

# Memorandum



CITY OF DALLAS

DATE October 14, 2016

TO Members of the Economic Development Committee:  
Rickey D. Callahan (Chair), Casey Thomas, II (Vice Chair), Adam Medrano,  
Lee M. Kleinman, Carolyn King Arnold, B. Adam McGough

SUBJECT District Wide Retail for Victory Sub-district  
Sports Arena TIF District

On Monday, October 17, 2016, the Economic Development Committee will be briefed on the District Wide Retail for Victory Sub-district (Sports Arena 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  
Larry Casto, 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  
M. Elizabeth Reich, 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

# District Wide Retail for Victory Sub-district Sports Arena TIF District

Economic Development Committee  
October 17, 2016



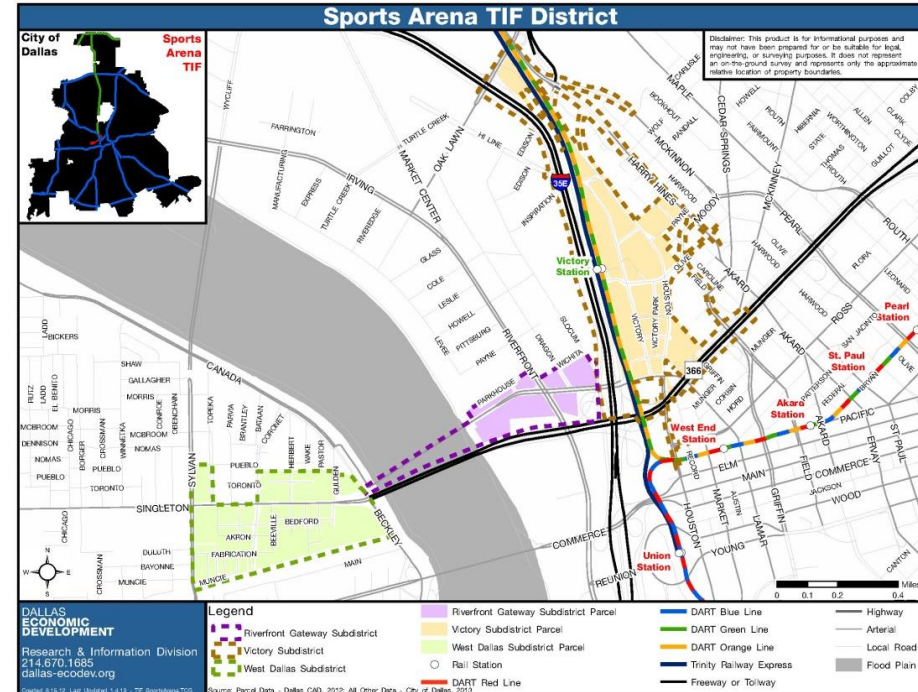
# Purpose

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- Provide background on Sports Arena TIF and Victory Sub-district
- Give status update on Victory Sub-District projects, Silver and South Parking Garages and implementation of Design/Technical Study recommendations
- Review retail technical study recommendations
- Review Victory District Wide Retail Project and proposed \$3.5M TIF grant
- Obtain Economic Development Committee approval for Council consideration of funding request on November 9, 2016 agenda

# Sports Arena TIF District Background

- Originally created 1998
- Amended May 2012
  - Extended term to December 31, 2028
  - Boundary expanded to create Riverfront Gateway and West Dallas Sub-districts
  - Created 10% set-aside of Victory Sub-district increment for West Dallas Sub-district
  - Increased budget for TIF district to \$277.5M (See Appendix A) and Victory Sub-district to \$148M
- Purpose of District Amendment
  - Allows collection of additional tax increment in Victory Sub-district to fund structured parking needed to allow private development of 20± acres of surface parking, address circulation, improve the pedestrian/bicycle environment, increase retail occupancy and critical mass, attract a junior entertainment anchor
  - Supports new development in West Dallas by dedicating 10% of increment generated in Victory Sub-district
  - Exponentially increases property value of Victory Sub-district during extended term (DCAD value increased 67% from 2012 values to \$679M in FY 2015)



