Memorandum

DATE November 21, 2008

TO Members of the Economic Development Committee: Ron Natinsky (Chair), Tennell Atkins (Vice-Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane, Mitchell Rasansky, Linda Koop, Steve Salazar

SUBJECT Arts District Garage Settlement Agreement

Background
In 1986, the City entered into a 200-year lease agreement (effective in 1988) with the site’s owner, Metropolitan/Harbord Joint Venture, related to the development of the Arts District Garage. As part of the transaction, the City financed construction of a 1,787 space underground garage on its leasehold to support parking needs in the Arts District. Metropolitan financed and retained fee ownership of 145 of the 1,787 spaces and sublet an additional 442 spaces from the City for 20-years (with nine 20-year options). The initial 20-year sublease term expires December 31, 2008.

Metropolitan’s original development plan contemplated construction of two 50-story office towers and a second underground garage. The office towers and second garage were not constructed due to poor market conditions associated with the real estate crash of the mid-to-late 1980’s.

In 1995, affiliates of Hall Financial Group purchased fee simple title to the surface land, air rights and the interest that Metropolitan had in the garage. Hall is in default under the sublease and currently owes the City back rent in excess of $600,000. The City filed suit on April 11, 2007. The proposed City Council actions described below are the result of months of negotiations to settle the dispute, which includes the payment by Hall of the full back rent owed to the City. Further, Hall intends to construct one or more mixed-use buildings at 2301 Ross Avenue, site of the Dallas Arts District Garage. At a minimum, the project entails the development of a 460,000 square foot facility (430,000 s.f. of office and 30,000 s.f. of ground floor retail space). Hall Lone Star Associates, L.P. plans to make an investment of at least $120,000,000, including hard costs and construction related soft costs. The size and location of this site coupled with the planned investment makes this project critical in reaching the Downtown Connection TIF District goals.
**Upcoming Agenda Items**
On December 10, 2008, City Council will be asked to authorize the following actions as part of the proposed settlement agreement:

(1) an amendment to the sublease agreement dated January 23, 1986 with Metropolitan/Harbord Joint Venture, and its successor, Hall Lone Star Associates, L.P., a Texas limited partnership, for the Arts District Garage located at 2301 Ross Avenue to provide for a change in the operation of the Dallas Arts District Garage commencing on January 1, 2009;

(2) an amendment to the Garage Lease Agreement dated January 23, 1986 to provide certain conforming changes;

(3) a development agreement with Hall Lone Star Associates, L.P., for the redevelopment of 2301 Ross Avenue, located in Tax Increment Financing Reinvestment Zone Eleven (Downtown Connection TIF District);

(4) the Downtown Connection TIF District Board of Directors intent to dedicate future tax increment revenue of the Downtown Connection TIF District in an amount not to exceed $7,000,000 plus interest up to $2,000,000 for a total incentive amount, including interest, not to exceed $9,000,000; and,

(5) a resolution declaring the intent of Tax Increment Financing District Reinvestment Zone Number Eleven (Downtown Connection TIF District) to reimburse Hall Lone Star Associates, L.P., for eligible expenditures pursuant to the development agreement with Hall Lone Star Associates, L.P.

Pursuant to the amended and restated sublease, Hall or its designee will manage the garage for 80-years beginning January 1, 2009 and make annual rent payments as follows: $250,000 annually for years 2009-2012; $300,000 annually for years 2013-2016; $500,000 annually for years 2017-2028; $750,000 annually for years 2029-2038; $1M annually for years 2039-2048; $1.5M annually for years 2049-2058; $2M annually for years 2059-2088. Total rental payments over the term are $100.7 million with a Net Present Value of $9.9M (6% discount rate).

Other primary terms for the settlement include:

- Hall must apply for a building permit on or before December 31, 2012 for the initial building of the development and substantially complete the new facility by December 31, 2015.
The City has the option to terminate the sublease should either date described above not be met.

Hall must apply for a building permit on or before December 31, 2014 for the second building of the development. If Hall does not apply for the building permit by such time, on January 1, 2015, base rent under the amended and restated sublease shall increase by $100,000 annually, until such time that Hall commences construction of the second facility.

Hall will manage or contract for management and be responsible for all operating, insurance and maintenance costs.

Hall is permitted the right to purchase the City’s interest in the Garage for the greater of fair market value as determined by appraisal or $11.3 million (plus an annual escalator, see Exhibit A).

Hall cannot purchase the Garage prior to December 31, 2012 unless it has obtained a building permit for its initial building.

The sublease is not assignable by Hall to a non-affiliate prior to a certificate of occupancy for the tower.

