

# Memorandum



DATE October 3, 2014

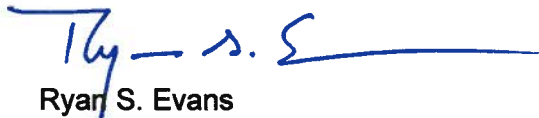
TO Members of the Economic Development Committee: Tennell Atkins (Chair),  
Rick Callahan (Vice Chair) Scott Griggs, Adam Medrano, Jerry R. Allen, Lee Kleinman

SUBJECT **City Center TIF District Plan Amendment/Thanksgiving Tower Project**

On Monday, October 6, 2014 the Economic Development Committee will be briefed City Center TIF District Plan Amendment and Thanksgiving Tower Project – City Center TIF District.

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 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

**City Center TIF District**  
*Plan Amendment /Thanksgiving Tower Project*

Economic Development Committee  
October 6, 2014

# Purpose

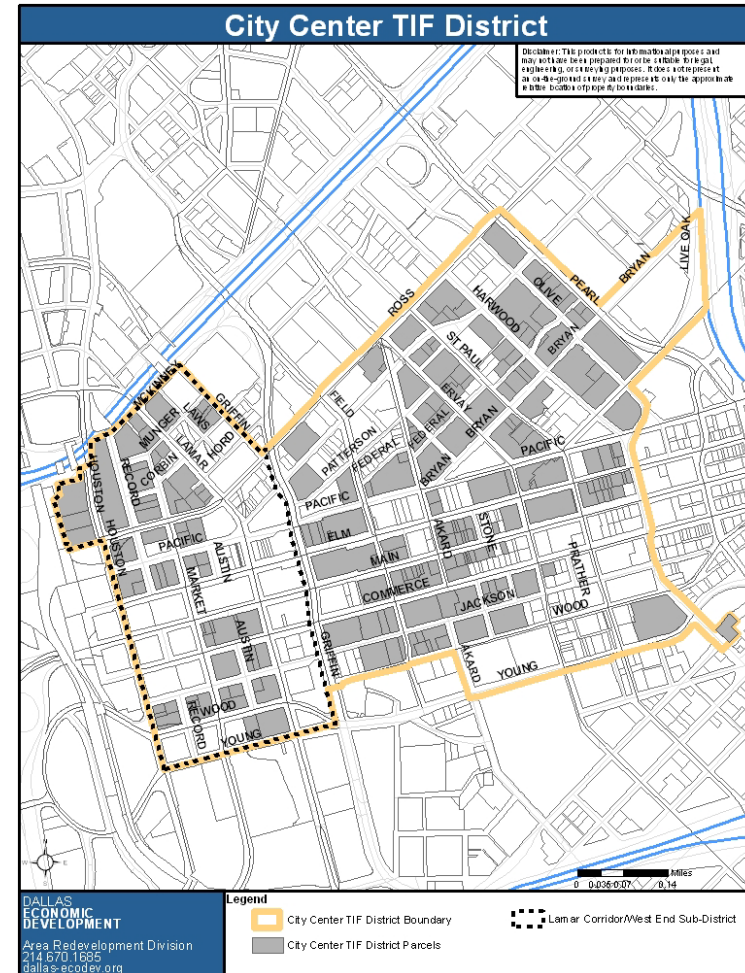
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- Provide background information on City Center TIF District
- Review proposed TIF District/Plan Amendment
- Review the Thanksgiving Tower Project
- Obtain Economic Development Committee's approval for City Council consideration of the following:
  - Call a Public Hearing on October 22<sup>nd</sup> to Amend the TIF District
  - Conduct the Public Hearing on November 12<sup>th</sup> and consider amendments
  - Thanksgiving Tower Project Incentives on November 12<sup>th</sup>

# City Center TIF District

## Background – 2012 Amendments

- Created to develop an attractive, sustainable urban core and reimburse costs of public improvements and redevelopment of vacant or underutilized buildings downtown
- District was amended December 2012 to:
  - Extend District's Boundary to the West End area, creating two sub-districts
    - City Center Sub-district – original district boundary (solid yellow line)
    - Lamar Corridor/West End Sub-district – approximately 27 acres; encompasses properties along the Lamar Corridor and properties in the Historic West End area (black dashed line)
  - Extend Term of District
    - City Center Sub-district – 12/31/2012 to 12/31/2022 (10 yrs)
    - Lamar Corridor/West End Sub-district – 12/31/2012 to 12/31/2037 (25 year term)
  - Decrease City Participation Rate from 90% to 80%
  - Establish Dallas County's Participation Rate and term – 45% for 5 years



