

# Memorandum



DATE August 3, 2012

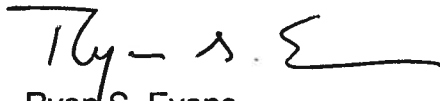
TO Members of the Economic Development Committee: Tennell Atkins (Chair),  
Ann Margolin (Vice Chair) Jerry R. Allen, Sheffie Kadane, Monica Alonzo

SUBJECT **Downtown Connection TIF District PetroCorrigan Redevelopment Project  
(Tower Petroleum and Corrigan Tower Buildings)**

On Monday, August 6, 2012, the Economic Development Committee will be briefed on the Downtown Connection TIF District PetroCorrigan Redevelopment Project (Tower Petroleum and Corrigan Tower Buildings).

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, City Attorney  
Craig Kinton, City Auditor  
Judge C. Victor Lander, 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

***Downtown Connection TIF District  
PetroCorrigan Redevelopment Project  
(Tower Petroleum and Corrigan Tower Buildings)***

Economic Development Committee  
August 6, 2012



Office of Economic Development  
[WWW.DALLAS- ECODEV.ORG](http://WWW.DALLAS- ECODEV.ORG)

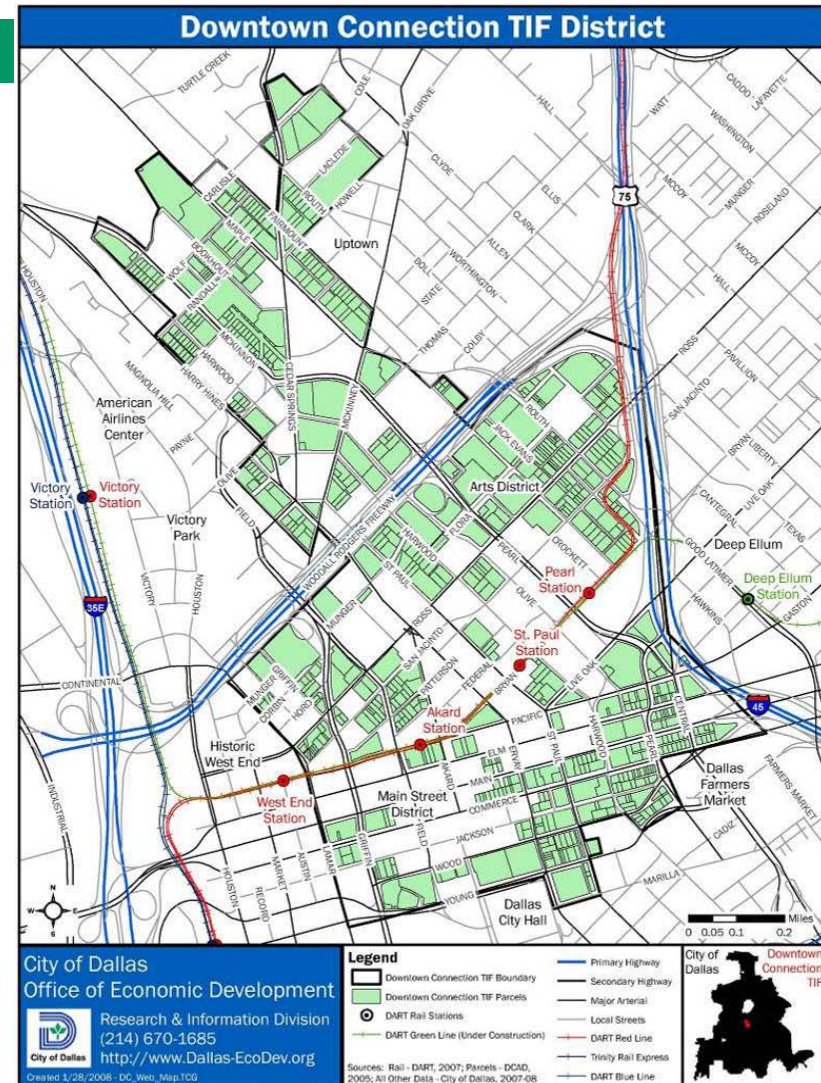


# Purpose

- ◆ Provide background information on Downtown Connection TIF District
- ◆ Review the PetroCorrigan Redevelopment Project
- ◆ Obtain Economic Development Committee's approval for consideration of the project by City Council on August 22, 2012

