

Memorandum



DATE August 30, 2013

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

SUBJECT **Dallas Proton Treatment Center – Phase I of Apparel Mart Redevelopment
(Design District TIF District)**

On Tuesday, September 3, 2013, the Economic Development Committee will be briefed on proposed development agreements for the Dallas Proton Treatment Center – Phase I of Apparel Mart Redevelopment and the overall masterplan.

Briefing material is attached.

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



Ryan S. Evans
Interim First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, Interim City Manager
Rosa Rios, City Secretary
Thomas P. Perkins Jr., City Attorney
Craig Kinton, City Auditor
Judge Daniel Solis, Administrative Judge Municipal Court
Frank Libro, Public Information Officer
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager-Council Office

Dallas Proton Treatment Center - Phase I of Apparel Mart Redevelopment Design District TIF

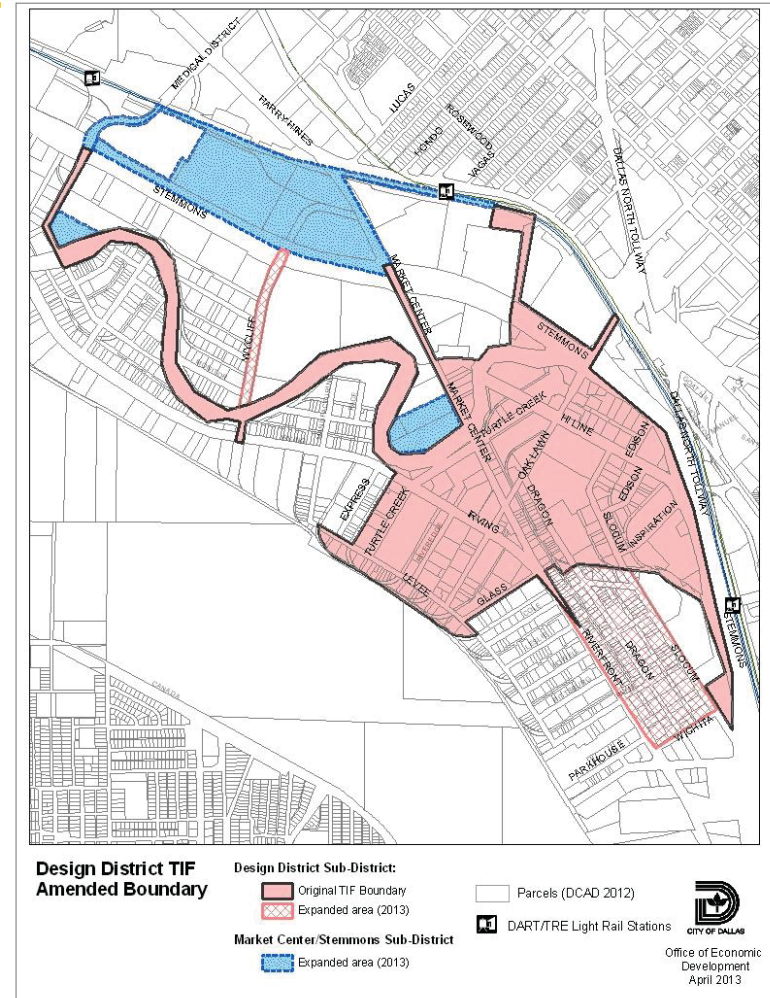
Economic Development Committee
September 3, 2013

Purpose

- Review Apparel Mart Redevelopment Masterplan and Dallas Proton Treatment Center proposal for TIF funding as the Phase I project in Design District TIF.
- Obtain Economic Development Committee approval for consideration of this item by City Council on September 11, 2013.

Design District TIF District: *Background*

- Design District TIF created in 2005.
- Comprehensive boundary and plan amendment approved by Council on June 12, 2013.
- Amended district includes two sub-districts:
 - **Design District Sub-District** – original boundary of the TIF District plus additional property along the Slocum, Dragon Street, and Riverfront Blvd. corridors (original shown in the solid coral and added property in hatched coral pattern)
 - **Market Center/Stemmons Sub-District** – encompasses the former Dallas Apparel Mart site and additional properties (shown in blue pattern)



Design District TIF District: *Background (con't)*

- Created to assist in conversion of industrial and warehouse district to a unique urban neighborhood to:
 - Take advantage of the expanding DART light rail system
 - Improve access to the Trinity River and quality of development adjacent to Trinity/Stemmons Corridor.
- Recent district expansion incorporates the former Dallas Apparel Mart site:
 - Proposed for redevelopment by Market Center Land, L.P., (“MCL”), an affiliate of Crow Holdings.
 - Potential for office and hotel development opportunities.
- District will expire December 31, 2027, or when approximately \$132 million in TIF increment collected.

