

Memorandum



DATE January 30, 2015

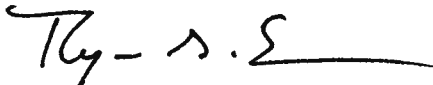
TO Members of the Economic Development Committee:
Tennell Atkins (Chair), Rick Callahan (Vice Chair) Scott Griggs, Adam Medrano,
Jerry R. Allen, Lee Kleinman

SUBJECT **Love Field Hotel Project - Maple/Mockingbird TIF District**

On Monday, February 2, 2015 the Economic Development Committee will be briefed on the Maple/Mockingbird TIF District – Love Field Hotel Project.

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
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

Dallas, the City that Works: Diverse, Vibrant, and Progressive.

Love Field Hotel Project

Maple/Mockingbird TIF District

Economic Development Committee
February 2, 2015



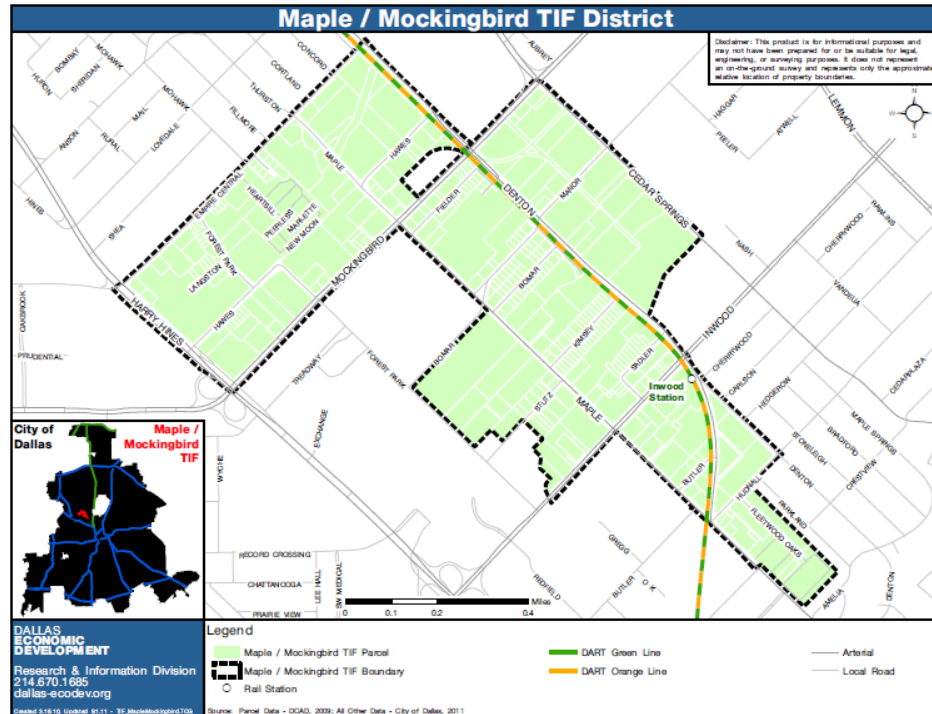
Purpose

- Provide background information on the Maple/Mockingbird TIF District
- Review the Love Field Hotel Project
- Obtain the Economic Development Committee's approval for consideration of the Love Field Hotel project by City Council on February 11, 2015