# City Center TIF District

## *Background – 2012 Amendments (Continued)*

- Increase District's Budget
  - \$87.6M to \$152M
- The increased budget:
  - Provides a source of funding to stimulate redevelopment of the Lamar Corridor and Historic West End area
  - Provides a source of funding to accomplish recommendations of the Downtown Dallas 360 Area Plan, that wouldn't otherwise be funded
  - Provides a source of funding to fill in redevelopment gaps in the downtown core

City Center TIF District Projected Increment Revenues to Retire TIF Fund	
Category	TIF Budget
Original City Center TIF Collections**	\$75,696,253
Public Infrastructure Improvements <i>Streetscape Improvements, Pedestrian Linkages, Lighting, Utility Burial, Utility Upgrades</i>	\$8,500,182
Parking	\$5,500,000
Redevelopment/Development Projects <i>Environmental Remediation, Interior &amp; Exterior Demolition, Façade Improvements/Restoration, TIF Grants</i>	\$40,972,111
District Wide Improvements	\$4,000,000
Affordable Housing	\$6,500,000
Ground Floor Activation <i>(in the form of a TIF Grant)</i>	\$8,300,000
Plan Implementation/Administration	\$2,500,000
<b>Total Project Costs</b>	<b>\$151,968,546</b>
<i>Budget shown above in total dollars, as approved in the Amended Project Plan and Reinvestment Zone Financing Plan for the District.</i>	

# City Center TIF District *Background (Continued)*

- **District Projects from 2005 -2008:**

- Dallas Power & Light Buildings (2005)
- Interurban Building (2005)
- Gulf States (2007)
- Republic Tower (2007)
- 1608 Main Street & Pedestrian (2008)
- Joule Hotel (2008)
- Mosaic – Fidelity Union (2007)
- Metropolitan (2007)



Flora Lofts



Fairfield Residences at West End

2012 amendments led to increased activity in the zone

- **District Projects from 2012 – Present:**

- Fairfield Residences at West End (*Under Construction*)
- Purse & Co. Lofts (*Restructuring*)
- Flora Lofts (*Seeking extension of LIHTC allocation*)
- Liberty State Building Relocation (*Completed*)
- 211 North Ervay (*Under Construction*)
- Mid Elm Lofts (*Negotiating Historic Tax Credits*)
- 711 Elm Street (*Under construction*)
- Hartford Building – 400 North St. Paul (*Restructuring*)



