

# Memorandum



DATE October 16, 2015

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

SUBJECT **Victory Park Cinema Project, Victory Sub-district, Sports Arena TIF District**

On Monday, October 19, 2015, the Economic Development Committee will be briefed on the Victory Park Cinema Project in the Victory Sub-district of the 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  
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  
Elsa Cantu, Assistant to the City Manager – Mayor & Council

**Victory Cinema Project**  
*Victory Sub-district*  
**Sports Arena TIF District**

**Economic Development Committee**  
**October 19, 2015**



# Purpose

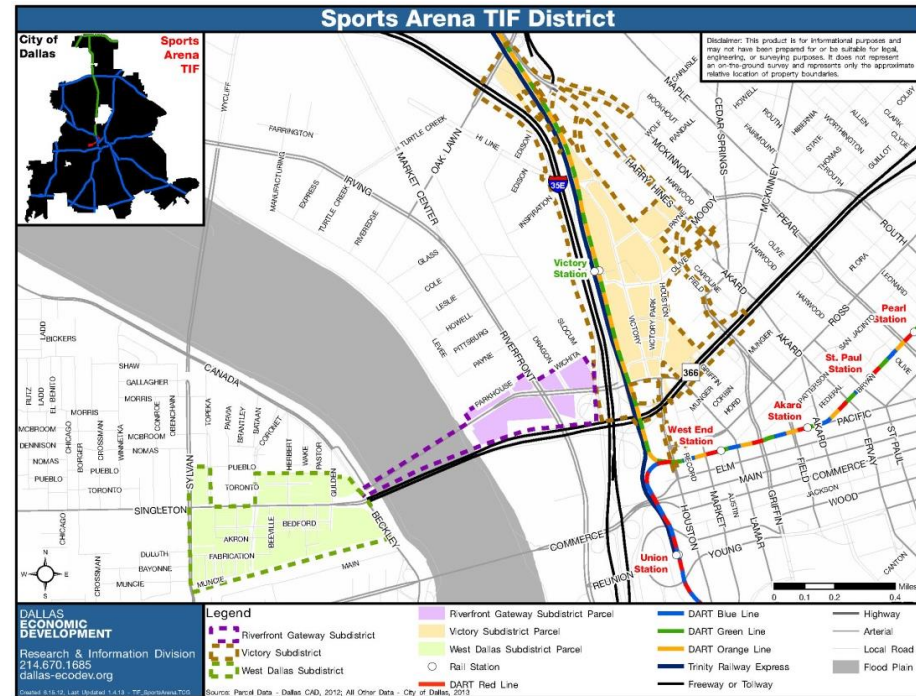
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- Provide background on Sports Arena TIF and Victory Sub-district
- Give status update on Victory Sub-District projects, Silver and South Parking Garages and implementation of Design/Technical Study recommendations
- Review retail technical study recommendations
- Discuss Victory Park Cinema Project as retail anchor for district and proposed \$5M TIF grant for project
- Obtain Economic Development Committee approval for Council consideration of funding request for the movie theater project on October 28, 2015 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 \$273M (See Appendix A) and Victory Sub-district to \$133M
- Purpose of District Amendment
  - Allows collection of additional tax increment in Victory Sub-district to address parking, circulation, and neighborhood design
  - 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)
- 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

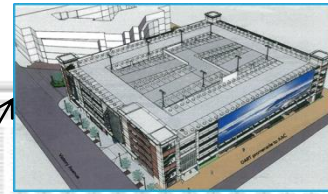


# Victory Sub-district Status Update

- 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



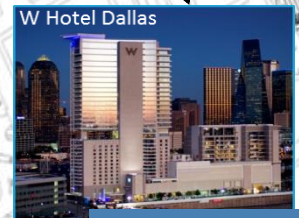
- 425-unit multi-family complex
- Anticipated completion Fall 2015



