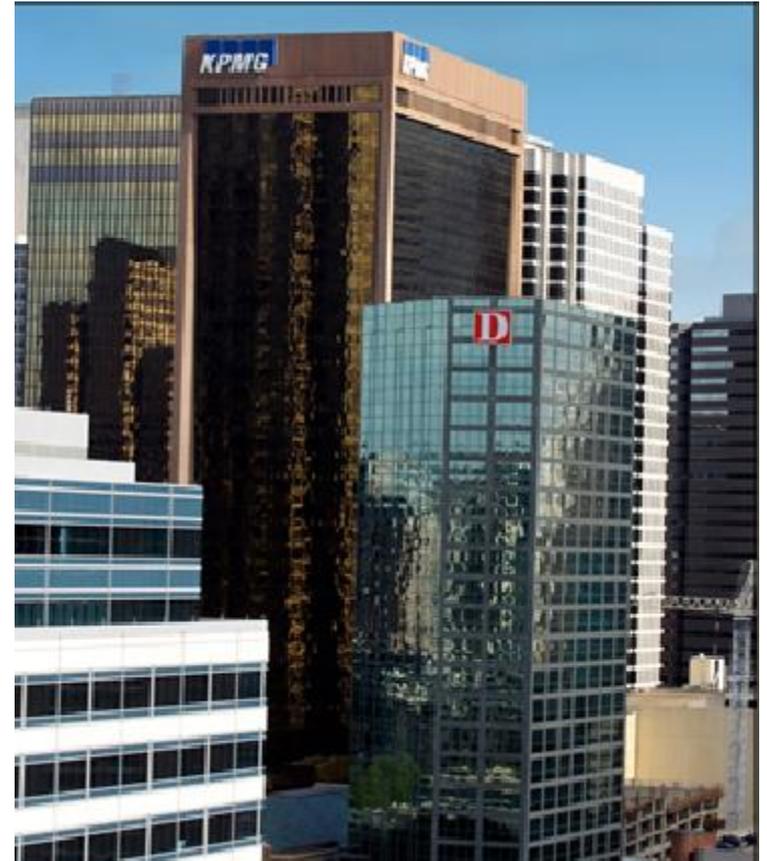
- **District Budget Amendment**
 - The District's budget increased from \$87.6M to \$152.00 M
 - The increased budget:
 - Provides a source of funding to stimulate redevelopment of the Lamar Corridor and Historic West End area
 - Provides a source of funding to accomplish recommendations of the Downtown 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>	

