

Memorandum



DATE January 3, 2014

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

SUBJECT **The Olympic Project (1401 Elm Street) – Downtown Connection TIF District**

On Monday, January 6, 2014, the Economic Development Committee will be briefed on the The Olympic Project (1401 Elm Street) – Downtown Connection 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, City Attorney
Judge Daniel Solis, Administrative Judge Municipal Court
Craig Kinton, City Auditor
Frank Libro, Public Information Officer
Forest Turner, Assistant City Manager

Jill A. Jordan, P.E., Assistant City Manager
Joey Zapata, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Theresa O'Donnell, Interim Assistant City Mgr.
Jeanne Chipperfield, CFO, OFS
Karl Zavitkovsky, Director, OED
J. Hammond Perot, Assistant Director, OED
Elsa Cantu, Assistant to the CMO

The Olympic Project (1401 Elm Street)
Downtown Connection TIF District

Economic Development Committee

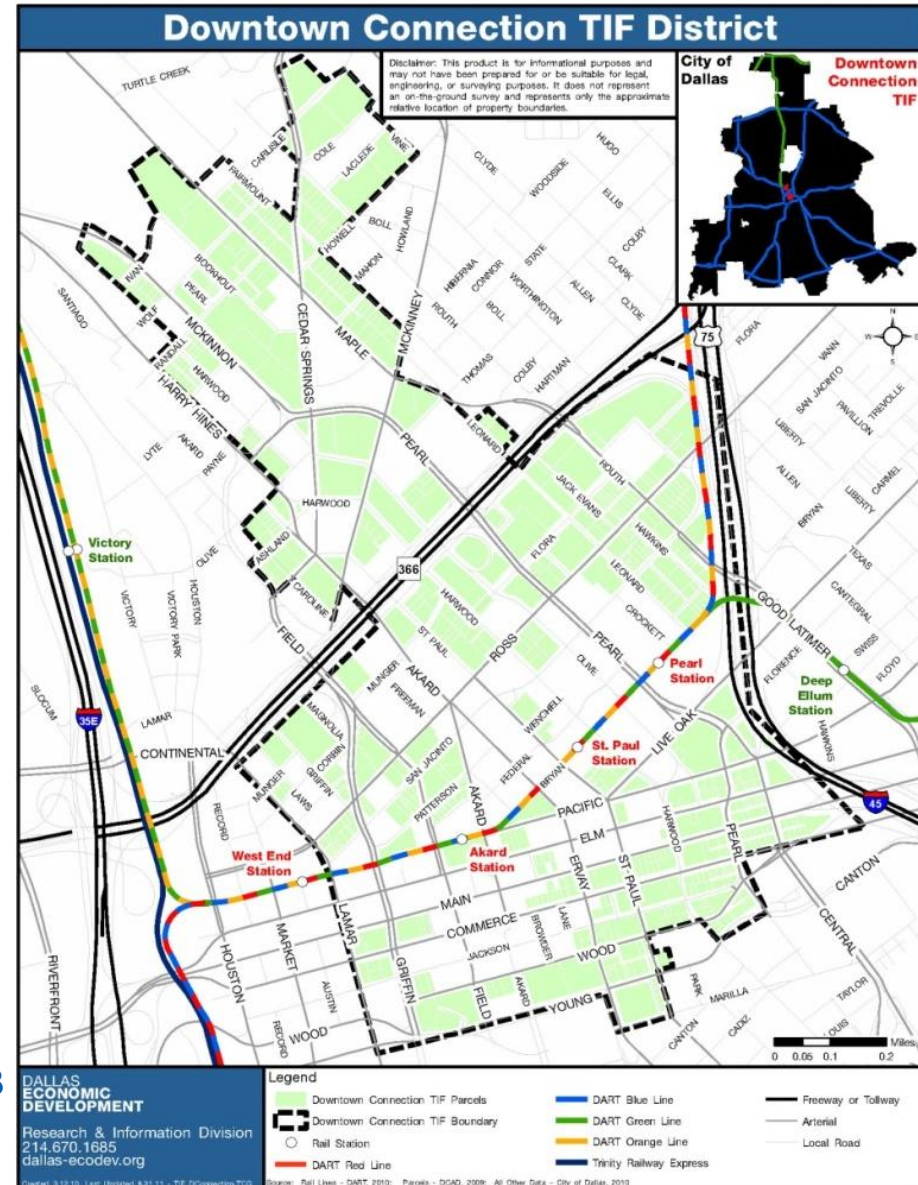
January 6, 2014

Purpose

- Provide background information on Downtown Connection TIF District
- Review the Olympic Project
- Review Budget Status of Downtown Connection TIF District
- Obtain Economic Development Committee's approval for consideration of the project by City Council on January 22, 2014

Downtown Connection TIF District Background

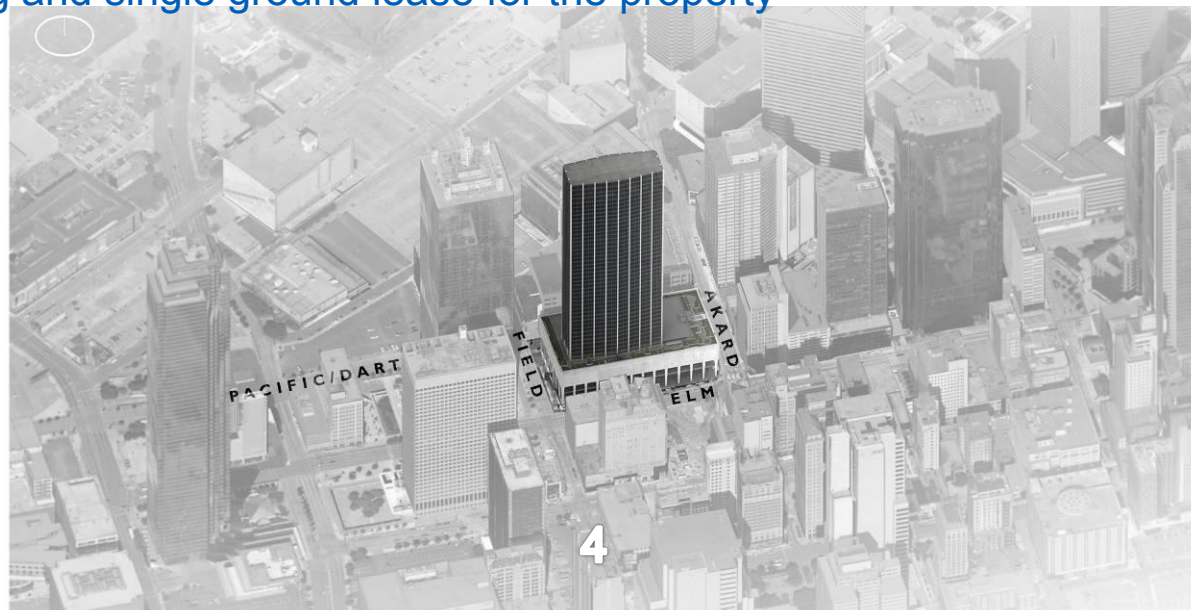
- Created June 2005
- Project Plan and Reinvestment Zone Financing Plan originally approved August 2005, amended May 2013 to increase budget for district
- Expires December 31, 2035, or when approximately \$514.9 million in TIF increment has been collected (NPV of \$231.6 million)
- Established to fund projects creating a greater density/critical mass of development within an expanded Downtown core with focus on strengthening connectivity to/between the core and growing downtown areas