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



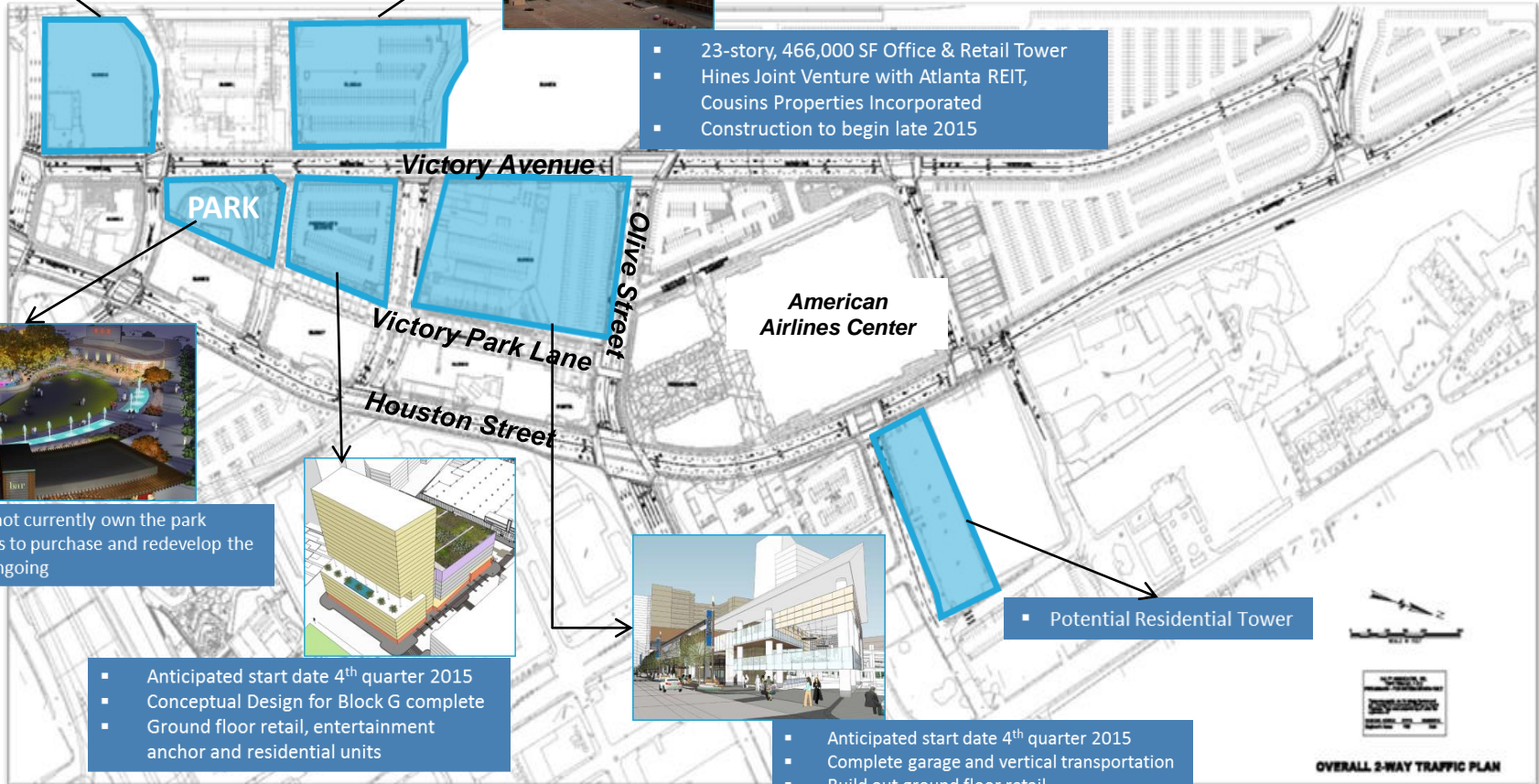
# Victory Sub-district

## Projects Announced and /or Anticipated

- 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





# 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 (check = complete) and implementation is underway on the other strategies/projects:
  - **Circulation**
    - ✓ Two Way Traffic
    - ✓ Pedestrian Access
    - ✓ Bicycle Access
  - **Parking**
    - Current & Future Parking
    - Shared Parking Analysis
  - **Retail Analysis**
    - ✓ Tenant Storefront Redesign Program
    - Complete Block D Retail and Activate Vacant Lots
    - Activate Vacant Lots
    - ✓ Merchandise Strategy & Program
  - **Urban Neighborhood Design**
    - ✓ Placemaking
    - ✓ Victory Park Lane
    - ✓ Signage & Wayfinding
    - Victory Park Redesign