# Downtown Connection TIF District Background

- ◆ Created June 2005
- ◆ Project Plan and Reinvestment Zone Financing Plan approved August 2005
- ◆ Expires December 31, 2035, or when approximately \$392 million in TIF increment has been collected (NPV of \$189.8 million)
- ◆ Established to fund projects creating a greater density/critical mass of development within Downtown core area



# Downtown Connection TIF District TIF Budget

Downtown Connection TIF District Projected Increment Revenues to Retire TIF Fund Obligations			
Category	TIF Budget <sup>1</sup>	Allocated <sup>3</sup>	Balance
<b>Catalyst Projects:</b> - Environmental remediation, demolition, historic façade, restoration, street/utility improvements & streetscape improvements, land acquisition, and non project costs, including, but not limited to machinery, equipment, materials and supplies	\$68,000,000	\$68,000,000	\$0
<b>Redevelopment of Vacant/Underutilized Downtown Buildings</b> - Environmental remediation, interior/exterior demolition, historic façade restoration, street/utility improvements, land acquisition, TIF grants, affordable housing	\$156,960,438	\$148,389,725	\$8,570,713
<b>Uptown/Downtown connection improvements</b>	\$0	\$0	\$0
<b>Park and plaza design and acquisition</b>	\$3,098,356	\$0	\$3,098,356
<b>Affordable Housing<sup>2</sup></b>	\$3,000,000	\$2,000,000	\$1,000,000
<b>Retail Initiative/Streetscape Improvements</b>	\$1,985,000	\$459,845	\$1,525,155
<b>Downtown Area Plan</b>	\$515,000	\$512,464	\$2,536
<b>Administration and Implementation</b>	\$8,139,145	\$617,914	\$7,521,231
<b>Debt Service (Interest Only)</b>	\$150,363,000	\$150,363,000	\$0
<b>Total Project Costs</b>	<b>\$392,060,938</b>	<b>\$370,342,948</b>	<b>\$21,717,990</b>
<sup>1</sup> TIF Budget shown above in total dollars; TIF Project Plan shows the budget in net present value. <sup>2</sup> The Affordable Housing line item has been reduced by the amount of money allocated to the Continental project <sup>3</sup> The Allocated total shown for the Redevelopment of Vacant/Underutilized Downtown Building line item reflects the total TIF District's commitment to projects currently in the Reimbursement Queue (including amount for PetroCorrigan Project) <b>See Appendix C</b>			

# Tower Petroleum and Corrigan Tower *Background*

## ◆ Tower Petroleum – 1907 Elm Street

- Constructed 1931
- Designed by Mark Lemmon
- 22 stories tall and approximately 136,000 square feet (gross) in size.
- A contributing structure in the Harwood Historic District (Categorized as adding to the historical integrity or architectural qualities of a historic district)