Design District TIF District: *Background (con't)*

- Since 2005, district has grown to include 1,000+ apartments, new restaurants, upgraded showrooms/retailers (approximately \$168 million in new investment completed or planned).
- Annual increment collection \$1 million+ per year.
- Total Budget = \$132 million (see Appendix 1).



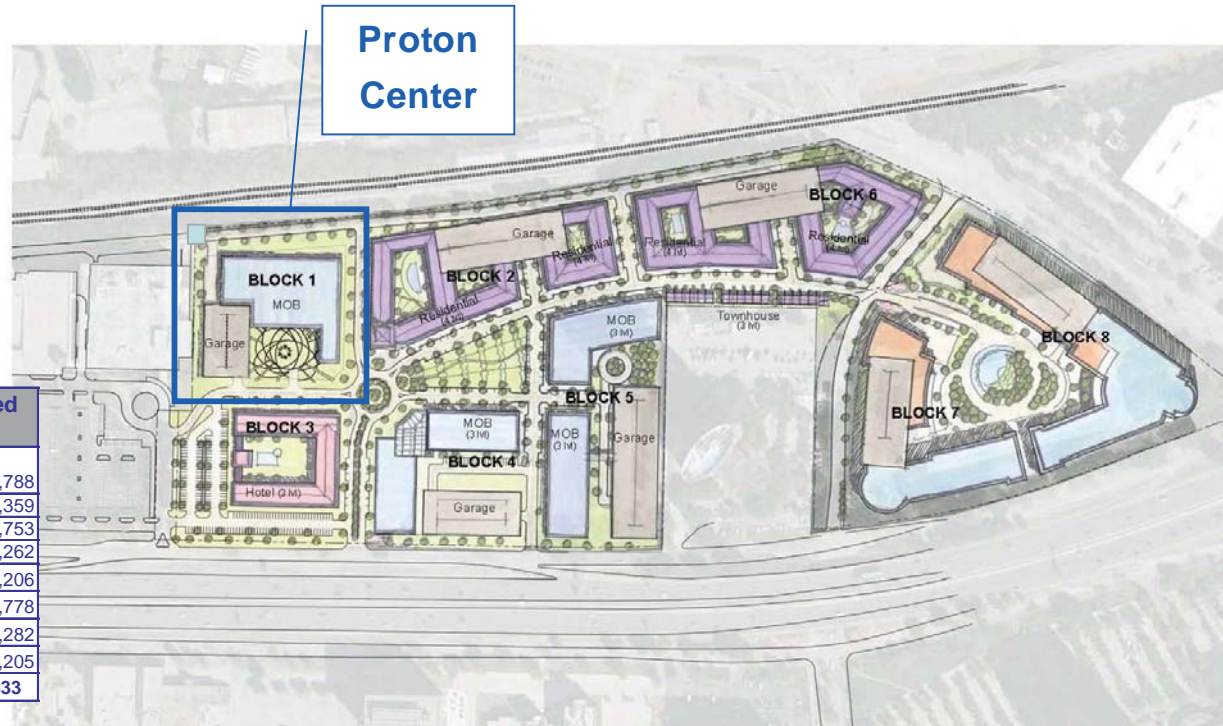
1525 Turtle Creek development



1400 Hi Line development

MCL Masterplan for Apparel Mart Redevelopment

MCL Master Plan for former Dallas Apparel Mart site



Year	Block	Proposed Use	Estimated Value
2015	Block 1	Medical/Office	\$27,450,788
2016	Block 3	Hotel	\$18,576,359
2017	Block 2	Residential	\$38,441,753
2017	Block 4	Medical/Office	\$47,862,262
2019	Block 5	Medical/Office	\$61,792,206
2020	Block 6	Residential	\$50,916,778
2023	Block 7	Mixed Use	\$36,608,282
2025	Block 8	Mixed Use	\$49,103,205
Total			\$330,751,633

Masterplan
Scale 1" = 100'



Proposed Design District TIF Expansion

11/27/2012

Note: The above master plan is conceptual and anticipated development projects or phases are subject to market conditions and may change over time.

