

Memorandum



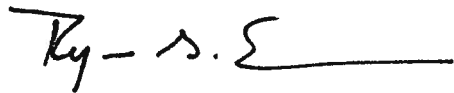
DATE April 3, 2015

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

SUBJECT **Deep Ellum TIF District – Westdale 2800 DE**

On Monday, April 6, 2015, the Economic Development Committee will be briefed on the Westdale 2800 DE project to redevelop properties along Main and Elm Streets in the core area of the Deep Ellum TIF District. Briefing materials are 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
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager – Mayor & Council

Westdale 2800 DE Redevelopment Project

Deep Ellum TIF District

Economic Development Committee
April 6, 2014



**DALLAS
ECONOMIC
DEVELOPMENT**



City of Dallas

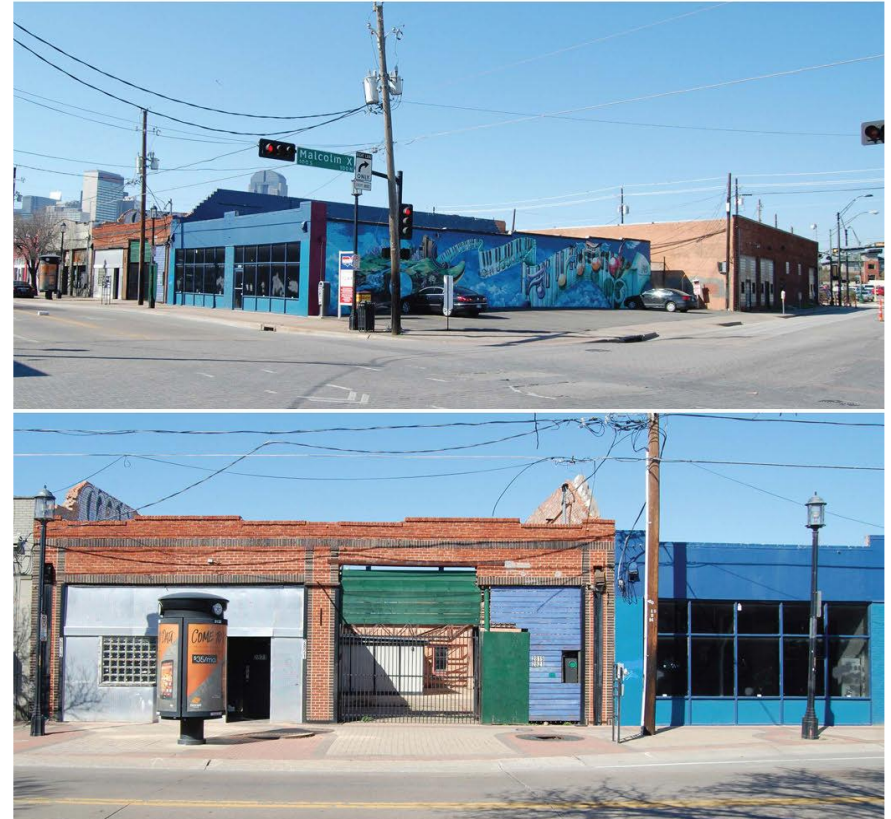
Purpose

- Review redevelopment of Westdale 2800 DE property assemblage along Main and Elm Streets in Deep Ellum TIF
- Discuss proposed \$1.6 Million TIF reimbursement to facilitate façade restoration, environmental remediation, demolition, infrastructure and public improvements
- Recommend Economic Development Committee approval for council consideration on April 22, 2014

Westdale 2800 DE Background

Westdale 2800 DE –

- **Owner assembled 6 sites in Deep Ellum core** – Properties located on both the north and south sides of the 2800 block of Main Street and Elm Street, and the corner parking lots at 2825 Main
- **Buildings have varied redevelopment needs**
 - Concrete Masonry block buildings constructed between the 1930s and 1940s, set tone for district and require sensitive renovations
 - Several are currently vacant, and are in need of repair and restoration