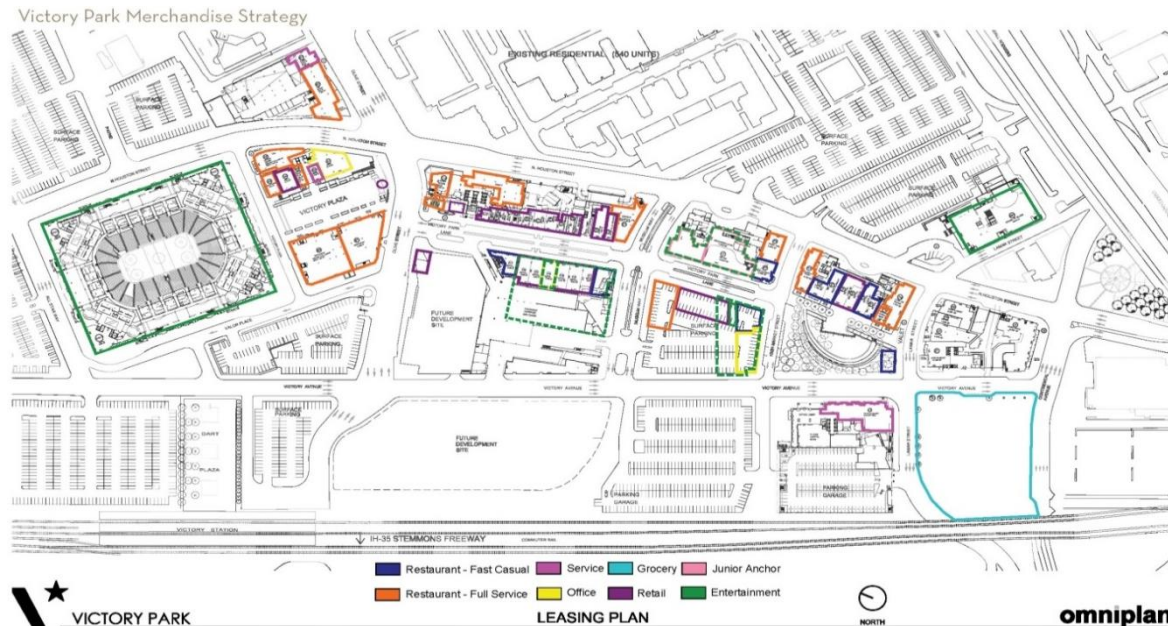




# Retail Technical Study

## Retail Analysis

- Retail Analysis Recommendation:
  - Implement district wide leasing strategy that incorporates new retail, F&B, and entertainment uses to compliment existing uses and complete the development.
- Merchandise Strategy & Leasing Program Recommendation:
  - *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 mix of restaurants, bars, live music, entertainment options and shops targeting the 25-40 year-old demographic*



# Victory Park Cinema

## *Project Description*

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- **Cinema:** 44,000 square foot, 700 seat theater
- **Parking:** 125 parking spaces dedicated to theater and district wide retail parking in garage beneath theater
- **Project Cost:** \$22,119,539
- **TIF Grant:** \$5,000,000
  - Annual payments of \$625,000 over 8 years. Annual payment contingent upon cinema being open and operating
- **Start Construction:** January 31, 2016
- **Complete Construction:** March 31, 2018
- *Project is adjoined by a mixed use tower that will include residential units and ground floor retail. Lennar Homes is developing the residential tower.*

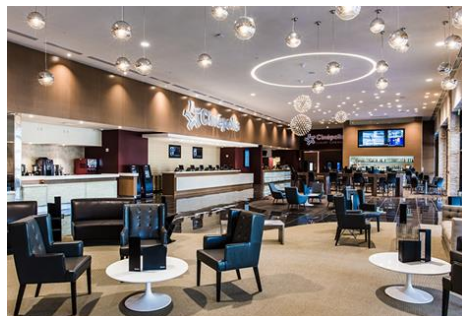
# Victory Park Cinema *Project Renderings*