## ◆ Corrigan Tower – 1900 Pacific Avenue

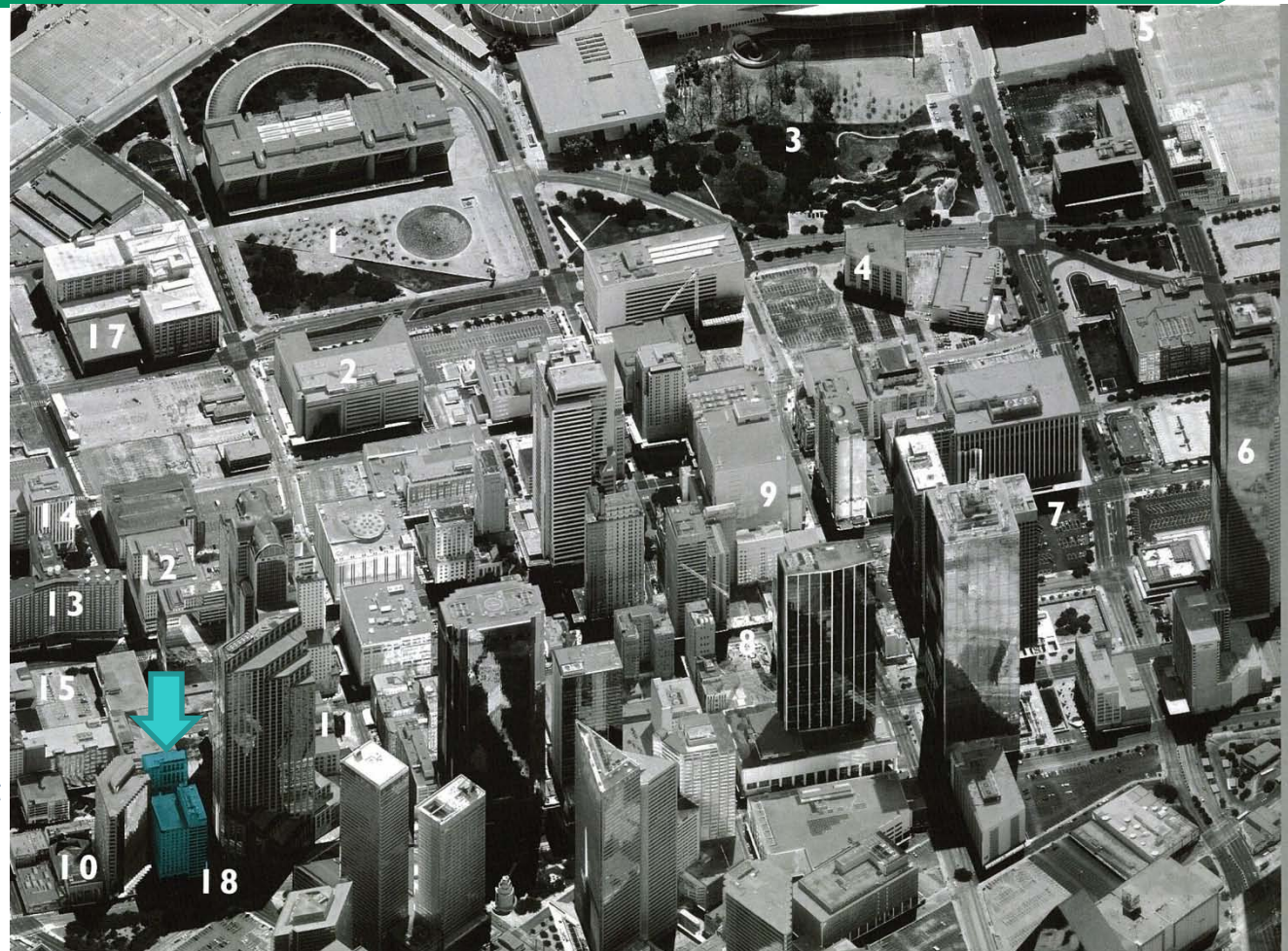
- Constructed 1951
- Designed by Wyatt Hedrick
- 17 stories tall and approximately 244,000 square feet (gross) in size
- Located in the Harwood Historic District, but is not a contributing structure.

# Tower Petroleum and Corrigan Tower *Background*

- ◆ **February 22, 2006** – Historic Tax Abatement approved for the Tower Petroleum Building
- ◆ **June 13, 2007** – Development Agreement with Pacific 2004 Holdings, Ltd. for \$12,000,000 in TIF funding for redevelopment of Tower Petroleum and Corrigan Tower buildings
- ◆ **Tax Abatement Eligibility Expired 2009**
- ◆ **Development Agreement Terminated 2009**
- ◆ **March 2012** – PetroCorrigan Towers, L.P. purchased both buildings

# PetroCorrigan Redevelopment Project

1. City Hall & Plaza
2. Dallas Central Library
3. Dallas Convention Center
4. Aloft Hotel
5. Omni Dallas Hotel
6. Bank of America
7. Belo Garden
8. Main St. Historic District
9. AT&T HQ
10. Majestic Theatre
11. Mercantile Block
12. Continental
13. Statler Hilton
14. Atmos Lofts
15. Main St. Garden
16. UNT
17. 500 S. Ervay
18. PetroCorrigan Project





