Amendment to Public/Private Partnership Program – Allowing Residential Uses

Economic Development and Housing Committee
November 20, 2006
By Office of Economic Development
Background

- The City’s critical mass goal for creating a vibrant, self-sustaining downtown is 10,000 residential units.

- Over 5,700 additional residential units must be developed to meet this goal.

- Since 2005, there has been no short-term assistance available to downtown developers for residential projects.
Background

- Within the Downtown Connection TIF District, tax abatements cannot be granted because of the Mercantile bond obligations; allowing tax abatements within the City Center TIF District will impact the future capacity of increment reimbursements.

- Further, TIF payments will not be available for many years in the Downtown Connection because of the debt service payments on the bonds and in City Center because of the line of projects in the reimbursement queue.

- Consequently, there have been no recent residential downtown projects approved within the downtown TIF Districts.
Background

- Historically significant buildings will remain vacant and deteriorating unless suitable solutions are found to assist developers.

- The Public/Private Partnership Program provides tax abatements for commercial projects, but does not currently assist residential developments.

- TIF funds, while still an important component to downtown projects, are not as immediate nor certain as tax abatements.
Goals of the City

- Key focus areas of Economic Development and Neighborhood Quality are addressed by promoting a vibrant urban neighborhood.

- The content of the briefing will describe a proposal for achieving the following results downtown:
  - A vibrant and viable neighborhood
  - An economy that is thriving, with diverse business and people working
  - An environment that promotes ease of mobility
  - A community that preserves natural resources through the creation of a self-sustaining neighborhood
Purpose

- It is the goal of this amendment to:
  - Support residential development projects that are committed to the vision of Downtown Dallas
  - Incentivize projects which lack the ability to receive historic tax abatements within the TIF Districts
  - Assist in developing residential projects that would otherwise be economically unfeasible
  - Provide economic development incentives to stimulate additional downtown housing units in order to reach critical mass goals, including needed attainable housing
Public Private Partnership Program

Guidelines and Criteria Governing Non-Residential Projects

Proposed Amendment Guidelines and Criteria Governing Downtown Residential Projects
Proposed Amendments

- Unlike the non-residential portion of the program, which includes a variety of different incentives, the residential component for downtown projects would only offer tax abatements or grants in lieu of tax abatements.

<table>
<thead>
<tr>
<th>Non-Residential Projects</th>
<th>Residential Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Abatements/Grants</td>
<td>Tax Abatements/Grants</td>
</tr>
<tr>
<td>Infrastructure Cost Participation</td>
<td></td>
</tr>
<tr>
<td>Development Fee Rebates (may include ROW Abandonment)</td>
<td></td>
</tr>
<tr>
<td><strong>Development Hurdles:</strong></td>
<td><strong>Development Hurdles:</strong></td>
</tr>
<tr>
<td>250 jobs or $25M investment</td>
<td>75 units, $15M investment, &gt; 4 stories</td>
</tr>
</tbody>
</table>
Residential Projects - Incentives

- Rental-Occupied Projects – Up to 90% of City’s portion of yearly property taxes are abated for property owner for a maximum of 10 years.

- Owner-Occupied Projects – Up to 90% of City’s portion of yearly property taxes are reimbursed to project developer through a Chapter 380 economic development grant for a maximum of 10 years.

**Due to the problematic administration of multiple tax abatement agreements associated with owner-occupied condominium projects, grants would be provided to the developer in lieu of tax abatements to each condominium owner.**

**The grants would be funded (subject to annual appropriations) from property tax revenue collected from the project.**
Guidelines and Criteria for Residential Projects

To qualify for a tax abatement/grant, the property must be:

A. Located within the CBD, inside freeway loop, but outside of the Downtown Connection and City Center TIF Districts during the life of the districts.
Guidelines and Criteria for Residential Projects

B. Create a minimum of 75 residential units with a minimum private investment of $15,000,000 and develop more than four floors.
Guidelines and Criteria for Residential Projects

C. Developed in conjunction with second (2) development project by the same or affiliated developer/owner, located within either the Downtown Connection or City Center TIF Districts and within the CBD downtown freeway loop.

