

Memorandum



CITY OF DALLAS

DATE June 12, 2009

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dr. Elba Garcia, Vonciel Jones Hill, Angela Hunt, Linda Koop, Pauline Medrano

SUBJECT **1600 Pacific Avenue LTV Tower Project – Downtown Connection TIF District.**

Attached is the briefing material on the 1600 Pacific Avenue LTV Tower Project – Downtown Connection TIF District to be presented to the Housing Development Committee on Monday, June 15, 2009.

Please contact me if you have any questions.

A handwritten signature in black ink, appearing to read 'A.C. Gonzalez'.

A.C. Gonzalez
Assistant City Manager

c: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Budget & Management Services
Helena Thompson, Assistant to the City Manager

1600 Pacific Avenue LTV Tower Project – Downtown Connection TIF District

Housing Committee
June 12, 2009



Purpose

- Respond to questions from the May 18th Economic Development Committee meeting.
- Provide an update on new developments.

Responses to Committee Questions:

Developer:

- **What is the Developer's experience? How is it taken into account when evaluating projects?** Developer's experience is not part of the current Downtown Connection TIF Value Criteria , however, the developer's experience is always presented to the TIF Board as part of the project presentation. (See Appendix H.)
- **Are the Developer's/ Property Owners current on their taxes?** According to the Dallas Central Appraisal District (DCAD), a total of \$152,719 (2008 - \$65,668 and 2007 - \$87,047) is currently past due.

Responses to Committee Questions:

Financing:

- **Are the HERA Bonds saleable in today's market?** The tax-exempt bond market has not yet stabilized. Some indications federal government may support enhancements by Fannie Mae and Freddie Mac.
- **Is the estimated Cap Rate too low?** Cap rates are difficult to calculate in current market environment because there are so few buyers. All Downtown Connection TIF projects are being evaluated using a cap rate of 7%.
- **What is the developer's fee?** The project budget shows \$6,750,000 (or 6.0%) in Developer Fees. The Developer proposes using one-half, or 3% as project equity.
- **Is the City being asked to fund up front money?** The Developer is requesting \$4.1 million from the Housing Department as an Affordable Housing Grant. In addition, any Section 108 funds received would be available prior to start of construction.

Responses to Committee Questions:

TIF Funding:

- **How will this request affect the amount of TIF funds available for other projects?** The current balance remaining for redevelopment projects in the Downtown Connection TIF is \$77,994,322. The Developer's modified request (\$67,411,270) would leave \$10.6 million available for other redevelopment projects in the Downtown Connection TIF District. (See Appendices D & E.)

Responses to Committee Questions:

Section 108:

- **How will this request impact Section 108 funding?** The \$19,500,000 Developer request represents 52% of the allocated Section 108 Program funds for projects in the Northern portion of the city. Underwriting of the Section 108 Loan request is contingent on Council approval of a TIF subsidy request which is sufficient to provide a repayment source.

Responses to Committee Questions:

Potential Alternative Funding Sources:

- **Can the developer prepay their Ad Valorem Taxes, or receive permit waivers/fees rebates, free trash pickup, etc?** At the Developer's request, staff has investigated each of these requests with the Budget Office, Dallas Water Utilities, Development Services, and Sanitation Department. **City Council approval would be required after consideration of legal impediments.**

New Developments

- **Developer modified TIF Subsidy Request** from \$70.9M plus interest to **\$67.4M, including interest. Staff analysis capped** potential TIF reimbursement recommendation **at \$48.9M. No formal term sheet agreed upon.** Both staff recommendation and Developer proposal **provided to DCTIF Board.**
- On **May 29, 2009**, the Downtown Connection TIF (**DCTIF**) was **scheduled** to consider the 1600 Pacific Project Subsidy Request. The meeting was **cancelled** due to **lack of a quorum.**
- On **June 1, 2009**, the **1600 Pacific Building, L.P.** filed for **Chapter 11 Bankruptcy Protection.**
- On **June 8, 2009**, the **DCTIF Board voted to recommend denial** by the **Dallas City Council** of a development agreement with 1600 Pacific Building, L.P. providing for future TIF subsidies in an amount not to exceed \$48,928,216.



Developer's Request for TIF Assistance

- Estimated project cost is \$112,500,000. (See Appendices A and C.)
- DCTIF subsidy request for the redevelopment of 1600 Pacific Avenue in an amount not to exceed \$50,200,544 plus interest at TIF Bond rate. The estimated interest amount of this request is \$17,210,726. Total Developer's TIF request: \$67,411,270*.