Downtown Connection TIF District

1401 Elm Street Building Background

- Construction began 1961; building opened in 1965
- Designed by George L. Dahl originally for First National Bank of Dallas
- Closed January 2010 after Bank of America's lease ended December 2009
- Environmental study conducted 1991 showed asbestos containing materials present in the building
- Largest vacant contiguous block downtown
- City Council approved \$30M in TIF funding for redevelopment of building in 2011; developer unable to make project work financially
- September 2013, Olympic 1401 Elm Associates, LLC entered into contract to purchase the building and single ground lease for the property



The Olympic Project

Project Description

- 1.5 million square foot building has 52 floors (2 floors underground)
- **Mixed use redevelopment:**
 - **Residential** – 512 Units (levels 11 through 48)
 - **Office Space** – 71,133 square feet
 - **Retail/Restaurant Space** – 71,555 square feet
 - **Interior Public Space** – Outdoor plaza on portion of 9th floor and Observation deck on 5th floor
 - **Parking** – 925 spaces (basement and levels 6 through 8 of building's podium)
- **Project Cost:** \$151,283,000
- **Start Construction:** 08/2014
- **Complete Construction:** 12/2016
- **Design Review:** Design Peer Review Panel (10/25/2013) reviewed and approved design of project
- **Historic Tax Credits:** Developer has elected to forgo applying for Historic Tax Credits for project to allow for greater flexibility in building design

The Olympic Project

Project Design



Akard Street Elevation - Existing



Corner of Elm and Field Street - Existing



The Olympic Project

Project Sponsorship – Olympic Property Partners

- Olympic Property Partners, a New York based full-service, vertically integrated company with expertise in all facets of development, ownership and management of commercial real estate.
 - Principals have developed and/or owned over ten million square feet of commercial property, including residential, office, retail and hospitality
 - Has both the financial strength and development expertise to redevelop the building
 - Headquarters located at Olympic Tower in midtown Manhattan with satellite offices in Stamford, CT and London, UK.
- Olympic Property Partners Principals
 - **Seth Weinstein** - real estate financier, developer and entrepreneur spanning almost 35 years; Mr. Weinstein has developed and repositioned millions of square feet of real estate involving complex environmental, historical and innovative projects.
 - **Stephen Chalk** - 25 years of hotel, resort and condo-multifamily development experience. He has 15 years experience in the Food Service Industry. Within the last 18 years he has been an integral part in the development, consulting and supply in various, mostly luxury, hotels in the US, Europe and Caribbean. His clients include Ritz Carlton, Four Seasons, Millennium, Extel Developments, Marriot, Jack Nicklaus Organization, and numerous of well known developers and finance partners.
- Mr. Weinstein and Mr. Chalk are principals in Olympic 1401 Elm Associates, LLC, the entity formed to redevelop 1401 Elm Street building.

The Olympic Project

Project Funding Sources and Uses

Sources	Amount	%	Uses
Private Equity	\$45,383,000	30%	Acquisition and Construction
Senior Loan	\$50,780,000	34%	Construction
Mezzanine Loan	\$55,120,000	36%	Construction
\$151,283,000			

The Olympic Project

Proposed TIF Funding

- Majority of proposed TIF funds will be used to reimburse environmental remediation/demolition, public infrastructure costs and façade improvements
- The Olympic project would not occur, but for TIF funding
- Proposed TIF funding shall not exceed \$50M, \$45M principal with up to \$5M in interest (accruing at a fixed rate equal to that of a municipal bond on the day of City Council approval, as determined by the City's Financial Advisor)

Description	Amount
Redevelopment of Vacant/Underutilized Downtown Buildings	
<i>Environmental Remediation and Demolition</i> (includes costs of environmental site assessment costs)	\$14,020,000
<i>Street/Utility Improvements</i> (includes streetscape improvements)	\$3,000,000
<i>Façade Improvements</i>	\$24,000,000
<i>Economic Development TIF Grant</i> (offsets portion of costs for stair park only)	\$1,880,000
<i>Architectural/Engineering</i>	\$2,100,000
Total TIF Base Funding Proposed	\$45,000,000

The Olympic Project

TIF Board Funding Recommendation

- On November 18, 2013, the Downtown Connection TIF District Board of Directors reviewed and approved TIF funding for the Olympic project in an amount not to exceed \$50,000,000, \$45,000,000 in principal and up to \$5,000,000 in interest.

