

Memorandum



DATE May 17, 2013

TO Members of the Economic Development Committee: Tennell Atkins (Chair),
Ann Margolin (Vice Chair) Jerry R. Allen, Sheffie Kadane, Monica Alonzo

SUBJECT **211 North Ervay Redevelopment Project – City Center TIF District (City
Center Sub-District)**

On Monday, May 20, 2013 the Economic Development Committee will be briefed
on the 211 North Ervay Redevelopment Project – City Center TIF District.

Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.



Ryan S. Evans
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Rosa Rios, City Secretary
Tom Perkins Jr., City Attorney
Craig Kinton, City Auditor
Judge Daniel Solis, Administrative Judge Municipal Court
A.C. Gonzalez, First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Stephanie Pegues-Cooper, Assistant to the City Manager

211 North Ervay Redevelopment Project City Center TIF District (City Center Sub-District)

Economic Development Committee
May 20, 2013



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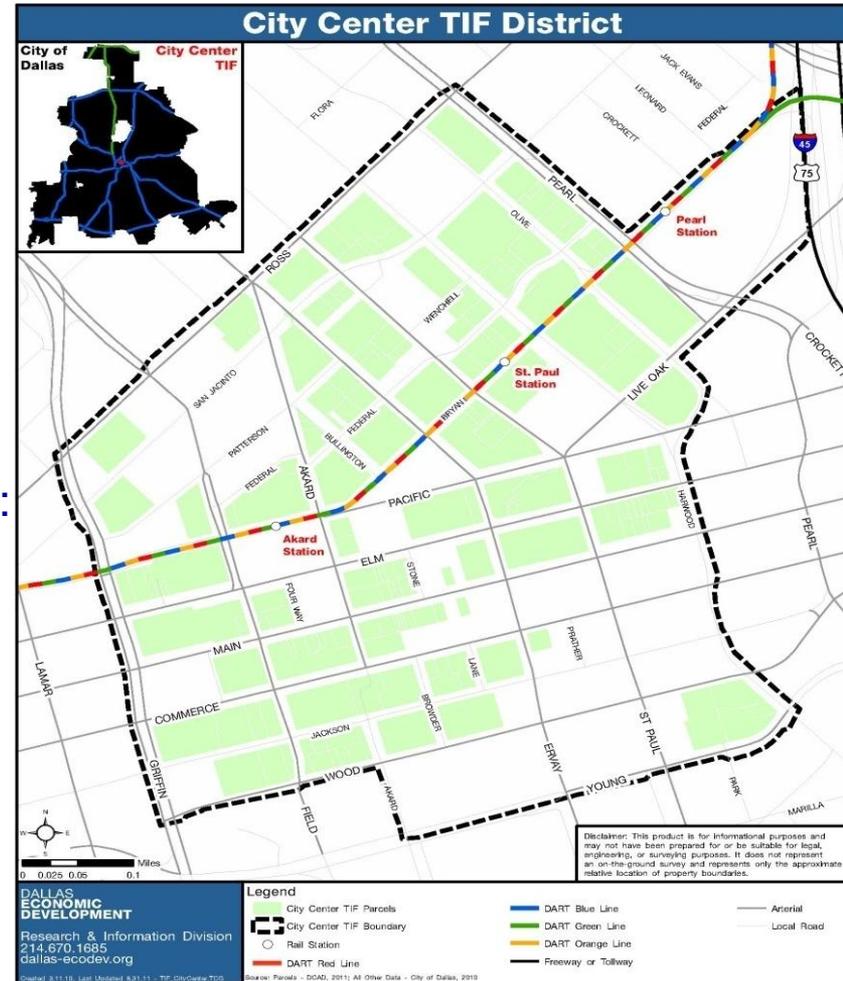


Purpose

- ◆ Provide background information on City Center TIF District and recent District amendments
- ◆ Review the 211 North Ervay redevelopment project
- ◆ Obtain Economic Development Committee's approval for consideration of the project by City Council on June 12, 2013