A lender/mortgagee can assume sublease in case of default subject to the terms and conditions minus the obligation to build.

Any assignment is subject to City approval which will not be unreasonably withheld.

Hall agrees to make any outstanding American Disability Act repairs plus any needed engineering items for health and structural safety by December 31, 2009.

In association with construction of the proposed building, Hall will make additional improvements and alterations to the Garage including relocation of elevators, adding streetscape improvements and valet areas, and a one time reconfiguration of public parking spaces and ramps to allow for appropriate condo and retail parking.

Hall agrees to honor existing City agreements regarding the use of parking.

Hall may request, subject to normal city requirements and procedures, a license to construct a tunnel on/through City right-of-way associated with Ross Avenue.

As a result of the terms of the amended sublease, the City and Hall propose to amend the garage lease to make certain conforming changes regarding the parties’ insurance and maintenance responsibilities.

Should either the Amended and Restated Parking Sublease Agreement, the Garage Lease amendments or the TIF funding fail to be approved by City Council, Hall has informed City staff that it will not exercise its option pursuant to the existing sublease and the City will continue to operate the garage.
November 21, 2008
Arts District Garage Settlement Agreement
Page 4

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

This item was briefed to the Economic Development Committee on June 16, 2008.

FISCAL INFORMATION

Revenue: up to $100,700,000
TIF Financing: $9,000,000 ($7,000,000 plus interest up to $2,000,000)

DEVELOPER

Hall Lone Star Associates, L.P.

Craig Hall
Chairman
Hall Financial Group

Larry E. Levey
Executive Vice President
Hall Financial Group

MAP

Attached.

RECOMMENDATION

Staff recommends approval of the subject items.

[Signature]

A.C. Gonzalez
Assistant City Manager

Dallas-Together, we do it better
November 21, 2008
Arts District Garage Settlement Agreement
Page 5

Cc: The Honorable Mayor and Members of the City Council
    Mary K. Suhm, City Manager
    Deborah Watkins, City Secretary
    Tom Perkins, 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 and Management Services
    Karl Zavitkovsky Director, Office of Economic Development
    Vernae E. Martin, Assistant Director, Office of Economic Development
    Helena Stevens-Thompson, Assistant to the City Manager
## EXHIBIT A - Potential Sale Price

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<td>(300,000)</td>
<td>(300,000)</td>
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<td>16,413,248</td>
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<td>16,898,043</td>
<td>17,411,925</td>
<td>17,955,641</td>
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</table>
Memorandum

DATE

November 21, 2008

CITY OF DALLAS

TO

Members of the Economic Development Committee: Ron Natinsky (Chair), Tennell Atkins (Vice-Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane, Mitchell Rasansky, Linda Koop, Steve Salazar

SUBJECT

Davis Garden Tax Increment Financing District Boundary / Final Plan Amendment – December 10, 2008 Council Agenda

BACKGROUND

Joe Whitney, Chair of the Davis Garden TIF Board, requested that the Board consider several small amendments to the TIF District’s boundary. The Davis Garden TIF Board met on October 13, 2008 to discuss the City’s recommended boundary changes and corresponding changes to the Final Plan. The recommended boundary changes include 10 sites with a total land area of 105.28 acres. A summary of the recommended changes are attached. The recommended changes include parcels that consist of vacant or underutilized land zoned for commercial, industrial, and residential uses or functionally obsolete existing structures.

On November 10, 2008, City Council authorized a public hearing on December 10th to receive comments on the proposed Davis Garden TIF District boundary amendment. Any boundary or budget amendment to an existing TIF District requires a public hearing prior to City Council consideration. At the close of the hearing an amendment to the TIF District boundary and corresponding amendments to the District’s Final Plan will be considered. The amendments that correspond to the Final Plan do not include changes to the District’s budget.

The Davis Garden TIF District was established by Ordinance No. 26799 on June 13, 2007 to provide a model for redeveloping urban corridors, and transitioning deteriorated multi-family properties into a more sustainable mix of ownership and rental housing. Anticipated projects within the District will connect to stable neighborhoods in North Oak Cliff, redevelop aging retail centers, and enhance connectivity to area trails and parks.
November 21, 2008
Davis Garden Tax Increment Financing District Final Plan Amendment
Page 2

FISCAL INFORMATION

No cost consideration to the City

STAFF

Vernae Martin, Assistant Director
Telemachus Evans, Economic Development Analyst

RECOMMENDATION

Staff recommends approval of the subject item. Please contact me if you have any questions.