Maple/Mockingbird TIF District

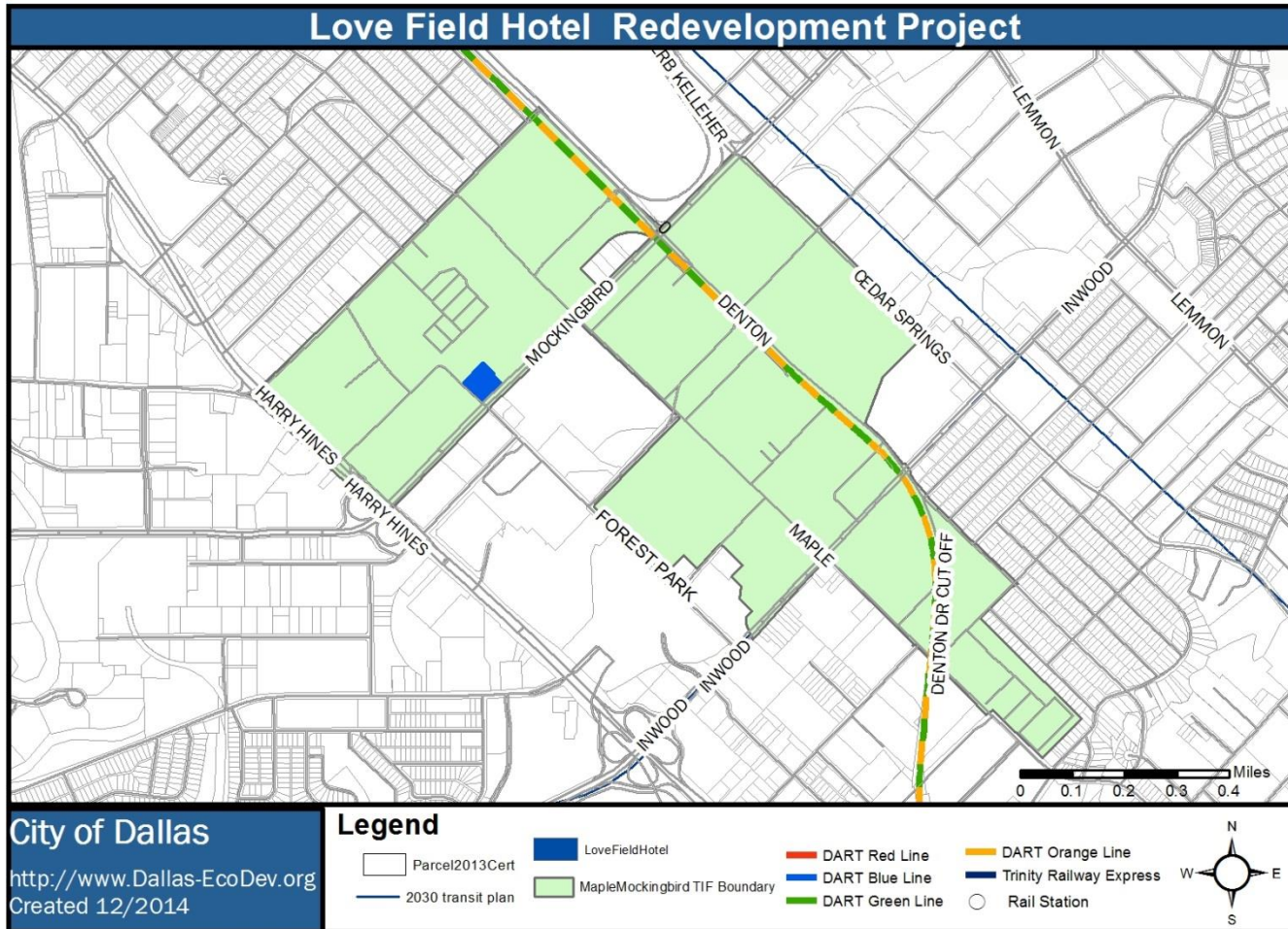
Background

- Created in December 2008
- Project Plan and Reinvestment Zone Financing Plan approved September 2009
- Expires on December 31, 2033, or when \$58.4 million in TIF increment has been collected (NPV of \$27.9 million)
- The district was created to take full advantage of the expanding DART light rail system and area resources such as Love Field Airport and the Southwestern Medical District