# Sports Arena TIF District

## *Amended District's First Priority - Parking*

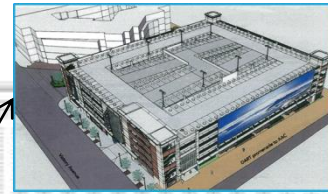
- Efforts to date reduced the amount of surface parking by 1,696 spaces. City Zoning and Arena Agreements require 5,000 parking spaces to be available at all times for AAC event parking (3,000 were surface spaces prior to TIF financial support for structured parking). With the opening of the Silver and South Garages, the required amount of surface parking dropped to 1,304 spaces. Here is the current parking mix:
  - Platinum Garage (2,000 spaces)
  - Silver (North) Garage (1,271 spaces)
  - South Parking Garage (425 spaces)
  - Surface parking lots (1,304 spaces)
- Since 2012 TIF Plan Amendment, the following structured parking was added:
  - **North Parking Garage** – 1,271 space parking structure dedicated solely to AAC event parking (releases ≈7 acres of surface parking for development; City owns the land and garage)
  - **South Parking Garage** – 425 AAC event spaces relocated into an existing parking garage (releases ≈6 acres for development; TIF District receives 75% of revenue generated by public transient parking during AAC event and non-event times)
- Replacement of surface parking lots led to over \$500M in new private investment
- Currently approximately 10 acres of surface parking remain in Victory Park.
- Technical studies recommend, any future structured parking (supported by TIF funding) should provide usage at both AAC event and non-event times

# Victory Sub-district Status Update

- Worldwide Express signed 28,992 SF office lease October 2014
- Additional 14,000 SF office lease out for signature



- 378-unit multi-family complex
- Opened January 2014



- 1,271 space parking garage owned by the City
- Opened July 1<sup>st</sup>, adjacent to DART station



- 425-unit multi-family complex
- Anticipated completion Fall 2015



Plaza Buildings are 99% occupied



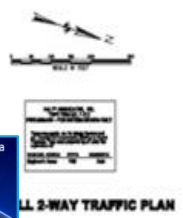
- 336-unit tower under construction
- completion January 2015



- Modern American gastropub, Cook Hall, opened in Spring 2013
- \$4 million renovation – Fall 2013
- Ghostbar space replaced with Altitude – an event/banquet space