* Note: This amount could be reduced by \$7,875,000 if Developer is successful in obtaining an Affordable Housing Grant from the City and a Sustainable Development Grant from North Central Texas Council of Governments (NCTCOG)

Additional Project Funding Required

- Contingent on the approval of TIF assistance, Developer will seek \$73,750,000 in **HERA** Private Activity Bonds and \$19,500,000 in **HUD Section 108** Loan Funding.
(See Appendix C.)

Staff Analysis: Proposed TIF Assistance

- **Staff and the developer never reached agreement on a term sheet.**
 - o Under the Downtown Connection TIF District Project Evaluation Criteria, this project could qualify for \$27,400,000 in base TIF funding incentives. (See Appendix F.)
 - o This project also could qualify for \$21,528,216 in additional assistance for affordable housing. (See Appendix G.)
 - o The interest accrual until actual TIF reimbursement funding is estimated to be \$26,853,745 at a TIF bond rate of 5.85 %.
 - o Due to DCTIF budget constraints, the **maximum recommended amount** of DCTIF assistance would be **\$48,928,216 with no interest accruing**. (See Appendices D & E.)

Staff Analysis: Other Requirements

Developer would be required to:

- Provide a **minimum of 580 residential units**. Forty percent (**40%**) of the total number of residential units shall be set-aside as **Affordable** (80% of Area Family Median Income.)
- Provide a minimum of **14,000 square feet of ground floor retail** space. Fifty percent (50%) of the total net leasable space must be occupied prior to TIF payment.
- Provide evidence of a **minimum private investment of \$105,000,000** into the project.
- **Obtain any court approval required under Bankruptcy Code.**

Staff Analysis: Other Requirements (Cont.)

- Receive a TIF District project courtesy review from the Dallas Landmark Commission by December 31, 2009.
- Provide evidence of **full purchase of all ground leases** associated with 1600 Pacific prior to start of construction.
- Obtain a **building permit** and **begin construction by April 1, 2010.**
- Receive **final certificate of occupancy** by **May 1, 2012.**

Previously Identified Reasons to Do This Deal

- Need to **maintain Downtown momentum.**
- The building is in the downtown core and further **strengthens redevelopment** efforts along the **1600 block of Elm Street.**
- **No new affordable residential units** under construction **except** for City Walk Project at **511 N. Akard.**
- The project would create a total of **236 affordable housing units** (30% more than required for TIF base funding) along an existing DART rail line.
- **Removes** more than **500,000 square feet** of **vacant office space** from the City's Vacant Building Registration list.



Previously Identified Challenges

- **Project cost** based on developer's budget is **\$112,500,000** vs. conventionally calculated **project value** of **\$84.4M** (Project NOI/7% cap rate,) resulting in an **equity gap** in the **\$28M range**.
- Developer proposes to cover capital requirements as follows:
 - o State of Texas HERA Bonds: \$73,750,000
 - o HUD Section 108 Loan: \$19,500,000
 - o Low Income Housing Tax Credits: \$8,000,000
 - o City of Dallas Housing Dept. Affordable Housing Grant: \$4,125,000
 - o NCTCOG Grant w/\$750k matching funds from City: \$3,750,000
 - o Developer Equity (50% Developer Fees:) \$3,375,000

Previously Identified Challenges (Cont.)

- **Proposed HERA Bond amount** represents 87% of **estimated project value**. Developer pro forma assumes Fannie Mae / Freddie Mac Credit Enhancement and 1.20 x Debt Service Coverage. **Tax Exempt Bond Market not yet stabilized and today's underwriting standards are very conservative.**
- Limited amount of Section 108 Funds available for Northern Dallas (\$37.5M.) **The \$19.5M request represents 52% of total allocated program funds.**
- Remaining **uncommitted balance of DCTIF budget is \$77,994M.** **Developer request (\$67.4M) = 86%** of DCTIF budget and **staff recommended cap (\$48.9M) = 63%** of budget.