# PetroCorrigan Redevelopment Project

## *Project Description*



- ◆ Conversion from vacant office space to mostly residential buildings with parking and small ground floor retail
- ◆ Petroleum Tower
  - 98 residential units
  - 4,400 square feet of ground floor retail
- ◆ Corrigan Tower
  - 160 residential units
  - 137 valet parking spaces (basement and first four floors of building)
- ◆ The project will include restoration of both buildings' façade
- ◆ Project Start Date: January 1, 2013
- ◆ Project Completion Date: March 31, 2015
- ◆ Total Project Cost: \$44,660,000



# PetroCorrigan Redevelopment Project

## *Funding Sources and Uses*

Funding Source	Amount		Use
Private Equity	\$9,170,000	21%	Acquisition and Construction
Construction Loan	\$29,000,000	65%	Construction
Historic Tax Credits	\$6,490,000	14%	Construction
<b>Total</b>	<b>\$44,660,000</b>		



# PetroCorrigan Redevelopment Project

## *Proposed TIF Funding*

- ◆ Redevelopment of the two buildings not possible without public subsidy
- ◆ Majority of the TIF funds proposed will reimburse the costs of environmental remediation and façade restoration
- ◆ The PetroCorrigan redevelopment project would not occur, but for TIF funding

Budget Line Item	Amount
Environmental Remediation/Demolition	\$4,932,447
Façade Restoration	\$4,168,198
Public Infrastructure Improvements	\$527,225
Architectural, Engineering, Consultants for TIF Improvements	\$672,130
<b>Total TIF Funding Proposed</b>	<b>\$10,300,000</b>

# PetroCorrigan Redevelopment Project

## *TIF Board Funding Recommendations*

- ◆ On June 26, 2012, the Downtown Connection TIF District Board of Directors reviewed and approved TIF funding for the PetroCorrigan project in an amount not to exceed \$10,300,000.
- ◆ On June 26, 2012, the Downtown Connection TIF District Design Review Committee reviewed and approved design plans for the Petro Corrigan project.

# PetroCorrigan Redevelopment Project

## *Conditions of Funding*

- ◆ Minimum private investment of \$31,000,000 for the Project.
  - Acquisition - Minimum \$3,000,000
  - Construction and construction related soft costs – Minimum \$28,000,000

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 3,000 square feet of retail/commercial/flex space; and
  - Minimum 194,500 square feet (approximately 219 residential units) of residential space.
- ◆ Obtain a building and/or demolition permit and start construction and/or demolition for the Project by January 1, 2013;

# PetroCorrigan Redevelopment Project

## *Conditions of Funding (Continued)*

- ◆ Obtain a Certificate of Occupancy (CO) for the Project by March 31, 2015;
- ◆ 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 March 31, 2015 and submit documentation to the Office of Economic Development (the “OED”);
- ◆ Execute an Operating and Maintenance agreement for public infrastructure improvements associated with the Project by March 31, 2015, for a period of 20 years;
- ◆ 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;
- ◆ 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, attached as Exhibit B. These guidelines require, but are not limited to, the following:



# PetroCorrigan Redevelopment Project

## *Conditions of Funding (Continued)*

- 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 Downtown Connection TIF Board of Directors and Design Review Committee and Dallas City Council;
- ◆ 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



# PetroCorrigan Redevelopment Project

## *Conditions of Funding (Continued)*

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; and
- ◆ If necessary, the project deadline can be extended up to 6 months, subject to the Office of Economic Development Director's and Downtown Connection TIF District Board of Director's approval.





# Strategic Importance of Proposed Project

- ◆ Continues strategic redevelopment of vacant buildings in downtown's core
- ◆ Historic restoration of the buildings
- ◆ Project is in close proximity to the planned Pacific Plaza park
- ◆ Removes approximately 380,000 square feet of vacant office space from downtown vacant building inventory
- ◆ Adds 258 residential units, including 26 affordable units , increasing downtown residential population
- ◆ Creates ground floor activity on Elm Street, Pacific Avenue and St. Paul Street
- ◆ Maintains downtown redevelopment momentum



# Recommendation

- ◆ Staff requests ECO Committee approval and for Council consideration of a Development Agreement with PetroCorrigan Towers, LP for TIF reimbursement not to exceed \$10,300,000 at the August 22, 2012, Council meeting.