- 263-unit multi-family complex
- Opened in March 2014



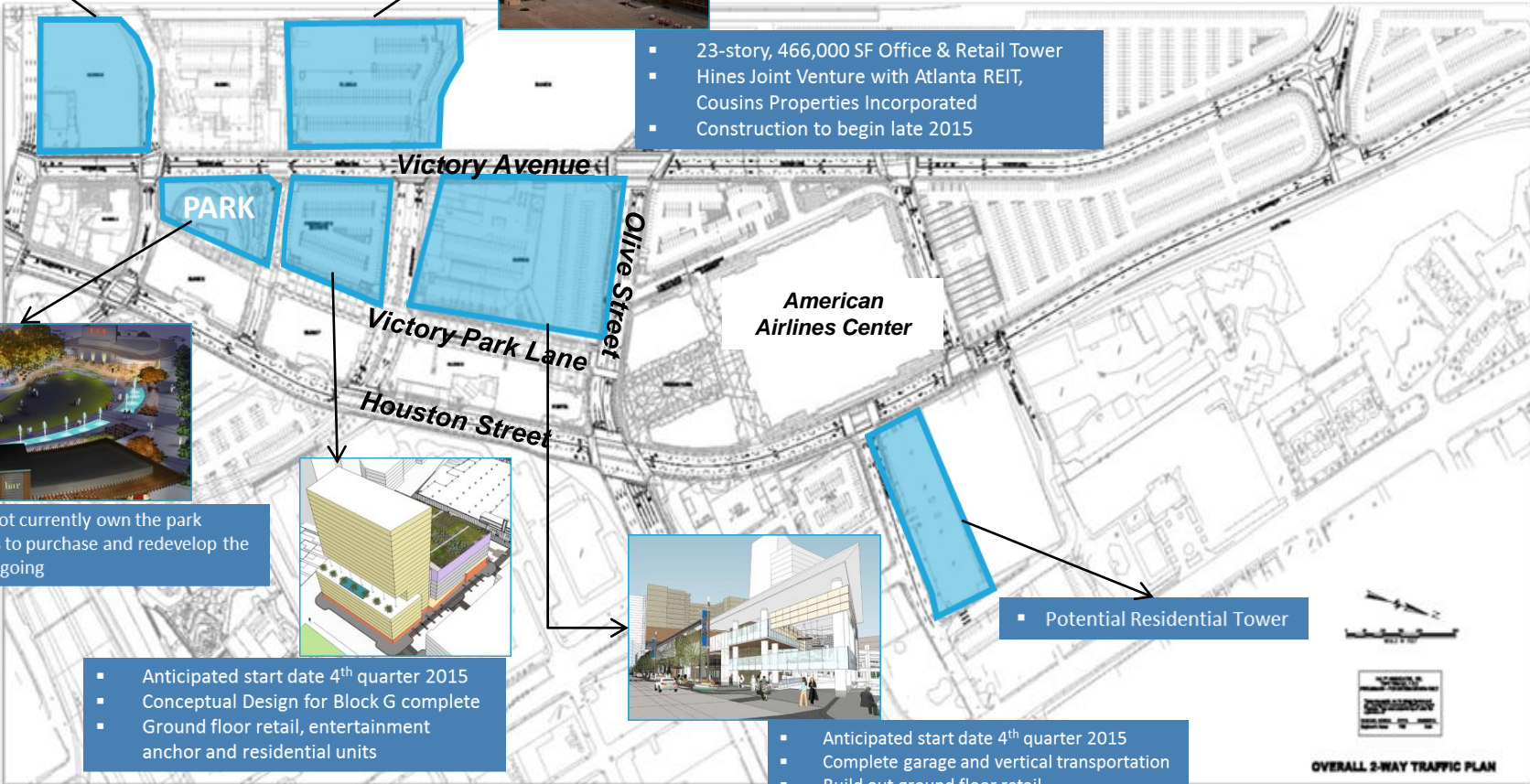
# Victory Sub-district

## Projects Under Construction or Announced

- 228 space parking structure for event and public use
- Estimated completion September 2015



- 23-story, 466,000 SF Office & Retail Tower
- Hines Joint Venture with Atlanta REIT, Cousins Properties Incorporated
- Construction to begin late 2015



- UST does not currently own the park
- Discussions to purchase and redevelop the park are ongoing



- Anticipated start date 4<sup>th</sup> quarter 2015
- Conceptual Design for Block G complete
- Ground floor retail, entertainment anchor and residential units



- Anticipated start date 4<sup>th</sup> quarter 2015
- Complete garage and vertical transportation
- Build out ground floor retail
- Final Design in review

- Potential Residential Tower



OVERALL 2-WAY TRAFFIC PLAN

# Victory Sub-district

## *Design and Technical Studies*

- City Council approved TIF Grant May 2012 to reimburse UST for design and technical studies. A majority of the specific studies and projects were completed by May 2013 and implementation is underway on the other strategies/projects:
- **Circulation – See Appendix C**
  - ✓ Two Way Traffic - Completed 2016
  - ✓ Pedestrian Access – Completed 2016
  - ✓ Bicycle Access - Completed 2016
- **Urban Neighborhood Design – See Appendix D**
  - ✓ Placemaking – implementation underway
  - ✓ Signage & Wayfinding – implementation under way
  - Victory Park Redesign
- **Retail Analysis**
  - ✓ Tenant Storefront Redesign Program – Completed 2013
  - Complete Block D Retail
  - Activate Vacant Lots
  - ✓ Merchandise Strategy – Completed 2013

