

Memorandum



DATE September 13, 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 **Plaza Hotel Project – Cedars TIF District**

On Monday, September 16, 2013, the Economic Development Committee will be briefed on the Plaza Hotel Projects – Cedars TIF District.

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
Warren M.S. Ernst, Interim 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

Plaza Hotel Project - Cedars TIF District

Economic Development Committee
September 16, 2013

Purpose

- Review TIF funding request for Plaza Hotel proposal in the Cedars TIF District
- Economic Development Committee recommendation for approval of funding request by City Council on September 25, 2013

Cedars TIF District: Background

- Created December 9, 1992
- Located immediately south of Downtown
- Bounded by:
 - IH-30
 - South Harwood Street
 - Corinth Street
 - South Lamar Street
- Gateway to downtown
- Supports adjacent areas
 - Kay Bailey Hutchison Convention Center
 - South Lamar District
 - Dallas Heritage Village
 - Dallas Farmers Market



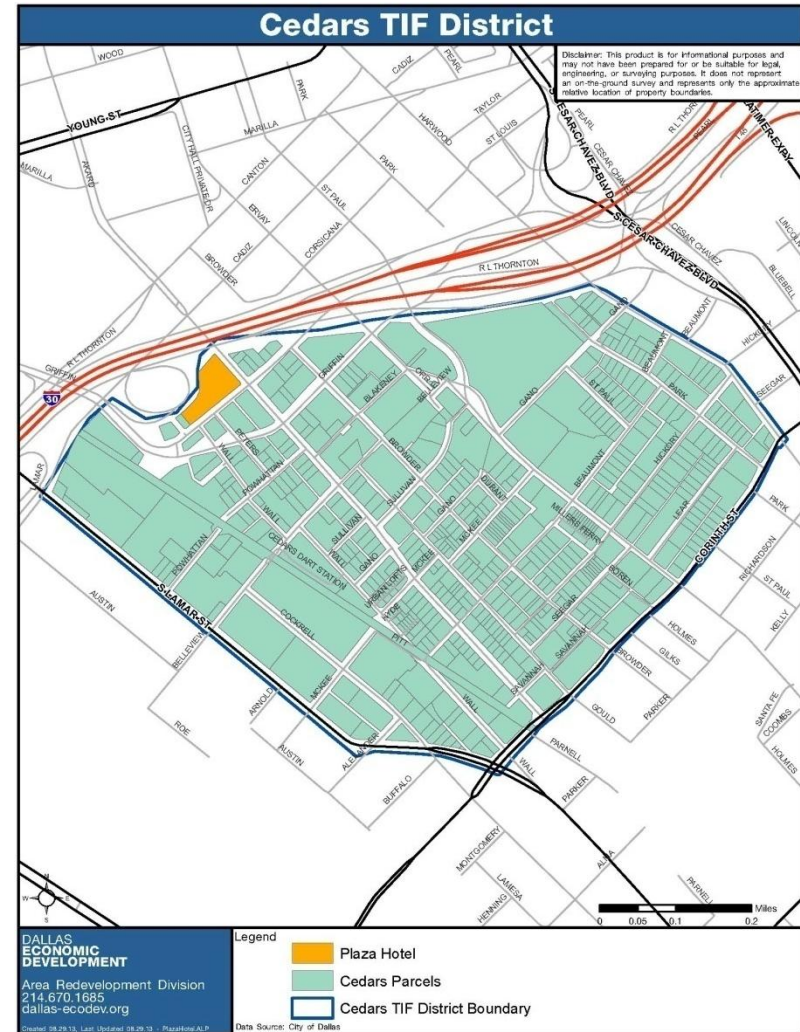
Cedars TIF District: Background (continued)

- Originally, Cedars TIF District set to expire on December 31, 2012
- City Council extended to term through December 31, 2022 (in June 2011) to encourage additional development