1. Downtown Connection and City Center TIF Districts

2. Second project that must be developed in conjunction with project applying for tax abatement/grant.

CBD, Inside freeway loop
Guidelines and Criteria for Residential Projects

D. The property not receiving the tax abatement must also have a minimum of 75 residential units, $15,000,000 in private investment, and develop more than four floors.
Guidelines and Criteria for Residential Projects

- Exception for Catalyst Projects

  - If a single residential project creates a minimum of 375 units and has a minimum private investment of $55,000,000; the second project criteria may be waived.
Additional Requirements

- In addition, all qualified residential projects seeking to receive this incentive will be required to meet the following requirements:
  - All contingencies must be met, including the completion of both projects, before property taxes are abated or reimbursed yearly.
  - Ten percent affordable housing set-aside requirement.
  - Good Faith Effort goals as described in Public/Private Partnership Program.
  - Payment triggers depending on project.
Benefits

- The proposed amendment to the Public/Private Partnership creates a solution that would allow otherwise financially unfeasible projects, particularly historic structures in the downtown TIF Districts, to move forward.

- The amendment would require, in all but extreme cases, that two projects be developed, further adding to the number of downtown residential units.
Potential Projects

- City staff has met with several developers seeking assistance in filling the financial gap left from the inability to receive tax abatements in the downtown TIF Districts.

- Of the developers staff has met with, one coupled project in particular illustrates the proposed amendment to the public/private program and is ready to move forward with the development if assistance is available.

- The developer owns two buildings in the central business district, one of the two is located in the Downtown Connection TIF District.
Pilot Project

- The Butler Brothers Building, located at 500 S. Ervay, is in the Downtown Connection TIF District.

- Economic Development Staff has been working with Bob Bisno (Ervay Lofts L.P.), on the rehabilitation of the existing historic Butler Brothers Building.
Pilot Project

- Robert H. Bisno and partners began in 1976 when they first offered to acquire an eighteen-unit apartment building in Oakland, California.

- Over a 30-year history, Bisno Development Company LLC and predecessors and affiliates have invested in over 75 properties in more than 40 communities.

- Today, BDC is developing flagship communities and buildings in selected markets.

- With a pipeline of over $2,000,000,000 and growing, BDC seeks major urban sites and properties to develop and redevelop.
Pilot Project

- The 8-story Butler Brothers Building was constructed in 1911.

- It is situated across the street from Dallas City Hall in the south/east quadrant of downtown.
Pilot Project

- The project includes the renovation of the building with a minimum of 320 residential units and 45,000 square feet of retail space.
Pilot Project

- The 2006 DCAD property value is $2.5 million.
- The total project cost is estimated to be $77.2 million of which $49 million would be construction-related hard costs.
- The historic facade of this 520,000 square foot structure (including parking garage) has been completely covered or removed throughout the years.
Pilot Project

- Re-creating this facade will include a significant amount of work.

- The Texas Historical Commission and National Park Service are requiring exploration facade work to determine eligibility for Historic Tax Credits.

- The scope of the current facade investigation represents approximately 3% to 5% of the total required facade demolition work.
Pilot Project

- The owner/developer is requesting $15,000,000 in TIF funds for the rehabilitation and conversion of the historic building.

- The TIF funds are critical to this project but would not be available for many years due to prior increment obligations in the Downtown Connection TIF District.

- Since this building cannot receive a historic tax abatement due to the Downtown Connection TIF District bond sale, the developer is seeking support on a second development project to alleviate the high cost of redeveloping 500 S. Ervay and to provide additional and more immediate financial impact.
Pilot Project

- The owner/developer of 500 S. Ervay also owns a parking garage located at 717 Leonard Street, outside the TIF District boundary.

- Creating a partnership as described herein would allow both projects to be financially viable.

- Assistance on 717 Leonard would be transferred to the historic property.

- The City would gain over 520 residential units downtown.
Pilot Project

- Bisno Development, developing 717 Leonard Street as Sky Lofts of Dallas L.P., would build approximately 161,460 square feet of residential space, creating a minimum of 202 condominiums on top of an existing parking structure located at 717 Leonard Street.

