

1217 Main Street
Dallas Rooftop Gardens

Economic Development and
Housing Committee

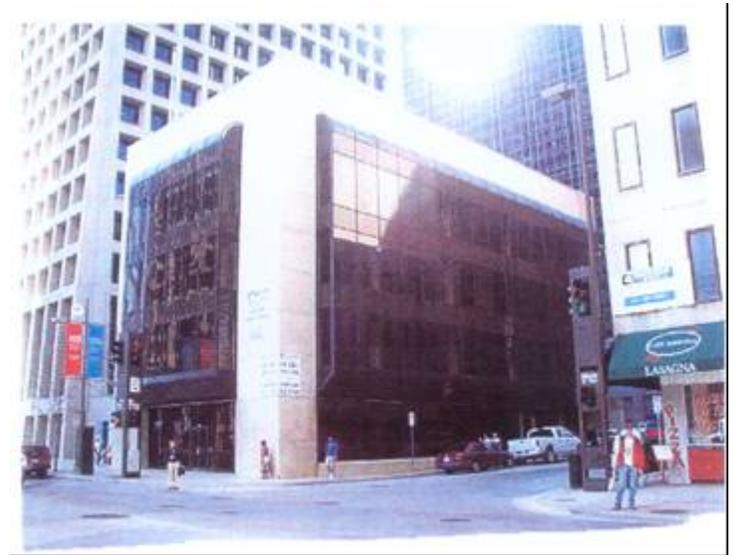
November 6, 2006

Background

- Economic Development staff has been working with Mr. Obi Ibeto, Investment Manager for Dallas Roof Gardens, Inc., regarding the redevelopment of 1217 Main Street for retail, office and restaurant use in downtown Dallas.
- Dallas Roof Gardens, Inc. and/or their tenants have exceeded (subject to final verification) their private investment requirement of \$5.24 million with an investment of \$7.5 million.
- The project includes the construction of a public roof top garden and approximately 20,000 square feet of retail space.

Background

- The original project deadline was December 31, 2004.
- In November 2004, City Council approved extending the deadline requirement to June 31, 2005. The project subsequently experienced cost overruns and lost its initial financing.
- A new financing source was obtained in November 2005 and construction has progressed slowly.



Before Redevelopment

Background

- In August 2006, City staff sent a formal default letter stating that without a City Center TIF District Board recommendation and City Council approval, the Purchase and Sale Agreement would be terminated.
- On September 14, 2006, The City Center TIF District Board of Directors approved the project deadline extension to November 15, 2006.

Background

- The developer was made aware that if he has not obtained a final Certificate of Occupancy for the 1217 Main Street building on or before November 15, 2006, he will forfeit the opportunity to obtain TIF funds.

Easement Purchase Provisions

- The purchase of the façade is contingent on future City Council action authorizing the funding for the acquisition of the easement at the time of final completion of the project and completion of the appraisal process.
- Such obligation would be determined based on the results of two appraisals, to be selected by the City, establishing a value for this property interest.

Easement Purchase Provisions

- The Purchase and Sale Agreement provides for a limit of \$974,380 for the purchase of the façade easement including the cost of the two appraisals (not to exceed \$15,000).

Recent Inspections

- On September 26, 2006, the Chair of the City Center TIF District Board of Directors, staff, and Mr. Ibeto performed a walk-through of 1217 Main Street to determine the construction progress.
- The tour revealed substantial completion of the exterior, and some systems in place (ex. HVAC); however, considerable amounts of interior improvements were remaining.
- A follow-up tour was conducted on October 17, 2006 with noticeable changes made yet a considerable amount of interior improvements still remained.



Photos taken 11/1/06

Pros and Cons to Extension

| IF DEADLINE EXTENSION APPROVED: | |
|--|---|
| <p><u>Pros</u></p> <p>Project is now close to completion and \$7.5 million has been invested in the property with potential for increased tax revenues (DCAD value increased from \$525,000 in 2003 to \$2.6 million in 2006)</p> <p>Signed leases with Main Street Contemporary Gallery (1 floor) and Luqa/Petrus (3 floors) mid-November openings will add downtown amenities</p> | <p><u>Cons</u></p> <p>Rewarding poor performance (almost 17 months out of compliance; previous missed deadlines)</p> <p>TIF Funds not available for other City Center TIF District projects in the Reimbursement Queue</p> |

| IF DEADLINE EXTENSION DENIED: | |
|---|---|
| <p><u>Pros</u></p> <p>TIF funds, if not spent on this project, could fund other TIF District projects in the City Center TIF District reimbursement queue.</p> <p>Provides programmatic closure on existing delinquent project</p> | <p><u>Cons</u></p> <p>Cancellation of TIF funding could trigger financial default and potential foreclosure action by lender on a project that is nearing completion with \$7.5 million invested</p> <p>Potential of cancellation of leases which would delay or eliminate amenities and potentially affect tax revenues</p> <p>Could be viewed as counter to being business friendly since the project will be one week away from required completion date at the time of City Council's consideration of the extension</p> |

Next Steps

- November 8, 2006 – City Council action to consider an extension to the deadline for project completion of 1217 Main Street to November 15, 2006.
- Establish database detailing project commitments to be used to notify developers of impending deadlines.