Plaza Hotel Project

- **Location:** 1011 South Akard Street
- **Site:** includes 1.97 acres occupied by vacant hotel (10+ years) and two level parking garage
- **Planned improvements:**
 - Streetscape and landscaping improvements on South Akard Street and West Griffin Street
 - New Cedars Gateway
 - Addition of bike lanes on South Akard Street
 - Neighborhood Plaza anchored with new retail space at corner of South Akard and West Griffin Streets



Plaza Hotel Project: Plans/Images

- Convert vacant 12-story hotel into a 220 room full service hotel with outdoor pool and amenity area



Cedars Gateway Improvements & Entry Sign

- Create Gateway into Cedars Neighborhood on South Akard



Lane Reduction, Sidewalk Amenities, New Bicycle Lane, Median Improvements & Art

Plaza Hotel Project: Plans/images (continued)

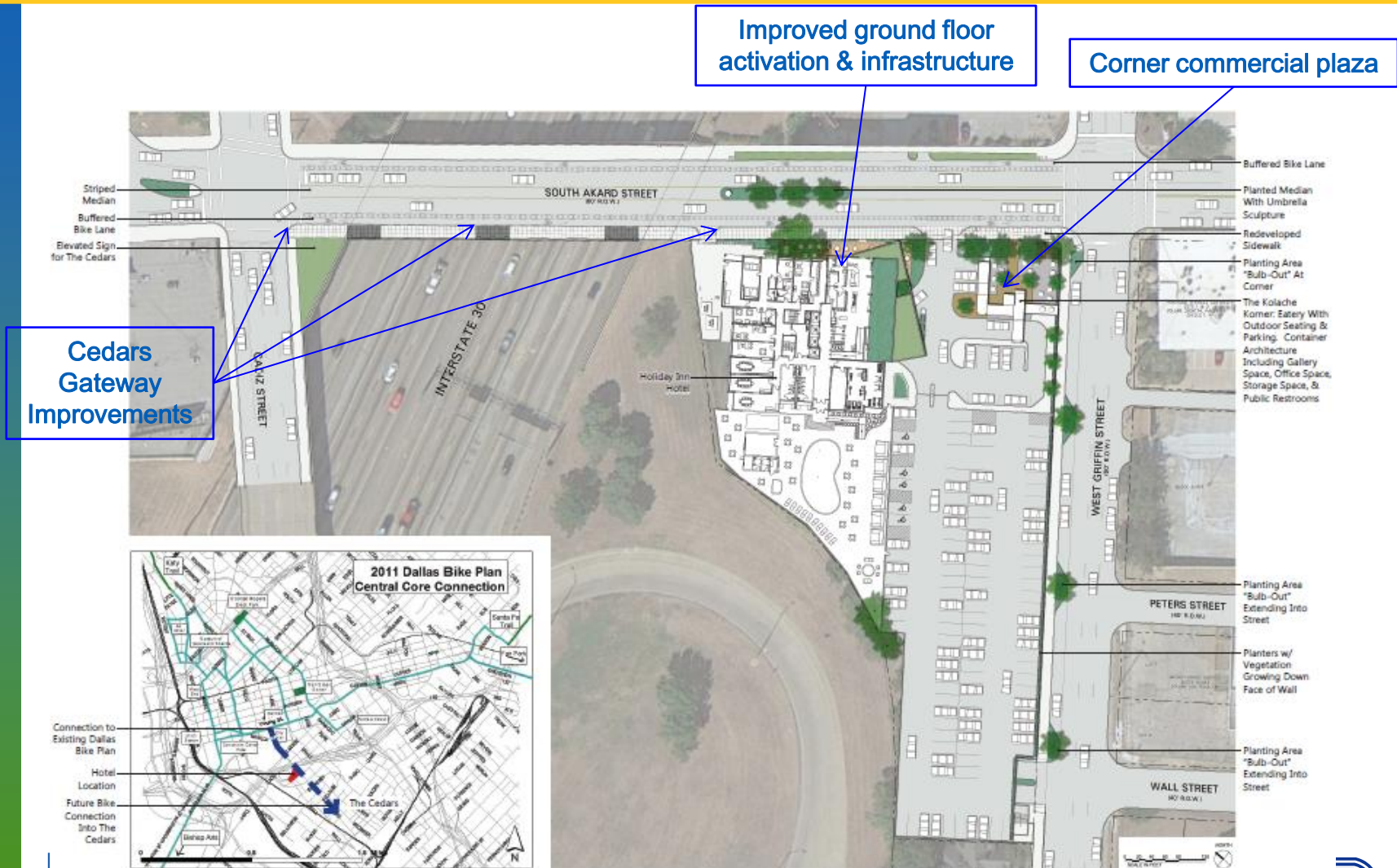


Ground Floor Activation on South Akard Street

Use repurposed shipping containers to construct approximately 1,800 square feet of commercial space on the southeast corner of the hotel's parking lot to create a corner plaza that links project with Cedars neighborhood



Plaza Hotel Project: Conceptual Site Plan



Plaza Hotel Project: TIF Subsidy

| Infrastructure Improvements | |
|--|--------------------|
| (TIF Eligible Project Costs) | |
| Infrastructure Improvements - Street Construction/Streetscape/Water/Wastewater/Drainage Improvements/East-West Corridor Construction/Public Open Spaces/Economic Development Grants | |
| Infrastructure Improvements related to the Akard Street bridge; along South Akard Street between West Griffin Avenue and Cadiz Street; and I-30 right-of-way (District-wide Improvements) | \$886,089 |
| Site related Public Improvements at the corner of South Akard Street and West Griffin Avenue | \$398,982 |
| TIF Grant | \$1,000,000 |
| Total TIF Eligible Project Costs | \$2,285,071 |
| <p><i>* Cost maybe reallocated among categories as long as the total TIF funding commitment does not exceed \$2,285,071. No interest shall accrue on any portion of the TIF subsidy.</i></p> | |