# ◆ APPENDIX

# Appendix A: Project Requirements/Other Information

PetroCorrigan - Project Facts	
Minimum Residential Space (required)	194,500 s.f. Approx. 219 Units
Minimum Affordable Housing Units (required)	22 Units or 10% of Total Residential Units
Minimum Retail/Commercial Space (required)	3,000 s.f.
Parking Spaces	137 valet
Required Private Investment – (site acquisition, hard and soft costs)	Min. 31,000,000
Expected Total Project Cost	\$44,660,000
TIF Funding	\$10,300,000
% TIF funds to total project cost	23.06%
Deadline to Obtain Building Permit	January 1, 2013
Deadline to Obtain Final CO	March 31, 2015



# Appendix B: PetroCorrigan Redevelopment Project Proforma

PetroCorrigan Project Pro Forma		
Downtown Connection TIF District		
PROJECT DESCRIPTION:	1907 Elm Street and 1900 Pacific Avenue	
PROJECT TYPE:	Mixed Use	
CONSTRUCTION START DATE:	January 1, 2013	
PROJECT SCHEDULE:	March 31, 2015	
<b>Residential Units</b>	<b>SF</b>	<b># of Units</b>
Total/Avg	228,996	258
<b>Use Breakdown</b>	<b>SF</b>	<b>Total Leasable SF</b>
Residential	228,996	270,300
Retail	4,400	
Garage	32,750	<b>Total Blds SF (Gross)</b>
Lobbies	4,154	345,000
<b>Project Costs</b>		
Hard Cost	\$30,585,000	
Soft Cost (less Developer Fee)	\$6,990,000	
Acquisition	\$5,100,000	
<b>Total Project Cost (without City \$)</b>	<b>\$42,675,000</b>	
Total Project Cost	\$42,675,000	
TIF Assistance	\$10,300,000	
<b>Net Cost to Developer</b> (after TIF reimbursement)	<b>\$32,375,000</b>	
<b>Income</b>		
Residential Revenue	\$3,681,350	
Retail Revenue	\$62,250	
Parking Revenue	\$166,000	
Other Income	\$156,000	
<b>Total Revenue</b>	<b>\$4,065,600</b>	
<b>Expenses</b>		
Operating Expenses	(\$1,856,000)	
Management Fee	(\$154,000)	
<b>Total Expenses</b>	<b>(\$2,010,000)</b>	
<b>NOI</b>		
	<b>\$2,055,600</b>	
<b>Return on Cost Analysis</b>		
<b>NOI/Total Project Costs</b>		
Return on Cost (without City \$)	4.8%	
Return on Cost (with City \$)	6.3%	

# PetroCorrigan Redevelopment Project

## *Development Team*

- ◆ **Developer:** PetroCorrigan Towers, L.P.
  - **John Kirtland, President** - Founded Kirtland Realty Group, LP (KRG) in 2004. Since the company's inception, KRG has successfully funded over 250 properties. Mr. Kirtland is responsible for managing at least \$100,000,000. Kirtland Realty Group, Cypress Holdings and related companies is an entrepreneurial commercial real estate firm specializing in the acquisition of opportunistic commercial real estate assets, by combining its underwriting and legal expertise with its visionary approach to CRE.
- ◆ **Architect:** Merriman and Associates Architects

# Appendix C: Downtown Connection TIF Reimbursement Queue

- On September 16, 2009, the Downtown Connection TIF District Board of Directors approved a modified Queue Reimbursement method that established a project payment priority based upon the date evidence is provided to the City of the receipt of a building permit and executed construction loan or receipt of final certificate of occupancy for projects approved for TIF Reimbursement.