211 North Ervay



Liberty State Building Relocation



Purse & Co. Lofts

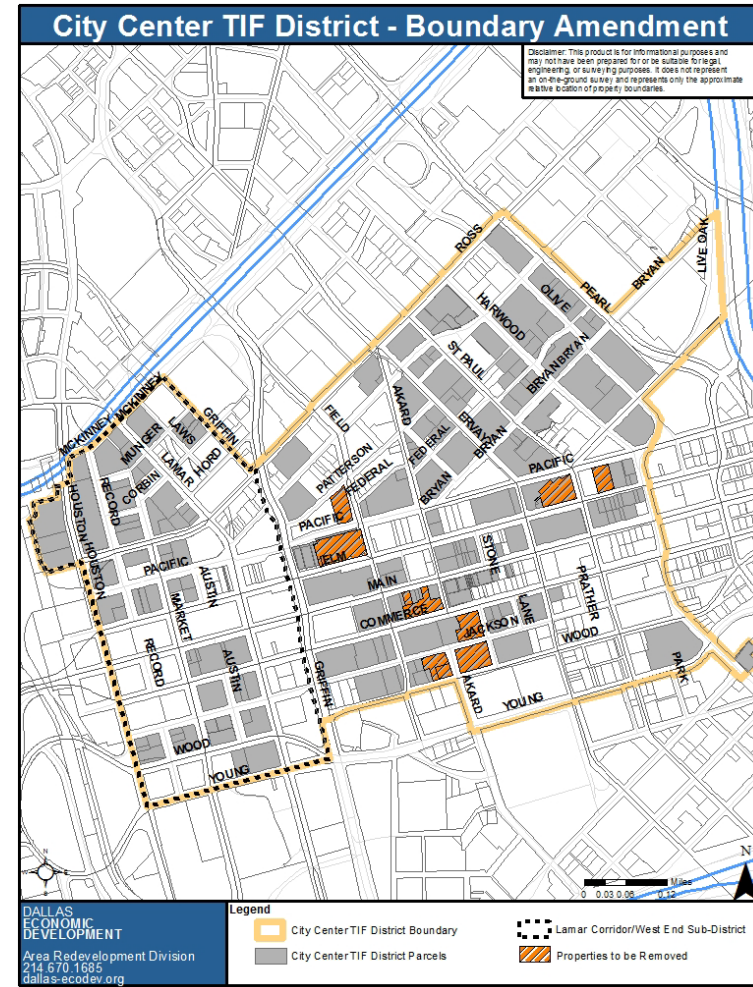


Mid Elm. Lofts

# City Center TIF District

## *Proposed Boundary Amendment*

- Staff is recommending removal of various properties from the District
  - Redevelopment of these properties is not anticipated and/or would not occur during remaining term of the District
  - District does not have financial capacity to support redevelopment of properties
  - Most of the properties' current value is less than their 1997 base value (See **Appendix A**), providing no benefit to the TIF district
  - Properties to be removed
    - 1201 Elm Street (Renaissance Tower)
    - 208, 301, 308, 311 S. Akard Street (AT&T Buildings)
    - 201 Pacific Avenue (Parking Garage)
    - 1700 Pacific Avenue (Office Tower)
    - 1910 Pacific Avenue (Pacific Place office tower)
    - 1315 Commerce Street (Adolphus Hotel)\*
  - Adolphus Hotel was recently purchased by a development group that is planning an extensive renovation of the hotel. As a result of the lack of financial capacity within the sub-district to support the renovation project, the development group has decided to seek a Historic Tax Abatement for the project.*



# City Center TIF District

## *Proposed Boundary Amendment*

- Removal of the properties from the district decreases its base year value from \$866M to \$577M
- The reduction in base year value allows the collection of additional increment (approx. \$3.7M) to support:
  - Unanticipated development projects (*Thanksgiving Tower, Liberty State Bank Relocation*)
  - Higher than anticipated TIF funding allocations for priority redevelopment projects (*Fairfield Residences @ West End, Mid Elm Lofts*)
  - Offset minimal increase in district wide value due to the high concentration of office buildings in the TIF District
- General fund currently receives approx. \$1.5M in property tax revenue for the properties proposed to be removed from District, this will not change
- If property tax revenue generated by removed properties increase, the additional revenue will flow to the General Fund, not the TIF District

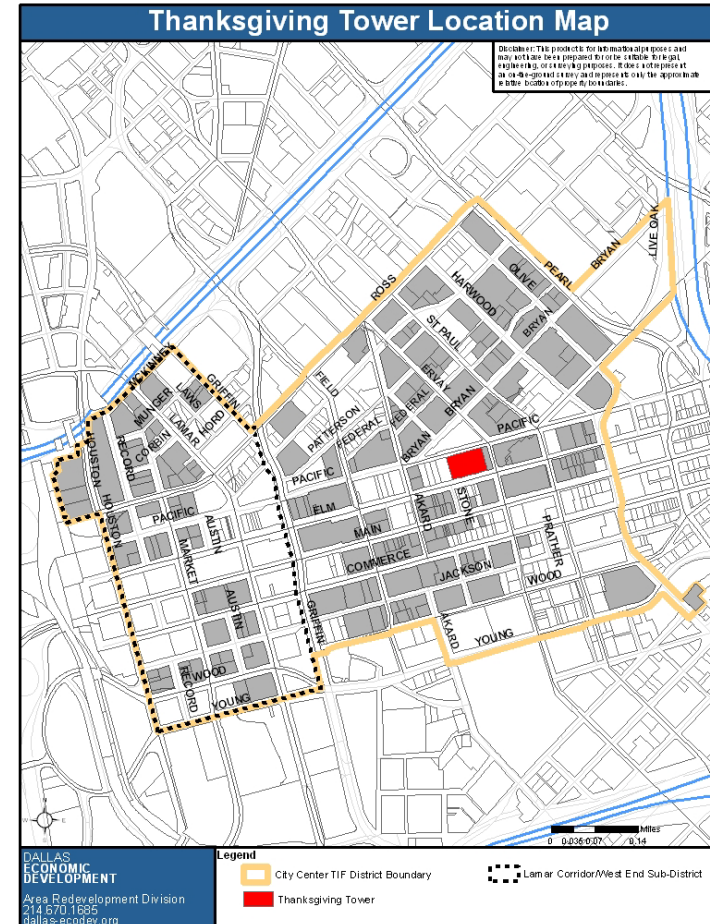
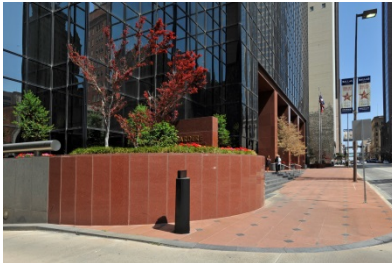


# Thanksgiving Tower Renovation

## *Building Description*

### Building Description

- 50-story office tower, originally built in 1982
- Since 2004, occupancy and rental rates have fallen to unsustainable levels, a result of insufficient capital investment/challenging market conditions
- February 2013, building went into foreclosure
- July 2013, 1601 Elm Holdings, LP acquired property with goal of restoring and renovating building and increasing occupancy