- Currently 717 Leonard Street is improved with a 13 story parking structure having approximately 990 stalls.
Pilot Project

- 717 Leonard Street is adjacent to the Westin Hotel (Plaza of the Americas).

- The total project cost is estimated to be $74.8 million of which $43 million would be construction-related hard costs.
Pilot Project

- To encourage the development of 500 S. Ervay and 717 Leonard, the City of Dallas would enter into an economic development grant agreement with Sky Lofts of Dallas L.P. pursuant to the amended Public/Private Partnership Program Guidelines and Criteria for Residential Projects.

- The grant would be for ten years based on 90% of the added value to real property for the development of the residential tower to be built at 717 Leonard Street, excluding the existing parking structure.
Pilot Project

- The grant in lieu of tax abatement is estimated to be $287,460 per year, for a total of $2,874,600.

- No funds will be distributed until all private investment has been made and both projects are complete and additional triggers are met.
### 500 S. Ervay

#### Residential Unit Breakdown

<table>
<thead>
<tr>
<th>SF</th>
<th># of Units</th>
<th>Total SF</th>
<th>$ per SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,063</td>
<td>321</td>
<td>341,223</td>
<td>225</td>
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#### Project Costs

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>Amount</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Hard Cost</td>
<td>$49,887,812</td>
<td>Condos</td>
</tr>
<tr>
<td>*Soft Cost</td>
<td>$19,211,726</td>
<td>Retail</td>
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<tr>
<td>Acquisition</td>
<td>$8,100,000</td>
<td>- Commission 4%</td>
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<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>$77,199,538</strong></td>
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</table>

#### Sales

<table>
<thead>
<tr>
<th>Sales Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Condos</td>
<td>$76,775,175</td>
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<tr>
<td>Retail</td>
<td>$1,620,000</td>
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<tr>
<td>- Commission</td>
<td>4%</td>
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<tr>
<td>- Transfer Fee</td>
<td>$640,000</td>
</tr>
<tr>
<td><strong>Net Sales</strong></td>
<td><strong>$74,619,368</strong></td>
</tr>
</tbody>
</table>

**TIF + Tax Abatement NPV** $9,833,797

*Includes design, financing cost, taxes, City fees, admin, marketing*

**ROI without assistance** -3.3%
**ROI with assistance (NPV)** 9.4%

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### 717 Leonard

#### Residential Unit Breakdown

<table>
<thead>
<tr>
<th>SF</th>
<th># of Units</th>
<th>Total SF</th>
<th>$ per SF</th>
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</thead>
<tbody>
<tr>
<td>774</td>
<td>284</td>
<td>219,800</td>
<td>367</td>
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#### Project Costs

<table>
<thead>
<tr>
<th>Cost Type</th>
<th>Amount</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hard Cost</td>
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<td>Condos</td>
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<tr>
<td>*Soft Cost</td>
<td>$19,693,445</td>
<td>Parking</td>
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<tr>
<td>Acquisition</td>
<td>$12,000,000</td>
<td>- Commission 4%</td>
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<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>$74,756,631</strong></td>
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</table>

#### Sales

<table>
<thead>
<tr>
<th>Sales Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Condos</td>
<td>$80,773,000</td>
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<tr>
<td>Parking</td>
<td>$4,098,500</td>
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<tr>
<td>- Commission</td>
<td>4%</td>
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<tr>
<td>- Transfer Fee</td>
<td>$400,000</td>
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<tr>
<td><strong>Net Sales</strong></td>
<td><strong>$81,076,640</strong></td>
</tr>
</tbody>
</table>

*Includes design, financing cost, taxes, City fees, admin, marketing*

**Proforma assumes 284 units, may be reduced to 202 if garage cannot support additional floors**

**ROI** 8.5%
500 S. Ervay Project Requirements

- Ervay Lofts L.P. or its Affiliate shall invest a minimum of $49,000,000 in hard costs related to construction of the Butler Brothers Building renovation.

- Ervay Lofts L.P. or its Affiliate shall create a minimum of 320 residential units in the Butler Brothers Building.