Downtown Connection TIF District  
Reimbursement Queue  
As of July 2012

Reimbursement Priority <sup>1</sup>	Project Name	Priority Date	Construction Status	Primary TIF Reimbursement	Maximum Interest	Total Eligible TIF Reimbursement	Increment Only <sup>4</sup>	Reimbursement Status
1	Stoneleigh Hotel	5/30/2010	Completed	\$2,500,000	\$0	\$2,500,000	Yes	To Be Paid
2	Hall Lone Star <sup>2</sup>	5/30/2010	Completed	\$852,764	\$2,000,000	\$2,852,764	No	To Be Paid
3	Santa Fe IV - Aloft Hotel	5/30/2010	Completed	\$4,296,264	\$0	\$4,296,264	No	To Be Paid
4	Grand Ricchi Dallas - 1600 Pacific	10/26/2010	Under Construction	\$8,830,000	\$4,040,200	\$12,870,200	No	N/A
5	Joule Hotel Expansion	1/19/2011	Under Construction	\$20,658,500	\$0	\$20,658,500	No	N/A
6	Atmos Complex Phase I	6/20/2011	Under Construction	\$3,250,000	\$3,000,000	\$6,250,000	No	N/A
7	Joule Hotel Expansion Amendment	8/10/2011	Under Construction	\$3,194,409	\$0	\$3,194,409	No	N/A
8	Continental Building <sup>3</sup>	9/16/2011	Under Construction	\$13,305,700	\$4,222,588	\$17,528,288	No	N/A
TBD	Atmos Complex Phase II	TBD	Under Construction	\$11,750,000	\$5,000,000	\$16,750,000	No	N/A
TBD	1914 Commerce Street	TBD	Under Construction	\$13,168,950	\$0	\$13,168,950	No	N/A
TBD	1954 Commerce Street	TBD	Under Construction	\$3,020,350	\$0	\$3,020,350	No	N/A
TBD	Hall Lone Star Project - Phase II <sup>2</sup>	TBD	Approved	\$5,000,000	\$0	\$5,000,000	No	N/A
TBD	1401 Elm Street	TBD	Approved	\$30,000,000	\$0	\$30,000,000	No	N/A
TBD	PetroCorrigan Project	TBD	Approved (TIF Board)	\$10,300,000	\$0	\$10,300,000	No	N/A
						<b>\$148,389,725</b>		

Notes:

<sup>1</sup>The priority ranking of an approved project is established by the submittal of evidence to the City of an executed construction loan and building permit for the project.

<sup>2</sup>Hall Lone Star Project, Phases I and II, is eligible to receive up to \$2M in interest. The full \$2M in interest is shown in Phase I of the project.

<sup>3</sup>The Total TIF Reimbursement for the Continental Building project is \$22,528,288 (includes an additional \$5M in bond proceeds).

<sup>4</sup>Based on the development agreement for the project, reimbursement may take the form of project generated increment only or project generated increment plus shared increment.