Plaza Hotel Project: Funding Sources and Uses

| Funding Source | Amount | Use |
|------------------------------|---------------------|-------------------------------------|
| Senior Debt | \$13,180,000 | Mortgage Loan |
| Section 108 Loan | \$11,000,000 | Loan Secured by LLC Lien |
| New Market Tax Credit Equity | \$3,120,000 | Equity |
| Seller's Equity Loan | \$5,500,000 | Equity Loan |
| Developer Loan | \$1,285,071 | Bridge Loan for Public Improvements |
| | \$34,085,071 | |

Plaza Hotel Project: Project Summary

| | |
|---|---------------------|
| Total square footage required A) Commercial/retail space | 1,500 square feet |
| Required private investment – site acquisition, hard costs, soft costs, etc. | \$21,500,000 |
| Expected total project cost | \$34,085,071 |
| TIF Funding | \$2,285,071 |
| % of TIF funds to expected total project cost | 6.70% |
| Return on Cost without TIF Funds | 6.57% |
| Return on Cost with TIF Funds | 7.04% |
| Developer's Fee | \$1,312,000 (3.85%) |
| Deadline to complete and receive a Certificate of Occupancy for the commercial/retail structure(s) | July 31, 2015 |
| Deadline to complete and receive a Certificate of Occupancy for the renovated hotel | July 31, 2015 |
| Deadline to complete and receive a Certificate of Acceptance for all public infrastructure improvements | July 31, 2015 |

Previous & Recommended Actions

- On August 23, 2013, Peer Review Committee reviewed and approved the Conceptual Site Plan and Renderings for the Plaza Hotel Project with some minor comments which were addressed by the developer (Appendix 4)
- On September 5, 2013, Cedars TIF Board of Directors reviewed and approved the TIF funding recommendation for Plaza Hotel Project in an amount not to exceed \$2,285,071
- Recommended Action: Approval of a development agreement with TEOF Hotel LLC to dedicate future Cedars TIF District revenues in an amount not to exceed \$2,285,071 for Plaza Hotel Project on September 25, 2013