- A minimum of 40 percent of the residential units must be sold prior to payment of TIF funds.
500 S. Ervay Project Requirements

- Ervay Lofts L.P. shall set-aside 10% of the residential units as affordable or opt to transfer the obligation in the following manner at a cost of $20,000 per set-aside unit:
  - Assuming that 320 units will be constructed at the property, then 32 units must be made available as affordable housing per the program requirements. If the affordable units cannot be provided within the project and the obligation is transferred, the developer’s total affordable housing transfer obligation will be 32 units x $20,000 = $640,000. This calculation and the actual number of set-aside units required and the amount of the affordable transfer obligation shall be adjusted to reflect the total number of residences actually constructed.
500 S. Ervay Project Requirements

- Ervay Lofts L.P. or its Affiliate, as a project providing moderate market rate condominium units, shall provide information on the City of Dallas’ Homeownership Loan Program on all marketing materials.

- Ervay Lofts L.P. or its Affiliate shall create 45,000 square feet of retail space, of which a minimum of 22,500 square feet shall be occupied for a minimum of twelve (12) months prior to TIF payment.
717 Leonard Project Requirements

- Sky Lofts of Dallas L.P. or its Affiliate shall invest a minimum of $43,000,000 in hard costs related to the construction of 717 Leonard Street.

- Sky Lofts of Dallas L.P. or its Affiliate shall create a minimum of 202 residential units at 717 Leonard Street.

- A minimum of 40 percent of the residential units must be sold prior to grant payments.
717 Leonard Project Requirements

- Sky Lofts of Dallas L.P. shall complete construction (receive final certificate of occupancy) by July 1, 2010.

- Sky Lofts of Dallas L.P. shall complete (receive final certificate of occupancy) or cause to be complete the redevelopment of the Butler Brothers Building located at 500 S. Ervay by June 30, 2009.

- Sky Lofts of Dallas L.P. shall dedicate or cause to be dedicated, public parking in the Butler Brothers Building located at 500 S. Ervay for retail parking and such dedication shall be an annual condition of the 717 Leonard Street grant.
Sky Lofts of Dallas L.P. or its Affiliate shall set aside 10% of the residential units as affordable or opt to transfer the obligation in the following manner at a cost of $20,000 per set-aside unit:

- Assuming that 202 units will be constructed at the property, then 20 units must be made available as affordable housing per the program requirements. If the affordable units cannot be provided within the project and the obligation is transferred, the developer's total affordable housing transfer obligation will be 20 units x $20,000 = $400,000. This calculation and the actual number of set-aside units required and the amount of the affordable transfer obligation shall be adjusted to reflect the total number of residences actually constructed on the property.
Summary Requirements

- **500 S. Ervay** –
  - Investment of $49,000,000 in hard costs
  - 320 residential units of which 40 percent must be sold prior to disbursement of TIF funds
  - 45,000 square feet of retail space of which a minimum of 50 percent must be occupied for a minimum of twelve months prior to disbursement of TIF funds
  - Certificate of Occupancy by June 30, 2009

- **717 Leonard** –
  - Investment of $43,000,000 in hard costs
  - 202 residential units of which 40 percent must be sold prior to disbursement of grant
  - Certificate of Occupancy by July 1, 2010
Next Steps

- Staff recommends that City Council approve amendments to Public/Private Partnership Program allowing residential tax abatements on December 13, 2006.

- Staff recommends that City Council approve incentives for 500 S. Ervay and 717 Leonard as described herein on December 13, 2006.
Appendix A - Project Comparison