Conclusions

- The **previously identified observations** related to this project are **still valid**, not withstanding a scaled down developer request.
- There are **additional concerns** related to **unpaid property taxes** and the recent **Chapter 11 Bankruptcy filing** but **developer's pending bankruptcy is not staff's sole reason for reservations about this project.**
- The **DCTIF Board** cited: **project design concerns, developer's inability to service current debt, future uncertainties regarding project finance and unwillingness to commit the requested amount of money to any one project, given DCTIF budget limitations, as reasons for recommending denial** by City Council of this request.
- **Unless** staff receives **direction from the Economic Development Committee** that catalyst nature of this project merits special additional consideration, **staff is reluctant to formalize a recommendation.**

Appendix A – Developer’s Budget Information/ Project Requirements/Other Information

	<u>1600 Pacific Avenue</u>
Total Project Cost	\$112,500,000
Hard Costs	\$59,155,000
Soft Costs	\$28,345,000
Property Acquisition	\$25,000,000
2008 DCAD Value	\$3,250,000
Personal Property	\$0
# units	590
# of affordable units (10% required for TIF)	236
Retail SF	15,000
Total Net Leasable Square Feet (excluding garage)	500,000

Appendix B – Developer's Proforma Information - Project NOI

Residential, Retail, Parking and Other Income	
Market Rental Income	\$5,933,700
Affordable Rental Income	\$2,804,400
Other Income	\$262,143
Retail Rental Income	\$326,483
Retail (CAM) Reimb. Income	\$97,945
Parking Income	\$128,955
Mini-storage Income	\$147,756
Less Est Vacancy/Collection	(\$679,097)
EFFECTIVE GROSS INCOME	\$9,022,284
Residential, Retail, Parking and Other Expenses	
Multifamily Operating Expenses:	
Prop Mgt Fee	\$225,557
Payroll	\$500,000
Administrative	\$100,000
Advertising/Marketing	\$150,000
Utilities	\$450,000
Repairs/Maintenance	\$300,000
Ad Valorem Taxes	\$918,580
Property Insurance	\$125,000
Replacement Reserves	\$225,000
Social Services	\$118,000
Total Operating Expenses	\$3,112,137
NET OPERATING INCOME (NOI)	\$5,910,147

CAP RATE	7.0%	7.5%	8.0%
Net Cash Flow	\$ 84,430,676	\$ 78,801,965	\$ 73,876,842

Return on Investment (No City \$)	5.25%
Return on Investment (w/ \$50.2M in TIF Funds)	9.49%

Appendix C - 1600 Pacific Developer's Proposal: Sources and Uses of Funds

SOURCES (Interim Financing)

\$73,750,000 Construction Loan
(HERA Bonds)

\$19,500,000 Section 108 Loan

\$19,250,000 Equity

\$112,500,000 Total Project Cost

USES

\$59,155,000 Hard Costs

\$28,345,000 Soft Costs

\$25,000,000 Property Acquisition

\$112,500,000 Total Project Cost

SOURCES (Permanent Financing)

\$73,750,000 HERA Private Activity Bonds

\$19,500,000 Bridge Loan
(Collateralized by future TIF reimbursements.)

\$19,250,000 Equity

\$112,500,000 Total Project Cost

USES

\$59,155,000 Hard Costs

\$28,345,000 Soft Costs

\$25,000,000 Property Acquisition

\$112,500,000 Total Project Cost

Appendix D – Downtown Connection TIF Budget

Downtown Connection TIF District Budget

	Budget in 2006 Dollars	Budget in Actual, Anticipated Dollars
Total Project Costs	\$189,807,592	\$361,155,295
Debt Service (Interest Only)		(\$150,363,000)
Catalyst Projects:		
Administration and Implementation	(\$68,000,000)	(\$68,000,000)
Uptown/Downtown Connection Improvements	(\$3,940,386)	(\$6,765,600)
Park and Plaza Design and Acquisition	(\$20,500,000)	(\$23,726,823)
Affordable Housing	(\$1,500,000)	(\$1,736,109)
Retail Initiative/ Streetscape Improvements	(\$3,000,000)	(\$3,000,000)
Downtown Area Plan	(\$2,500,000)	(\$1,985,000)
Remaining for Other Redevelopment Projects		(\$515,000)
	\$90,367,206	\$105,063,763
Tower Petroleum		(\$12,000,000)
Stoneleigh		(\$2,500,000)
Santa Fe IV		(\$4,296,264)
Atmos Complex		(\$23,000,000)
Arts District Garage		(\$9,000,000)
Remaining for Redevelopment Projects After Existing Commitments		\$54,267,499
Uptown/Downtown Connection Improvements		\$23,726,823*
Remaining After Refunding Existing Commitments funded by Other Sources		\$77,994,322

*Uptown/Downtown Connection Improvements were funded through the 2006 Bond program.