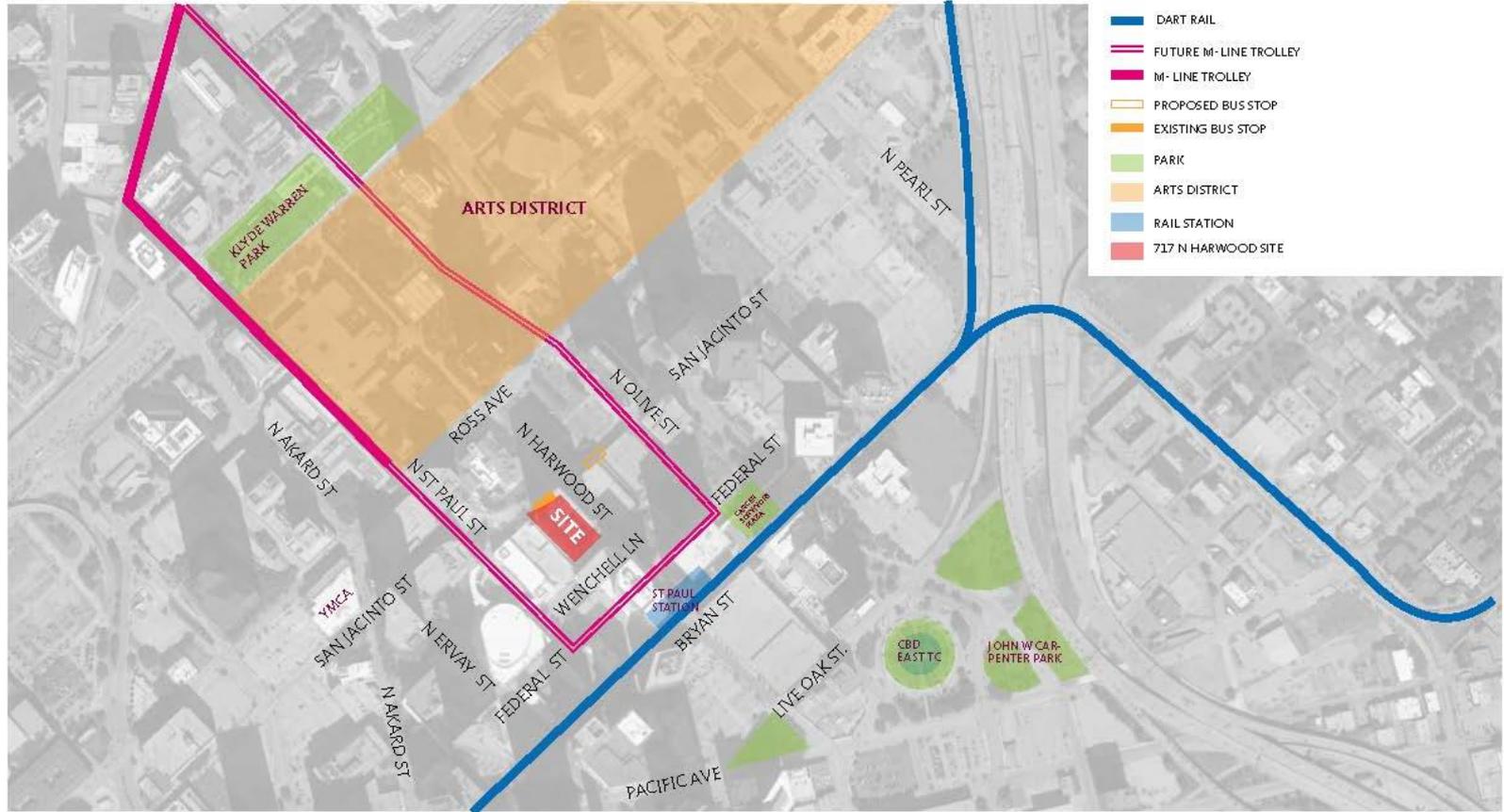
City Center TIF District

717 N. Harwood Building

- Constructed 1980
- 34-story office building
- Former KPMG Centre
- Adjacent to Arts District
- Approximately 50% vacant when purchased by current owners, prior to KPMG leaving the building



