

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 **Purse & Co. Lofts Redevelopment Project – City Center TIF District (Lamar Corridor/West End Sub-District)**

On Monday, May 20, 2013 the Economic Development Committee will be briefed on the Purse & Co. Lofts 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

***Purse & Co. Lofts Redevelopment Project
City Center TIF District
(Lamar Corridor/West End Sub-District)***

Economic Development Committee
May 20, 2013



Office of Economic Development
WWW.DALLAS-ECODEV.ORG

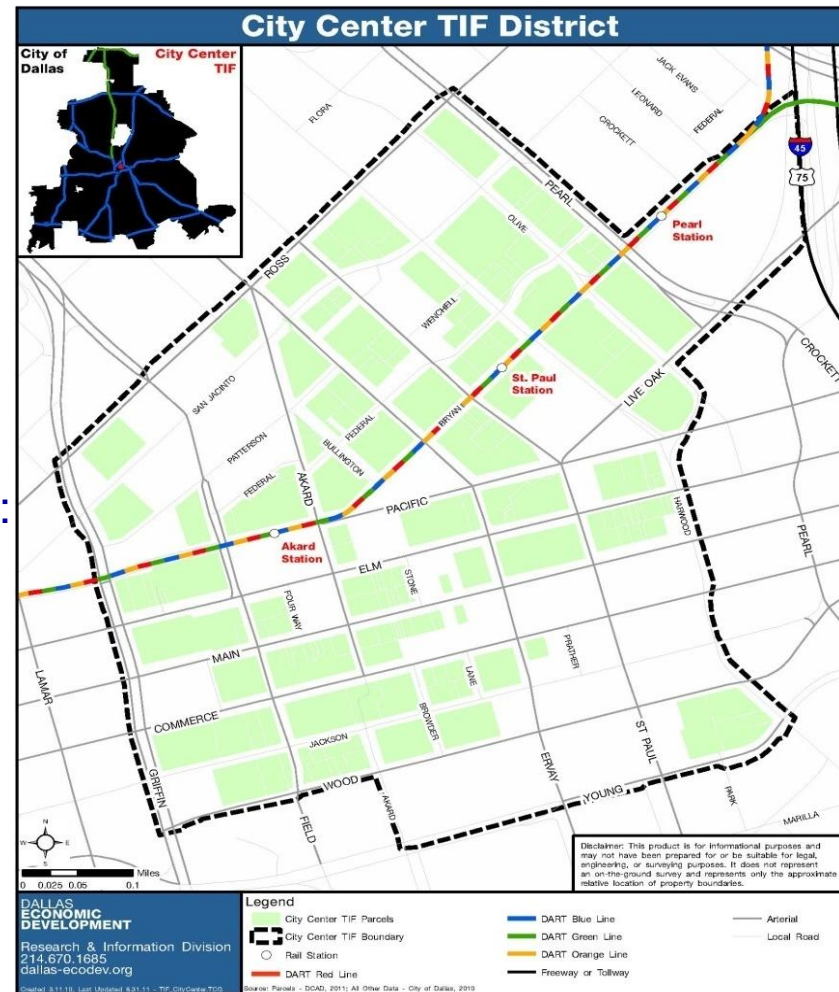


Purpose

- ◆ Provide background information on City Center TIF District and recent District amendments
- ◆ Review the Purse & Co. Lofts Redevelopment Project
- ◆ Obtain Economic Development Committee's approval for consideration of the project by City Council on June 12, 2013