Appendix E – Remaining TIF Funds after 1600 Pacific TIF Funding Request

Remaining Downtown Connection TIF District funds and 1600 Pacific TIF funding request:

TIF Funding as requested by Developer

Remaining after refunding Existing Commitments funded by other Sources	\$77,994,322
<i>1600 Pacific Avenue LTV Project (590-units)</i>	<u><i>(\$67,411,270)</i></u>
Remaining for Other Redevelopment Projects	\$10,583,052

Recommended TIF Funding

Remaining after refunding Existing Commitments funded by other Sources	\$77,994,322
<i>1600 Pacific Avenue LTV Project (590-units)</i>	<u><i>(\$48,928,216)</i></u>
Remaining for Other Redevelopment Projects	\$29,066,106

Appendix F – 1600 Pacific Avenue Value Point Worksheet

Value/ Point Matrix
Downtown Connection TIF District
1600 Pacific LTV Project (590-units)

VALUES	15pts	10pts	8pts	4pts	0pts
Reaching Critical Mass - Residential	200 + Units	199 - 150 Units	149 - 100 Units	99 - 1 Unit(s)	0 Units
Reaching Critical Mass - Retail	10,000 + sq. feet	9,999 - 5,000 sq. feet	4,999 - 2,500 sq. feet	< 2,500 sq. feet	0 sq. feet
Proximity to Main Street Core or Catalyst Project / Park	Within Main Street Core or Directly Adjacent to Catalyst Project / Park	Adjacent to Main Street Core	Within one block of catalyst project / park	Inside Downtown Freeway Loop	Outside Downtown Freeway Loop
Public vs. Private Investment (Benefit Analysis)	Benefit = 2x > Cost	Benefit = 1.9x - 1.5x > Cost	Benefit = 1.4x - 1.1 > Cost	Benefit = 1x > Cost	Benefit = 0.9x > Cost
Historic Restoration	Yes				No
Reuse of Existing Structure	Yes				No
Affordable Housing > 10 % (actual units not including buyout)		Yes			No
Buildings with 3 stories or less (existing/historic buildings)		Yes			No
Years to Recover Public Investment		< 5 Years	6 - 8 Years	9 -10 Years	11 + Years
New Construction				Yes	No
Permanent Jobs Created > 20				Yes	No
Commitment to Minority / Women Bus.(all funding sources) > 25 %				Yes	No
Offering Public Parking > 50 Spaces				Yes	No
Land Use - Hotel and/or Office				Yes	No
Impact Project - Bonus Points = 15 Points	Yes				No
	60	20	0	4	0

High Ranking = 15 point maximum
 Medium Ranking = 10 point maximum
 Low Ranking = 4 point maximum
 Special Impact Project = Bonus 15 points

84 Tier Levels
 Tier 1 = 100 - 81 Points
 Tier 2 = 80 - 66 Points
 Tier 3 = 65 - 51 Points
 Tier 4 = 50 - 0 Points
 Funding Levels
 25 % cap
 20 % cap
 15 % cap
 0 % cap

Appendix G – 1600 Pacific Avenue Affordable Housing Grant Worksheet

AFFORDABLE HOUSING COMPUTATION FOR 1600 PACIFIC AVENUE

MARKET RATE PER SF \$ 1.60

AFFORDABLE RATE PER SF = \$ 1.03

# of Units	Lower sf	Upper sf	Avg. sf	% of affordable units	# of affordable units	Affordable Rent/ Unit	Market Rent/ Unit	Annual Rents @ Affordable Rate	Annual Rents @ Market Rate	Difference
50	375	375	375	0%	0	\$0.00	\$0.00	\$0.00	\$ -	\$0.00
67	376	525	451	0%	0	\$0.00	\$0.00	\$0.00	\$ -	\$0.00
81	526	675	601	49%	40	\$618.52	\$960.80	\$296,887.20	\$ 461,184.00	(\$164,296.80)
97	676	825	751	50%	49	\$773.02	\$1,200.80	\$454,532.82	\$ 706,070.40	(\$251,537.58)
97	826	975	901	50%	49	\$927.52	\$1,440.80	\$545,378.82	\$ 847,190.40	(\$301,811.58)
81	976	1125	1051	49%	40	\$1,082.02	\$1,680.80	\$519,367.20	\$ 806,784.00	(\$287,416.80)
67	1126	1275	1201	49%	33	\$1,236.52	\$1,920.80	\$489,659.94	\$ 760,636.80	(\$270,976.86)
50	1276	1425	1351	49%	25	\$1,391.02	\$2,160.80	\$417,304.50	\$ 648,240.00	(\$230,935.50)
590					236			\$ 2,723,130.48	\$ 4,230,105.60	(\$1,506,975.12)
									Cap. Rate 7.00%	
								Max. Affordable Housing TIF Grant		\$ 21,528,216.00