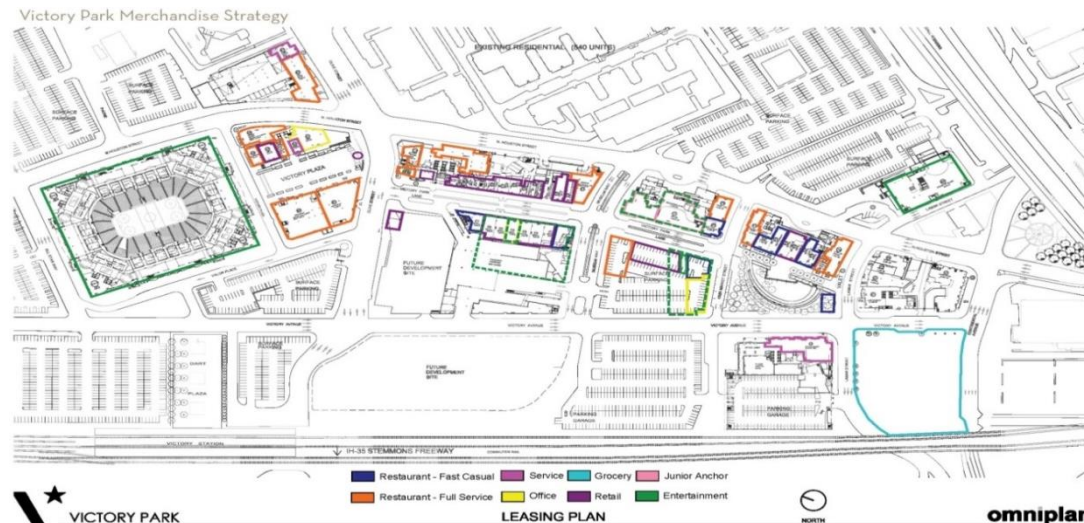




# Retail Technical Study

## *Retail Analysis & Strategy*

- Retail Analysis Recommendation:
  - Implement district wide leasing strategy that incorporates **new retail, food & beverage**, and entertainment uses to compliment existing uses and complete the development.
- Merchandise Strategy & Leasing Program Recommendations:
  - Target entertainment anchor to support future restaurants
  - Drive consistent daily non-event traffic with a diverse, unique tenant mix
  - Attract quality grocery, cinema and service retail tenants
  - Pursue unique food concepts and gourmet “dive” restaurants
  - *Pursue mix of restaurants, bars, live music, entertainment options and shops targeting the 25-40 year-old demographic*



# Victory Sub-district

## *TIF Budget and District Objectives – Retail*

- City Council approved an amended Sports Arena TIF budget that creates a Retail Incentive line item and dedicates \$10M to achieve the following Victory Sub-district objectives:
  - Higher levels of retail occupancy within the sub-district
  - More sustainable tenant mix for the sub-district
  - Construct additional retail space on Victory Park Lane to create continuous retail along Victory Park Lane and AT&T Plaza adjacent to the American Airlines Center
  - Provide incentives to complete improvements necessary for supporting tenant finish out and requirements
- Activity at the ground level validates expenditures on public infrastructure improvements completed within the Victory Sub-district

# Victory Sub-district Retail

## *Project Description – Current Request*

- **Project:** 40K to 45K square feet of new retail space and required new parking, renovation of existing vacant space; construction will bring the space to a “white box” condition, ready to lease and for tenant improvements
- **Minimum Occupancy Requirement:** 50% of space must be finished out and occupied prior to receiving first payment
- **Project Cost:** \$17,796,062
- **TIF Grant:** \$3,500,000
  - Annual payments of \$1,166,666 over 3 years. Annual payment contingent upon minimum occupancy requirement and increment availability
- **Start Construction:** February 28, 2017
- **Complete Construction:** December 31, 2018

# Victory Sub-district Retail Leasing Plan



TRADEMARK 

**LEASING CONTACT:**

Daniel Goldware  
 Trademark Property Company  
 1701 River Run Suite 500  
 Fort Worth, Texas 76107  
 817-810-5392  
 817-810-5390 fax  
 dgoldware@trademarkproperty.com  
 www.trademarkproperty.com