The Olympic Project

Highlights of TIF Funding Conditions

- Minimum private investment \$100,000,000, construction and construction related soft costs
- Redevelopment shall include a minimum of 452,000 square feet:
 - Minimum 25,000 square feet of retail/restaurant space
 - Minimum 387,000 square feet (approximately 400 residential units) of residential space, inclusive of resident storage space
 - Minimum 40,000 square feet of office space
- Renovation and maintenance of a public observation deck on the 50th floor of building
- Creation of an outdoor public plaza on a portion of the 9th floor of building
- Start construction and/or demolition for the Project by August 31, 2014;
- **Provide proof of project financing by August 31, 2014;**
- Certificate of Occupancy (CO) for the Project by December 31, 2016;
- 25% of total net leasable commercial (non-residential) space with a minimum of 50% of ground floor space must be occupied prior to TIF payment;
- Project shall be managed by a management company acceptable to Director

The Olympic Project

Highlights of TIF Funding Conditions (Continued)

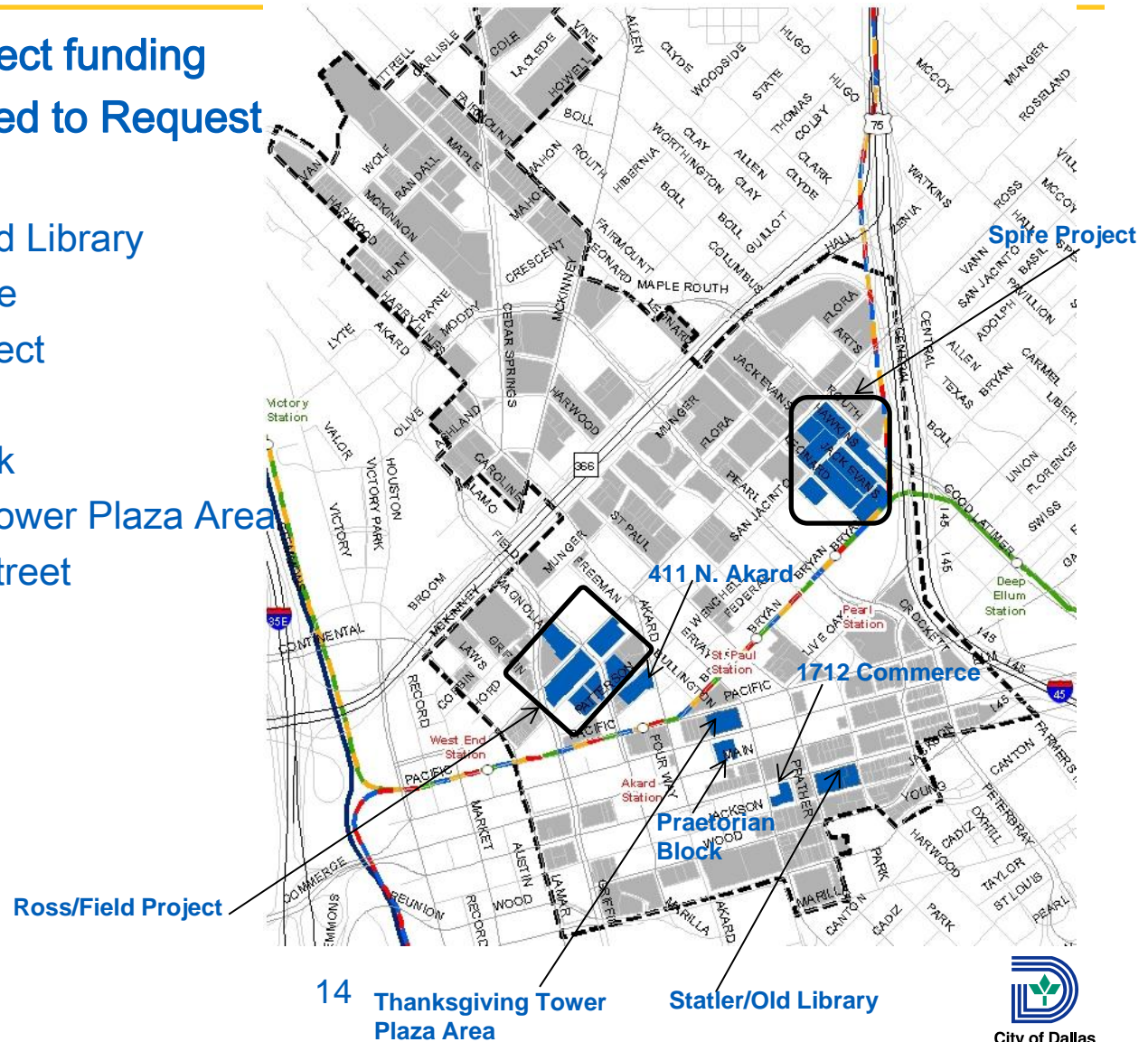
- **Mixed Income Housing Requirement:** A minimum of 10% of the Project's residential units must comply with the City's Mixed Income Housing Guidelines for the City Center TIF District
- Market the apartments pursuant to an affirmative fair housing marketing plan;
- Final acceptance of public infrastructure improvements from Public Works and Transportation Department by December 31, 2016;
- Execute Operating and Maintenance agreement for public infrastructure improvements by December 31, 2016, for 20 years;
- Construction shall be in general conformance with site plans approved by the Downtown Connection 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 12 months, with Director and Downtown Connection TIF District Board of Directors approval