717 N. Harwood Project Location



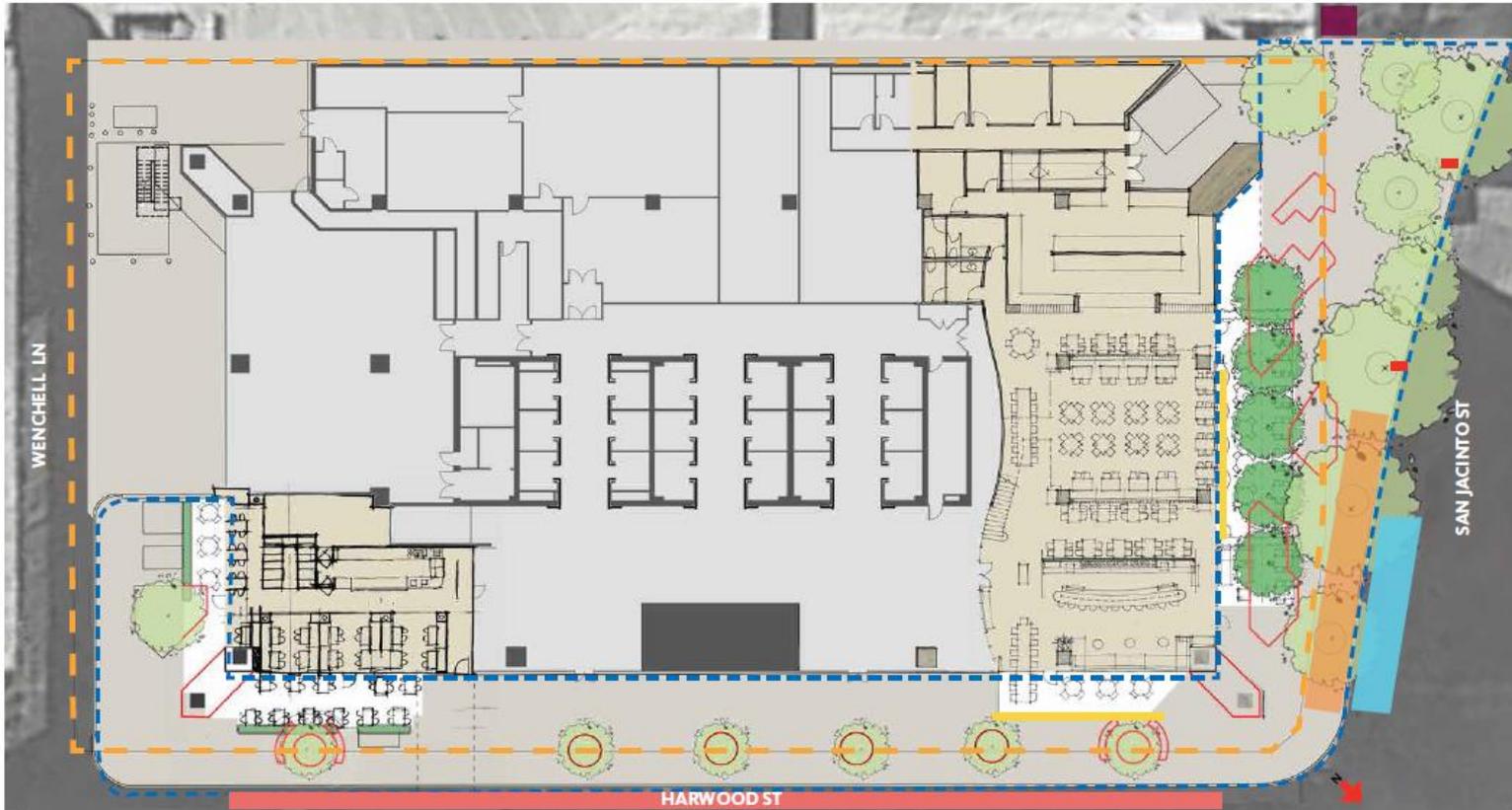
717 N. Harwood

Project Description

- 844,326 square foot office building with ground floor retail space
- Project Cost: \$80,381,000, including acquisition and tower renovation
- Project Start Date: December 31, 2015
- Project Completion Date: July 31, 2016
- Project improvements aimed to attract young, entrepreneurial tenants
 - In July 2014, two established technology companies announced the relocation of their corporate headquarters to the property, occupying approximately 330,000 square feet, or 39% of the net rentable space in the building, and are expected to add over 1,800 employees to the Dallas workforce

717 N. Harwood Site Plan

- | | | | |
|---|--|---|---|
| █ EXISTING PARKING LANE | █ EXTENT OF NEW PAVING | █ EXISTING VEGETATION | █ PROPERTY LINE |
| █ EXISTING BIKE RACKS | █ PREVIOUS BUS STOP | █ NEW VEGETATION | █ DEMOLITION |
| | █ EXISTING PARKING METERS | █ SCREENING ELEMENT | █ PROPOSED EVENING VALET |