Love Field Hotel Project

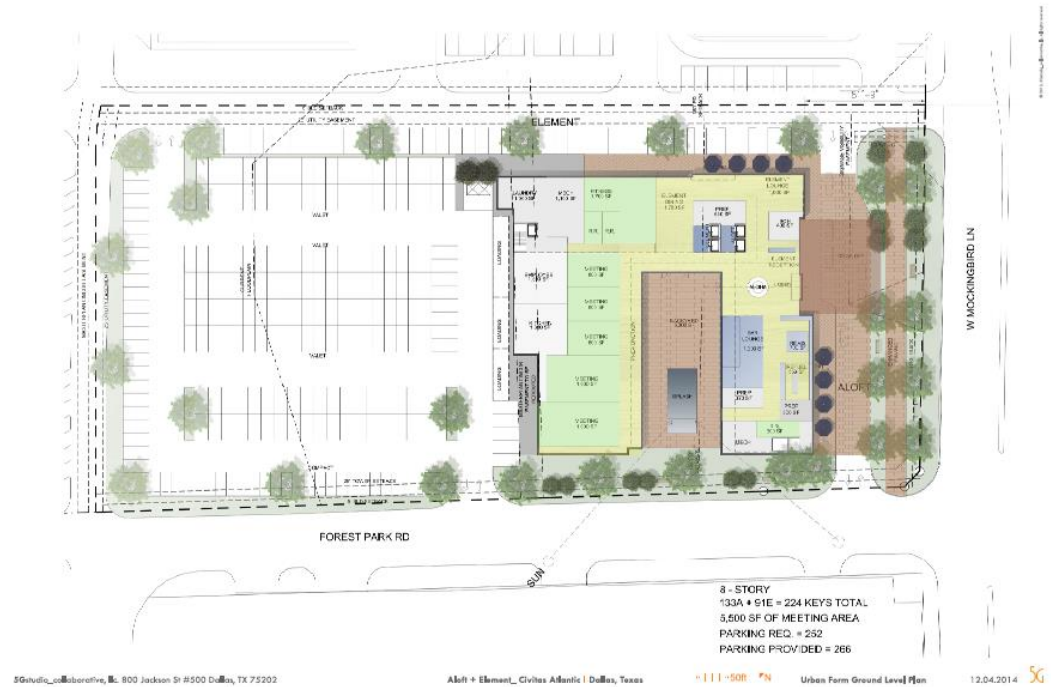
Location Map



Love Field Hotel Project

Description

- Starwood Hotels dual-branded hotel
- Aloft/Element
- 224-room, upscale hotel
- Located at 2345 West Mockingbird Lane (northeast corner of Maple Avenue and Forest Park Road)
- Eight Stories with 29,000 square feet of common area (including retail and ready to serve dining)



Love Field Hotel Project

Description (continued)

- The Maple/Mockingbird TIF District was created to improve urban form around Love Field
- This project is the catalyst for this effort
- Site improvements include: new utilities, upgrade of existing utilities, and storm water upgrade
- Currently zoning requires a setback for the hotel building based on its proposed height
 - The Urban Design Peer Review Panel (UDPRP) requested developer request a zoning change to move the building closer to Mockingbird Lane
- Based on the approval of the zoning change, the project will get either a total of \$3,000,000 (Option 1 without the zoning change) or \$5,000,000 (Option 2 with the approved zoning ordinance)

Love Field Hotel Project

Description (continued)

- With the zoning change, the total costs of the project will increase to reflect changes to the project. These changes include:
 - Screening surrounding the building due to proximity to Mockingbird
 - Relocation of an existing billboard, located next to Mockingbird (Property of Clear Channel)
 - Redesign of architectural plans
 - Utilities replacement
- Estimated cost:
 - \$40.8 million (Option 1 without the zoning change)
 - \$42.9 million (Option 2 with the zoning change)