Appendix H

APPLICANT

1600 Pacific Building, LP

Curtis Lockey, General Managing Partner
100 Coast Boulevard, Suite #302
La Jolla, CA 92037

PROJECT TEAM EXPERIENCE

Curtis Lockey, General Managing Partner, Co-Developer
Craig Steven MacKenzie, Co-Developer
Beeler Guest Owens (BGO) Architects, Inc.
The Structural Alliance, Inc.
Nelco Engineering
Andres Construction Services
Capstone Real Estate Services, Inc.

PROJECT TEAM EXPERIENCE (as provided by the Developer)

Co-Developer Curtis Lockey: Mr. Lockey is a native of Temple, Texas, where he grew up with his parents. Curtis' father, Curtis Lockey, Sr, is a 40 year veteran of the HVAC construction business, so it was natural for Curtis to eventually become a Real Estate Developer. He attended Southern Methodist University in Dallas, Texas, and received his Bachelor of Arts and Master of Business Administration degrees. During the formative years of his career, Curtis was a financial consultant for both Merrill Lynch and Citigroup, where he managed a select client base of high net worth individuals and provided advisory services related to various investment vehicles and strategies. In 2000, he formed Lockey Investment Group, LLC, which was a Registered Investment Advisory firm providing public markets advisory services to a select group of clients. His primary responsibilities included oversight of the platform integration of public and private offerings, primarily related to real estate assets. The emphasis of Lockey Investment Group, LLC, was to ensure that its clients had open access to high quality alternative investments. Curtis holds his Series 7 and 63 Securities Licenses.

In 2002, Curtis formed Lockey Capital, LP, and provided equity placement for many private Real Estate ventures primarily in Texas. Mr. Lockey was personally involved in the capitalization of Hotel Lumen (adjacent to SMU's campus), as well as the recently completed Joule Hotel on Main Street in Downtown Dallas. In 2005, shortly after the partnership completed the acquisition of 1600 Pacific

Avenue, Dallas, Texas, Curtis joined 1600 Pacific Building, LP, and is the current manager of the partnership.

Via Center, Vista, California: Mr. Lockey was a principal in the development of a 12 building medical office park adjacent to the Tri-Medical Hospital in Vista, California.

1600 Pacific Avenue, Dallas, Texas 75201: As manager of the partnership and majority owner of 1600 Pacific Building, LP, Curtis has been responsible for all activities concerning the redevelopment of 1600 Pacific Avenue and 1511 Elm Street in Dallas. In a previous \$77 million design for the redevelopment of the LTV Tower containing 307 residential units, Mr. Lockey was successful in securing a Firm Commitment for a 221D4 loan from the US Department of Housing and Urban Development for \$51,378,888.00 in funding for that project. He also successfully secured a \$15,908,777.00 TIF Grant for the project, while working closely with the City of Dallas Economic Development Department, from the "Downtown Connection" TIF District. Both of the key capitalization components for the project were in place by the end of 2007. Unfortunately, the private equity markets had already begun to significantly deteriorate, and the equity capital required to execute the development plan for that project became unavailable.

During the predevelopment phase of that project, Mr. Lockey hand selected the project management consultant (Focus Residential), the Architect and consulting engineers (BGO Architects), and the General Contractor (Andres Construction Services). Assembling the team and managing all of the day-to-day predevelopment activities for a \$77M real estate development project can be a daunting task, but Curtis rose to the challenge and immersed himself into the real estate development business. By any measure, the accomplishments made by the Development Team on this project, led by Curtis Lockey, would easily be considered a success.

Curtis resides in La Jolla, California with his wife, April, and their two sons, Jake and Brooks.

Co-Developer Craig Steven MacKenzie: Mr. MacKenzie is a consummate real estate professional, with an extensive background in building design and construction, and real estate development. Craig specializes in the "turnkey" management of multiple real estate development projects from acquisition and planning through permitting, financing, design, engineering, construction, and completion/stabilization. During his career, he has developed design and construction standards for several national multi-product hotel chains. He has pioneered the development and implementation of cost, schedule and quality control systems for hospitality projects, and has authored numerous procedures

related to the planning, design, and construction of hospitality development projects. During 1996, Mr. MacKenzie participated in the development and successful launch of a prototypical hotel design (Hilton Garden Inn) which has been successfully developed in numerous locations throughout the United States. Craig was personally responsible for developing the very first Hilton Garden Inn prototypes in Atlanta (Alpharetta), Georgia and Albany (Town of Colonie), New York. While his career has been heavily-weighted in the development of hospitality projects, he has also developed single family residential subdivisions, golf course communities, multi-family residential communities, mixed use urban redevelopments, historic restorations of landmark structures, hospitals, schools, light industrial, and numerous other commercial, institutional, industrial, and residential projects.

