

Memorandum



DATE October 12, 2018

CITY OF DALLAS

TO The Honorable Members of the Economic Development and Housing Committee:
Tennell Atkins (Chair), Rickey D. Callahan (Vice Chair), Lee M. Kleinman, Scott Griggs,
Casey Thomas, II, B. Adam McGough, Mark Clayton, Kevin Felder, Omar Narvaez

SUBJECT **Development Agreement Amendments for the Drever (1401 Elm Street) TIF Project**

On January 22, 2014, City Council authorized a development agreement with Olympic 1401 Elm Associates, LLC ("Olympic") for a TIF subsidy not to exceed \$50,000,000 to reimburse costs associated with the 1401 Elm Street redevelopment project. The project proposed to renovate the former headquarters of the First National Bank of Dallas into 400 residential units. The building is 1.5 million square feet in size and encompasses an entire City block.

In January of 2016, the project's lenders foreclosed on the building and Olympic filed for bankruptcy. Drever 1401 Elm, LLC ("Drever") purchased the property in April of 2016. The development agreement and TIF subsidy for the redevelopment project was assigned from Olympic to Drever in May of 2016.

Since 2016, Drever has refined the development plan for the building to include 324 residential units, 218 hotel rooms, office and retail space. Drever has also completed interior demolition and environmental remediation, completed fireproofing and fire safing throughout the tower, negotiated state and federal historic tax credits totaling \$100M and negotiated a Property Assessed Clean Energy loan of \$31.5M. Drever has invested approximately \$90M in equity into the redevelopment project.

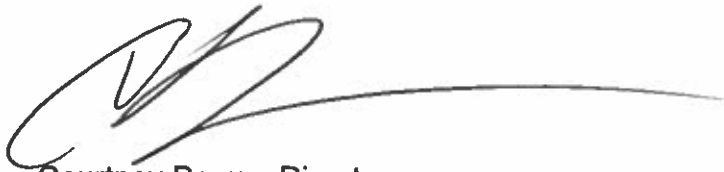
Due to the size of the building and complexity of the financing structure for the project, which involves federal and state historic tax credits, property assessed clean energy financing as well as layers of debt and equity, financial closing for the project has taken much longer than anticipated. The developer has finalized a capital stack of approximately \$430,000,000 to complete redevelopment of the building and financial closing is scheduled for October 25, 2018.

The lenders and investors for the project are concerned that delays in construction while the developer has been finalizing financing will prohibit completion of the project by the current deadline of December 31, 2019. As a result, the lenders and investors have required Drever to secure a one-year extension of the completion and Certificate of Occupancy deadline to December 31, 2020. The additional amendments to the development agreement ensure the project requirements reflect the revised development plan for the building.

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The developer has requested and the TIF Board has recommended the following amendments to the project's development agreement:

1. Extension of the project completion and Certificate of Occupancy deadlines from December 31, 2019 to December 31, 2020;
2. Reduction of the required minimum 387,000 square feet of residential space (approximately 400 units) to 350,000 square feet (approximately 324 units);
3. Revision of the requirement for non-residential, commercial space, including retail/restaurant and office space to:
 - a. add hotel space to the requirement
 - b. remove retail/restaurant space from the requirement and
 - c. increase the minimum square footage from 65,000 to 250,000 for the revised requirement
4. Addition of a separate requirement of a minimum of 20,000 square feet of retail/restaurant space; and
5. Increase the minimum investment requirement for project from \$100M to \$175M.