Love Field Hotel Project Elevation – Front View



Love Field Hotel Project Elevation – West Side View



Love Field Hotel Project Elevation – East Side View



Love Field Hotel Project - Interiors

ALOFT



WXYZ bar



Remix



Refuel



Lounge

ELEMENT



Meeting



Lounge



Reception



Dining

Love Field Hotel Project

Strategic Importance

- Sets urban design standards to the future development in the Mockingbird Lane corridor
- Activates a key redevelopment location in the Maple/Mockingbird District
- Provides needed hotel space to serve the Love Field Airport and Medical District audiences
- Adds higher quality meeting social gathering space to the district

Love Field Hotel Project

Funding Sources and Uses

Project Sources of Funding and Uses - Option 1

Sources	Amount	%	Uses
Senior Loan	\$22,180,000	54.36%	Construction
EB-5 Mezzanine Loan	\$12,500,000	30.64%	Acquisition and Construction
Equity	\$8,270,000	20.27%	Construction
\$42,950,000			

Project Sources of Funding and Uses - Option 2

Sources	Amount	%	Uses
Senior Loan	\$22,180,000	54.36%	Construction
EB-5 Mezzanine Loan	\$12,500,000	30.64%	Acquisition and Construction
Equity	\$6,120,000	15.00%	Construction
\$40,800,000			

Love Field Hotel Project

Proposed TIF Funding

- The proposed TIF funds will reimburse the costs of infrastructure and utility improvements. The TIF grant is critical to make the project financially viable
- The final TIF amount is contingent on the approval of a zoning change to the Planned Development District's Height Setback restriction

Description	With Zoning Chg.	As Recommended
<i>Infrastructure/Utility Improvements</i> (Including paving, site, streetscape and utility improvements, and expanding and enhancing pedestrian and vehicle continuity in the corridor)	\$ 1,650,000	\$ 1,650,000
<i>Economic Development TIF Grant</i> (Grant for Increased Density Project)	\$ 3,350,000	\$ 1,350,000
Total TIF Funding Proposed	\$ 5,000,000	\$ 3,000,000

Love Field Hotel Project

TIF Board Recommendation

- On December 8, 2014, the Maple/Mockingbird TIF District Board of Directors reviewed and approved TIF funding for the Love Field Hotel project in an amount not to exceed \$5,000,000, of which \$3,350,000 is in the form of an Economic Development TIF Grant

Love Field Hotel Project

Recommendations/Next Steps

- Request Economic Development Committee Approval for consideration by City Council at its February 11, 2015 meeting of a Development Agreement with M&M Hotel Venture, LLC for a TIF Reimbursement not to exceed \$5,000,000, of which \$3,350,000 is in the form of an Economic Development TIF Grant

APPENDICES

Appendix A: Love Field Hotel Project

Zoning Status

- The Development Team will close on the property in March. They are purchasing the property from Mockingbird Venture Partners.
- Next, the Development Team will submit their zoning case to request a change to the height requirement for the Planned Development District.
- Based on discussions with Planning staff, the Zoning change request will be presented to the Board of Adjustment in late Spring.
- Depending on the BOA's decision, the zoning case will be submitted for approval to the Plan Commission and then City Council by late summer.

Appendix B: Project Requirements/Other Information

Love Field Hotel Project Facts		
	Option 1	Option 2
Minimum Retail Space	30,000 SF	30,000 SF
Minimum Hotel Space	116,000 SF	116,000 SF
Parking Spaces	285	285
Required Private Investment - (site acquisition, construction hard and soft costs)	Min. \$35,000,00	Min. \$35,000,000
Expected Total Project Cost	\$42,800,000	\$40,800,000
TIF Funding	\$5,000,000	\$3,000,000
% TIF funds to total project cost	12%	7%
Return on Cost without TIF	7.7%	7.7%
Return on Cost with TIF	8.7%	8.3%
Deadline to Obtain Building Permit	December 31, 2015	December 31, 2015
Deadline to Obtain Final CO	December 31, 2017	December 31, 2017