During Mr. MacKenzie's thirty-five year career, he has successfully developed numerous real estate development projects, valued at well over \$1 Billion; he has a well-earned reputation for completing complex real estate development ventures on schedule and under budget. His real estate ventures span across North America and he has developed real estate with Barker-Nichols, LLC (Dallas, Texas), Hamilton Properties, Inc. (Denver, Colorado and Dallas, Texas), Regent Partners, LLC (Atlanta, Georgia), Hardin Capital, LLC (Atlanta, Georgia), Heery International (Atlanta, Georgia), MacKenzie-Blair and Associates (Atlanta, Georgia and Jupiter, Florida), The Ritz-Carlton Hotel Company (Atlanta, Georgia), the Pickett Companies (Columbus, Ohio), Marriott Corporation (Bethesda, Maryland), and Provident National Corporation (Philadelphia, Pennsylvania). He spent the formative years of his career, during the early 1970's, practicing Architecture with several large A/E firms in Philadelphia, Pennsylvania, including The Kling Partnership and the Ballinger Company.

The Davis Building, 1309 Main Street, Dallas, Texas: Craig arrived in Dallas, Texas during 2001 to co-develop The Davis Building in cooperation with Hamilton Properties, Inc. (Mr. MacKenzie's employer at that time, Regent Partners, was a co-developer and co-owner of the project). The Davis Building is located at 1309 Main Street, Dallas, Texas, 75202. Originally constructed in 1926, The Davis Building is over 20 stories tall, and contains nearly 270,000 square feet of enclosed area. It was built to be the headquarters office for the Republic National Bank. The restoration and redevelopment of this landmark property took over 18 months to complete; lease-up of the apartments began in September, 2003. The \$36.5M project now contains 183 luxury, loft apartments and approximately 25,000 square feet of commercial space. The complex capital structure of the project's financing included the sale of Historic Investment Tax Credits to Chevron, Inc., Primary Construction/Mini-perm Financing by Bank of America, Secondary Financing by the City of Dallas Housing Department (Section 108, HUD funds), and a TIF Grant from the City of Dallas. Gary Pitts, BGO Architects, was the Architect of Record on the Davis

project, and Craig and Gary have enjoyed an excellent working relationship over the years. The project's general contractor, J.A. Jones, Inc. of Charlotte, North Carolina, filed for Chapter 11 Bankruptcy Protection during the construction of the project. Without missing a beat, the J.A. Jones staff who had been assigned to the project was retained, Mr. MacKenzie negotiated assignments of all sub-contracts under J.A Jones, Inc. to the Owner, he ensured that all contractors working on the project received appropriate payment while protecting the property from Mechanic's Liens, and completed construction of the project as originally planned. The Davis Building project was awarded the 2004 Preservation Achievement Award in Urban Revitalization from the "Preservation Dallas" organization. The property remains today one of the more popular loft conversion projects in Downtown Dallas.

Dallas Power and Light Complex, 1506/1512 Commerce Street, Dallas, Texas: As the construction of the Davis Building drew to a close in the fall of 2003, Mr. MacKenzie left the employment of Regent Partners and became a real estate development entrepreneur, forming MacKenzie RED, LLC. Craig provided predevelopment consulting services to Hamilton Properties, Inc. for the Dallas Power and Light Project. He was instrumental in the selection of BGO Architects, and Gary Pitts, for the project. Mr. MacKenzie also orchestrated the Request for Proposal process which assisted Hamilton Properties in selecting Andres Construction Services as general contractor for the project. The combined "Art Deco" buildings at the DP&L complex contain nearly 316,000 gross square feet, and today house 156 trendy "flats", the popular "Fuse" restaurant and lounge, Crimson in the City boutique, and Jos. A. Bank Men's Clothier. The \$33M project was completed in approximately 16 months, and started leasing apartments in the Summer of 2005. The capital structure for the project included the sale of Historic Investment Tax Credits, a large TIF Grant from the City Center TIF District, interim/permanent debt, and private equity. The DP&L project was awarded a 2005 Preservation Achievement Award in Urban Revitalization from the "Preservation Dallas" organization.