Existing site and alleys & courtyards photos

Westdale 2800 DE Background

(Cont'd)

- Owner developed comprehensive redevelopment plan for area, subject to City financial help
 - New tenanting plan
 - A public mid-block pedestrian passage between Main St. and Elm St. which includes three connected pedestrian alleyways which radiate from a central courtyard space.
 - In addition, outdoor patio spaces are proposed at the intersection of Malcolm X Blvd. and Main St. as well as at Elm St.
 - Added landscaping and lighting
- **Estimated private investment - \$7.9M (\$1.6M Reimbursement by City)**



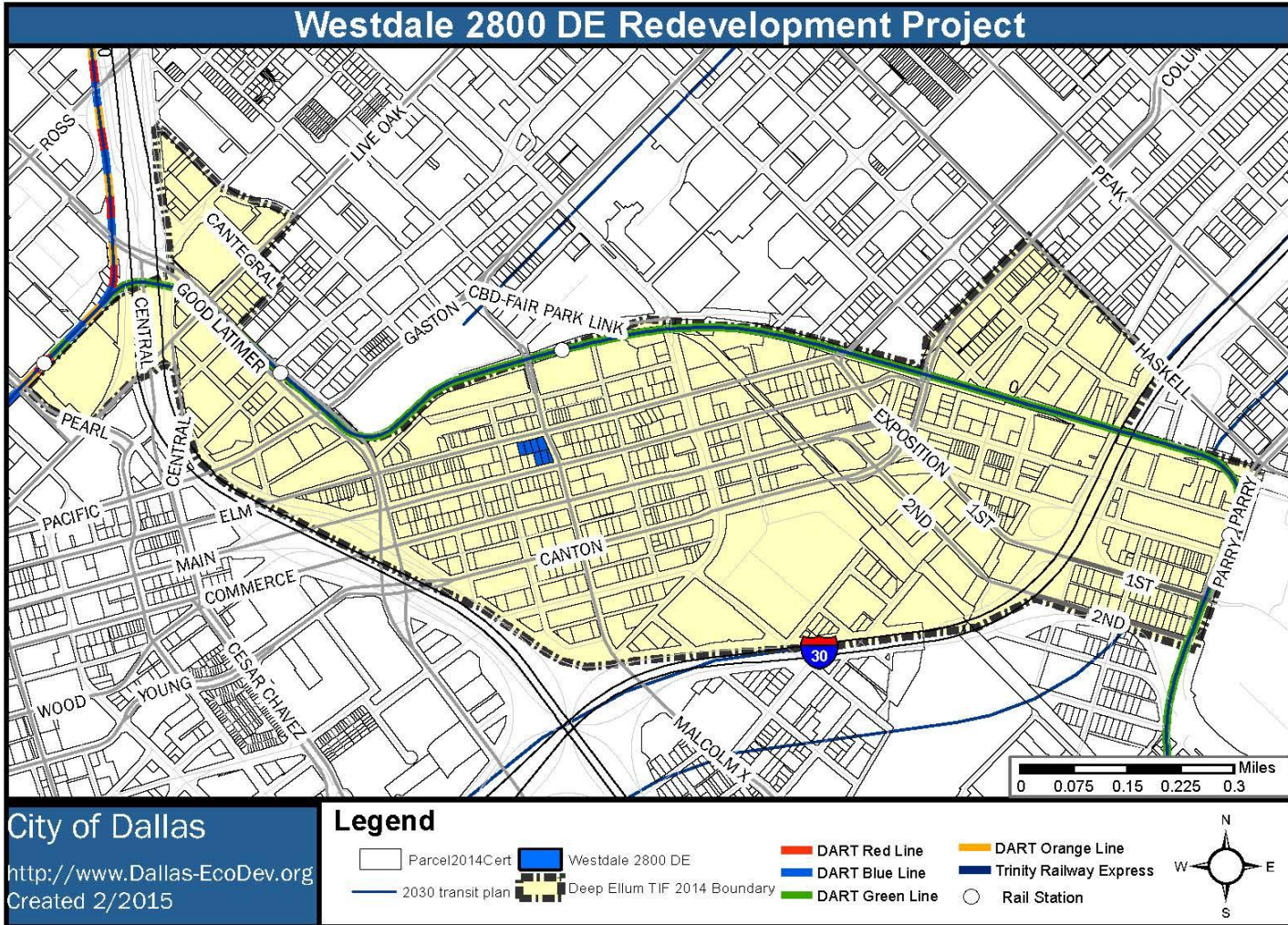
Existing site and alleys & courtyards photos