# Appendix D: Downtown Connection TIF Increment Chart

Downtown Connection TIF District								
Projected TIF Increment Schedule (as of July 2012)								
Tax Year	Total Property Value Estimate	Property Value Growth	Comp. Value Growth	Anticipated Captured Value	Anticipated Increment Revenue	Anticipated Accumulated Revenue (NPV)	Tax Increment Revenue into TIF * CITY @ 90%	Tax Increment Revenue into TIF ** COUNTY @ 55%
Base 2005	\$561,696,137	(1)						
Base 2009	\$564,917,317	(2)						
1 2006	\$759,033,448	35.13%	35.13%	\$197,337,311	\$1,438,614	\$1,370,108	\$1,208,059	
2 2007	\$989,078,707	30.31%	76.09%	\$427,382,570	\$3,396,536	\$4,450,867	\$2,844,731	
3 2008	\$1,515,616,786	53.24%	169.83%	\$953,920,649	\$7,224,872	\$10,691,983	\$6,065,898	
4 2009	\$1,512,292,589	-0.22%	169.24%	\$947,375,272	\$7,886,151	\$17,179,939	\$6,768,369	
5 2010	\$1,539,047,900	1.77%	174.00%	\$974,130,583	\$8,182,245	\$23,590,942	\$6,849,382	\$1,332,864
6 2011	\$1,546,807,101	0.50%	175.38%	\$981,889,784	\$8,412,642	\$29,868,585	\$7,043,095	\$1,369,547
7 2012	\$1,761,856,555	13.90%	213.67%	\$1,196,939,238	\$10,186,013	\$37,107,594	\$8,585,645	\$1,600,368
8 2013	\$1,888,825,121	7.21%	236.27%	\$1,323,907,804	\$11,266,522	\$44,733,220	\$9,496,391	\$1,770,131
9 2014	\$1,908,640,453	1.05%	239.80%	\$1,343,723,136	\$11,435,151	\$52,104,420	\$9,638,526	\$1,796,625
10 2015	\$2,331,868,066	22.17%	315.15%	\$1,766,950,749	\$15,036,839	\$61,335,735	\$12,674,338	\$2,362,501
11 2016	\$2,476,321,525	6.19%	340.86%	\$1,911,404,208	\$16,266,145	\$70,846,213	\$13,710,502	\$2,555,643
12 2017	\$2,572,770,550	3.89%	358.04%	\$2,007,853,233	\$17,086,931	\$80,360,856	\$14,402,331	\$2,684,600
13 2018	\$2,685,486,681	4.38%	378.10%	\$2,120,569,364	\$18,046,151	\$89,931,115	\$15,210,844	\$2,835,307
14 2019	\$2,976,491,329	10.84%	429.91%	\$2,411,574,012	\$20,522,615	\$100,296,431	\$17,298,220	\$3,224,395
15 2020	\$3,151,961,876	5.90%	461.15%	\$2,587,044,559	\$22,015,879	\$110,886,445	\$18,556,871	\$3,459,008
16 2021	\$3,220,534,763	2.18%	473.36%	\$2,655,617,446	\$21,370,851	\$120,676,678	\$19,048,744	\$2,322,107
17 2022	\$3,284,945,459	2.00%	484.83%	\$2,720,028,142	\$19,510,762	\$129,189,159	\$19,510,762	\$0
18 2023	\$3,353,833,288	2.10%	497.09%	\$2,788,915,971	\$20,004,894	\$137,501,605	\$20,004,894	\$0
19 2024	\$3,420,909,954	2.00%	509.03%	\$2,855,992,637	\$20,486,035	\$145,608,625	\$20,486,035	\$0
20 2025	\$3,494,661,533	2.16%	522.16%	\$2,929,744,216	\$21,015,055	\$153,528,978	\$21,015,055	\$0
21 2026	\$3,564,554,763	2.00%	534.61%	\$2,999,637,446	\$21,516,399	\$161,252,126	\$21,516,399	\$0
22 2027	\$3,635,845,859	2.00%	547.30%	\$3,070,928,542	\$22,027,770	\$168,782,316	\$22,027,770	\$0
23 2028	\$3,715,650,276	2.19%	561.51%	\$3,150,732,959	\$22,600,208	\$176,140,295	\$22,600,208	\$0
24 2029	\$3,789,963,281	2.00%	574.74%	\$3,225,045,964	\$23,133,255	\$183,313,175	\$23,133,255	\$0
25 2030	\$3,889,275,047	2.62%	592.42%	\$3,324,357,730	\$21,992,401	\$189,807,592	\$21,992,401	\$0
26 2031	\$3,967,060,548	2.00%	606.26%	\$3,402,143,231	\$0	\$189,807,592	\$0	\$0
27 2032	\$4,046,401,759	2.00%	620.39%	\$3,481,484,442	\$0	\$189,807,592	\$0	\$0
28 2033	\$4,127,329,794	2.00%	634.80%	\$3,562,412,477	\$0	\$189,807,592	\$0	\$0
29 2034	\$4,209,876,390	2.00%	649.49%	\$3,644,959,073	\$0	\$189,807,592	\$0	\$0
30 2035	\$4,294,073,918	2.00%	664.48%	\$3,729,156,601	\$0	\$189,807,592	\$0	\$0
Total					\$392,060,938		\$361,688,726	\$30,372,212
2006 NPV @ 5%					\$189,807,592		\$171,307,592	\$18,500,000