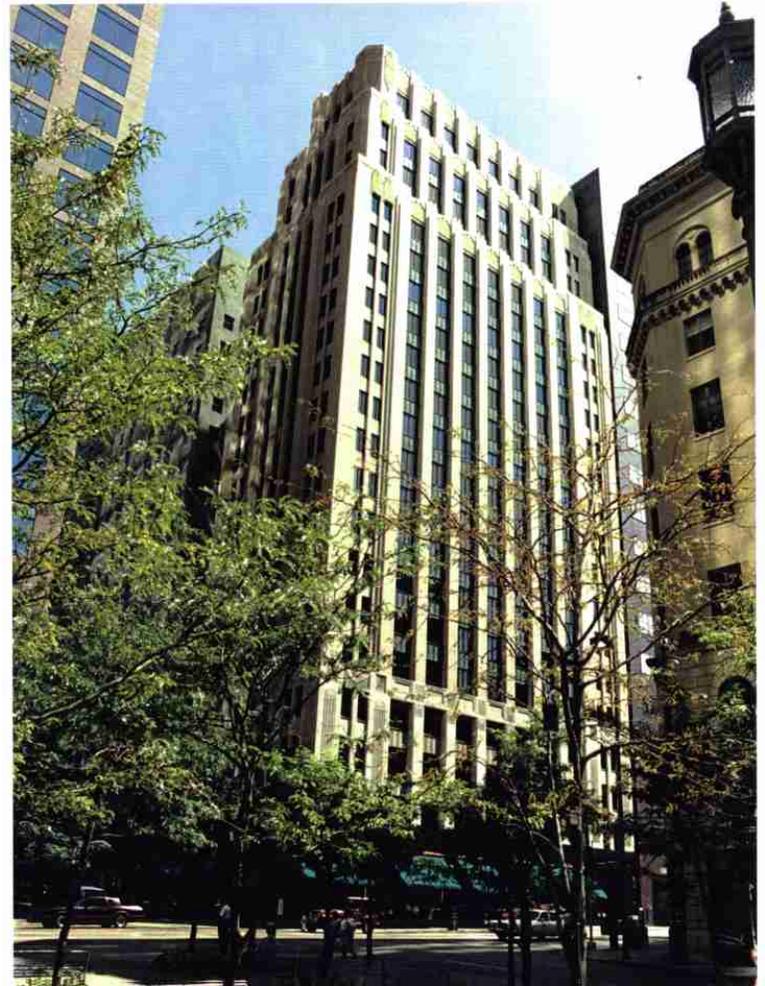


Tower Petroleum Building and 1900 Pacific

Economic Development and
Housing Committee
September 5, 2006



Purpose

- Describe the Tower Petroleum/1900 Pacific Project (“the Project”).
- Summarize the negotiated terms for the Project.
- Discuss the Operations and Fine Dining Issues.

Project Description

Staff has been working with the Rita and Lawrence Sweeney, representatives of 2004 Pacific Holdings, Ltd., on the renovation of the Tower Petroleum Building and construction of 1900 Pacific.

The owner/developer is planning an upscale hotel with approximately 125 hotel rooms, approximately 130 condominium units, and ground floor retail space, including a restaurant.



Conceptual



Project Description

- The art deco Tower Petroleum Building, designed by Mark Lemmon and constructed in 1931, will be converted into the hotel.
- The historic Tower Petroleum building will be developed in conjunction with a new construction condominium project located on the adjoining site (1900 Pacific).
- The hotel will be announced by its corporate office.