Strategic Importance of Proposed Project

- Activates the largest remaining vacant building in the core
- Adds to the residential population downtown
- Improves pedestrian connections to the Akard Street light rail station; improvements will be made to the DART station on both sides
- Located on the DART Line, project support DART Light Rail ridership

Remaining Downtown Projects/Priorities

- \$90M left for project funding
- Projects Anticipated to Request TIF Funding:
 - Statler Hotel/Old Library
 - 1712 Commerce
 - Ross/Field Project
 - Spire Project
 - Praetorian Block
 - Thanksgiving Tower Plaza Area
 - 411 N. Akard Street



Recommendation

- Staff requests ECO Committee's approval of consideration of a development agreement with Olympic 1401 Elm Associates, LLC for TIF reimbursement not to exceed \$50,000,000, \$45,000,000 in principal and up to \$5,000,000 in interest for the Olympic project by City Council at their January 22, 2014 Council meeting.

APPENDICES

Appendix A: Project Requirements/Other Information

The Olympic Project Facts	
Minimum Residential Space (required)	387,000 s.f. Approx. 400 Units
Minimum Affordable Housing Units	40 Units or 10% of Total Residential Units
Minimum Office Space	40,000 s.f.
Minimum Retail Space	25,000 s.f.
Parking Spaces	925
Required Private Investment – (construction hard and soft costs)	Min. \$100,000,000
Expected Total Project Cost	\$151,283,000
TIF Funding	\$45,000,000 + up to \$5,000,000 interest
% TIF funds to total project cost	33.05%
Return on Cost without TIF	5.10%
Return on Cost with TIF	7.70%
Deadline to Obtain Building Permit	August 31, 2014
Deadline to Obtain Final CO	December 31, 2016