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A REAL ESTATE DEVELOPMENT FIRM

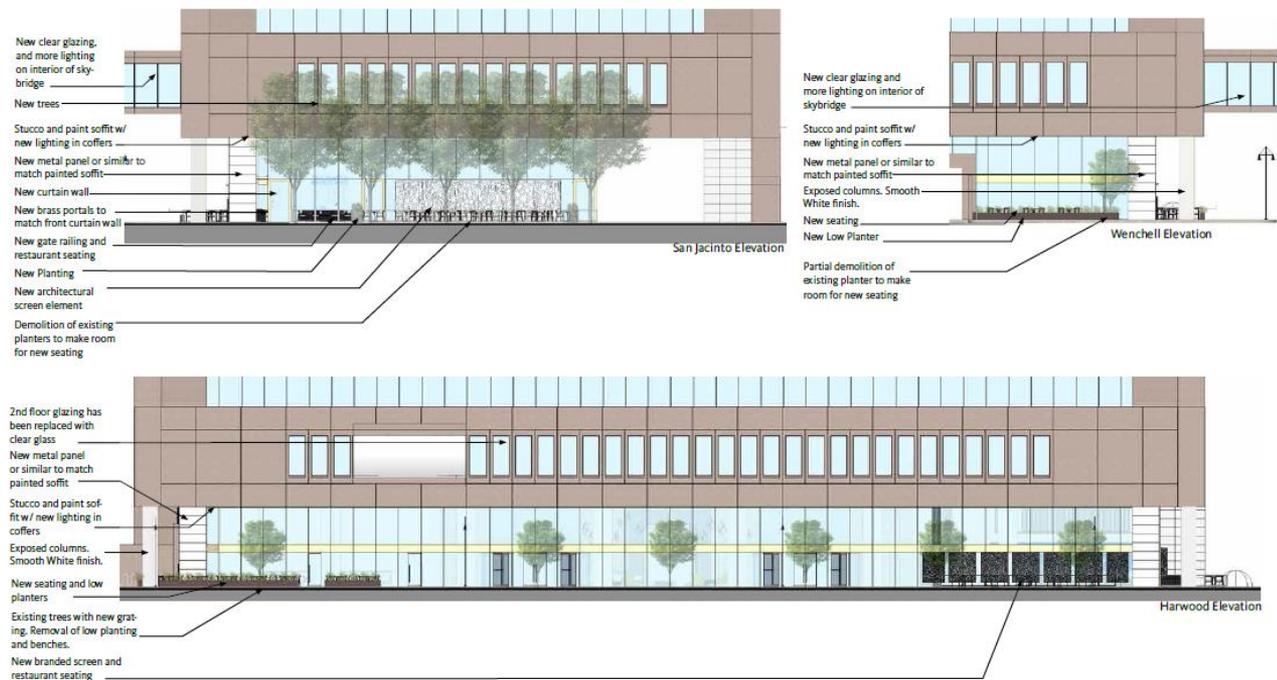
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717 N Harwood Dallas, TX | August 2015 | 8

717 N. Harwood

Building Improvements

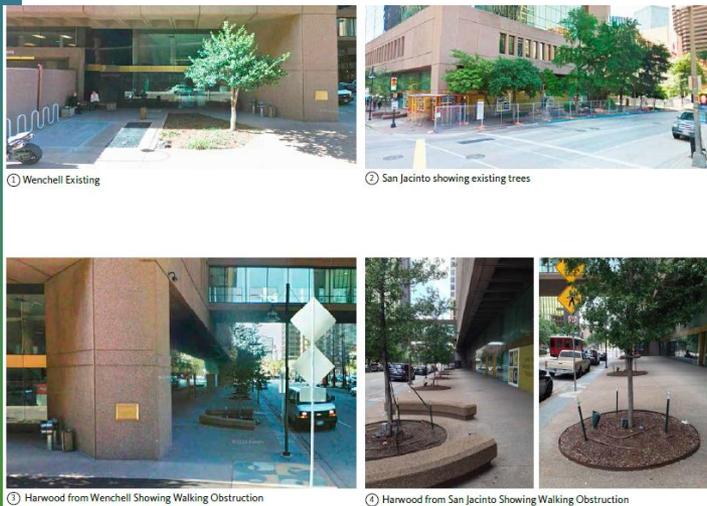
- Proposed TIF funding for streetscape improvements, renovation of ground floor and second floor
 - Improvements include renovating vacant bank space on the west end of the ground floor into a restaurant space with outdoor seating that spills out onto the sidewalk
 - Existing east end deli space to be updated
 - 2nd floor to be opened up to the public - includes public meeting space and rotating art installations, coordinated with local vendors from the neighboring Arts District