MCL Masterplan

Development Agreement Provisions

- Separate development agreement with MCL related to the master plan and process for future modifications brought forward concurrently as condition of TIF support for Phase I Dallas Proton Treatment Center (DPTC) project.
 - Conceptual plan reviewed by Design Studio's Peer Review Panel.
 - Conformance with organization, massing, and pedestrian emphasis important.

MCL Masterplan – Development Agreement Provisions (con't)

- Future phases of development will comply with TIF policies including:
 - Mixed income housing (for phases with a residential component).
 - Affirmative fair housing plan (for phases with a residential component).
 - Compliance with the City’s Business Inclusion and Development (“BID”) goal of certified minority/women-owned business enterprise (M/WBE) participation.

MCL Masterplan – Development Agreement Provisions (con't)

- Other provisions include:
 - Future phases in substantial conformance with the approved master plan (specific design standards detailed in the development agreement).
 - Operating and Maintenance Agreements on all non-standard TIF eligible improvements.
 - TIF funding allocated to projects on a pari passu basis tied to increment generation.
 - Each vertical project reviewed individually.

Dallas Proton Treatment Center (DPTC)

- Dallas Proton Treatment Center, LLC (DPTC) is working in conjunction with Market Center Land, L.P. (“MCL”) on a 115,000 square foot state-of-the art cancer treatment facility on 4.6 acres of the MCL master plan.
- Leading edge technology will improve Dallas’ reputation as a provider of world class healthcare, research, and education.
- University of Texas Southwestern will operate the center using proton therapy technology developed by Hitachi.

Dallas Proton Treatment Center (con't)

- Private investment to exceed \$88 million.
- TIF incentives would reimburse for infrastructure, including major storm sewer utilities, essential for other phases of MCL master plan to be implemented.
- New business personal property (BPP) value of \$90 million estimated to provide:
 - Annually \$717,300 (City) and \$218,790 (County) general fund.
 - Cumulative BPP revenue over life of TIF at \$8.6 million (City) and \$2.6 million (County).
- 600 new construction jobs and 120 permanent jobs once open.

Dallas Proton Treatment Center (con't)

- The center is projected to:
 - Treat 2,000 patients annually once fully operational.
 - Operate 16 hours a day plus after hours equipment commissioning creating an active environment.
 - Draw 75% of patients from outside the DFW metroplex.
 - Duration of treatment averages 37.5 days translating into potential 56,250 hotel room nights.
- The City would see benefits from 7% of hotel tax revenue and the 2% Tourism PID assessment (for promotion and marketing efforts).

Dallas Proton Treatment Center (con't)



The final site plan may have minor modifications due to re-planning and/or access easement changes.

Dallas Proton Treatment Center (con't)

Conceptual
Elevation



CAMPUS ENTRY DAY
DALLAS PROTON TREATMENT CENTER 03.20.13

Dallas Proton Treatment Center

Proposed TIF Funding

- The recommended TIF subsidy for the project is an amount up to \$7,025,000 for eligible TIF costs.
- TIF funds for the project would be used to offset the cost of the following improvements:
 - Demolition/Environmental Remediation
 - Street and Utility Improvements
 - Streetscape Improvements

TIF Budget Category	Amount
Market Center/Stemmons Sub-District: Environmental remediation & demolition Paving, streetscape & utility improvements	\$7,025,000
Total TIF Funding Request	\$7,025,000

Dallas Proton Treatment Center Funding Sources and Uses

Funding Source	Amount		Use
Private Equity (includes \$30 mil bridge loan)	\$65,000,000	68%	Acquisition and Construction
Construction Loan	\$30,238,361	32%	Construction
Total	\$95,238,361		

Dallas Proton Treatment Center Summary

Proposed Dallas Proton Treatment Center Project	
Project Square Footage	115,000 square feet medical office
Private Investment (<i>acquisition cost, demolition, hard and soft costs for retail rehabilitation, site improvements, and residential lot preparation</i>)	\$88,213,455
Total Project Costs (<i>land acquisition, soft costs, debt expenses, future home building estimate, etc</i>)	\$95,238,361
TIF Funding	\$7,025,000 maximum
% TIF Funds to Total Project Costs	7.38%
Return on Cost with TIF Reimbursement	7.04%
Return on Cost without TIF Reimbursement	6.86%
Developer Fee	4%
Anticipated Construction Start Date	June 30, 2014
Anticipated Project Completion Date	December 31, 2015

Recommendations

- Economic Development Committee recommendation for Council approval of:
 - A development agreement related to the Market Center Land, L.P. (MCL) Masterplan.
 - A development agreement for the Phase I - Dallas Proton Treatment Center for TIF funding.
- Council consideration on September 11, 2013.