# Victory Park Cinema Project

## *Theater Operator – Cinépolis, USA*

- Mexico-based parent company, Cinépolis Mexico
  - Fourth largest movie theater exhibitor in the world
  - Opened first US theater in Del Mar, California in July 2011
  - Founded in Mexico in the city of Morelia, Michoacán in 1971
  - Grown operations in 13 countries, including the United States, Central America, Brazil, India and Spain
  - As of July 2015, Cinépolis' 30k employees operate 506 cinema complexes and 4,348 screens with over 715k seats worldwide.
- **First theater in Texas offering**
  - fully-reclining, over-sized leather seats
  - cutting edge sound and projection technology
  - in-theater waiter service
  - complete gourmet menu with full bar
  - elegant lobby spaces





# Victory Park Cinema Project

## *Funding Sources and Uses*

Sources	Amount	%	Uses
Developer Equity	\$22,119,539	100%	Construction
	<b>\$22,119,539</b>	<b>100%</b>	

# Victory Park Cinema 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 retail recruitment financial incentives, specifically for a retail anchor
- Amended budget for the sub-district dedicated a maximum of \$10 million for Retail Incentives within the sub-district
- Victory Park Cinema Project is consistent with goals and recommendations of amended District plan and retail technical study
- Specific TIF Funding Conditions, see **Appendix B**

Description	Amount
<b>Tier Two Improvements</b>	
Retail Incentives (TIF Grant)	\$5,000,000
<b>Total Proposed TIF Grant</b>	<b>\$5,000,000</b>

# Victory Park Cinema Project

## *TIF Board Recommendation and Peer Review*

- On September 16, 2015, the Sports Arena TIF District Board of Directors approved and recommended approval of a grant agreement with Blocks GKM, L.P. for TIF Funding for the Victory Park Cinema Project in an amount not to exceed \$5,000,000.
- On March 20, 2015, the City's Urban Design Peer Review Panel reviewed the project's design. The final conceptual designs incorporated the panels recommendations.

# Recommendation

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- Staff requests ECO Committee's approval for consideration by Council on October 28, 2015:
  - Grant agreement with Blocks GKM, L.P. for not to exceed \$5,000,000 for the Victory Park Cinema 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>	\$12,779,264	\$679,107	\$12,100,157
<b>Tier One Improvements</b>	\$50,294,300	\$48,919,013	\$1,375,287
North Parking Garage			
South Parking Garage			
Economic Development TIF Grants			
<b>Tier Two Improvements</b>	\$69,573,502	\$13,403,582	\$56,169,920
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>	\$132,647,066	\$63,001,702	\$69,645,364
Category	Total Budget	Total Committed or Spent	Total Remaining
<b>West Dallas Sub-district</b>			
Economic Development Grants, Retail Incentives, Infrastructure Improvements, Technical Studies Environmental/Demolition			
<b>Total West Dallas Sub-District</b>	\$91,599,839	\$17,455,000	\$74,144,839
<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>	\$9,558,813	\$0	\$9,558,813
<b>Administration and Implementation</b>	\$997,010	\$571,974	\$425,036
<b>Total Amended Budget</b>	<b>\$273,391,087</b>	<b>\$119,418,341</b>	<b>\$153,972,746</b>