# Thanksgiving Tower Project

## *Project Description*

### Project Description

- Improvements/upgrades to building's infrastructure (mechanical, electrical, plumbing and life safety systems for entire building)
- Redevelopment of existing podium, and improvements to common areas
- Significant changes to exterior façade at ground floor level and plaza
- Many of proposed improvements were conditions of Santander Consumer USA's relocation of its corporate headquarters to Thanksgiving Tower (*Santandar was approved \$1M in relocation assistance from Public Private Partnership Program*)
- Building is adjacent to light rail station

**Project Cost:** \$173,745,558

**Project Start Date:** Work has begun on floors occupied by Santander

**Project Completion Date:** July 2016



# Thanksgiving Tower Project

## *Street-Level Activation – Building Improvements*

- Thanksgiving Tower and buildings constructed during its era were typically inwardly focused, lacking a meaningful street presence and disengaged the building from the street. Proposed improvements (listed below) to ground floor will open up the building, activate the street and enhance pedestrian experience.
  - Ground floor improvements create 3-5 new street level retail spaces (See **Appendix B**)
  - Base of tower narrowed approx. 15 feet on east and west ends to incorporate space for 1-2 retail tenants on each end
  - Street-level reflective glass replaced with a clear glazing system to provide retail and common areas with enhanced visibility
  - Lobby improvements - Removal of old bank teller and lending offices to create new street level retail opportunities; modified circulation; replacement of surface finishes with new materials
  - New plaza and valet drop off area on Pacific Avenue to service office and retail users and visitors (See **Appendix B**)
  - Exterior paving and red granite replaced with modern materials



*Current*



*Proposed*

# Thanksgiving Tower Project

## *Project Funding Sources and Uses*

Sources	Amount	%	Uses
Private Equity	\$67,945,558	39%	Construction
Loan	\$105,800,000	61%	Acquisition and Construction
<b>\$173,745,558</b>			

# Thanksgiving Tower Project

## *Proposed City Incentives*

### TIF Funding

- Proposed TIF funding for this project concentrates on re-working and activating the ground floor and plaza
- Redevelopment of the street-level of the building into one that addresses the street, creates better pedestrian connection to Thanksgiving Square and Main Street, enhances pedestrian activity on Elm Street and provides additional retail space would not occur, but for TIF funding
- TIF funding for the project is contingent on approval of the proposed District amendment

### Incentive Funding from 2012 Bond Program

- Transit Oriented Development – Thanksgiving Tower is located within ¼ mile of light rail, enhanced DART usage is anticipated as occupancy levels in the renovated building increase
- Upon receipt of CO, the project will be eligible for \$2.78M grant

Description	Amount
<b>Public Infrastructure Improvements</b>	
<i>Plaza/Site Improvements – site preparation, mechanical, electrical, landscaping, streetscaping, design and engineering fees</i>	\$3,000,000
<b>Redevelopment/Development Projects</b>	
<i>TIF Grant - Ground Floor Retail Improvements</i>	\$3,000,000
Total TIF Funding Recommended	\$6,000,000
Proposed 2012 TOD Bond Incentives	\$2,780,000
<b>Total City Incentives</b>	<b>\$8,780,000</b>

# TIF Board Recommendations

## *Plan Amendment/Thanksgiving Tower Project*

- On November 14, 2013 the City Center TIF District Board of Directors reviewed and recommended approval of amendments to the City Center TIF District to: (1) decrease the geographic area of the City Center Sub-district by removing the following properties from the sub-district 1201 Elm Street, 208, 301, 308, and 311 S. Akard Street, 1201, 1700, 1910 Pacific Avenue, 1925 San Jacinto Street and 1999 Bryan Street; and (2) revise the Sub-district's Boundary Map, property list and base year value to reflect properties removed from the District.
- On February 13, 2014, the City Center TIF District Board of Directors reviewed and recommended approval of an amendment to the City Center TIF District to: (1) remove the building addressed as 1315 Commerce street from the City Center Sub-district and (2) make corresponding changes to the district's boundary map and Project and Reinvestment Zone Financing Plans, as necessary.
- On June 12, 2014, the City Center TIF District Board of Directors reviewed and recommended approval of a development agreement with 1601 Elm Holdings, LP, and TIF funding for the Thanksgiving Tower project in an amount not to exceed \$6,000,000, of which a portion is in the form of an Economic Development Grant.