01-06-16  
 DATE

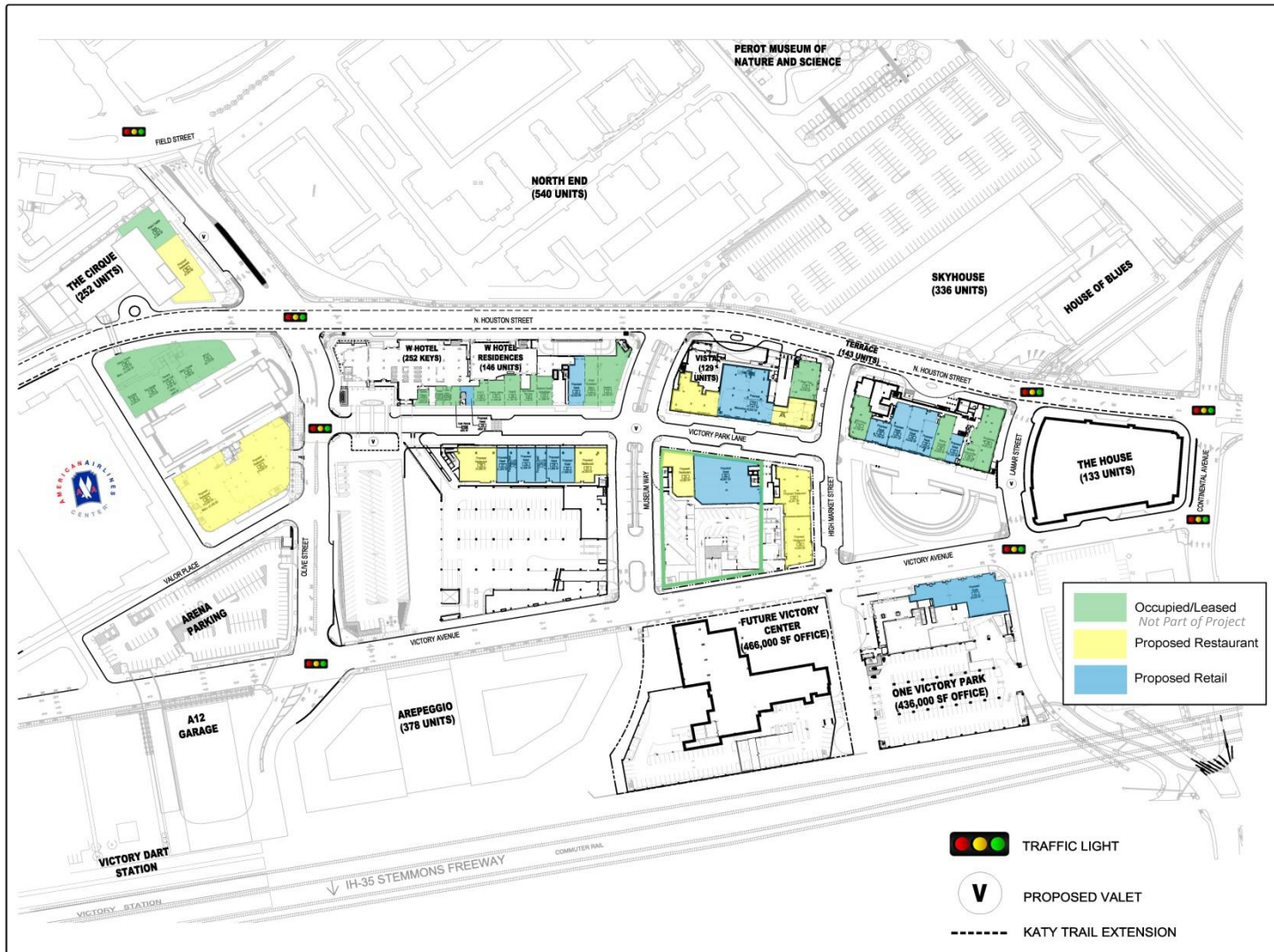
**GENERAL NOTES:**

THIS DRAWING IS IN PROGRESS AND IS FOR INTERIM REVIEW ONLY. IT IS NOT FOR REGULATORY APPROVAL, PERMITTING, OR CONSTRUCTION



NOT FOR CONSTRUCTION

LEASE PLAN



# Victory Sub-district Retail *Rendering*



# Victory Sub-district Retail

## *Funding Sources and Uses*

Sources	Amount	%	Uses
Developer Equity	\$17,796,062	100%	Construction
	<b>\$17,796,062</b>	<b>100%</b>	

# Victory Sub-district Retail Project

## *Proposed TIF Funding*

- TIF District’s amended plan: facilitation of higher levels of retail occupancy and development of a more sustainable tenant mix for the area requires incentives to offset costs of renovating existing vacant retail space, construction of new retail space to create two sided retail street and tenant finish out
- Amended budget for the sub-district dedicated a maximum of \$10 million for Retail Incentives within the sub-district
- Victory Sub-district Retail Project is consistent with goals and recommendations of amended District plan and retail technical study
- Specific TIF Funding Conditions, see **Appendix E**

Description	Amount
<b>Tier Two Improvements</b>	
Retail Incentives (TIF Grant)	\$3,500,000
<b>Total Proposed TIF Grant</b>	<b>\$3,500,000</b>

# Victory Sub-district Retail Project

## *TIF Board Recommendation and Peer Review*

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- On August 15, 2016 the Sports Arena TIF District Board of Directors approved and recommended approval of a grant agreement with Blocks GKM, L.P. and Victory Park UST Joint Venture I, LP for TIF Funding for the Victory Sub-district Retail Project in an amount not to exceed \$3,500,000.



# Recommendation

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- Staff requests ECO Committee's approval for consideration by Council on November 9, 2016:
  - Grant agreement with Blocks GKM, L.P. and Victory Park UST Joint Venture I, LP, for an amount not to exceed \$3,500,000 for the Victory Sub-district Retail Project.