Background (Cont'd)

- **Project Site**

- Once completed, project will feature approximately 30,000 SF of Retail, including roof top restaurant space, and 14,000 of public space
- Existing buildings are currently vacant
- Goal is to revitalize vacant/underutilized buildings in historic core of Deep Ellum, rehabilitate historic brick buildings and encourage walkable destination for entertainment, retail, and restaurants
- Extends the designs and goals of the recently approved development project, Deep Ellum Crossroads, along Main Street

Project Site



Map of Westdale 2800 DE Project



Westdale 2800 DE - After Elevations



Project Sponsorship

Westdale Real Estate Investment and Management (“Westdale”), is parent company of Westdale Properties America I, LTD, including 20 years of success as a real estate investor and sponsor. Joe Beard, a Texas native, serves as their President and CEO.

Privately held with six regional offices with 1,200 employees and headquarters in Dallas, Texas, Westdale provides flexible and responsive capital resources. Additional core competencies include property management, construction services, asset management, risk management and debt services. Among Westdale’s co-investors, include Met Life, GE Capital, Goldman Sachs, Sterling Equities, CarVal, The Hampshire Companies, Turtle Creek Partners, and Chief Partners. (See Appendix A)

Westdale 2800 DE - *Strategic Importance*

- Redevelops key buildings in Deep Ellum TIF District Core
- Revitalizes and transforms an underused area of Deep Ellum
- Creates a public mid-block pedestrian passage between Main Street and Elm Street
- Creates a central courtyard area and outdoor patio space
- Creates usable retail space out of buildings whose initial use is no longer needed in the area
- Expands vision for Deep Ellum started by recently approved Deep Ellum Crossroads project

Westdale 2800 DE

Project Funding Sources and Uses

Project Sources of Funding and Uses

Sources	Amount	%	Uses
Owner Equity	\$7,969,679.00	100%	Acquisition and Construction
\$7,969,679.00			

Westdale 2800 DE

Proposed TIF Funding

- Portion of TIF funds will reimburse streetscape, open area site improvements, and façade restoration.

Description	Amount	%
TIF Budget - Westdale 2800 DE Project		
Redevelopment of Vacant Buildings/Public Plazas		
<i>Paving Streetscape, & Lighting</i> (includes paving, landscaping, streetscaping, design, electrical, mechanical, and engineering costs)	\$637,500	40%
<i>Open Spaces & Trails</i> (including site improvements, engineering, design, and landscaping costs)	\$87,500	5%
<i>Façade Restoration/Environmental Remediation & Demolition</i>	\$875,000	55%
Total TIF Funding Proposed	\$1,600,000	100%

Westdale 2800 DE Project

TIF Board Funding Recommendation

- On March 3, 2015, the Deep Ellum TIF District Board of Directors reviewed and approved TIF funding for the Westdale 2800 DE project in an amount not to exceed \$1,600,000

Westdale 2800 DE

Recommendations/Next Steps

- Request Economic Development Committee Approval for consideration by City Council at its April 22, 2015 meeting of a Development Agreement with Westdale Properties America I, LTD, for a TIF Reimbursement not to exceed \$1,600,000