Appendix B: The Olympic Project

Project Proforma

The Olympic Project Proforma			
Downtown Connection TIF District			
PROJECT DESCRIPTION:	1401 Elm Street		
PROJECT TYPE:	Mixed Use (Residential, Retail, Office, Parking)		
CONSTRUCTION START DATE:	August 31, 2014		
PROJECT SCHEDULE:	December 31, 2016		
Residential Units			
	SF	# of Units	Avg SF
Total/Avg	494,126	512	965
Use Breakdown			
	SF	Total Leasable/Rentable SF	
Residential (including storage space)	535,371	1,123,626	
Retail	71,555		
Office	71,133	Total Bldg SF (Gross)	
Amenity Space (rentable space on publically accessible areas)	15,497	1,502,432	
Parking (sub-surface and building podium)	430,070		
Back of House and Common Areas	378,806		
Project Costs		Revenue	
Hard Cost	\$105,521,000	Residential Revenue	\$9,072,153
Soft Cost (less Developer Fee)	\$20,822,000	Retail Revenue	\$1,775,861
Acquisition	\$20,600,000	Office Revenue	\$1,138,128
		Parking Revenue	\$738,150
Total Project Cost (without City \$)	\$146,943,000	Total Revenue	\$12,724,292
		Expenses	
Total Project Cost	\$146,943,000	Residential Expenses	(\$997,937)
TIF Assistance	\$50,000,000	Parking Expenses	(\$280,497)
Net Cost to Developer (after TIF reimbursement)	\$96,943,000	Common Area Maintenance	(\$479,446)
		Utilities, Property Taxes, Insurance	(\$3,053,830)
Return on Cost Analysis		Management Fees	(\$445,350)
NOI/Total Project Costs		Total Expenses	(\$5,257,060)
Return on Cost (without City \$)	5.1%	NOI	\$7,467,232
Return on Cost (with City \$)	7.7%	<small>Notes: Stabilized rates in year 5; Revenue reflects vacancy rates for Residential 10%, Retail 15%, Office 20%, Parking 5%</small>	

Downtown Connection TIF District

Reimbursement Queue

Downtown Connection TIF District
Reimbursement Queue
As of September 2013

Reimbursement Priority ¹	Project Name	Priority Date	Construction Status	Primary TIF Reimbursement	Maximum Interest	Total Eligible TIF Reimbursement	Project Generated Increment Only ⁴	Reimbursement Status
1	Stoneleigh Hotel	5/30/2010	Completed	\$2,500,000	\$0	\$2,500,000	Yes	To Be Paid
2	Hall Lone Star ²	5/30/2010	Completed	\$852,764	\$2,000,000	\$2,852,764	No	To Be Paid
3	Santa Fe IV - Aloft Hotel	5/30/2010	Completed	\$4,296,264	\$0	\$4,296,264	No	To Be Paid
4	Grand Ricchi Dallas - 1600 Pacific	10/26/2010	Completed	\$8,830,000	\$4,040,200	\$12,870,200	No	N/A
5	Joule Hotel Expansion	1/19/2011	Under Construction	\$20,658,500	\$0	\$20,658,500	No	N/A
6	Atmos Complex Phase I	6/20/2011	Completed	\$3,250,000	\$3,000,000	\$6,250,000	No	N/A
7	Joule Hotel Expansion Amendment	8/10/2011	Under Construction	\$3,194,409	\$0	\$3,194,409	No	N/A
8	Continental Building ³	9/16/2011	Under Construction	\$13,305,700	\$4,222,588	\$17,528,288	No	N/A
9	Atmos Complex Phase II	5/21/2013	Approved	\$11,750,000	\$5,000,000	\$16,750,000	No	N/A
10	Hall Lone Star Project - Phase II ²	8/22/2013	Approved	\$5,000,000	\$0	\$5,000,000	No	N/A
TBD	1914 Commerce Street	TBD	Approved	\$13,168,950	\$0	\$13,168,950	No	N/A
TBD	1954 Commerce Street	TBD	Approved	\$3,020,350	\$0	\$3,020,350	No	N/A
TBD	1401 Elm Street	TBD	Approved	\$30,000,000	\$0	\$30,000,000	No	N/A
TBD	PetroCorrigan Project	TBD	Under Construction	\$10,300,000	\$0	\$10,300,000	No	N/A
TBD	500 S. Ervay	TBD	Approved	\$5,000,000	\$0	\$5,000,000	No	N/A
TBD	LTV Tower Project	TBD	Approved	\$17,500,000	\$0	\$17,500,000	No	N/A
						\$170,889,725		

Notes:

¹The priority ranking of an approved project is established by the submittal of evidence to the City of an executed construction loan and building permit for the project.