# Strategic Importance of Proposed Plan Amendment/Thanksgiving Tower Project

- **District Amendment**
  - Removes buildings from the City Center Sub-district who will not benefit from TIF funding because of limited financial capacity and remaining term of TIF District
  - TIF District will be able to collect additional increment needed to fund Thanksgiving Tower project
- **Thanksgiving Tower Project**
  - Improvements to ground floor of building encourages pedestrian activity and activates Elm Street
  - Improvements to site create better connections to Thanksgiving Square to the north and Main Street to the south (See Appendix C)
  - Standard set for activating the ground floors of 1980's era office towers
  - Proposed improvements will allow owners to reposition building to Class AA office building and attract new tenants, increasing CBD's daytime population
  - Increased building occupancy will enhance DART ridership in the area
  - Capital improvements for the 1.3M square foot building will be completed, keeping the building from falling into disrepair
  - One of many planned redevelopment projects on Elm Street, between Harwood and Field Streets

# Recommendation

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- Staff requests ECO Committee's approval of City Council's consideration of the following:
  - October 22, 2014 – Call a public hearing to be held on November 12, 2014, for proposed plan amendments
  - November 12, 2014 – Conduct public hearing and hearing consider the proposed plan amendments
  - November 12, 2014 – consider development agreement and related incentives for Thanksgiving Tower project

