

Memorandum



CITY OF DALLAS

DATE September 16, 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 The Drever – 1401 Elm Street Redevelopment Project
Downtown Connection TIF District

On Monday, September 19, 2016, you will be briefed on The Drever – 1401 Elm Street Redevelopment Project in the Downtown Connection TIF District. A copy of the briefing is attached.

Please let me know if you have any questions.

A handwritten signature in blue ink that reads "Ryan S. Evans" with a horizontal line extending to the right.

Ryan S. Evans
First Assistant City Manager

c: The Honorable Mayor and Members of the City Council
A. C. Gonzalez, City Manager
Rosa A. Rios, City Secretary
Christopher D. Bowers, Interim City Attorney
Craig Kinton, City Auditor
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
Alan S. Sims, Chief of Neighborhood Plus
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager – Mayor and Council

The Drever – 1401 Elm Redevelopment Project
Downtown Connection TIF District

Economic Development Committee
September 19, 2016



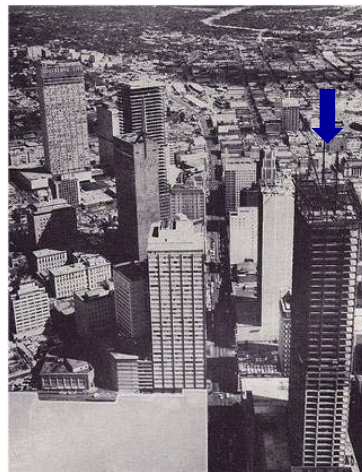
Purpose

- Provide background information on 1401 Elm Street
- Review The Drever – Redevelopment Project
- Obtain Economic Development Committee’s approval for Council consideration of a one year extension of the project’s completion deadline from December 31, 2017 to December 31, 2018

1401 Elm Street

Background

- Construction began in 1961; building opened in 1965
- Designed by George L. Dahl originally for First National Bank of Dallas
- Ownership of building was split between the building's base and tower
- A small lot (\approx 80K s.f.) with multiple ground leases (38% fee simple, 62% under multiple ground leases)
- Environmental study conducted in 1991 showed asbestos containing materials present in the building
- Building size and costs of environmental remediation coupled with fractured ownership and ground leases hindered redevelopment of the building
- Closed January 2010 after Bank of America's lease ended December 2009
- Largest vacant contiguous block downtown



1401 Elm Under Construction

3



C. 1970s

C. 1980s

1401 Elm Street

Past Redevelopment Attempts

- **1401 Elm Street Holdings - Polimeks Construction Company** (*full service Turkish construction company*)
 - Purchased base and tower in 2011
 - Acquired ground leases for the property
 - Proposed development plan included:
 - 456 Residential Units
 - 430,114 square feet of office
 - 41,437 square feet of retail
 - Estimated Project Cost \$137M
 - Development group sold building
- **Olympic 1401 Elm Associates, LLC – Olympic Property Partners, LLC** (New York based development company)
 - Contract to purchase building and single ground lease in 2013
 - Proposed development plan included:
 - 512 Residential Units
 - 71,000 square feet of office space
 - 71,000 square feet of retail/restuarant space
 - Estimated project cost \$151M
 - Developer chose to forego Historic Tax Credits (State or Federal)
 - Developer unable to complete project, forced into involuntary bankruptcy to avoid immediate foreclosure

1401 Elm Street

Rebranded – The Drever

- **Olympic Partners files for bankruptcy – January 2016**
 - November 2015, all work in building halted
 - Demolition and abatement process was complete from 50th floor through 10th floor
 - Drever Capital Management (Drever) was one of multiple groups seeking to purchase the property out of bankruptcy
 - Drever offered \$65M and to pay off the lender and all creditors completely
- **Drever Capital Management Closes on Property April 29, 2016**
- **Development Agreement for \$50M TIF subsidy assigned to Drever April 2016**
- **1401 Elm Street Rebranded as The Drever – Project Description**
 - **Residential:** 348 units (35 affordable units)
 - **Office:** 44,000 square feet
 - **Retail/Restaurant:** 29,000 square feet
 - **Hotel:** 236 rooms (with ballroom and meeting facilities)
 - **Amenities:** Wellness Spa; Rooftop garden; 50th floor public observation deck; Art program for the building
 - **Project Cost:** \$240M
 - **Construction Resumed:** May 2016
 - ***Proposed Construction Completion: June 2018***