Appendices

Appendix 1: Design District TIF Budget

Category	Estimated TIF Expenditure Current Dollars	Allocated	Balance
Design District Sub-District:	\$87,485,550	\$4,718,758	\$82,766,792
Paving & Streetscape			
Wayfinding & District Signage			
Water, Wastewater & Storm			
Open Spaces, Plazas, Portals, Civic			
Environmental Remediation & Demolition			
Utility Burial			
Economic Development Grants			
Market Center/Stemmons Sub-District:	\$33,234,578	\$7,025,000*	\$26,209,578
Paving & Streetscape			
Wayfinding & District Signage			
Water, Wastewater & Storm			
Open Spaces, Plazas, Portals, Civic			
Environmental Remediation & Demolition			
Utility Burial			
Economic Development Grants			
Old Trinity Trail	\$7,320,776	\$400,000	\$6,920,776
Administration and implementation	\$4,392,466	\$186,118	\$4,206,348
Total Project Costs, excluding interest	\$132,433,370	\$12,329,876	\$120,103,494

Design and engineering costs may be considered in the above categories.

**Pending City Council approval*

Appendix 2: MCL Masterplan for Apparel Mart Redevelopment

- Phase I - Dallas Proton Treatment Center is a major medical development being brought forward for TIF funding consideration.
- Phase II is anticipated to be a new hotel. Future phases are anticipated to include new multi-family, medical/office, and mixed use development.
- Estimated \$300-400 million incremental property value at buildout.
- Many of anticipated uses will generate additional BPP, hotel, and sales tax revenue for the City.

Appendix 2: MCL Masterplan for Apparel Mart Redevelopment (con't)

- TIF funding will address Issues such as aging, poorly located storm sewers and lack of modern infrastructure.



Photos of the existing site currently underutilized

Appendix 2: Dallas Proton Treatment Center Pro Forma and Budget

PROJECT DESCRIPTION:		Proton Center		
SITE AREA:		5		
NUMBER OF FLOORS/STORIES:		1		
BUILDING AREA (g.s.f.):		115,000		
CONSTRUCTION PERIOD:		24 mo		
ANTICIPATED CONSTR START DATE:		8/15/2013		
Proton Center		SF	# of Units	Total SF
Medical office		115,000		115,000
				\$ per SF
				\$239.00
Income (Annual)				Total Project Cost (incl. public costs) \$270,238,361
Revenue year 2	\$107,390,527			CITY ASSISTANCE (current \$) \$7,024,906
plus misc income	\$0			Total Project Cost (with City \$) \$263,213,455
plus commercial space	\$0			
less vacancy				Return on Cost Analysis
less expenses	(\$88,861,053)			NOI/Total Project Costs
NOI (w/o TIF)	\$18,529,474			Return on Cost (no City \$) 6.86%
				Return on Cost (with City \$) 7.04%
Project Costs				
Acquisition & demolition	\$11,513,715			
Hard Cost	\$241,238,715			
Soft Cost	\$10,461,025			
Public costs	\$7,024,906			
Total Project Cost (incl. public)	\$270,238,361			

Total project cost includes additional \$175 million upfront costs incl. BPP, working capital, capitalized interest, hiring/start up costs.