Appendix C: Highlights of TIF Funding Conditions

- Minimum private investment of at least \$35,000,000 for the project for land acquisition, hard, and construction related soft costs.
- Construction shall include the following associated with the “Project”:
 - A minimum of 116,000 of hotel space (approximately 220 guest rooms)
 - And 29,000 square feet of back of house/common space.
- Start construction and/or demolition for the project December 1, 2015.
- Obtain a Certificate of Occupancy (CO) for the Project by December 31, 2017. Construction shall be in general conformance with site plans approved by the Urban Design Peer Review Panel, Maple-Mockingbird TIF Board of Directors and Dallas City Council.
- Submit quarterly status report for ongoing work on the project.
- Project shall comply with the Business Inclusion and Development goal of 25% MWBE participation for TIF reimbursable improvements; 25% Good Faith Effort for private construction.
- Project deadline can be extended up to 6 months, subject to the Office of Economic Development Director’s and Maple/Mockingbird TIF District Board of Directors’ approval.

Appendix C: Highlights of TIF Funding Conditions *(continued)*

- On October 24, 2014, 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 Maple-Mockingbird TIF District projects.
- Recommendations by the UDPRP related to the Project are:
 - Increase the density and urbanity of the Medical District and Dallas Love Field areas as part the proposed plan, especially as it compares to the current urban environment, or lack thereof for.
 - Consider designing the landscape, streetscape, and parking along Forest Park Boulevard and other related vehicular drives in the character of more urban streets.
 - Encourage the appropriate City departments to minimize the parking requirements to reflect the needs of the hotel operator or brand which are less stringent than current city regulations.
 - Consider alternative orientation to the drive and drop off that fronts on Mockingbird Lane to allow for a more pedestrian environment, avoiding a “street next to a street” public realm condition and improving vehicular flow at the front of the hotel.
 - Consider as alternatives the “two front door” setups as observed at the Dallas Melrose or Stoneleigh Hotels.

Appendix D: Love Field Hotel

Project Proforma

Love Field Hotel Pro Forma Maple - Mockingbird TIF District				
PROJECT DESCRIPTION:		Love Field Hotel		
PROJECT TYPE:		Restaurant/Hospitality		
CONSTRUCTION START DATE:		December 31, 2015		
PROJECT SCHEDULE:		December 31, 2017		
Use Breakdown		SF		Total Leasable SF
Hotel		116,000		145,000
Common Areas/Back of Office		29,000		
Total Building Square Footage		145,000		145,000
Project Costs		Option 1	Option 2	
Hard Cost		\$30,925,000	\$29,275,000	
Soft Cost		\$3,600,000	\$3,100,000	
Interest/Carry Costs		\$2,404,000	\$2,404,000	
Land Costs/Acquisition		\$6,021,000	\$6,021,000	
Total Project Cost (without City \$)		\$42,950,000	\$40,800,000	
Total Project Cost		\$42,950,000	\$40,800,000	
TIF Assistance		\$5,000,000	\$3,000,000	
Net Cost to Developer (after TIF reimbursement)		\$37,950,000	\$37,800,000	
Return on Cost Analysis				
NOI/Total Project Costs				
Return on Cost (without City \$)		7.7%	7.7%	
Return on Cost (with City \$)		8.7%	8.3%	
		Option 1	Option 2	
Income*				
Income (Annual)				
Gross Rent		\$11,093,197	\$11,093,197	
Vacancy		(\$2,993,372)	(\$2,993,372)	
Concessions		\$597,000	\$597,000	
Other (Includes Market		\$349,000	\$149,000	
Effective Gross Revenue		\$9,245,825	\$8,845,825	
		\$0		
Expenses*				
Rooms		\$1,620,000	\$1,620,000	
Food and Beverage		\$418,000	\$418,000	
Other (Includes Market)		\$22,000	\$22,000	
Total Expenses		\$2,060,000	\$2,060,000	
Undistributed		\$2,483,000	\$2,483,000	
Gross Operating Profit		\$4,502,825	\$4,302,825	
Fixed Charges		\$636,000	\$636,000	
Fees		\$353,000	\$353,000	
Replacement Reserve		\$227,000	\$177,000	
NOI		\$3,286,825	\$3,136,825	

*Using Year 1 Numbers for stabilization

Appendix E: Maple/Mockingbird 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.