City Center TIF District Background

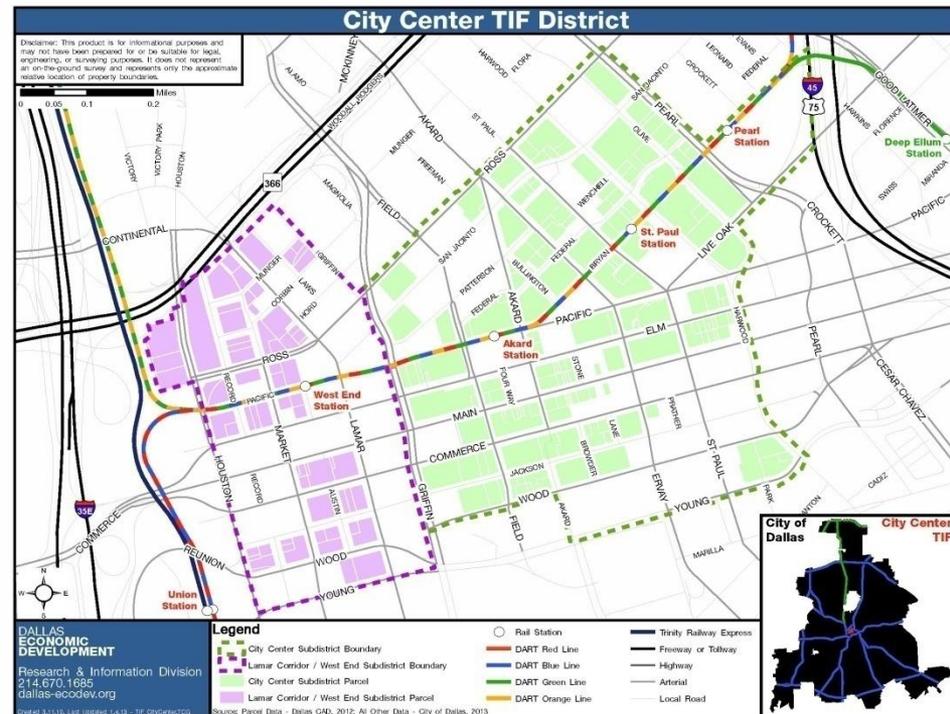
- ◆ Originally created in 1996 with a budget of \$87,567,717 and term of 15 years
- ◆ Originally created to develop an attractive, sustainable urban core and reimburse costs of public improvements and redevelopment of vacant or underutilized buildings downtown
- ◆ District was amended December 2012 to:
 - ◆ Adjust District's Boundary
 - ◆ Extend Term of District
 - ◆ Increase District's Budget
 - ◆ Decrease City Participation Rate
 - ◆ Establish Other Taxing Jurisdiction Participation Rates



City Center TIF District Amendments

- ◆ **Boundary Adjustment
(Creation of two Sub-districts)**
 - ◆ **City Center Sub-district** – original district boundary (green dashed line)
 - ◆ **Lamar Corridor/West End Sub-district** – approximately 27 acres; encompasses properties along the Lamar Corridor and properties in the Historic West End area (lavender dashed line)

- ◆ **Term Extension**
 - ◆ **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)



City Center TIF District *Amendments (Continued)*

- ◆ **City Participation Rate**
 - ◆ ***City Center Sub-district*** – Decreased from 90% to 80% during extended term
 - ◆ ***Lamar Corridor/West End Sub-district*** – Established at 90% for 25 year term
- ◆ **Other Taxing Jurisdictions Participation Rates**
 - ◆ **Dallas County**
 - ◆ **City Center Sub-district** – 53% for 5 years
 - ◆ **Lamar Corridor/West End** – 53% for 20 years
 - ◆ **DISD, DCCCD and DCHD – will not participate in District**

City Center TIF District Amendments (Continued)

◆ District Budget Amendment

- ◆ The District's budget increased from \$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

Category	Estimated TIF Expenditure*
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
Acquisition & Restoration of Historic Sites	\$0
Redevelopment/Development Projects <i>Environmental Remediation, Interior & 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
Total	\$151,968,546

*Estimated TIF Expenditure reflects actual project collections for the district.

**Only \$75,696,253 will be collected by 2012, the remaining funds have been reallocated in the budget for the extended term.