APPENDICES

Appendix A: Westdale 2800 DE *Project Team*

- **Westdale Properties America I, LTD** is a Texas Limited firm based in Dallas, Texas. Since 1999, Westdale has been the largest single owner – manager of residential and commercial properties in Deep Ellum and a leading proponent of Deep Ellum’s growth and vitality. Westdale is privately held with flexible and responsive capital resources. Another key to the firm’s continuing growth is their adaptive and creative investment strategy. Westdale’s additional core competencies include property management, construction services, asset management, risk management and debt services. We also provide third party fee management for a host of owner clients that benefit from Westdale’s efficient infrastructure, geographic scope and economies of scale.
- **Joe Beard – President and CEO**, co-founded Westdale in 1991 with a Canadian family co-investment partner. Westdale has consummated over 300 acquisitions while creating a nationwide real estate investment, property management, leasing, and construction firm. With corporate headquarters in Dallas, Westdale and its 1200 employees operate from six regional offices controlling a capital base in excess of \$2.5 billion. His experience includes an active role in all areas of real estate investment and management. Prior to forming Westdale Asset Management, Mr. Beard was responsible for the development and acquisition of over 10,000 apartment units. He was selected as a member of the distinguished business leaders of Dallas. He received the “Forty Under 40” award by the Dallas Business Journal in 1994. A native Texan, born in Waco, Mr. Beard graduated in 1983 from Southern Methodist University.

Appendix A: Westdale 2800 DE *Project Team*

(Cont'd)

- **Ken Carlson – Chief Financial Officer**, joined Westdale in 1992 and is responsible for all financial activities and timely investment reporting. In addition to leading the fiduciary oversight of the accounting and cash management operations of Westdale, Mr. Carlson has implemented capital financial structuring strategies, both debt and equity, of all company acquisitions, development and redevelopment activities; transactions valued in excess of \$5 billion. Mr. Carlson graduated in 1983 from the University of Saskatchewan in Canada.
- **Jeff Allen – Executive Vice President, Commercial Division**, serves as Managing Principal overseeing the acquisition, underwriting and management of commercial properties. Mr. Allen has compiled over 25 years of commercial real estate experience that include direct development, acquisition, disposition and operational roles at both public and private companies. Mr. Allen earned a BBA from Texas A&M University with a concentration of coursework in real estate and finance. He has been a licensed Texas real estate broker since 1987.
- **Chuck Hixson – Vice President, Commercial Division**, serves as Vice President and manages a commercial portfolio which includes office and retail properties in multiple locations of DFW including the Deep Ellum neighborhood. Presently, Mr. Hixson is a director on the board of the Deep Ellum Foundation and serves on the Deep Ellum TIF Advisory Board. Mr. Hixson earned his BBA in finance from Southern Methodist University in 1970, has worked his 42 year real estate career in Dallas and joined Westdale in 2001.

Appendix B: Project Requirements/Other Information

Westdale 2800 DE Project Facts	
Minimum Retail Space	28,000 SF
Minimum Common Space	10,000 SF
Parking Spaces	250
Required Private Investment - (site acquisition, construction hard and soft costs)	Min. \$6,500,000
Expected Total Project Cost	\$7,969,679
TIF Funding	\$1,600,000
% TIF funds to total project cost	20%
Return on Cost without TIF	6.39%
Return on Cost with TIF	8.00%
Deadline to Obtain Building Permit	September 30, 2015
Deadline to Obtain Final CO	April 30, 2016