# APPENDICES

# Appendix A: Sports Arena TIF District Budget

Sports Arena TIF District Projected Increment Revenues to Retire TIF Fund Obligations			
Category	Total Budget*	Total Committed or Spent	Total Remaining
<b>Original Improvements</b>			
<b>Total Original Improvements</b>	\$38,588,359	\$38,389,665	\$198,694
<b>Victory Sub-district Amended Budget</b>			
<b>West Dallas Set-Aside</b>	\$11,919,584	\$1,173,271	\$10,746,313
<b>Tier One Improvements</b>	\$50,294,300	\$47,658,701	\$2,635,599
North Parking Garage			
South Parking Garage			
Economic Development TIF Grants			
<b>Tier Two Improvements</b>	\$47,948,701.49	\$13,903,582	\$34,045,120
Additional North Parking Garage			
Additional South Parking Garage			
Other District Improvements:			
Open Space/Connectivity, Special Studies			
Infrastructure Improvements and Retail			
<b>Total Victory Sub-District</b>	\$148,750,945	\$101,125,219	\$47,625,726
<b>Category</b>	<b>Total Budget</b>	<b>Total Committed or Spent</b>	<b>Total Remaining</b>
<b>West Dallas Sub-district</b>			
Economic Development Grants, Retail Incentives, Infrastructure Improvements, Technical Studies Environmental/Demolition			
<b>Total West Dallas Sub-District</b>	\$79,079,240	\$17,455,000	\$61,624,240
<b>Riverfront Gateway Sub-district</b>			
Economic Development Grants, Infrastructure Improvements, Environmental/Demolition Open Space, Connectivity and Retail			
<b>Total Riverfront Gateway Sub-district</b>	\$10,100,663	\$0	\$10,100,663
<b>Administration and Implementation</b>	\$997,010	\$663,131	\$333,879
<b>Total Amended Budget</b>	<b>\$277,516,217</b>	<b>\$157,633,015</b>	<b>\$119,883,202</b>
<b>Original Sports Arena TIF District Budget</b>	<b>\$46,961,785</b>		

# Appendix B: Project Proforma

<b>Victory Retail Project</b>			
Sports Arena TIF District - Victory Sub-district			
PROJECT DESCRIPTION:	Retail within Victory Sub-district		
PROJECT TYPE:	Retail/Restaurant		
CONSTRUCTION START DATE:	February 28, 2017		
PROJECT COMPLETION:	December 31, 2018		
<b>Use Breakdown</b>	<b>SF</b>		
Retail	45,000		
<b>Project Costs</b>		<b>Income</b>	
Hard Cost	\$16,782,062	Rental Income	\$1,384,792
Soft Cost	\$1,014,000	Expense Reimbursement	\$566,828
<b>Total Project Cost (without City \$)</b>	<b>\$17,796,062</b>	<b>Total Income</b>	<b>\$1,951,620</b>
		<b>Expenses</b>	
Total Project Cost	<b>\$17,796,062</b>	Management Fee	(\$84,219)
TIF Assistance	<b>\$3,500,000</b>	CAM	(\$465,929)
<b>Net Cost to Developer</b> (after TIF reimbursement)	<b>\$14,296,062</b>	Taxes	(\$234,090)
		Insurance	(\$17,791)
		Parking Expense	(\$118,789)
		Non Recoverable	(\$32,096)
		<b>Total Expenses</b>	<b>(\$952,914)</b>
		<b>NOI</b>	<b>\$998,706</b>
<b>Return on Cost Analysis</b>			
<b>NOI/Total Project Costs</b>			
Return on Cost (without City \$)	5.6%		
Return on Cost (with City \$)	7.0%		

# Appendix C: Technical Studies

## *Circulation Recommendations/Actions Taken*

- **Two-Way Conversion**

- **Recommendation:** Amend City's Thoroughfare Plan to convert Houston Street and Victory Avenue to two-way traffic flow

**Action :** City Council approved Thoroughfare Plan amendment January 22, 2014; Two-Way Conversion Project completed

- **Bicycle Access**

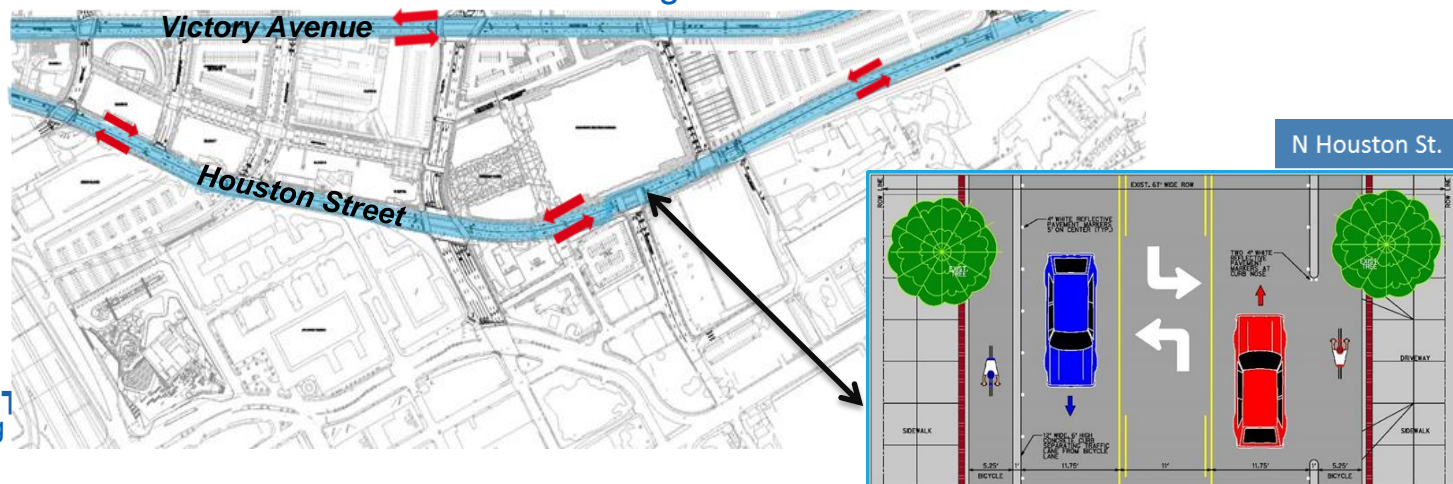
- **Recommendation:** Improve bicycle circulation throughout the sub-district