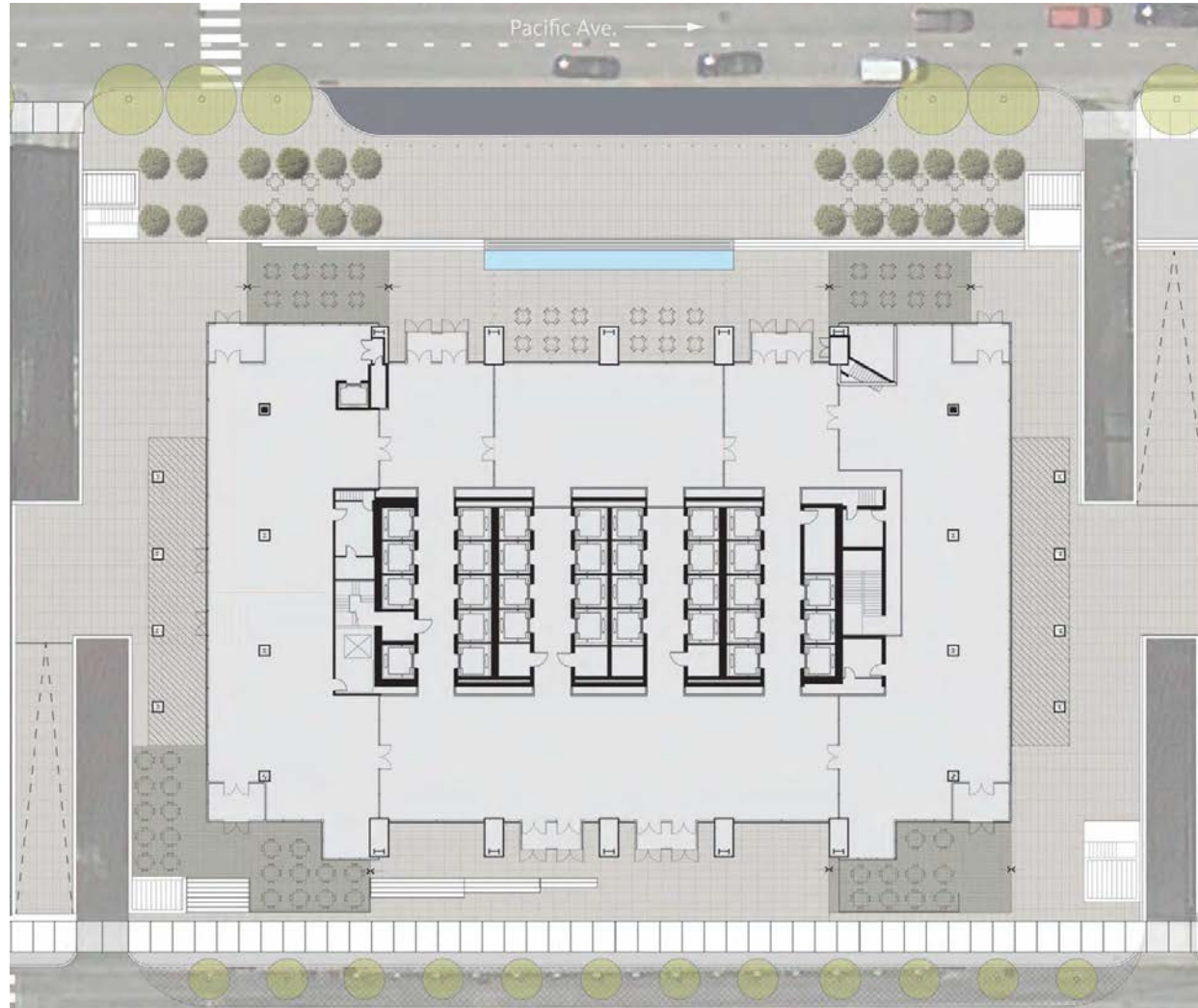


# APPENDICES

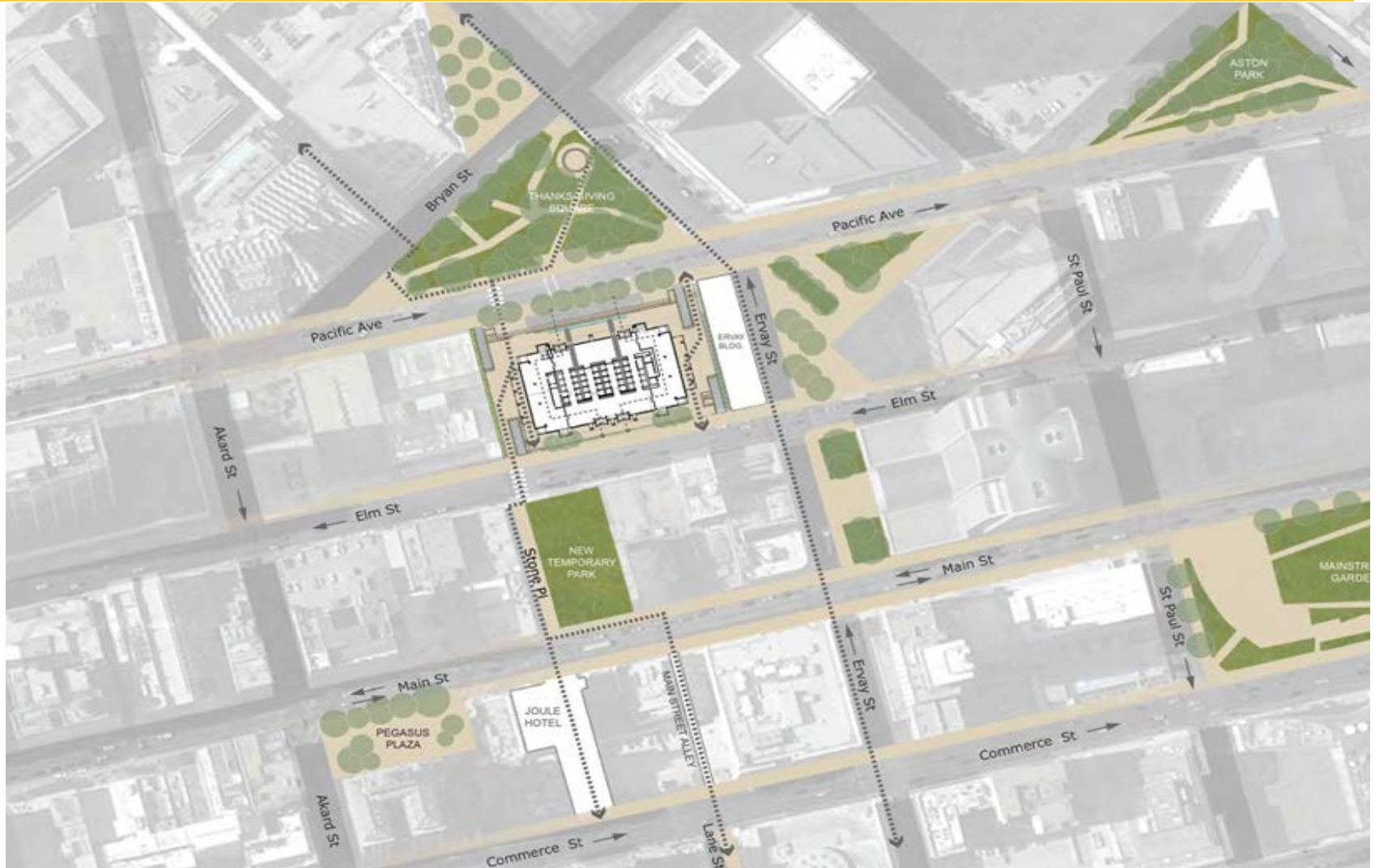
# Appendix A: Boundary Amendment Property List