²Hall Lone Star Project, Phases I and II, is eligible to receive up to \$2M in interest. The full \$2M in interest is shown in Phase I of the project.

³The Total TIF Reimbursement for the Continental Building project is \$22,528,288 (includes an additional \$2.5M in bond proceeds).

⁴Based on the development agreement for the project, reimbursement may take the form of project generated increment only or project generated increment plus shared increment.

Downtown Connection TIF District

Budget Status

Remaining Funds for Projects \$110,372,653 (see budget)
 Plus Savings from Aloft Project \$ 559,845
Less Additional 1401 Elm Request \$ 20,000,000 (\$30 million previously budgeted for the building)
Total Remaining Funds for Project \$ 90,932,498

Projects Anticipated to Request TIF Funding

- Statler Hotel/Old Library
- 1712 Commerce
- Ross/Field Project
- Spire Project
- Praetorian Block
- Thanksgiving Plaza Area

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.

Downtown Connection TIF District Current Projected Increment Revenues to Retire TIF Fund Obligations			
	B	C	B - C
Category	Estimated Total Dollar TIF Budget	Allocated ³	Estimated Total Dollar Balance
Catalyst Projects: - Environmental remediation, demolition, historic façade, restoration, street/utility improvements & streetscape improvements, land acquisition, and non project costs, including, but not limited to machinery, equipment, materials and s	\$68,000,000	\$68,000,000	\$0
Redevelopment of Vacant/Underutilized Downtown Buildings, Underdeveloped Parcels, Surface Parking Lots - Environmental remediation, interior/exterior demolition, historic façade restoration, street/utility improvements, land acquisition, TIF grants, affor	\$281,262,378	\$170,889,725	\$110,372,653
Uptown/Downtown connection improvements	\$0	\$0	\$0
Park and plaza design and acquisition	\$3,335,415	\$0	\$3,335,415
Affordable Housing²	\$3,000,000	\$2,000,000	\$1,000,000
Retail Initiative/Streetscape Improvements	\$1,985,000	\$459,845	\$1,525,155
Downtown Area Plan	\$515,000	\$512,464	\$2,536
Administration and Implementation	\$6,512,935	\$617,914	\$5,895,021
Debt Service (Interest Only)	\$150,363,000	\$150,363,000	\$0
Total Project Costs	\$514,973,728	\$392,842,948	\$122,130,780

¹TIF Budget shown above in total dollars; TIF Project Plan shows the budget in net present value.
²The Affordable Housing line item has been reduced by the amount of money allocated to the Continental project
³The Allocated total shown for the Redevelopment of Vacant/Underutilized Downtown Building line item reflects total TIF District's commitment to projects currently in the Reimbursement Queue

Appendix C: The Olympic Project *Development Team – Examples of Work*



145 East 32nd Street, New York City. This 1920's office building was completely restored on the exterior and lobby to its original beauty and gut renovated and modernized on the interior. Substantial environmental remediation was required. All systems were replaced. The building was then fully leased including both the retail and office components.

One Atlantic Street, Stamford. This magnificent 1920's office building was restored to its original exterior detail and the lobby and major interior features were recreated. The original bank hall was restored including recreating fixtures and architectural details. The office floors were gutted and fully modernized.



260 Peachtree Street, Atlanta: This former east coast headquarters of Sun Life Insurance was gut renovated from a single tenant use including complete asbestos remediation, exterior and interior renovations, creation of an award winning lobby, health club, dining club and other amenities to create a class A multi-tenant office building in the heart of downtown Atlanta.