717 N. Harwood

Streetscape Improvements

- Landscaping is being redeveloped to enhance visual and pedestrian connections into and across the site, replacing obstructive bench seating and low planting with pedestrian-friendly tree grates
- Berms being removed for outdoor seating and greater flow through the site and a greater flow through the site, improving neighborhood connectivity
- Reducing volume of building columns at ground level to improve visibility



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Existing Conditions



Deli from Harwood

717 N. Harwood

Design Review

- On March 20, 2015 the Urban Design Peer Review Panel revised the project's design and approved recommendations. Project owner incorporated recommendations into project's design



W1- Wenchell North



W2- Wenchell South



S1- San Jacinto East



S2- San Jacinto West

717 N. Harwood

Proposed TIF Funding

- Recommended TIF subsidy is an amount up to \$1,650,000 for eligible TIF costs to offset the cost of renovating the building's ground floor commercial space and improving the streetscape
- Actual TIF amount will be based on actual expenditures for each line item in the TIF reimbursement budget below

Description	Amount
Public Infrastructure Improvements	
Streetscape Improvements, Landscaping, Lighting, Signage, Design and Engineering, Contingency Costs (5%)	\$713,643
Redevelopment/Development Projects	
Environmental Remediation, Interior & Exterior Demolition, Façade Improvements, Storefront Improvements, Design and Engineering, Contingency Costs (5%)	\$936,357
Total TIF Funding Recommended	\$1,650,000

717 N. Harwood

Budget and Sources and Uses of Funds

717 N. Harwood Street Project Budget	
Acquisition	\$43,000,000
Curtain Wall	\$5,165,000
Repair of Building Systems	\$4,110,000
Lobby and 2nd Floor Renovations	\$4,015,000
Shell of Vacant Space	\$6,591,000
Tenant Improvements and Leasing Commission	\$17,500,000
Total Project Costs	\$80,381,000

Sources	Amount	%	Uses
Loan	\$68,000,000	85%	Acquisition & Construction
Private Equity	\$12,381,000	15%	Construction
	\$80,381,000	100%	

717 N. Harwood Summary

717 N. Harwood Street Redevelopment Project	
Minimum Office Renovations (required)	400,000 s.f.
Minimum Retail Space	7,000 s.f.
Required Private Investment – (acquisition, construction hard and soft costs)	Min. \$25,000,000
Expected Total Project Cost (entire tower, all costs)	\$80,381,000
TIF Funding	\$1,650,000
% TIF funds to total project cost	2.05%
Return on Cost without TIF	8.3%
Return on Cost with TIF	8.5%
Deadline to Obtain Building Permit	December 31, 2015
Deadline to Obtain Final CO (300,00 sf of renovated space)	July 31, 2016

Strategic Importance of Proposed Project

- Improves building's ground floor and 2nd floor public space experience to increase neighborhood vitality and safety, adjacent to the Art's District
- Adds needed streetscape improvements
- Increases leasability of downtown office space



Restaurant: Daytime Rendering

717 N. Harwood

TIF Board Funding Recommendation

- On August 13, 2015, the City Center TIF District Board of Directors reviewed and approved TIF funding for the 717 N. Harwood project in an amount not to exceed \$1,650,000