DCAD Account Number	Owner Name	Property Address	TIF District Term	1997 Base Year Taxable Value	2014 Taxable Value	Property Value Change	General Fund Tax Revenue	
00000100445000000	BINYAN REALTY LP	1201 ELM ST	1997 - 2022	\$125,012,050	\$56,619,950	(\$68,392,100)	\$451,261	Renaissance Tower
00000100445000100	SUHGERS DONALD TRUST THE	1201 ELM ST	1997 - 2022	\$99,073	\$130,000	\$30,927	\$1,036	Renaissance Tower
00000100748009900	SOUTHWESTERN BELL	311 S AKARD ST	1997 - 2022	\$2,880,000	\$2,434,490	(\$445,510)	\$19,403	AT&T
00000100762000000	SOUTHWESTERN BELL	301 S AKARD ST	1997 - 2022	\$5,754,230	\$4,950,000	(\$804,230)	\$39,452	AT&T
00000101086000000	SOUTHWESTERN BELL TELEPHONE	208 S AKARD ST	1997 - 2022	\$43,880,533	\$42,490,000	(\$1,390,533)	\$338,645	AT&T
00000101131000000	SOUTHWESTERN BELL	308 S AKARD ST	1997 - 2022	\$16,666,670	\$15,600,000	(\$1,066,670)	\$124,332	AT&T
00000101542000000	1910 PACIFIC LP	1910 PACIFIC AVE	1997 - 2022	\$9,600,000	\$5,225,850	(\$4,374,150)	\$41,650	Pacific Place
00000104717000000	BINYAN GARAGE LLC	1201 PACIFIC AVE	1997 - 2022	\$5,871,960	\$5,250,050	(\$621,910)	\$41,843	Parking Garage
00000110712009900	OLYMBEC USA LLC	1700 PACIFIC AVE	1997 - 2022	\$58,887,580	\$51,136,850	(\$7,750,730)	\$407,561	1700 Pacific
000070000A01A9900	RBP ADOLPHUS LLC	1315 COMMERCE ST	1997 - 2022	\$20,150,776	\$25,222,100	\$5,071,324	TBD	Adolphus Hotel
000070000A01A0400	RBP ADOLPHUS LLC	1315 COMMERCE ST	1997 - 2022	\$0	\$4,913,400	\$4,913,400	TBD	Adolphus Hotel
000070000A01A0500	RBP ADOLPHUS LLC	1315 COMMERCE ST	1997 - 2022	\$0	\$1,499,560	\$1,499,560	TBD	Adolphus Hotel
<b>Totals</b>				<b>\$288,802,872</b>	<b>\$215,472,250</b>	<b>(\$73,330,622)</b>	<b>\$1,465,182</b>	

# Appendix B: Thanksgiving Tower Project Ground Floor/Site Layout



# Appendix C: Thanksgiving Tower Project *Pedestrian Connectivity*



# Appendix D: Thanksgiving Tower Project

## *Conditions of TIF Funding*

- Minimum private investment of \$96,000,000 for the Project (acquisition, construction and construction related soft costs)

The term “Invest” or “Investment” means the sum of all acquisition costs, construction costs (hard and soft) paid, payable or actually incurred by or on behalf of the Owner, with respect to the Project and the improvements thereon. Construction related soft costs include the following items: architecture and engineering and interior design. Carrying or other similar costs shall not be considered toward this definition of project investment. The owner must provide verification of all expenditures.

- Redevelopment of the Project shall include:
  - Minimum \$11,000,000 investment in building infrastructure improvements, building mechanical, electrical, plumbing and life safety systems
  - Minimum 10,000 square feet of ground floor retail/restaurant/commercial space
  - Renovation of at least 200,000 square feet of office space
  - Plaza/Site improvements
- Obtain a building and/or demolition permit and start construction for the Project by September 30, 2014
- Obtain a Certificate of Occupancy (CO) for the Project by July 31, 2016

# Appendix D: Thanksgiving Tower Project

## *Conditions of TIF Funding (Continued)*

- Obtain final acceptance of public infrastructure improvements associated with the Project, as evidenced by the issuance of a Green Tag from the Public Works and Transportation Department by July 31, 2016 and submit documentation to OED;
- Execute an Operating and Maintenance agreement for public infrastructure improvements associated with the Project by July 31, 2016, for a period of 20 years;
- A minimum of at least 50% of ground floor space, not including office lobby space, must be occupied prior to TIF Reimbursement;
- Provide public access easements (for a term to be negotiated) for the east and west ends of the site providing connectivity between Thanksgiving Tower to the north and Main Street to the south
- TIF Reimbursement for the Project is subject to City Council's approval of boundary amendment to remove underperforming properties from the City Center TIF District

# Appendix D: Thanksgiving Tower Project

## *Conditions of TIF Funding (Continued)*

- Owner shall submit to the Director of the OED a quarterly status report for ongoing work on the project, as well as public improvements. Status reports will be due once every three months after the Council approval date
- Owner will (i) comply with the Business Inclusion and Development (“BID”) goal of twenty-five percent (25%) Minority/Women-owned Business Enterprise (M/WBE) participation for TIF reimbursable improvements, and make a good faith effort (ii) achieve a goal of 25% certified M/WBE participation for total private improvement construction expenditures for the Project, and meet all reporting requirements for each;
- If necessary, the project deadline can be extended up to 6 months, subject to the Office of Economic Development Director’s and City Center TIF District Board of Director’s approval.