<table>
<thead>
<tr>
<th>Project (City Center and Downtown Connection with over 75 units)</th>
<th>TIF Assistance</th>
<th>Tax Abatement (estimate)</th>
<th>Section 108 and other Intown Housing Funds</th>
<th>Private Investment</th>
<th># of Units</th>
<th># of Affordable Units/Amount of Buy-Out</th>
</tr>
</thead>
<tbody>
<tr>
<td>Santa Fe II (SoCo Lofts)</td>
<td>n/a</td>
<td>$1,354,735</td>
<td>$4,050,000</td>
<td>$18,465,825</td>
<td>205</td>
<td>49</td>
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<tr>
<td>Majestic Lofts</td>
<td>n/a</td>
<td>$768,181</td>
<td>$4,051,760</td>
<td>$10,300,000</td>
<td>129</td>
<td>51</td>
</tr>
<tr>
<td>Kirby Building</td>
<td>$1,375,000</td>
<td>$892,992</td>
<td>$5,100,000</td>
<td>$21,500,000</td>
<td>156</td>
<td>57</td>
</tr>
<tr>
<td>Davis Building</td>
<td>$1,350,000</td>
<td>$1,189,000</td>
<td>$7,216,000</td>
<td>$34,000,000</td>
<td>183</td>
<td>40</td>
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<tr>
<td>Wilson Building</td>
<td>$3,800,000</td>
<td>n/a</td>
<td>n/a</td>
<td>$18,000,000</td>
<td>133</td>
<td>0</td>
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<tr>
<td>Dallas Power and Light</td>
<td>$6,503,000</td>
<td>$997,000</td>
<td>n/a</td>
<td>$24,000,000</td>
<td>154</td>
<td>0</td>
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<tr>
<td>Interurban Building</td>
<td>$5,000,000</td>
<td>$967,000</td>
<td>n/a</td>
<td>$15,000,000</td>
<td>134</td>
<td>0</td>
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<tr>
<td>Republic Center</td>
<td>$4,605,000</td>
<td>$1,440,000</td>
<td>n/a</td>
<td>$34,000,000</td>
<td>227</td>
<td>0</td>
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<tr>
<td>1200 Main (Metropolitan)</td>
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<td>n/a</td>
<td>$48,000,000</td>
<td>273</td>
<td>0</td>
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<td>Mosaic</td>
<td>$9,000,000</td>
<td>$6,777,298</td>
<td>n/a</td>
<td>$80,000,000</td>
<td>440</td>
<td>0</td>
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<tr>
<td>Mercantile Complex</td>
<td>$58,000,000</td>
<td>$4,000,000</td>
<td>n/a</td>
<td>$130,000,000</td>
<td>375</td>
<td>0</td>
</tr>
<tr>
<td>500 S. Ervay/717 Leonard</td>
<td>$15,000,000</td>
<td>$2,874,600</td>
<td>n/a</td>
<td>$129,000,000</td>
<td>522</td>
<td>$1,040,000*</td>
</tr>
</tbody>
</table>

Total                                                                 $109,383,000   $21,260,806   $20,417,760   $562,265,825   2,931

* Transfer fee for 52 units
Appendix B – Bisno Development

Ponte Vista at San Pedro. May 2005, BDC acquired 61.53 acres of under entitled land from the U.S. Department of the Navy, through a public auction process. The purchased closed 60 days after being selected as “winning bidder”, for in excess of $120 million. BDC is seeking entitlements for 2,300 residential units from the City of Los Angeles. This process is expected to take (3) three years. The property is located, at the base of the Rancho Palos Verdes Peninsula, between Redondo Beach and Long Beach. The project is consistent with BDC’s business model of acquiring large development parcels in highly desirable urban in-fill locations throughout California.

The Water Garden Phase II, Santa Monica, a 600,000+ square foot office complex often referred to as the most desirable garden office development west of the Mississippi (total project size is 1.2 million square feet). The property, developed in conjunction with the J.H. Snyder Company and Colony Capital, represents professional office, retail and magnificent open spaces and serves fortune 500 companies and professional service firms.
Appendix B – Bisno Development

The Arboretum, Santa Monica, California, a mixed-use master-planned community, including retail, residential (apartments) and offices, located on a 10+-acre site. This vibrant work/live community includes an architecturally distinct 50,000 square foot Ralph’s Supermarket, a 351-unit apartment community, and headquarters for Universal Music in addition to various office tenants. The property was re-entitled to eliminate the massive office restrictions imposed by a previous developer, eliminating the hotel component as well as entitled to allow the productive uses, which now make up the development.