Appendix 3: TIF Project Increment Chart

Dallas Proton Treatment Center Project Only								
Tax Year	Property Value Estimate City	Property Value Growth	Total Value change	Anticipated Captured Value City	Anticipated Increment Revenue	Anticipated Accumulated Revenue (NPV) 4.00%	Participation Rate City	Tax Increment Revenue City (varies)
2013	\$2,928,313	0.00%	0.00%	\$0	\$0	\$0	90%	\$0
2014	\$2,972,238	1.50%	1.50%	\$43,925	\$384	\$355	90%	\$315
2015	\$3,016,821	1.50%	3.02%	\$88,508	\$775	\$1,044	90%	\$635
2016	\$34,586,828	1046.47%	1081.12%	\$31,658,515	\$277,112	\$237,920	90%	\$227,087
2017	\$35,105,630	1.50%	1098.83%	\$32,177,317	\$281,653	\$469,419	90%	\$230,808
2018	\$35,632,215	1.50%	1116.82%	\$32,703,902	\$286,262	\$695,656	90%	\$234,585
2019	\$36,166,698	1.50%	1135.07%	\$33,238,385	\$290,941	\$916,747	90%	\$238,419
2020	\$36,709,199	1.50%	1153.60%	\$33,780,886	\$295,689	\$1,132,804	90%	\$242,310
2021	\$37,259,837	1.50%	1172.40%	\$34,331,524	\$300,509	\$1,343,937	90%	\$246,260
2022	\$37,818,734	1.50%	1191.49%	\$34,890,421	\$305,401	\$1,550,256	90%	\$250,269
2023	\$38,386,015	1.50%	1210.86%	\$35,457,702	\$310,367	\$1,751,864	90%	\$254,338
2024	\$38,961,805	1.50%	1230.52%	\$36,033,492	\$315,407	\$1,948,866	90%	\$258,468
2025	\$39,546,232	1.50%	1250.48%	\$36,617,919	\$320,522	\$2,141,363	90%	\$262,660
2026	\$40,139,426	1.50%	1270.74%	\$37,211,113	\$325,714	\$2,329,455	90%	\$266,915
2027	\$40,741,517	1.50%	1291.30%	\$37,813,204	\$330,985	\$2,513,239	90%	\$271,234
2028	\$41,352,640	1.50%	1312.17%	\$38,424,327	\$336,334	\$2,692,810	90%	\$275,618
					\$3,978,054			\$3,259,921

Appendix 4: Design District Sub-District Increment Chart

PROJECTED TIF INCREMENT SCHEDULE									
Tax Year	Property Value Estimate	Property Value Growth	Comp. Value Growth	Anticipated Captured Value	Anticipated Increment Revenue	Anticipated Accumulated Revenue (NPV)	Tax Increment		
							Revenue into TIF CITY @ 90%	Revenue into TIF COUNTY @ 55%	
Base 2005	\$141,852,062								
Adj 2013	\$193,949,815								
1 2006	\$161,328,660	13.73%	13.73%	\$19,476,598	\$0	\$0	\$0	\$0	
2 2007	\$177,595,830	10.08%	25.20%	\$35,743,768	\$0	\$0	\$0	\$0	
3 2008	\$233,718,204	31.60%	64.76%	\$91,866,142	\$673,629	\$598,854	\$566,332	\$107,297	
4 2009	\$265,554,293	13.62%	87.21%	\$123,702,231	\$1,005,884	\$1,458,688	\$859,988	\$145,896	
5 2010	\$276,848,629	4.25%	95.17%	\$134,996,567	\$1,165,261	\$2,416,448	\$983,504	\$181,758	
6 2011	\$274,649,352	-0.79%	93.62%	\$132,797,290	\$1,130,112	\$3,309,592	\$952,555	\$177,557	
7 2012	\$307,057,736	11.80%	116.46%	\$165,205,674	\$1,405,909	\$4,377,967	\$1,185,020	\$220,888	
8 2013	\$424,642,033	38.29%	199.36%	\$230,692,218	\$1,963,202	\$5,812,459	\$1,654,755	\$308,447	
9 2014	\$467,106,236	10.00%	229.29%	\$273,156,421	\$2,324,575	\$7,445,675	\$1,959,351	\$365,224	
10 2015	\$567,347,113	21.46%	299.96%	\$373,397,298	\$3,177,630	\$9,592,367	\$2,678,379	\$499,251	
11 2016	\$609,898,147	7.50%	329.95%	\$415,948,332	\$3,539,741	\$11,891,716	\$2,983,597	\$556,144	
12 2017	\$650,709,058	6.69%	358.72%	\$456,759,243	\$3,887,044	\$14,319,552	\$3,276,334	\$610,710	
13 2018	\$716,122,694	10.05%	404.84%	\$522,172,879	\$4,443,717	\$16,988,333	\$3,745,546	\$698,171	
14 2019	\$777,194,534	8.53%	447.89%	\$583,244,719	\$4,963,442	\$19,854,597	\$4,183,614	\$779,827	
15 2020	\$854,755,912	9.98%	502.57%	\$660,806,097	\$5,623,493	\$22,977,123	\$4,739,962	\$883,531	
16 2021	\$920,268,664	7.66%	548.75%	\$726,318,849	\$6,181,010	\$26,277,215	\$5,209,885	\$971,125	
17 2022	\$1,075,424,878	16.86%	658.13%	\$881,475,063	\$7,501,397	\$30,128,231	\$6,322,821	\$1,178,576	
18 2023	\$1,170,174,292	8.81%	724.93%	\$976,224,477	\$8,307,719	\$34,229,155	\$7,002,458	\$1,305,261	
19 2024	\$1,202,726,907	2.78%	747.87%	\$1,008,777,092	\$8,584,743	\$38,303,839	\$7,235,958	\$1,348,785	
20 2025	\$1,314,999,838	9.33%	827.02%	\$1,121,050,023	\$9,540,192	\$42,657,858	\$8,041,292	\$1,498,900	
21 2026	\$1,349,724,836	2.64%	851.50%	\$1,155,775,021	\$9,835,703	\$46,974,095	\$8,290,374	\$1,545,329	
22 2027	\$1,439,570,708	6.66%	914.84%	\$1,245,620,893	\$10,600,296	\$51,446,947	\$8,934,839	\$1,665,457	
Total (2006 - 2027)					\$95,888,188	\$51,446,947	\$80,835,031	\$15,053,157	
2006 NPV @ 4%					\$51,446,947	-	\$43,374,067	\$8,072,880	