Project Description

- The Tower Petroleum/1900 Pacific project is beneficial to downtown in adding to the critical mass goals as well as increasing the value of the district.

| Analysis of Public Benefit - Tower Petroleum/1900 Pacific | | |
|---|---------------------|---------------------|
| Item | Total Cash Flow | Net Present Value |
| Sales tax of Construction Materials | \$645,641 | \$645,641 |
| Real Property Taxes (City) | \$7,943,839 | \$5,916,614 |
| Real Property Taxes (Other Jurisdictions) | \$23,644,087 | \$17,610,242 |
| Personal Property Taxes (City) | \$0 | \$0 |
| Personal Property Taxes (Other Jurisdictions) | \$0 | \$0 |
| Hotel Occupancy Tax | \$16,875,000 | \$12,568,590 |
| Affordable Housing | \$0 | \$0 |
| Retail Sales Tax | \$195,000 | \$145,237 |
| DART | \$195,000 | \$145,237 |
| Permit Fees | \$920,935 | \$920,935 |
| Water tap fees | \$73,950 | \$69,929 |
| Sum - 10-year benefits | \$50,493,452 | \$38,022,426 |
| w/ Tax Abatement (15 year "cost", 10 year benefits) | \$47,605,576 | \$36,698,563 |
| Note: The total TIF request is \$12,000,000 (10% of total project cost) | | |
| The total TIF and tax abatement request is \$14,887,877 (12.8%) | | |
| The total project cost is \$116,326,814 | | |
| All benefits are shown for ten years. | | |

Historic Tax Abatement Provisions

- An historic tax abatement was approved by City Council on February 22, 2006, prior to the Downtown Connection TIF District bond sale.
- The tax abatement required that the development agreement for TIF funds have conditions pertaining to a **fine dining restaurant** and an **operational plan** in the **Hart Furniture Building**.



Historic Tax Abatement Provisions

- The Hart Furniture Building was completed in 2003 by the same developer, under a different entity name and with different financial partners.
- The TIF funds for the Hart Furniture Building, \$1.3 million, were reimbursed to the developer after all of the project conditions were met.

Historic Tax Abatement Provisions

- This project was the first City Center TIF District project that did not have a residential component.
- Like the other City Center TIF District projects in the past, the ground floor requirement was for retail *space*, not necessarily the occupancy of the space because:
 - A) The major benefit to the City was a restored historic building
 - B) The market was not tested to know how practical it was to expect occupancy of the space

Historic Tax Abatement Provisions

- The conditions of the Development Agreement were met:
 - 15,000 square feet of retail space was required and delivered.
 - \$2,382,500 in private investment was required and provided.
 - Project completion by December 31, 2004 was required and accomplished.

Historic Tax Abatement Provisions

- Club Blue continues to operate in the Hart Furniture Building.
- The restaurant space envisioned in the Hart Furniture Building remains unoccupied.



Historic Tax Abatement Provisions

- The manner of operation of Club Blue and the commercial parking lot across from Club Blue continues to be a public safety concern.
- The Dallas Police Department has made several suggestions to the Sweeney's and the operator of Club Blue for operation of the Club, including the following:
 - Club employees and management must take training prescribed by the DPD
 - All guests must be 21 years of age or older

Historic Tax Abatement Provisions

- Drinks must be served in plastic bottle or plastic cups (no glass)
- Club must provide security to patrons at the level of one security person per 100-150 club occupants and security must patrol the external areas of the Club, including parking.
- Patrons of the Club may not bring weapons, items that could be used as a weapon, or cell phones into the Club. Management must use metal detectors as a method for detection of these devices.

Historic Tax Abatement Provisions

- We have been unable to agree to terms on the operational plan and fine dining provisions for the Hart Furniture Building in the Tower Petroleum/1900 Pacific Development Agreement as required by the approved Tower Petroleum historic tax abatement resolution.

Project Description

- We have reached agreement on these terms:
 - A minimum of 125 hotel rooms utilizing a minimum of 64,800 square feet of space.
 - Condominium units utilizing a minimum of 150,000 square feet of space
 - A minimum of 6,500 square feet of retail in the basement, first floor, and second floor, with a minimum of 3,000 square feet of leaseable retail space on the ground floor of the Tower Petroleum Building

Project Description

- \$100,000,000 minimum investment
- In lieu of affordable housing, fee to “buy-out” of provision (est. \$260,000, actual to be based on final unit count)
- Announcement of a hotel operator and a contract with the hotel operator within six months of City Council authorization to enter into a development agreement for Tower Petroleum/1900 Pacific