- Appendices

Appendix 1: Cedars TIF Budget

| Cedars TIF District Projected Increment Revenues to Retire TIF Fund Obligations | | | |
|---|---------------------------------------|--------------------|---------------------|
| Category | TIF Budget (Total Dollars) | Allocated* | Balance |
| Infrastructure Improvements - Street Construction/Streetscape/Water/Wastewater/Drainage Improvements/East-West Corridor Construction/ Public Open Spaces/ Economic Development Grants | \$13,961,735 | \$6,380,004 | \$7,581,731 |
| Environmental Remediation | \$3,205,102 | \$0 | \$3,205,102 |
| Education/Educational Facility Improvements/Public Improvements Adjacent to Educational Facilities | \$4,807,653 | \$0 | \$4,807,653 |
| Administration and Implementation* | \$1,153,837 | \$705,001** | \$448,836 |
| Total Project Costs | \$23,128,327 | \$7,085,005 | \$16,043,322 |
| <p><i>The Cedars TIF term was extended by a ten-year period and is now set to terminate in 2022. Estimated TIF Collections show potential capacity in the district based on current projections, not actual current cash status. Actual capacity to be determined by new construction. Values adjusted as of September 30, 2012 to reflect current projections.</i></p> <p><i>*Includes allocations for the Bellevue Browder District-wide Public Improvements and Plaza Hotel Projects.</i></p> <p><i>**TIF administration costs shown are expensed through FY 2012.</i></p> | | | |

Appendix 2:

Cedars TIF District Increment Chart

| Tax Year | Property Value Estimate City | Property Value Growth \$ | Anticipated Captured Value City | Tax Increment Revenue City | Tax Increment Revenue DISD | Tax Increment Revenue DCCCD | Tax Increment Revenue County | Tax Increment Revenue DCHD | Anticipated Increment Revenue | Anticipated Accumulated Revenue (NPV) |
|----------|------------------------------|--------------------------|---------------------------------|----------------------------|----------------------------|-----------------------------|------------------------------|----------------------------|-------------------------------|---------------------------------------|
| 1992 | \$35,300,760 | | | | | | | | | |
| 1993 | \$33,706,330 | | (\$1,594,430) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1994 | \$31,406,528 | | (\$3,894,232) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1995 | \$34,824,532 | | (\$476,228) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1996 | \$32,499,522 | | (\$2,801,238) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1997 | \$33,333,582 | | (\$1,967,178) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 1998 | \$39,631,442 | | \$4,330,682 | \$28,110 | \$0 | \$0 | \$0 | \$0 | \$28,109 | \$20,976 |
| 1999 | \$39,171,800 | | \$3,871,040 | \$25,839 | \$27,770 | \$0 | \$0 | \$0 | \$53,610 | \$59,075 |
| 2000 | \$39,634,388 | | \$4,333,628 | \$28,927 | \$33,105 | \$0 | \$5,521 | \$7,155 | \$74,708 | \$109,641 |
| 2001 | \$42,365,372 | | \$7,064,612 | \$47,156 | \$54,157 | \$0 | \$9,000 | \$11,664 | \$121,977 | \$188,268 |
| 2002 | \$42,569,912 | | \$7,269,152 | \$50,870 | \$57,180 | \$0 | \$9,261 | \$12,001 | \$129,312 | \$267,655 |
| 2003 | \$42,628,095 | | \$7,327,335 | \$45,106 | \$52,169 | \$0 | \$8,771 | \$10,644 | \$116,691 | \$335,881 |
| 2004 | \$42,745,457 | | \$7,444,697 | \$51,430 | \$60,083 | \$0 | \$9,545 | \$11,889 | \$132,947 | \$409,911 |
| 2005 | \$45,724,646 | | \$10,423,886 | \$77,314 | \$0 | \$0 | \$14,493 | \$17,210 | \$196,333 | \$514,030 |
| DISD | \$45,644,075 | | \$10,343,315 | \$0 | \$87,316 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2006 | \$48,923,596 | \$3,198,950 | \$13,622,836 | \$87,924 | \$89,407 | \$0 | \$17,393 | \$19,907 | \$214,630 | \$622,433 |
| 2007 | \$62,805,631 | \$13,882,035 | \$27,504,871 | \$205,709 | \$163,216 | \$0 | \$40,649 | \$45,402 | \$454,976 | \$841,284 |
| 2008 | \$82,965,625 | \$20,159,994 | \$47,664,865 | \$356,486 | \$282,033 | \$0 | \$70,670 | \$78,695 | \$787,884 | \$1,202,223 |
| 2009 | \$87,846,392 | \$4,880,767 | \$52,545,632 | \$392,989 | \$335,263 | \$0 | \$77,891 | \$93,565 | \$899,708 | \$1,594,763 |
| 2010 | \$81,952,804 | (\$5,893,588) | \$46,652,044 | \$371,817 | \$290,103 | \$0 | \$73,700 | \$82,159 | \$817,779 | \$1,934,567 |
| 2011 | \$78,357,617 | (\$3,595,187) | \$43,056,857 | \$343,163 | \$278,879 | \$0 | \$68,004 | \$75,808 | \$765,854 | \$2,237,641 |
| 2012 | \$76,404,425 | (\$1,953,192) | \$41,103,665 | \$327,596 | \$265,190 | \$0 | \$64,950 | \$72,404 | \$730,140 | \$2,512,823 |
| 2013 | \$80,495,208 | \$4,090,783 | \$45,194,448 | \$324,180 | \$0 | \$0 | \$82,401 | \$0 | \$406,581 | \$2,658,762 |
| 2014 | \$82,910,064 | \$2,414,856 | \$47,609,304 | \$341,502 | \$0 | \$0 | \$86,804 | \$0 | \$428,305 | \$2,805,178 |
| 2015 | \$89,108,678 | \$6,198,614 | \$53,807,918 | \$385,964 | \$0 | \$0 | \$98,105 | \$0 | \$484,069 | \$2,962,778 |
| 2016 | \$184,261,518 | \$95,152,840 | \$148,960,758 | \$1,068,496 | \$0 | \$0 | \$271,593 | \$0 | \$1,340,088 | \$3,378,296 |
| 2017 | \$223,801,948 | \$39,540,430 | \$188,501,188 | \$1,352,119 | \$0 | \$0 | \$343,685 | \$0 | \$1,695,804 | \$3,879,072 |
| 2018 | \$241,861,120 | \$18,059,172 | \$206,560,360 | \$1,481,657 | \$0 | \$0 | \$376,611 | \$0 | \$1,858,269 | \$4,401,692 |
| 2019 | \$274,116,954 | \$32,255,834 | \$238,816,194 | \$1,713,029 | \$0 | \$0 | \$435,422 | \$0 | \$2,148,450 | \$4,977,151 |
| 2020 | \$332,340,462 | \$58,223,509 | \$297,039,702 | \$2,130,666 | \$0 | \$0 | \$541,578 | \$0 | \$2,672,243 | \$5,658,823 |
| 2021 | \$392,310,676 | \$59,970,214 | \$357,009,916 | \$2,560,832 | \$0 | \$0 | \$650,918 | \$0 | \$3,211,750 | \$6,439,106 |
| 2022 | \$408,579,557 | \$16,268,880 | \$373,278,797 | \$2,677,529 | \$0 | \$0 | \$680,581 | \$0 | \$3,358,109 | \$7,216,097 |
| | | | | \$16,476,409 | \$2,075,871 | \$0 | \$4,037,545 | \$538,503 | \$23,128,327 | \$7,216,097 |
| | | | | \$4,858,523 | \$952,416 | \$0 | \$1,163,265 | \$241,893 | \$7,216,097 | |