Chase Knolls Apartments, Sherman Oaks, represents a re-use rehabilitation, and new construction for a property which is a certified historic monument and proposed improvements are consistent with the State Historical Preservation Office and The National Park Service (which oversees federal historical preservation). The rehabilitation and enhancement work has commenced. Entitlement work is proceeding for the addition of the new units (approved by the State Historical Preservation Officer and The National Park Service and awaiting approval from the City of Los Angeles City Council). Construction of the new units is anticipated to start in mid 2006.
City Place, Santa Ana, represents a current development which broke ground in May 2005. This project, at the epicenter of Northern Orange County’s freeway system, located immediately across the street from a regional mall, satisfies the city and community need of retail, public theater, amphitheatre and other public uses, along with exciting restaurant/retail businesses and a highly desirable trio of attached housing types including cutting edge live/work lofts and more conventional townhomes. And that’s just Phase I. Phase II, includes a high-rise, having 330+ condominiums. Master project design, led by Howard Elkus of Elkus Manfredi, (designers of the wonderfully successful the Grove retail complex in Los Angeles), and working with the offices of Steven Ehrlich and Associates (California architectural firm of the year in 2002) and the offices of William Hezmalhalch (housing designer for such noteworthy developers as The Bren Company, Standard Pacific, Lennar and others), combine to break new ground in a living environment in Orange County.

Library Gardens, Berkeley, completed the entitlement stage and commenced construction on a 175-unit, four (4) story apartment building over a two story, 230-space parking garage. The project will be five stories tall (with one level of parking subterranean) with an average height of 55 feet. Library Gardens is walking distance of all downtown attractions including the Arts District, shopping, theatres and transportation. The architectural team includes Thomas Cox & Associates and John Northmore Roberts and Associates, provided the exterior design that is compatible with the Downtown Historical District and public art in its plaza unparalleled in the City’s history. Scheduled delivery date is mid-2006.
Appendix B – Bisno Development

Water Garden Phase II
Cloverfield and Colorado Blvd
Santa Monica, California
7+-acre mixed-use development site
605,000 sf of Class A Office
2,000± parking stalls
2-acre lake

The Water Garden Development represents the most attractive Class A garden office park in the United States, Developed by BDC and partners; it provides a continuing source of pride and enhancement to the City of Santa Monica, tenants in the development, and the community at large.

This site was purchased from a savings and loan that acquired the property through foreclosure. The vacant land was held through the down cycle and in 1997 it was recapitalized to facilitate construction. The development consists of 605,000 sf of premium Class A office space, surrounding a 2 acre lake.

Upon completion and rent-up, Watergarden Phase II was sold for $240,800,000 to Water Garden Realty Holding LLC, c/o J.P. Morgan Investment Management, Inc.
Appendix B – Bisno Development

The Arboretum
Cloverfield and Colorado Blvd
Santa Monica, California
10.2-acre mixed-use development site

The Arboretum mixed use campus represents Santa Monica’s premier development of residential, office and retail uses. Its development cemented the status of the “special office district” of Santa Monica and the Arboretum continues to be an address of distinction for all of its tenants be they residential, retail or office.

A Bisno-sponsored affiliate acquired the non-performing note secured by a first deed of trust on this property. Foreclosure proceedings to take title concluded in 1993. As part of the development of this property, its entitlements were expanded to include residential, as well as a supermarket and other uses. A 25-year lease with Ralph’s supermarket was negotiated and a 50,000 sf supermarket developed. Construction was completed in August 1996. The remaining parcels were entitled for up to one million sf of office/retail space and sold. Legacy Partners developed one parcel as a residential apartment community. The additional parcels were sold to Spieker Properties and to a Bisno partner who developed it as the headquarters for Universal Music Group.
Appendix B – Bisno Development

Lincoln Place Apartments
“The Village at Venezia”
795 Apartment Units
40-acre site
Venice District, Los Angeles, California

Lincoln Place Apartments, Venice, California is a low-rise, low-density garden complex of 795 units in 35 separately subdivided parcels, on 40 gross acres one mile from the Venice/Santa Monica beaches. It is situated on the Venice/Santa Monica border adjacent to a neighborhood shopping center. The project was originally acquired by a Bisno-sponsored affiliate in 1986 as an under-managed, underdeveloped property.