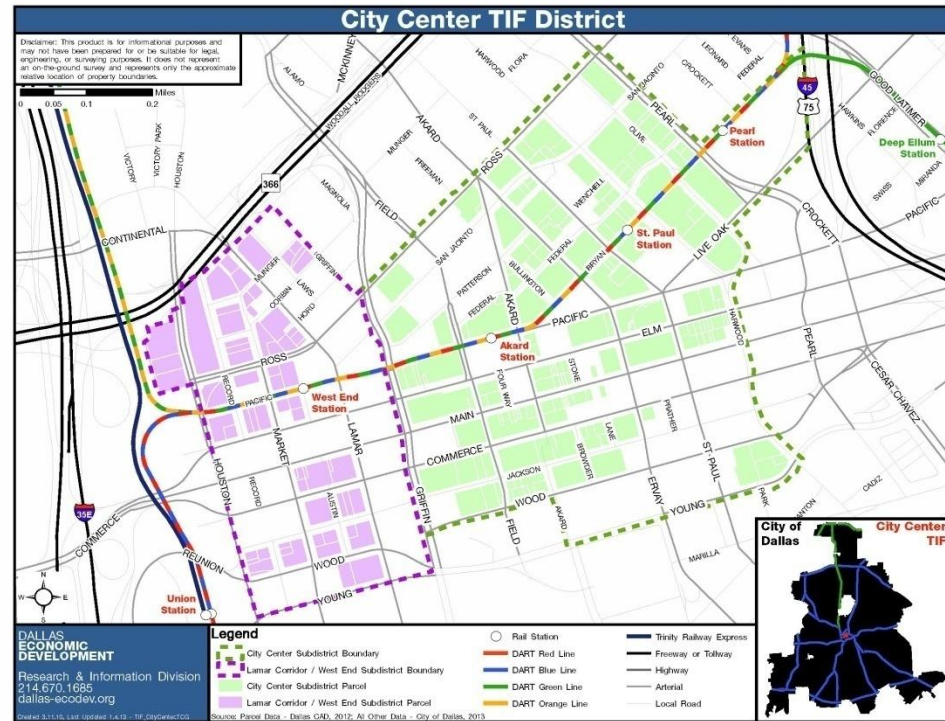
City Center TIF District Background

- ◆ 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

Lamar Corridor/West End Sub-district

- ◆ Lamar Corridor is a primary connection between key downtown destinations and public facilities, stretching from the Cedars Area to Victory Park
- ◆ Infill development along the Lamar Corridor, north of Young St., is vital to create a contiguous development pattern currently established on Lamar St., south of Young St.
- ◆ Historic West End area has experienced decline in occupancy rates over the years with little development/redevelopment activity or momentum
- ◆ Development on current surface parking lots, and redevelopment of vacant or underutilized buildings is possible with public investment
- ◆ **Downtown 360 Plan describes this area as:**
 - ◆ Underdeveloped with significant gaps in urban fabric
 - ◆ Infill development and improved public realm necessary to solidify connection between Convention Center and Historic West End area
 - ◆ Corridor should be developed with supporting tourist entertainment to activate the major gateway
 - ◆ **Residential and office development should fill in additional blocks to the east and west of Lamar St.**



City Center TIF District

Purse Building



*Furniture Company Will
Occupy Six-Story Building*



- ◆ 601 Elm Street building constructed 1905 and used by Parlin and Orendorff Implement Company, who sold agricultural implements
- ◆ In 1928, Hall & Purse Co. became the main tenant, and later changed its name to Purse & Company Wholesale Furniture.
- ◆ Located in the West End Historic District
- ◆ Listed on the National Register of Historic Places
- ◆ Vacant since early 1990's when Dallas County staff relocated
- ◆ Structural integrity of building has been compromised by water damage and neglect

Purse & Co. Lofts

Project Description

- ◆ 40 loft apartments with open floor plans, 14' ceilings
- ◆ 14,440 square feet of retail space that can accommodate 5 concepts
 - ◆ Restaurant for county employees and tourists
 - ◆ Specialty shop serving prepared foods
 - ◆ Basement speakeasy reminiscent of the 60's
 - ◆ Rooftop restaurant with downtown views
 - ◆ Coffee and wine bar opening to the light rail station
- ◆ Project Cost: \$14,867,948
- ◆ Project Start Date: December 31, 2013
- ◆ Project Completion Date: July 31, 2015



Purse & Co. Lofts *Project Design*

- ◆ On March 22, 2013, Urban Design Peer Review Panel reviewed the project's design and provided recommendations for minor changes that are reflected in the project's design
- ◆ On May 6, 2013, the Landmark Commission approved the design of the Purse & Co. Lofts and issued a Certificate of Appropriateness



SW Perspective

NW Perspective



ARCHITEXAS



City of Dallas

Purse & Co. Lofts

Project Funding Sources and Uses

Funding Source	Amount		Use
Private Equity	\$2,539,078	17%	Acquisition and Construction
Historic Tax Credits	\$2,073,922	20%	Construction
Construction Loan	\$10,254,948	69%	Construction
Total	\$14,867,948		



Purse & Co. Lofts

Proposed TIF Funding

- ◆ Majority of the TIF funds proposed will reimburse environmental remediation, demolition, and historic façade restoration
- ◆ The Purse & Co. Lofts project would not occur, but for TIF funding

TIF Budget – Purse & Co. Lofts	
Redevelopment/Development Projects	
<i>Environmental Remediation/Abatement</i>	\$160,000
<i>Demolition</i>	\$385,500
<i>Historic Façade Restoration (including historic storefront 7 awning)</i>	\$1,650,000
Total	\$2,195,500
Public Infrastructure Improvements	
<i>Streetscape Improvements</i>	\$42,500
<i>Utilities</i>	\$562,000
Total	\$604,500
Total TIF Funding	\$2,800,000

Purse & Co. Lofts

TIF Board Funding Recommendations

- ◆ On April 11, 2013 the City Center TIF District Board of Directors reviewed and approved TIF funding for the Purse & Co. Lofts redevelopment project in an amount not to exceed \$2,800,000.