Appendix 3: Plaza Hotel Project Pro Forma and Budget

| | | | | | |
|--|---------------------|--------------|-----------------|---------------------|--|
| PROJECT DESCRIPTION: | | Plaza Hotel | | | |
| SITE AREA: | | 2 | | | |
| NUMBER OF FLOORS/STORIES: | | 12 | | | |
| BUILDING AREA (g.s.f.): | | 162,733 | | | |
| CONSTRUCTION PERIOD: | | 13 mo | | | |
| ANTICIPATED CONSTR START DATE: | | 12/1/2013 | | | |
| Project Component | | | | | |
| | SF | Rooms | Total SF | \$ per SF | |
| Plaza Hotel | 160,933 | 220 | 160,933 | - | |
| Additional Comercial/retail | 1,800 | - | 1,800 | - | |
| Total | 162,733 | 220 | 162,733 | \$4.04 | |
| Income (Annual) | | | | | |
| Revenue year 5 | \$6,551,348 | | | | |
| plus misc income | \$1,340,680 | | | | |
| plus commercial space | \$0 | | | | |
| less vacancy | 33% | | | | |
| less expenses | (\$5,653,773) | | | | |
| NOI (w/o TIF) | \$2,238,255 | | | | |
| Project Costs | | | | | |
| Acquisition Costs | \$6,500,000 | | | | |
| Hard Costs | \$16,767,733 | | | | |
| Soft Costs | \$6,781,267 | | | | |
| FFE Costs | \$2,751,000 | | | | |
| Public Improvement costs | \$1,285,071 | | | | |
| Total Project Cost (incl. public) | \$34,085,071 | | | | |
| Total Project Cost (incl. public costs) | | | | \$34,085,071 | |
| CITY ASSISTANCE (current \$) | | | | \$2,285,071 | |
| Total Project Cost (with City \$) | | | | \$31,800,000 | |
| Return on Cost Analysis | | | | | |
| NOI/Total Project Costs | | | | | |
| Return on Cost (no City \$) | | | | 6.57% | |
| Return on Cost (with City \$) | | | | 7.04% | |

Appendix 4: Plaza Hotel Project – Urban Design Comments

- The Urban Design Peer Review Panel’s advice for the Plaza Hotel Project is summarized below:
 - The panel generally applauds the overall direction of the proposed enhancements and the impulse to transform an important link between downtown Dallas and the Cedars.
 - The panel encourages better integration of the “Kolache Corner” component with the site entrance, hotel offerings, retail and parking to create a more unified experience at that corner of the site.
 - The South Akard Street median is discouraged as the space could be better used to introduce wider sidewalks, especially in front of the hotel.
 - The sidewalk approach to the hotel should be enhanced with street trees and other amenities.
 - The design for the South Akard Street Bridge should focus on a more continuous pedestrian experience from Cadiz to Griffin Streets, especially as it relates to a continuous provision for shade.
 - The panel encourages cooperation by all City of Dallas departments to facilitate a stronger link to downtown along this block of South Akard Street.

Appendix 5: TEOF Hotel LLC

- The Texas Educational Opportunity Fund is the sole member of TEOF Hotel LLC.
 - The Texas Educational Opportunity Fund (“TEOF”) is a Texas nonprofit corporation whose purpose is to raise funds to support the development of affordable housing.
 - In the last three years TEOF has raised and distributed over \$900,000 to be used to support affordable housing in Dallas.
 - TEOF is governed by a three-person Board of Directors including
 - **John P. Greenan**, the executive director of Central Dallas Community Development Corporation and the developer of CityWalk@Akard (511 N. Akard),
 - **Andrew Foster**, an employee of the rating agency Standard & Poor’s in New York, New York, and
 - **Eliot D. Shavin, Esq.**, a law professor at Southern Methodist University.