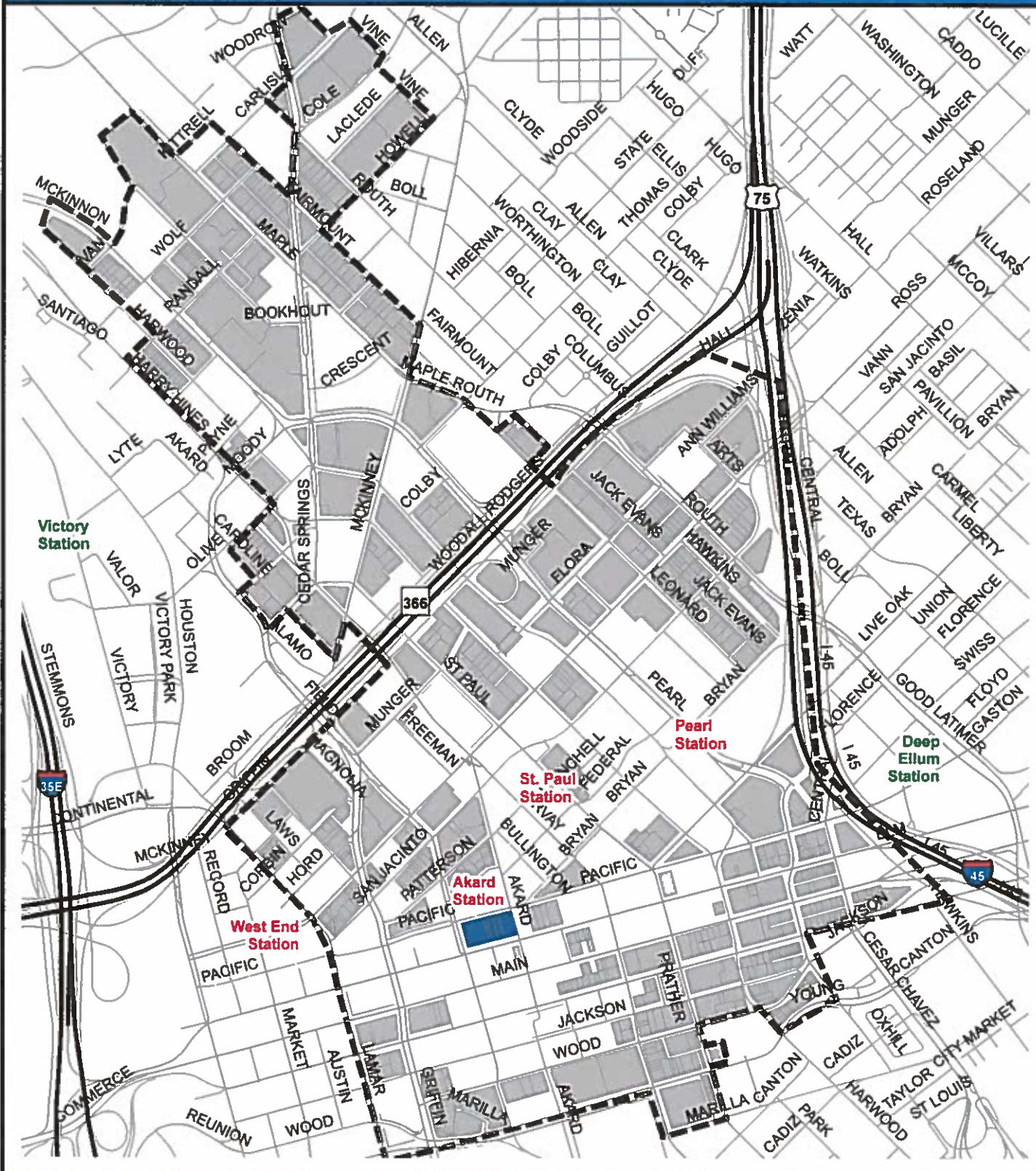


Courtney Pogue, Director
Office of Economic Development

c: The Honorable Mayor and the Members of City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney (Interim)
Carol A. Smith, City Auditor (Interim)
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager

Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
Nadia Chandler Hardy, Assistant City Manager and Chief Resilience Officer
M. Elizabeth Reich, Chief Financial Officer
Directors and Assistant Directors

The Drever - 1401 Elm Street Redevelopment Project



City of Dallas
Office of Economic Development



Area Redevelopment Division
<http://www.Dallas-EcoDev.org>

Created 2/2013

Legend

- The Olympic Project - 1401 Elm St.
- Downtown Connection TIF Boundary
- Downtown Connection TIF Parcels
- Properties Outside of TIF
- Rail Station
- DART Red Line
- DART Blue Line
- DART Green Line
- DART Orange Line
- Trinity Railway Express



Visuals of Early-Release Work Completed



94% of the historic marble is removed. THC / NPS approved the refurbished marble mock installation (seen on the 3rd from right column crown)



Marble slabs are catalogued and prepared for shipment to refurbishing plants. 20% have been refurbished and first shipments have arrived on site.



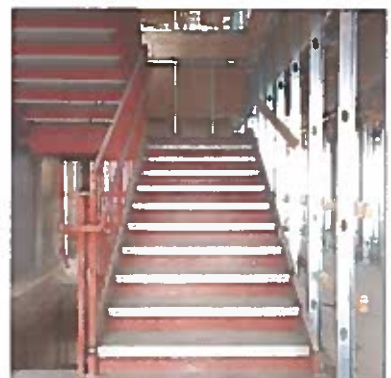
Floor cutouts were made and new steel ramps are installed from the street level to the added parking garage on fl. 6-8 (behind the windowless marble façade)



New steel structure is installed for restaurants and bars on the 75,000 sq.ft. amenity deck



New steel structure installed on fl. 9 (amenity deck) & 10 (above)



Three (3) additional staircases installed (from 2nd to 5th, 9th, and 49th floor)



New structural support steel was fabricated and it is installed on levels 6-7 (pictured level 7)



New structural support steel was fabricated and it is installed on levels 6-7 (pictured level 6)



Old concrete was removed to install new flooring finish on fl. 9 (amenity level)



Elevator openings were cleared and new frames, sills and doors are installed on 15 floors



89% of steel unit separation wall framing is completed on 32 floors; 309 apartments and 174 hotel rooms have wall framing



Plumbing rough is installed and completed on 12 apartment floors



28 high energy efficient VRV HVAC units are installed



New fireproofing and fire safing (not pictured) is completed throughout the tower



Mechanical rough - ductwork is installed on 12 apartment floors



Dry wall, insulation, and fire tape at ceiling is completed on 17 apartment floors



Fire sprinkler rough-in is installed on 7 apartment floors



Mechanical rough - refrigerant piping is installed on 12 apartment floors



Four (4) fire sprinkler standpipes are installed (standpipe pictured in west-end staircase)



Hotel corridor specifications and a corridor mockup are complete



Hotel room specifications and two fully furnished model rooms are complete *(No pictures allowed)*