Maple/Mockingbird TIF District			
Projected Increment Revenue of Retire TIF Fund Obligations			
Category	TIF Budget¹	Allocated	Balance
Infrastructure/Utility Improvements - design and engineering; street paving construction and resurfacing; utility improvement, relocation and burial; streetscape; open space	\$33,228,244	\$945,000	\$32,283,244
Environmental Remediation and Demolition	\$4,731,870	\$315,000	\$4,416,870
Affordable Housing	\$8,937,977	\$4,400,000	\$4,537,977
Retail/High Density Grant Program	\$8,527,882	\$2,340,000	\$6,187,882
Administration and Implementation²	\$2,997,636	\$126,527	\$2,871,109
Total Project Costs	\$58,423,609	\$8,126,527	\$50,297,082
<p>¹Budget shown in total dollars. TIF Project Plan shows the budget in Net Present Value.</p> <p>² TIF administration fee include funds expended of committed through FY 2014</p>			

Appendix F: Love Field Hotel Project

Development Team

- M&M Hotel Venture, LLC is a special purpose joint venture entity of Civitas Alternative Investments and Atlantic Hotels Group.
- **Civitas Alternative Investments (CAI)**, a Civitas Capital Group Company, is a real estate development and investment company.
- The CAI team has worked on hotel development and renovation projects totaling over \$400 million, as well as the evaluation and acquisition of several individual hotel and portfolio transactions, of which over \$250 million have closed (*Caroline and David Perel*).
- **Atlantic Hotels Group (Atlantic)** is a hotel developer, owner, and operator (*Salim Molubhuy and Perry Molubhuy*).
- Founded in 2000, Atlantic has nearly 15 years of hospitality development experience and has developed over \$75 million worth of hotels in the DFW Metroplex. Atlantic currently owns and operates five hotels and is currently operating franchise licenses with Intercontinental Hotels Group (IHG) and Marriott, internationally two of the most recognizable and respected hotel brands.

Appendix F: Love Field Hotel Project

Development Team (Continued)

- **Caroline Lerner Perel**, Managing Director of CAI, is responsible for management of the firm's hotel and real estate development group. Ms. Lerner has spent her 18-year career in the hospitality industry serving in senior positions with Gatehouse Capital (largest developer of W hotels), Phillips Hotel Group, TravelClick, and Fairmont Hotels.
- **David Perel**, Managing Director of CAI, is responsible for direction of investment analysis for Civitas' hotel and real estate development group. Mr. Perel has a 20-year background in capital markets and hotel investments, holding senior positions with Gatehouse Capital, and in the Investment Banking groups of ABN Amro, ING Barings, Furman Selz, and Bear Stearns.
- **Perry Molubhoy**, CEO of Atlantic Hotels Group, is a co-founder and is responsible for the general management and strategic direction of Atlantic Hotels Group. Mr. Molubhoy has nearly 15 years of experience in hotel operations and development. Prior to founding Atlantic Hotels Group, Mr. Molubhoy founded two other very successful businesses – Atlantic Oil and Gas, the largest distributor of Fina Oil in the DFW Metroplex., and Atlantic Video, the largest Asian Indian video distributor in the US and Canada.
- **Salim Molubhoy**, CCO of Atlantic Hotels Group, is a co-founder and is responsible for the strategic planning and growth strategies for Atlantic Hotels Group. Over the past 15 years with Atlantic Hotels, Mr. Molubhoy has developed a deep knowledge of hotel construction and design. Prior to founding Atlantic Hotels Group, Mr. Molubhoy was involved in several other businesses, including Atlantic Oil and Gas, Atlantic Video. Mr. Molubhoy is also the master franchisee of Papa John's Pizza in Pakistan.

Questions?