The Drever – 1401 Elm Street

Preliminary Project Renderings

- Design Review : The design of the project has changed and will go through the design review process
- Historic Tax Credits: The developer has chosen to restore the building's historic façade and is seeking State and Federal Historic Tax Credits

THE DREVER 1401 ELM DALLAS TEXAS



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The Drever – 1401 Elm Street

Preliminary Project Renderings



NORTHEAST CORNER



RESTAURANT PATIO AT ELM & AKARD



RESIDENTIAL ENTRANCE ALONG ELM



GROUND FLOOR - HOTEL ENTRANCE

The Drever – 1401 Elm Street

Drever Capital Management & BDRC Partners

- Drever Capital Management
 - **Maxwell Bruce Drever** - Drever Capital Management, LLC, Chairman; CB Concierge, LLC, Managing Partner
 - Drever Capital Management focuses on acquiring, managing and redeveloping apartment units for workforce-income families. Mr. Drever's passion for redeveloping under-performing, workforce, multifamily properties in a socially and environmentally conscious manner has provided the catalyst for transforming entire neighborhoods.
 - Counter-cyclically, his former company, Drever Partners, with 18,000 units under management, was one of the earliest and largest buyers of multifamily housing during the RTC cycle. In October 1997, those assets were merged into Walden Residential Properties, a Dallas-based public REIT (NYSE), to create a \$1.4 billion REIT. Following a non-compete period, Mr. Drever formed Concierge Asset Management.
 - Concierge merged with Crossbeam Capital, which focuses on acquiring and redeveloping challenged multifamily assets and/or their NPLs. The Company owns and manages 8,000 residential units. Mr. Drever is the largest shareholder of Crossbeam Concierge Holdings.
- BDRC Partners – Local Partner
 - **Bryan Dorsey**, President and CEO
 - Mr. Dorsey has over 30 years of experience in all facets of real estate from acquisition, financing, and development to management and administration of real estate portfolios. Prior to starting BDRC Partners, he formed Partners Property Corporation in 1994 to provide real estate services to high net worth individuals, banks, and hedge funds for the acquisition and development of commercial properties. In partnership with his clients, he completed more than \$2 billion in transactions

The Drever – 1401 Elm Street

Benefits of New Ownership & Deadline Extension

- **Benefits of New Ownership**
 - Drever Capital Management (Drever) has a proven track record of buying and successfully redeveloping distressed properties
 - Drever and his companies have owned or built more than 170,000 apartments all over the country
 - Drever considers this project to be a legacy project for him and his family and see the building as a long term commitment
 - Drever is seeking Historic Tax Credits (State and Federal), which provides millions for restoring the historic building and makes the project more viable
- **Requested Deadline Extension**
 - Drever has requested an extension of the project's completion deadline from December 31, 2017, to December 31, 2018, for the following reasons:
 - Finalize re-design of the project
 - Finalize financing for the project
 - Completion of State and Federal Historic Tax Credit application process
 - Evaluation of PACE and EB-5 funding options
 - Complete construction and absorb any unforeseen delays in construction without being in default of the project's development agreement

The Drever – 1401 Elm Street

TIF Board Recommendation

- On August 11, 2016, the Downtown Connection TIF District Board of Directors reviewed and recommended approval of a development agreement amendment to extend the completion date for the 1401 Elm Street redevelopment project by one year, from December 31, 2017 to December 31, 2018.

Strategic Importance of Project

- Activates the largest remaining vacant building in the core
- Adds to the residential population and hotel offerings downtown
- Adds to the number of affordable residential unit stock downtown
- Activates the ground floor of a building the experiences heavy pedestrian activity on all four street frontages
- Improves pedestrian connections to the Akard Street light rail station adjacent to the building

Recommendation

- Staff requests ECO Committee's approval of consideration of a development agreement amendment to extend the completion date for the 1401 Elm Street redevelopment project by one year, from December 31, 2017 to December 31, 2018.



APPENDICES

Appendix A: The Drever – 1401 Elm Street

Development Team

- **Developer**
 - Maxwell Drever, Drever Capital Management
 - Bryan Dorsey, BDRC Partners
- **Architect:** Merriman Anderson Associates
- **General Contractor:** Andres Construction
- **Project Financing Consultant:** Cushman and Wakefield
- **Retail Broker:** CBRE / UCR