# Appendix B: Project Proforma

<b>Victory Park Cinema Project</b>		
<b>Sports Arena TIF District</b>		
PROJECT DESCRIPTION:	2100 Victory Avenue	
PROJECT TYPE:	Cinema	
CONSTRUCTION START DATE:	January 31, 2016	
PROJECT COMPLETION:	March 31, 2018	
<b>Use Breakdown</b>	<b>SF</b>	<b>Tot. Leasable SF</b>
Cinema	40,000	40,000
<b>Project Costs</b>		
Hard Cost	\$20,737,651	
Soft Cost (less Developers Fee)	\$1,160,875	
Acquisition	\$0	
<b>Total Project Cost (without City)</b>	<b>\$21,898,526</b>	
Total Project Cost	<b>\$21,898,526</b>	
TIF Assistance	<b>\$5,000,000</b>	
<b>Net Cost to Developer</b> (after TIF reim)	<b>\$16,898,526</b>	
<b>NOI</b>	<b>\$877,357</b>	
<b>Return on Cost Analysis</b>		
<b>NOI/Total Project Costs</b>		
Return on Cost (without City \$)	4.0%	
Return on Cost (with City \$)	5.2%	

# 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;  
Implementation of Two-Way Conversion Project planned for late 2015

- **Bicycle Access**

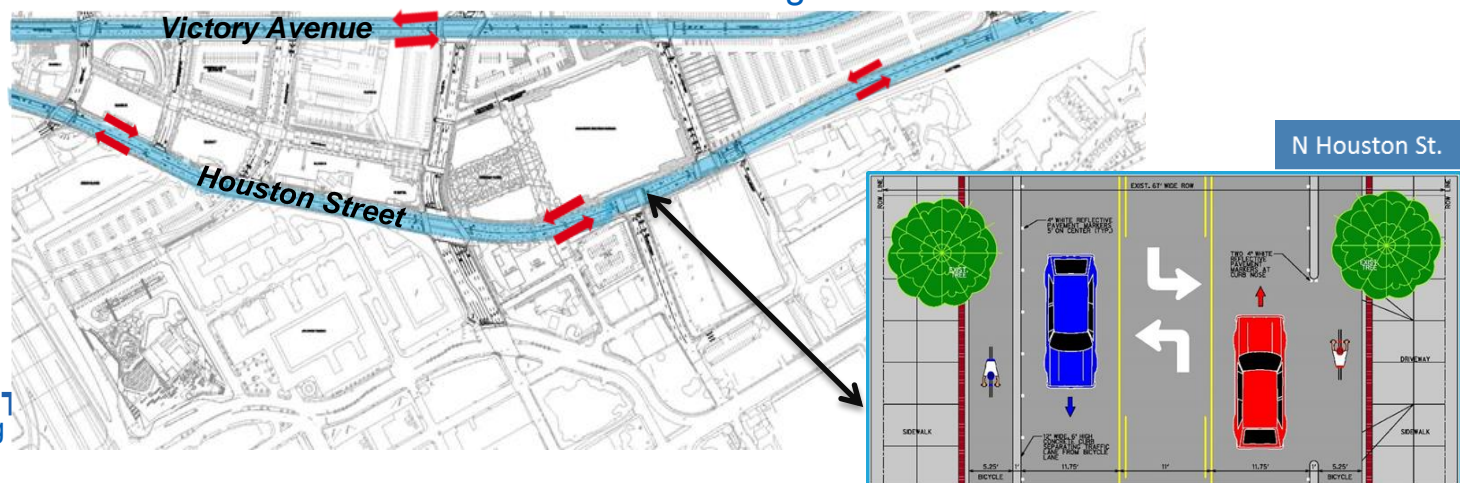
- **Recommendation:** Improve bicycle circulation throughout the sub-district

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

**Action:** Victory Park Lane will have 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 Park Lane will connect to the current terminus of the KATY Trail and extend it throughout the sub-district