**Action:** On Houston Street a dedicated bicycle track was constructed on both sides of the street and separated from car travel lanes by a raised curb

**Action:** Victory Avenue has shared bicycle lanes

- **Recommendation:** Capitalize on Victory's proximity to KATY Trail; relocate terminus of trail to district park

**Action:** The bicycle facilities on Houston Street and Victory Avenue connect to the current terminus of the KATY Trail and extend it throughout the sub-district



# Appendix C: Technical Studies

## *Circulation Recommendations /Actions Taken* (Continued)

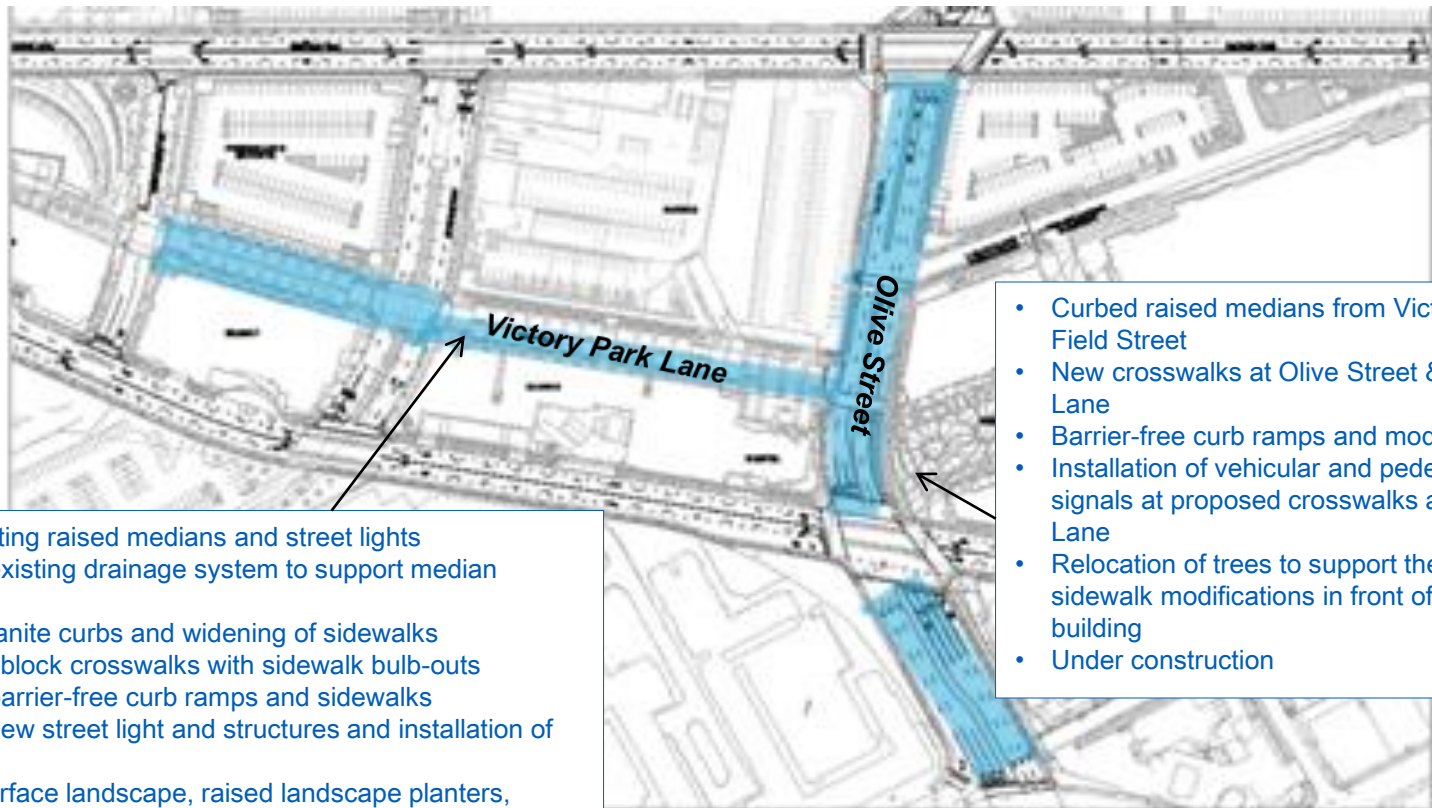
- **Pedestrian Access**

- **Recommendation:** Provide traffic calming improvements on Olive Street

**Action:** Improvements to Olive Street were completed in 2015

- **Recommendation:** Enhance sidewalk environment on Victory Park Lane

**Action:** Victory Park Lane improvements were completed in 2015



- Removal of existing raised medians and street lights
- Modification of existing drainage system to support median removal
- Relocation of granite curbs and widening of sidewalks
- New raised mid-block crosswalks with sidewalk bulb-outs
- Modification of barrier-free curb ramps and sidewalks
- Foundation for new street light and structures and installation of street lights
- Installation of surface landscape, raised landscape planters, irrigation, drainage and power
- Under construction

- Curbed raised medians from Victory Avenue to Field Street
- New crosswalks at Olive Street & Victory Park Lane
- Barrier-free curb ramps and modified sidewalks
- Installation of vehicular and pedestrian traffic signals at proposed crosswalks at Victory Park Lane
- Relocation of trees to support the curb and sidewalk modifications in front of Victory Plaza building
- Under construction

# Appendix D: Technical Studies

## *Urban Neighborhood Design Recommendations /Actions Taken*

- **Placemaking**

- **Recommendation:** Enhance Victory Park Lane as a distinctive place
- **Recommendation:** Improve visual and pedestrian connectivity between Victory Park Lane and American Airlines Center

**Action:** Sidewalks widened, streetscape improvements to Victory Park Lane have been installed (adaptable seating, lighting, benches, plantings)

- **Signage and Wayfinding**

- **Recommendation:** Create a comprehensive Signage and Wayfinding Program