City Center TIF District

211 North Ervay Building



c. 1958

- ◆ Constructed 1958
- ◆ 18-story office building
- ◆ Azure and aquamarine spandrels on the façade to add color to urban skyline
- ◆ Mostly vacant since 1995



c. 1960

c. 1928



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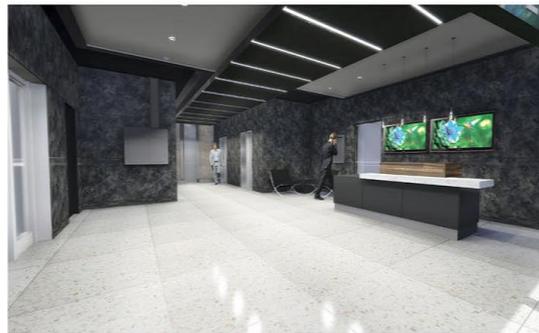
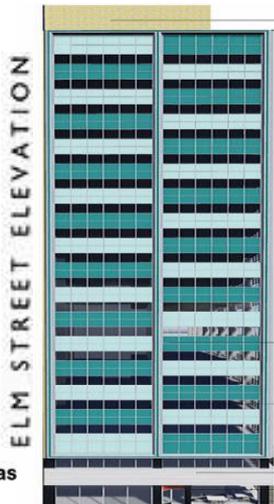
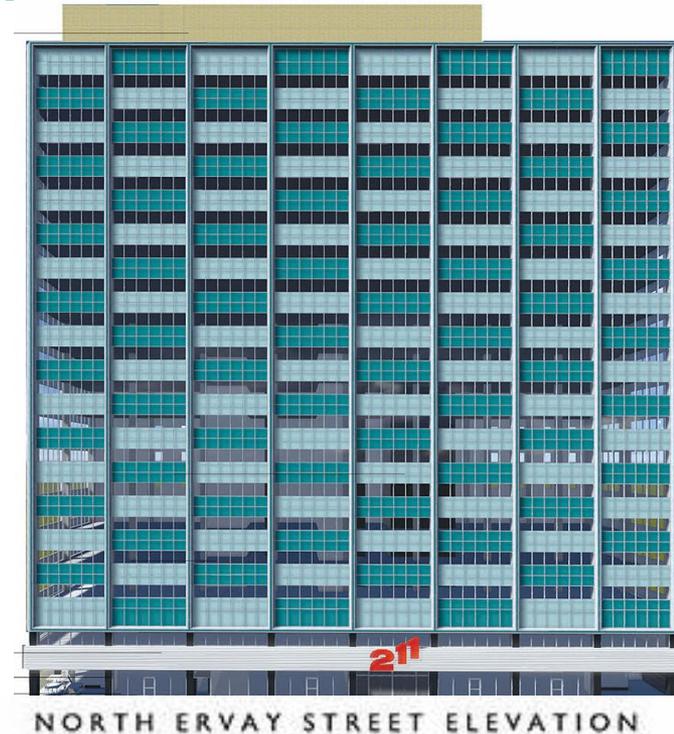
211 North Ervay *Project Location*



211 North Ervay

Project Description

- ◆ 22,000 square feet of Retail Space – floors 1 & 2
- ◆ 144,000 square feet of Office Space – floors 3 thru 18
 - ◆ 3rd floor slated to be collaborative office space
- ◆ Project Cost: \$13,458,630
- ◆ Project Start Date: July 31, 2013
- ◆ Project Completion Date: July 31, 2014



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211 North Ervay Project Design

- ◆ On February 22, 2013, Urban Design Peer Review Panel reviewed the project's design and provided recommendations that are reflected in the project's design at the ground floor level



PROPOSED EXTERIOR PERSPECTIVE

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211 North Ervay

Project Funding Sources and Uses

Funding Source	Amount		Use
Private Equity	\$13,458,630	100%	Acquisition and Construction
Total	\$13,458,630		

211 North Ervay

Proposed TIF Funding

- ◆ Majority of the TIF funds proposed will reimburse environmental remediation, demolition, and historic façade restoration
- ◆ The 211 North Ervay project would not occur, but for TIF funding