Recommendations

- Economic Development Committee recommendation for Council approval of a development agreement for TIF funding
- Council consideration on October 14, 2015

APPENDICES

Appendix A: 717 N. Harwood

Conditions of TIF Funding

- Minimum private investment of \$25,000,000 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 40,000 square feet of office space; and
 - Minimum 7,000 square feet of retail/restaurant; and
 - Streetscape improvements
- Obtain a building and/or demolition permit and start construction for the Project by December 31, 2015
- Obtain a Certificate of Occupancy (CO) for a minimum of 300,000 square feet of rentable office space by July 31, 2016
- Occupy a minimum of 50% of the newly converted ground floor retail/restaurant space prior to TIF reimbursement

Appendix A: 717 N. Harwood

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 July 31, 2016 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 July 31, 2016, for a period of 20 years
- Construct Project in substantial conformance with design plans approved by the City Center TIF Board of Directors, the Dallas Design Studio and Dallas City Council
- 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
- 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 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: 717 N. Harwood Building Renovation *Project Proforma*

717 N. Harwood Redevelopment Project Proforma		
City Center TIF District		
PROJECT DESCRIPTION:	717 N. Harwood Street	
PROJECT TYPE:	Mixed Use	
CONSTRUCTION START DATE:	December 31, 2015	
PROJECT SCHEDULE:	July 31, 2016	
Use Breakdown	SF	Total Leasable SF (entire project)
Office	806,866	816,066
Retail	9,200	
Back of House/Common Area/Other	28,260	
		Total Existing Bldg SF (Gross) 844,326
		Income
		Office Revenue \$12,528,342
		Miscellaneous Rental Revenue \$168,855
		Reimbursement Revenue \$1,855,972
		Total Income \$14,553,169
		Expenses
		General & Administrative -\$731,728.00
		Property Management -\$466,409.00
		Repair & Maintenance -\$1,140,356.00
		Contract Services -\$1,263,894.00
		Utilities -\$1,624,885.00
		Insurance & Property Taxes -\$2,053,098.00
		Misc. Expenses -\$416,105.00
		Total Expenses -\$7,696,475.00
		Capital Reserves/Improvements -\$190,059.00
		NOI (after reserves) \$6,666,635
Project Costs		
Hard Cost	\$19,881,000	
Acquisition	\$43,000,000	
Tenant Improvements	\$10,000,000	
Leasing Commissions	\$7,500,000	
Total Project Cost (without City \$)	\$80,381,000	
Total Project Cost	\$80,381,000	
TIF Assistance	\$1,650,000	
Net Cost to Developer (after TIF reimbursement)	\$78,731,000	
Return on Cost Analysis		
NOI/Total Project Costs		
Return on Cost (without City \$)	8.3%	
Return on Cost (with City \$)	8.5%	
<small>Note: Stabilized rator in 2021; Revenue reflects a an office vacancy rate of 20%</small>		

Appendix C: 717 N. Harwood *Development Team*

WC 717 N. Harwood Property, LLC – World Class Capital Group

World Class Capital Group (WCCG) is a national real estate investment firm principally engaged in commercial real estate and land throughout the United States. WCCG's operating portfolio consists of office buildings, retail centers, apartments, student housing, hotels, marinas, self-storage facilities, and industrial warehouses. World Class Capital Group is headquartered in Austin with an additional office in New York City.

Natin (“Nate”) Paul, President and CEO - Mr. Paul founded World Class Capital Group with aspirations of building WCCG into a leading global private investment firm. Today, the firm owns over 8 million square feet of real estate assets in 16 states and over 25 markets across all asset types.

Greg Williams, Senior Vice President, Development & Construction - Mr. Williams has more than 25 years of construction management and development experience; his experience includes work in commercial, institutional and multi-family construction in both the public and private sectors.