**Action:** Installation of directional parking signage, district makers and banners, directories



# Appendix E: Victory Sub-district Retail Project

## *Conditions of TIF Funding Highlights*

- Minimum private investment \$15,000,000.00 in construction and construction related soft costs incurred by the Owners for this Project;
- Completion by Owners of a minimum 40,000 square feet of newly constructed retail space and/or renovated vacant ground floor retail space, bringing the space to a leasable condition ready for tenant improvements:
- Obtain a building permit issued by the City and start construction of the Project by February 28, 2017;
- Complete Project Improvements bringing the space to a “white box” condition ready to lease and for tenant improvements by December 31, 2018;
- Obtain a license agreement for any private improvements in the City’s right-of-way (if necessary) prior to first payment of TIF Grant. Licenses may be required for outdoor dining, awnings, signage, etc.;
- Minimum of 50% of the retail space completed shall be occupied (including completion of tenant improvements), as evidenced by a Certificate of Occupancy issued by the City. The space shall be open and operational prior to the initial payment of the Retail TIF Grant and shall remain open throughout the remaining term of the Victory Sub-district (December 31, 2028);



# Appendix E: Victory Park Cinema Project

## *Conditions of TIF Funding (Continued)*

- TIF Grant will be paid over 3 years in the amount of \$1,166,666, annually. If the minimum amount of occupied retail space is temporarily discontinued or closed, a 120 day cure period will be granted. Should the Developer fail to reopen or find a new tenant for the retail space within the cure period, the City's obligation to make remaining annual grant payments may terminate or be withheld until the space is occupied and reopened;
- 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 the Developer shall make a good faith effort to 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;
- Owner shall make best efforts to recruit, train, and hire City of Dallas residents for jobs created to operate or maintain the businesses in spaces constructed or made ready through the Project. Best efforts shall include local advertising, participation in local job fairs, and coordination with the Director to ensure broad publication of the available employment opportunities;
- Should any property currently owned or later acquired by Owner in the Sub-district be developed for residential use, Owner agrees that those developments must comply with the District's mixed income policy;