TIF Budget – 211 North Ervay	
Redevelopment/Development Projects	
<i>Environmental Remediation/Demolition</i>	\$1,150,000
<i>Façade Restoration</i>	\$600,000
<i>Engineering</i>	\$50,000
TIF Grant	\$150,000
Total	\$1,950,000
Public Infrastructure Improvements	
<i>Streetscape Improvements</i>	\$50,000
Total	\$50,000
Total TIF Funding	\$2,000,000

211 North Ervay

TIF Board Funding Recommendations

- ◆ On March 21, 2013, the City Center TIF District Board of Directors reviewed and approved TIF funding for the 211 North Ervay redevelopment project in an amount not to exceed \$2,000,000.

211 North Ervay

Conditions of TIF Funding

- ◆ Minimum private investment of \$9,665,000 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 Property and the improvements thereon. Construction related soft costs include the following items: architecture and engineering, interior design, remediation and demolition. 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:
 - ◆ Redevelopment of 197,000 square feet of space in the building.
 - ◆ Minimum 15,000 square feet of retail/commercial; and
 - ◆ Minimum 144,000 square feet of office/commercial space.
 - ◆ Adjustments to the square footage of development categories require approval of the Director and City Center TIF District Board of Directors (“TIF Board”).
- ◆ Obtain a building permit and start construction for the Project by July 31, 2013;

211 North Ervay

Conditions of TIF Funding (Continued)

- ◆ Obtain Complete environmental, interior demolition and façade restoration by December 31, 2013.
- ◆ Obtain a Certificate of Occupancy (CO) for the Project by July 31, 2014;
- ◆ 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, 2014 and submit documentation to the Office of Economic Development (the “OED”);
- ◆ The Project shall not be eligible for subsequent TIF funding from the District
- ◆ Construction of Project improvements and building renovations shall be in general conformance with design plans approved by the City Center TIF Board of Directors and Dallas City Council;
- ◆ A minimum of 25% of the total net leasable square footage of non-residential space, with a minimum of at least 50% of ground floor space must be occupied prior to TIF Reimbursement;

211 North Ervay

Conditions of TIF Funding (Continued)

- ◆ The Project shall be managed by a management company acceptable to the Director of the OED, such approval not being unreasonably withheld;
- ◆ 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;
- ◆ 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 Owner 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. Any work (TIF reimbursable improvements and private improvements) completed prior to this letter is solely at the developer’s risk. Reimbursement is contingent on compliance with BID process; and
- ◆ 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;

Strategic Importance of Proposed Project

- ◆ Continues strategic redevelopment of vacant buildings in downtown's core
- ◆ Renovation of a vacant building
- ◆ Creates ground floor activity on Ervay and Elm Streets
- ◆ Maintains downtown redevelopment momentum

Recommendation

- ◆ Staff requests ECO Committee to approve and forward a recommendation of approval by City Council of a Development Agreement with Alterra 211 North Ervay, LLC for TIF reimbursement not to exceed \$2,000,000, of which \$150,000 is in the form of a TIF Grant, for the 211 North Ervay redevelopment project to be considered at the June 12, 2013 Council meeting.

APPENDICES

Appendix A: Project Requirements/Other Information

211 North Ervay – Project Facts	
Minimum Office/Commercial Space (required)	144,000 s.f.
Minimum Retail/Commercial Space (required)	15,000 s.f.
Required Private Investment	Min. \$9,665,000
Expected Total Project Cost	\$13,458,630
TIF Funding	\$2,000,000
% TIF funds to total project cost	14.9%
Return on Cost without TIF	7.7%
Return on Cost with TIF	9.1%
Deadline to Obtain Building Permit	July 31, 2013
Deadline to Obtain Final CO	July 31, 2014

Appendix C: 211 North Ervay *Development Team*

- ◆ **Developer:** Alterra 211 North Ervay, LLC

Mukemmel Sarimsakci, Managing Partner - Over the past 20 years, Mr. Sarimsakci has worked on real estate projects worldwide with a strong track record of completing infrastructure and real estate development projects on time and on budget.

- ◆ **Architect:** Merriman and Associates Architects

- ◆ **General Contractor:** Andres Construction Service, LLC