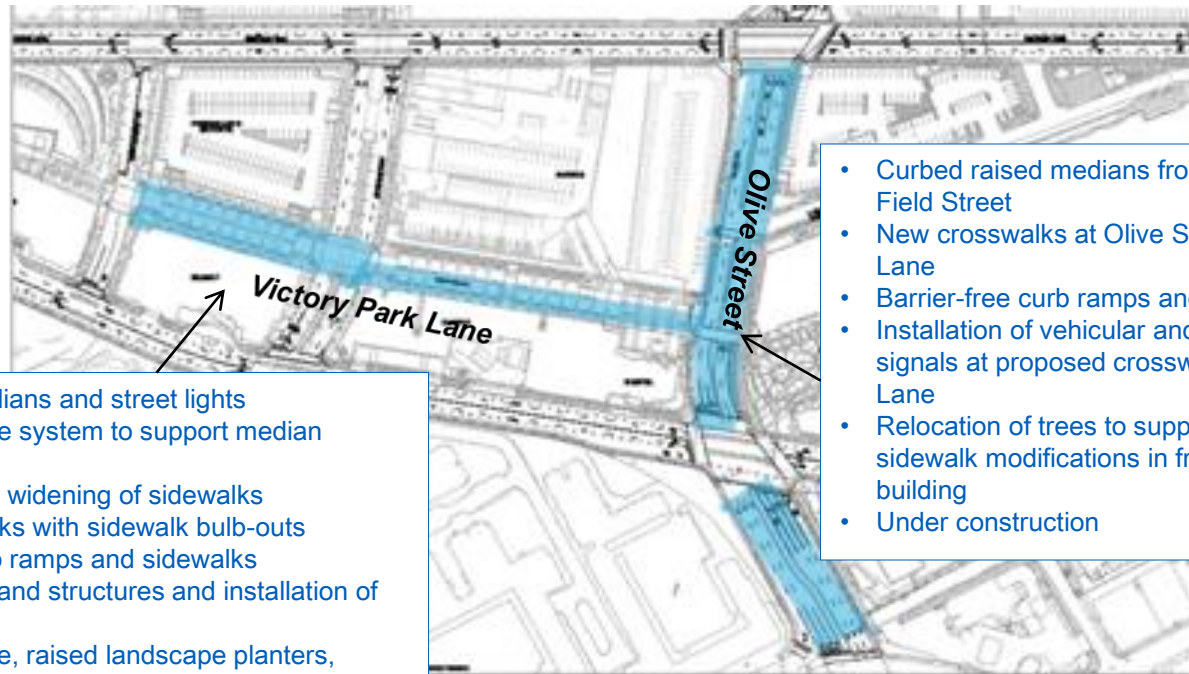




# Appendix D: Technical Studies

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

- Pedestrian Access
  - **Recommendation:** Provide traffic calming improvements on Olive Street  
**Action:** City Council approved TIF reimbursement for Olive Street improvement project December 11, 2013
  - **Recommendation:** Enhance sidewalk environment on Victory Park Lane  
**Action:** City Council approved TIF reimbursement for Victory Park Lane improvement project December 11, 2013
  - **Recommendation:** Encourage seamless flow of visitors and users throughout the urban district



- 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 E: Victory Park Cinema Project

## *Conditions of TIF Funding Highlights*

- Minimum private investment of \$20,000,000 in construction and construction related soft costs for the Project.;
- The Project shall include:
  - Minimum 35,000 square feet of cinema space; and
  - Minimum 125 parking spaces dedicated to cinema and district retail/restaurant parking in a garage to be constructed beneath the cinema space
- Obtain a building permit issued by the City and start construction for the Project by January 31, 2016;
- Complete construction and obtain a Certificate of Occupancy for the cinema tenant, in the tenant's name, from the City by March 31, 2018;
- Obtain final acceptance of all public infrastructure improvements associated with the Project, as evidenced by the issuance of a Green Tag from the Public Works and Transportation Department by March 31, 2018;
- Execute an Operating and Maintenance Agreement for public infrastructure improvements installed as part of the Project by March 31, 2018 for a period of 20 years, if any;
- The cinema must be open and operational prior to payment of the TIF Grant and shall remain open throughout the remaining term of the Victory Sub-district (December 31, 2028);

# Appendix F: Victory Park Cinema Project

## *Conditions of TIF Funding (Continued)*

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- The TIF Grant will be paid over 8 years in the amount of \$625,000 annually. If the cinema is temporarily discontinued or closed, a 120 day cure period will be granted. Should the Developer fail to reopen the cinema within the cure period, the City's obligation to make remaining annual TIF Grant payments shall terminate;
- 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;
- If necessary, the project deadline can be extended up to 6 months, subject to the Sports Arena TIF District Board of Directors' recommendation and the Office of Economic Development Director's approval.