Purse & Co. Lofts

Conditions of TIF Funding

- ◆ Minimum private investment of \$12,000,000 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:
 - ◆ Minimum 30,000 square feet of residential space (approximately 32 residential units); and
 - ◆ Minimum 11,800 square feet of retail/restaurant/commercial space.
- ◆ Obtain a building permit and start construction for the Project by December 31, 2013;
- ◆ Obtain a Certificate of Occupancy (CO) for the Project by December 31, 2014;
- ◆ Execute an Operating and Maintenance agreement for public infrastructure improvements associated with the Project by December 31, 2014, for a period of 20 years;



Purse & Co. Lofts

Conditions of TIF Funding (Continued)

- ◆ 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 December 31, 2014 and submit documentation to the Office of Economic Development (the “OED”);
- ◆ Mixed Income Housing: A minimum of 10% of the Project’s total residential units must meet affordable housing standards in accordance with the District’s Mixed Income Housing Guidelines. These guidelines require, but are not limited to, the following:
 - ◆ Affordable units must be available for a 15 year period (from the date of CO).
 - ◆ If the total number of affordable units drops below 10%, a 90-day compliance period will be granted, after which the contract may be terminated.
 - ◆ Submit semi-annual reports to the OED Staff (from the date of CO).
- ◆ 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;



Purse & Co. Lofts

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;
- ◆ Market the apartments pursuant to an affirmative fair housing marketing plan approved by the City;
- ◆ 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

- ◆ Project is consistent with Downtown Dallas 360 Area Plan
- ◆ Strengthens development momentum in the West End
- ◆ Adds 40 residential units (estimated 60 new residents), including 4 affordable units , increasing downtown residential population, specifically in the West End
- ◆ New residents in the area will support current retail and restaurant base in the West End
- ◆ Restaurant and retail space in the project will serve residents, workers and visitors to the Dealey Plaza, Sixth Floor Museum, County Offices and West End

Recommendation

- ◆ Staff requests ECO Committee to approve and forward a recommendation of approval by City Council of a Development Agreement with Purse Development Company, LLC for TIF reimbursement not to exceed \$2,800,000 for the Purse & Co. Lofts redevelopment project to be considered at the June 12, 2013 Council meeting.



◆ APPENDICES

Appendix A: Project Requirements/Other Information

Purse & Co. Lofts - Project Facts	
Minimum Residential Space (required)	30,000 s.f. Approx. 32 Units
Minimum Affordable Housing Units (required)	3 Units or 10% of Total Residential Units
Required Private Investment	Min. \$12,000,000
Expected Total Project Cost	\$14,867,948
TIF Funding	\$2,800,000
% TIF funds to total project cost	18.8%
Return on Cost without TIF	4.9%
Return on Cost with TIF	6.0%
Deadline to Obtain Building Permit	December 31, 2013
Deadline to Obtain Final CO	December 31, 2014

Appendix B: Purse & Co Lofts Development Pro Forma

Purse & Co. Lofts Project Pro Forma		
City Center TIF District		
PROJECT DESCRIPTION:	601 Elm Street	
PROJECT TYPE:	Mixed Use (Residential/Commercial)	
CONSTRUCTION START DATE:	December 31, 2013	
PROJECT SCHEDULE:	December 31, 2015	
Residential Units		
	SF	# of Units
Total/Avg	36,780	40
Use Breakdown		
	SF	Total Leasable SF
Residential	36,780	51,222
Commercial	14,442	
Other	23,202	
		Total Bldg SF (Gross)
		74,424
Project Costs		
Hard Cost	\$10,837,177	
Soft Cost (less Developer Fee)	\$2,182,190	
Acquisition	\$1,848,581	
Total Project Cost (without City \$)	\$14,867,948	
Income		
Total Project Cost	\$14,867,948	
TIF Assistance	\$2,800,000	
Net Cost to Developer (after TIF reimbursement)	\$12,067,948	
Expenses		
Return on Cost Analysis		
NOI/Total Project Costs		
Return on Cost (without City \$)	4.9%	
Return on Cost (with City \$)	6.0%	
Residential Revenue	\$695,142	
Commercial Revenue	\$361,050	
Total Revenue	\$1,056,192	
Operating Expense (Residential)	(\$278,057)	
Operating Expense (Commercial)	(\$54,158)	
Total Expenses	(\$332,214)	
NOI	\$723,978	
<small>Notes: Stabilized rates in 2017; Revenue reflects a residential and commercial vacancy rate of 10% and 25% respectively</small>		

Appendix C: Purse & Co. Lofts Project *Development Team*

- ◆ **Developer:** Purse Development Company, LLC

Todd Smith, Managing Partner

Craig Melde, Managing Partner

Ray Sanders, Partner

Terrence Wagner, Partner

Representative projects completed by development team:

Historic Harlan Building

Mixed Use - 22,000 square feet

Dallas 2005

Sheraton Hotel

382 Rooms

Houston 2004

Clearpoint Crossing Apartments

Multifamily - 252 Units

Houston 2009

2004 Main Street

Office 30,000 square feet

Dallas 1999

- ◆ **Architect:** ARCHITEXAS



City of Dallas

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