Appendix 5: Market Center/Stemmons Sub-District Increment Chart

PROJECTED TIF INCREMENT SCHEDULE									
Tax Year	Property Value Estimate	Property Value Growth	Comp. Value Growth	Anticipated Captured Value	Anticipated Increment Revenue	Anticipated Accumulated Revenue (NPV)	Tax Increment Revenue into TIF		
							CITY @ 90%	COUNTY @ 55%	
Base	2013	\$85,835,470							
1	2014	\$112,794,957	31.41%	31.41%	\$26,959,487	\$229,427	\$220,602	\$193,380	\$36,046
2	2015	\$147,616,593	30.87%	71.98%	\$61,781,123	\$525,760	\$706,698	\$443,156	\$82,604
3	2016	\$218,812,680	48.23%	154.92%	\$132,977,210	\$1,131,643	\$1,712,724	\$953,846	\$177,797
4	2017	\$308,398,886	40.94%	259.29%	\$222,563,416	\$1,894,026	\$3,331,745	\$1,596,447	\$297,578
5	2018	\$313,024,869	1.50%	264.68%	\$227,189,399	\$1,933,393	\$4,920,853	\$1,629,630	\$303,764
6	2019	\$379,512,448	21.24%	342.14%	\$293,676,978	\$2,499,206	\$6,896,012	\$2,106,545	\$392,661
7	2020	\$436,121,913	14.92%	408.09%	\$350,286,443	\$2,980,955	\$9,161,293	\$2,512,605	\$468,350
8	2021	\$442,663,742	1.50%	415.71%	\$356,828,272	\$3,036,626	\$11,380,126	\$2,559,529	\$477,097
9	2022	\$449,303,698	1.50%	423.45%	\$363,468,228	\$3,093,133	\$13,553,320	\$2,607,158	\$485,975
10	2023	\$492,651,535	9.65%	473.95%	\$406,816,065	\$3,462,025	\$15,892,140	\$2,918,092	\$543,933
11	2024	\$500,041,308	1.50%	482.56%	\$414,205,838	\$3,524,912	\$18,181,856	\$2,971,098	\$553,814
12	2025	\$556,645,133	11.32%	548.50%	\$470,809,663	\$4,006,614	\$20,684,375	\$3,377,118	\$629,496
13	2026	\$564,994,810	1.50%	558.23%	\$479,159,340	\$4,077,670	\$23,133,318	\$3,437,010	\$640,660
14	2027	\$573,469,732	1.50%	568.10%	\$487,634,262	\$4,149,792	\$25,529,719	\$3,497,801	\$651,991
Total (2013 - 2027)						\$36,545,182	\$25,529,719	\$30,803,414	\$5,741,768
2013 NPV @ 4%							\$25,529,719	-	\$21,518,637
								\$21,518,637	\$4,011,082

Note: The base value will be revised when final 2013 tax roll figures are available for the expanded boundary and pending any litigation or tax roll corrections in the District. The City will monitor property with different base years separately. Taxable values may vary by taxing jurisdiction due to different exemption levels.

Appendix 6: Dallas Proton Treatment Center, LLC

- Dallas Proton Treatment Center, LLC was formed by members of Advanced Particle Therapy and Signet Enterprises. The development team includes:
 - J. Jason Perry, Vice-President
 - Bruce Wise, Project Manager
- Representative experience includes the Scripps Proton Therapy Center in San Diego, CA., Maryland Cancer Treatment Center in Baltimore, MD., and Georgia Proton Treatment Center in Atlanta, GA.