The Interurban Building, 1500 Jackson Street, Dallas, Texas: As work on the DP&L project began, Craig began to admire the "handsome" eight story brick building on Jackson Street, directly south of the DP&L complex. It was in horrible condition. The building had been partially-demolished, its rich red brick façade painted white, and it had been stripped of all of its ornamentation by its Owner, unlike the relatively pristine condition of the Davis Building and the DP&L Complex. This building would present a real challenge to its redevelopment and its redemption. In the Fall of 2003, Mr. MacKenzie formed a partnership with the late Hiram (Chip) Barker Johnson, Jr. and Randall Rost, both of whom had also been partners in the Davis Building project, to acquire and redevelop the Interurban Building. The Interurban Building, constructed in 1916 and designed by famous Boston Architects and Engineers Stone and Webster, was originally

home to the Interurban railway (the first light rail (trolley) system to be developed in North Texas). Today, the building contains 134 lofts, 455 parking stalls, and is also home to "Urban Market", Dallas's first downtown grocer in more than 70 years. A Dallas Morning News reporter quipped, in January of 2004, that "if the developers have their way, the Interurban Building will go.....from the poster child of urban decay to the beacon of urban renewal". This became a slogan to MacKenzie and his partners as they carefully, painstakingly began the restoration process in the fall of 2004. The project was completed ahead of schedule (Andres Construction Services was the general contractor) just as Hurricane Katrina began bearing down on the south Texas coast during Labor Day weekend of 2005. In just six short months, the building reached 100% occupancy under the leadership of Jeff Benton and Capstone Real Estate Services, Inc.; Interurban remains one of the highest occupancy loft buildings in Downtown Dallas today. The \$30.5M redevelopment required a very complex multi-tier capitalization structure: an \$18.2M HUD 221D4 loan by Malone Mortgage Co. (now KeyBank Real Estate Capital), a \$10M Mezzanine Loan facility which was provided by New York Life Investment Management, over \$4M in sale proceeds from Historic Investment Tax Credits (Sherwin-Williams is the tax credit partner), a \$5M TIF Grant from the City Center TIF District, and more than \$5M in private equity. The Interurban Building was awarded a 2005 Preservation Achievement Award in Urban Revitalization from the "Preservation Dallas" organization, and Mr. MacKenzie is rightfully proud of this accomplishment. In March of 2006, immediately after the untimely passing of Hiram B. (Chip) Johnson, the members of Dallas Interurban, Ltd. unanimously elected Craig Managing Partner, as successor to Mr. Johnson. Mr. MacKenzie managed the affairs of the partnership for nearly a year before the siren song of real estate development beckoned him back to the development business.

Tower Petroleum Building & 1900 Pacific Avenue, Dallas, Texas: From the summer of 2007 until the late spring of 2008, Mr. MacKenzie provided The Pillar Group (Lawrence Sweeney, and the late Rita (Scarfo) Sweeney) with predevelopment consulting services for the redevelopment of the Tower Petroleum Building (corner of Elm and St. Paul Streets) and 1900 Pacific Avenue project, a \$125M mixed use venture which includes a Regent International Hotel (to be housed in the beautiful Art Deco Tower Petroleum Building) and a fifty-two story luxury high rise condominium tower which is being designed by world famous Architect, Michael Graves. Craig is not at liberty to release details of the project, nor financial arrangements for its construction.

Mr. MacKenzie is a 1979 graduate of Drexel University's Department of Architecture; he holds a Bachelor of Science in Architecture Degree, Magna Cum Laude. He also attended Drexel University's Graduate School of Business, with an Executive Management Major, Master of Business Administration. Craig lives in Rockwall, Texas with his wife Carol, two daughters Aislynn and Alyssa,

their four horses, three dogs, four cats, two birds, and other animals which Alyssa brings home from time to time.

Beeler Guest Owens (BGO) Architects, Inc.: BGO Architects, is a full-service, forty-five person architectural firm located in Dallas, Texas. The firm has been practicing architecture for more than 40 years. BGO is a national leader in multi-family housing design serving all segments of this market, from student housing to senior living, from low-rise market rate product to high-rise luxury condominiums. The secret to the firm's success has been experience coupled with innovation. To date, BGO has designed over 750,000 dwelling units and they continue to lead the market with new, award winning design concepts.