# Appendix E: Project Requirements/Other Information

Thanksgiving Tower Renovation Project	
Minimum Office Renovations (required)	Building infrastructure for 1,300,000 s.f.
Minimum Retail Space	10,000 s.f.
Required Private Investment – (acquisition, construction hard and soft costs)	Min. 96,000,000
Expected Total Project Cost	\$175,745,558
TIF Funding	\$8,780,000
% TIF funds to total project cost	5%
Return on Cost without TIF	5.7%
Return on Cost with TIF	6%
Deadline to Obtain Building Permit	September 30, 2014
Deadline to Obtain Final CO	July 31, 2016



# Appendix F: Thanksgiving Tower Project

## *Project Proforma*

<b>Thanksgiving Tower Renovation Proforma</b>			
City Center TIF District			
<b>PROJECT DESCRIPTION:</b>	1601 Elm Street		
<b>PROJECT TYPE:</b>	Mixed Use		
<b>CONSTRUCTION START DATE:</b>	September 30, 2014		
<b>PROJECT SCHEDULE:</b>	July 31, 2016		
<b>Use Breakdown</b>	<b>SF</b>	<b>Total Leasable SF (entire project)</b>	
Office	11,457	1,190,440	
Retail	1,178,983		
Back of House/Common Area/Other	184,080		
		<b>Total Existing Bldg SF (Gross)</b>	
		1,374,520	
<b>Project Costs</b>		<b>Income</b>	
Hard Cost	\$34,560,568	Office Revenue	\$18,859,743
Soft Cost (less Developer Fee)	\$2,305,091	Retail Revenue	\$126,641
Acquisition	\$71,000,000	Parking & Other	\$2,474,629
Office Tenant Improvements	\$45,490,063	<b>Total Income</b>	<b>\$21,461,013</b>
Office Leasing Commissions	\$5,400,000		
Office Common Area Improvements	\$14,989,836	<b>Expenses</b>	
<b>Total Project Cost (without City \$)</b>	<b>\$173,745,558</b>	Office Operating Expense	(\$7,799,753)
		Retail Operating Expense	(\$86,143)
Total Project Cost	\$173,745,558	Property and Franchise Taxes	(\$2,602,794)
TIF Assistance	\$6,000,000	Property Management	(\$426,687)
2012 Bonds	\$2,780,000	<b>Total Expenses</b>	<b>(\$10,915,377)</b>
<b>Net Cost to Developer (after TIF reimbursement)</b>	<b>\$164,965,558</b>	<b>Capital Reserves</b>	<b>(\$687,397)</b>
		<b>NOI (after reserves)</b>	<b>\$9,858,239</b>
<b>Return on Cost Analysis</b>			
<b>NOI/Total Project Costs</b>			
Return on Cost (without City \$)	5.7%		
Return on Cost (with City \$)	6.0%		
		<b>Notes</b>	Stabilized rates in 2021; Revenue reflects a an office vacancy rate of 20%

# Appendix G: Thanksgiving Tower Project

## *Development Team – 1601 Elm Holdings, LP*

- Jonas Woods, Founder and CEO
- John Helton, Senior Managing Director

1601 Elm Holdings, LP is a joint venture between experienced opportunistic investors with the aligned vision to restore Thanksgiving Tower to its full potential as a well-performing investment and as a timeless Dallas landmark property. The general partner for the venture, Woods Capital Management, LLC (“Woods Capital”) is an integrated real estate company founded in 2007 by Jonas Woods, formerly the president of Hillwood Capital – a Perot Company. The Woods Capital team has been a successful participant in the real estate markets as an investor, developer, and manager of real estate assets, as well as a fiduciary on behalf of third-party capital. The team members have completed over \$4 billion in real estate acquisition and/or development transactions including office, residential, industrial, and retail properties.

Woods Capital manages Hayman Wood, LLC, which it formed in 2007 with Kyle Bass. In 2008, Hayman Woods launched the Hayman Woods Residential Strategies Fund, LP a comingled discretionary opportunity fund focused on opportunities resulting from the mortgage credit crises. In 2011, Hayman Woods launched Hayman Woods Apartment Properties, LLC, a private REIT focused on “Class A” garden apartments in the Southern US.