Appendix C: Highlights of TIF Funding Conditions

- Minimum private investment of \$7,000,000 for the Project, including acquisition, construction and construction related soft costs.
- Investment shall include a minimum of \$625,000 for the following TIF Eligible expenditures associated with the “Project”:
 - Paving, Streetscape, & Lighting – minimum \$250,000
 - Open Spaces & Trails – minimum \$75,000
 - Façade Restoration/Environmental/Remediation/Demolition – minimum \$300,000
- Redevelopment of the Project shall include a minimum of 32,500 square feet:
 - Minimum 25,000 square feet of retail/restaurant space
 - Minimum 7,500 square feet of back of house/common space, including public plaza spaces
- Start construction for the Project by December 31, 2015;
- Certificate of Occupancy (CO) for the Project by June 30, 2016;
- 25% of total net leasable commercial (non-residential) space with a minimum of 50% of ground floor space that front onto a street must be occupied prior to TIF payment;
- Project shall be managed by a management company acceptable to Director;

Appendix C: Highlights of TIF Funding Conditions *(Cont'd)*

- On February 20, 2015, the design for the project was reviewed by the Urban Design Peer Review Panel (the “UDPRP”), an independent group of design, engineering, and/or planning professionals selected by the Dallas City Manager and required for all Deep Ellum TIF District projects.
- Recommendations by the UDPRP related to the Project include:
 - Overall support for the project’s design
 - Consider additional street trees along Malcolm X Boulevard and at the proposed bulb-out on Main Street
 - Consider additional street trees at regular intervals wherever possible along existing and proposed sidewalks
- Construction shall be in general conformance with site plans approved by the Deep Ellum 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 6 months, with Director and Deep Ellum TIF District Board of Directors approval.

Appendix D: Westdale 2800 DE Project

Project Proforma

Westdale 2800 Block Main & Elm		
Deep Ellum TIF District		
PROJECT DESCRIPTION:	2800 Block, Main & Elm	
PROJECT TYPE:	Mixed Use	
CONSTRUCTION START DATE:	September 30, 2015	
PROJECT SCHEDULE:	April 30, 2016	
Use Breakdown	SF	Total Leasable SF
Retail/Restaurant/Services	30,595	30,595
Common Areas/Courtyard/Patio	13,740	13,740 *
Total Building Square Footage	44,335	
Project Costs		
Hard Costs	\$4,200,000	
Soft Costs	\$642,100	
Land Costs/Acquisition	\$3,127,579	
Total Project Cost (without City \$)	\$7,969,679	
Income		
		Retail/Restaurant \$551,690
		Reimburs. Rev. \$51,485
		Vacancy (\$42,222)
		Total Revenue \$560,953
Expenses		
		Operating Expense \$51,470
		Total Expenses \$51,470
		NOI* \$509,483
Return on Cost Analysis		
NOI/Total Project Costs		
Return on Cost (without City \$)	6.39%	
Return on Cost (with City \$)	8.00%	

NOI - Total (2017-2027)

Notes: Stabilized rates in Year 4 (2020)

*Leasable SF is for outdoor eateries in public plazas

Appendix E: Deep Ellum TIF District

Budget Status

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. (Includes Values from the approved Deep Ellum TIF District Plan Amendment)

Deep Ellum TIF District Project Plan Budget Projected Increment Revenues to Retire TIF Fund Obligations			
Category	TIF Budget*	Allocated**	Balance
Water, Wastewater, Storm & Off-site Utility Replacement	\$2,397,949	\$138,183	\$2,259,766
Paving Streetscape & Lighting	\$27,881,747	\$2,104,134	\$25,777,613
Open Space & Trails	\$2,710,725	\$1,197,998	\$1,512,727
Façade Restoration /Environmental/Remediation/Demolition	\$10,621,356	\$2,857,288	\$7,764,068
Latino Cultural Center Area Improvements	\$9,609,109	\$0	\$9,609,109
Administration & implementation	\$4,377,162	\$283,715	\$4,093,447
Total Project Costs (excluding interest)	\$57,598,048	\$6,581,318	\$51,016,730
<i>*Budget shown above in current dollar; TIF Project Plan shows the budget in net present value.</i>			
<i>**Project and Administrative costs are allocated as increment collection began in FY 2008</i>			

Questions?