BGO has a separate design studio (led by Gary Pitts, AIA) that has been very active in the revitalization of Downtown Dallas. Gary Pitts and his team have more experience on Downtown Dallas rehab projects than any other Architectural firm, by a large margin. Projects that have been produced by Mr. Pitts' Studio include:

- The Davis Building (Client: Hamilton Properties Corp.)
- Dallas Power and Light (DPL) Flats (Client: Hamilton Properties Corp.)
- Fidelity Union Tower ("Mosaic") Concept Design (Client: Hamilton Properties Corp.)
- The Mercantile Tower (Client: Forest City Residential)
- The Element (Client: Forest City Residential)
- 1600 Pacific Building (Client: Lockey Capital)

The Structural Alliance, Inc.: The highly qualified staff at TSA, a Dallas, Texas structural engineering firm, has diverse experience on nationally-recognized projects. With over sixty years of combined personal experience, motivation to provide a high level of personalized service, and an established reputation for providing innovative solutions on various project types, the people at this firm are uniquely qualified to provide clients with excellent service and economical structural solutions. A partial list of projects includes the following:

- 18-story McKinney Tower Apartments, Dallas, Texas
- 50-story Premiere Twin Towers, Miami, Florida
- 7-story vertical addition of apartment tower over existing 5-story parking deck, Austin, Texas
- 21-story The Mondrian Apartments, Dallas, Texas
- 18-story Park Central X, Dallas, Texas
- 19-story Sterling Office Building, Dallas, Texas

Nelco Engineering: Nelco's full-time engineering staff includes 10 mechanical engineers, 10 electrical engineers, 2 plumbing engineers, 2 fire protection engineers, and engineers in other disciplines. Nelco Engineering offers a full range of services, including mechanical and electrical engineering, plumbing, lighting, life safety and fire protection applications. Their experience includes renovations for corporate campuses, industrial facilities, data and critical facilities, healthcare and medical office buildings, condos and multifamily housing, criminal justice complexes, education, government, commercial, retail, hospitality/entertainment, office/warehouse and manufacturing facilities, and indefinite delivery contracts.

Nelco, as a consultant to BGO Architects, has recently completed The Mercantile Tower and Dallas Tower (Element), both located in the Dallas Central Business District. The Mercantile Tower is a thirty four story existing bank building that was converted into thirty two stories of lofts, and two stories of retail and restaurant space. Element is a sixteen story new building located next to The Mercantile Tower, consisting of 15 stories of lofts over one story of retail and restaurant space.

Andres Construction Services: Andres is a commercial construction firm with a great deal of experience in high density multifamily projects. The Andres team prides itself on providing the project design team and developers their experience in blending multifamily systems, materials, and production into a commercial product environment. Understanding "old buildings" and the fact that they "may not have been built" to the same tolerances that are required today for new construction helps Andres to anticipate and avoid costly problems. During the last decade, Andres has itself as the dominant construction manager for Downtown Dallas redevelopment projects. No other contractor possesses the diverse experience of Andres in the conversion of buildings in Dallas; a list of the firm's accomplishments in this arena follows:

- Majestic Lofts Residences (1900 Elm Street), Dallas, Texas
- Dallas Power and Light Complex, Dallas, Texas
- The Interurban Building, Dallas, Texas
- The Residences at Republic Tower, Dallas, Texas
- Mosaic (Fidelity Union Tower), Dallas, Texas
- The Santa Fe 4 Building "A Loft" Conversion, Dallas, Texas
- Atmos Energy Complex, Dallas, Texas
- 1600 Pacific Building, Dallas, Texas

Capstone Real Estate Services, Inc.: Capstone is a full-service, third party property management firm presently managing approximately 50,000 multifamily units and 1,000,000 square feet of commercial space. Founded in 1969, Capstone maintains 11 offices and employs over 1,100 people in the field of property management. Their portfolio of managed properties extends to approximately 125 cities in the United States. Capstone's portfolio ranks them as the 13th overall largest management firm, and among the top five largest third party management firms in the nation.

Currently, Capstone manages approximately 21,000 affordable housing units. This includes the LIHTC program, the RTC/AHDP Affordable Housing Program, Tax Exempt, Home Programs, Section 8, Military Rent-Restricted, etc. To better serve its clients, Capstone has its own "Compliance Department" to effectively monitor properties it manages with governmental reporting requirements. Capstone understands the importance of being "in compliance" and the process that accompanies it.

Capstone's team is led by Sharon Carpenter and Jeffrey Benton, both of whom have extensive experience managing properties in and around Downtown Dallas.