Commencing in approximately 1988, entitlements to demolish the 795 existing apartments and replace the same with approximately 800 townhome units and 144 apartments were sought. During that time, the focus was on redeveloping the property. By 1999, recognizing the continued opposition of the City of Los Angeles to a scrape-and-new-development plan, the Bisno affiliate began to consider redevelopment options. Hand-in-hand with this strategy, the firm commenced repainting the exterior of the buildings, targeting a more affluent tenant, buoyed by the outstanding west Los Angeles apartment market. The rehab/repositioning program, commenced in the fall of 2000, by which units were expanded and reconfigured, enabled the owners to push rents to all-time highs.

In mid-2001 a 50% interest in the property was sold to AIMCO REIT. The owners then commenced a substantial renovation and redevelopment program. The property was renamed “The Village at Venezia,” with the intention of positioning it as one of the premier apartment complexes on the west side of Los Angeles. In mid 2003, the entire property was sold to AIMCO for the highest price paid for an apartment complex in Southern California in the prior 10 years.

The Project was financed at various times by Bank of America, GE Credit Corp/Amresco, Deutsche Bank/GMAC and CenFed/CalFed/Glendale Savings & Loan.
Appendix B – Bisno Development

Berkeley Center
Shattuck/Allston/Kittredge
Berkeley, California
Mixed Use Retail / Office / Entertainment Center

This 224,000 sf mixed-use retail/office complex with adjoining 175-room hotel is located in the heart of Downtown Berkeley. At acquisition, the property contained a defunct department store and some long-standing attached retail tenants.

The property was completely redeveloped into a multi-tenant entertainment, food, retail and office facility, anchored by a 10-screen movie palace utilizing historically significant aesthetics combined with modern technology. The lower level of the complex, originally limited to 7 feet in height, was excavated to provide office, exhibition, classroom and meeting facilities, augmenting the other mixed uses of the development. The 175-room hotel was rehabilitated and sold. The retail/office/entertainment component of this development remained 97%+ leased, commanding some of the highest rents and sales per square foot in downtown Berkeley. The tenant mix was carefully orchestrated to draw both families and students (the University of California, among other educational institutions, is located nearby). The property was subdivided to create legal parcels for the Hotel and non-Hotel components to maximize both financeability and value. The property was sold in late 2004.

The property was financed at various times by Bank of Nova Scotia, Sumitomo, Cargill-Ellis, GMAC and Fremont Investment & Loan.
Appendix B – Bisno Development

5th and Santa Monica
Santa Monica, California
67,500 square foot development site

Hensheys 5th & Santa Monica LLC, an affiliate formed by Bisno, purchased this property, without entitlements, after the failure of a previous developer to entitle it. Santa Monica has a well-earned reputation as being one of the country’s most difficult cities in which to get entitlements. The previous developer’s plan had failed despite investing several years and hundreds of thousands of dollars pursuing entitlements. The property is spectacularly located in the central business district of Santa Monica, two blocks from the hugely successful 3rd Street Promenade.

To pursue development of one project would require an Environmental Impact Report ("EIR") necessitating as much as a two year delay and substantial consultancy, legal and land carrying costs. To avoid this problem, four separate projects were set out. The down side of the creation of four separate projects was a relatively inefficient parking structure, however, when weighing this against the problems caused by an EIR, the four-parcel approach was chosen.

The first two parcels received administrative review approval, at which time the City down zoned the property to prevent moving forward with the last two parcels. A local non-profit group, with Bisno and the support of others, challenged the City’s legal basis for the down-zoning and, in a rare reversal, no doubt reacting to the strength of the legal challenges, the City modified its earlier announced down-zoning and allowed the parcelized entitlement.

The property was sold in June 2003 to a developer / contractor at a record price. Each of the parcels has between 52 and 57 apartment units and 3,000 - 7,000 sf of retail.

The property was financed at various times by Argent and Broadway Bank.