MAP

Attached

ATTACHMENT

Exhibit B, Summary of Changes

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 Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
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Jill A. Jordan, P.E., Assistant City Manager
Dave Cook, Chief Financial Officer
Jeanne Chipperfield, Director, Budget and Management Services
Karl Zavitkovsky Director, Office of Economic Development
Vernae E. Martin, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

Dallas-Together, we do it better
The following is a summary of the sites comprising the Davis Garden TIF Board’s recommended changes to the geographic area of the Davis Garden TIF District.

**Site 1**

Site 1 consists of two vacant residential lots with a total land area of 4.42 acres.

**Site 2**

Site 2 consists of three single-family homes and several vacant residential and commercial lots. The site’s total land area is 4.06 acres.
Site 3

Site 3 consists of six vacant and boarded up single-family homes and a home in fair condition that is located between the obsolete buildings. The site’s total land area is 1.30 acres.
Site 4

Site 4 consists of the St. Cecilia Church and School. The site, which has a total land area of 8.51 acres, is recommended for inclusion in the District based on future economic potential and infrastructure improvements on Davis Street.

Site 5

Site 5 consists of the Oakwood Apartments and Renaissance Nursing Home. The apartment complex has the potential to be converted to satisfy the District's affordable housing provision. The site's total land area is 7.27 acres.
Site 6

Site 6 includes several apartment complexes and used car lots, an auto repair shop, and a motel. The apartment complexes have the potential to be converted to satisfy the District's affordable housing provision. The used car lots, auto repair shop, and motel have high potential for improvement value if they are redeveloped. The site's total land area is 18.84.
Site 7

Site 7 consists of an apartment complex and several vacant commercial and residential lots. The apartment complex has the potential to be converted to satisfy the District's affordable housing provision. The site's total land area is 12.28 acres.

Site 8

Site 8 consists of an assortment of retail businesses, a church, a dilapidated home, and several vacant lots. The site's total land area is 9.67 acres.
Site 8 (continued)

Site 9

Site 9 consists of an obsolete medical facility and several vacant commercial lots. The site's total land area is 6.87 acres.
Site 10

Site 10 consists of two vacant industrial lots that have the potential to be utilized to expand Pinnacle Park. The site should include the old railroad spur that separates the parcels and extend the site’s northern boundary to the northern right-of-way line of Interstate 30. The site’s total land area is 32.05 acres.
November 21, 2008

MEMBERS OF THE ECONOMIC DEVELOPMENT COMMITTEE: Ron Natinsky (Chair), Tennell Atkins (Vice Chair), Jerry R. Allen, Dwaine Caraway, Sheffee Kadane, Linda Koop, Mitchell Rasansky and Steve Salazar

SUBJECT: Maple/Mockingbird TIF District Briefing; Council District 2

A briefing on the proposed Maple/Mockingbird Tax Increment Financing (TIF) District was presented to the Economic Development Committee on November 17, 2008. From those discussions, the Committee requested follow up information on the following: (1) boundary map of district highlighting proposed developments within the district; (2) information on whether or not property has been acquired for any of the proposed developments within the District; and (3) information on TIF increment generation and allocation.

A boundary Map of the TIF District depicting the location of proposed redevelopment is attached.

The anticipated developments within the proposed Maple/Mockingbird TIF District are listed below. The developer of the West Love Market, TIF District catalyst project, has indicated Projects #1 through 7 have all closed on their property.

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<th>Project #</th>
<th>Project</th>
<th>Total Value Added by Project</th>
<th>Complete by Jan 1</th>
<th>Estimated Increment Collected per Project</th>
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<td>Balcones West Love Market</td>
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<td>Stream Realty</td>
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<td>6</td>
<td>JLB</td>
<td>$27,512,896</td>
<td>2013</td>
<td>$3,861,570</td>
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<td>7</td>
<td>Hudnall at Denton Cutoff</td>
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<td>8</td>
<td>2516 Orleans</td>
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<td>$40,832,947</td>
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Lastly, a spreadsheet detailing TIF increment generation and allocation is below.

![Spreadsheet Table](image)

**Notes**

1. Represents the base property value for the TIF District
2. The amount in total dollars of property value growth above the base year property value of the district
3. Additional tax due to property value growth above base year tax value ($1,086,068)
Please contact me if you have any questions.

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 Perkins, City Attorney  
Craig Kinton, City Auditor  
Judge Victor C. Lander, Judiciary  
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Forest Turner, Interim Assistant City Manager  
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Jill A. Jordan, P.E., Assistant City Manager  
Dave Cook, Chief Financial Officer  
Jeanne Chipperfield, Director, Budget & Management Services  
Karl Zavitkovsky Director, Office of Economic Development  
Hammond Perot, Assistant Director, Office of Economic Development  
Vernae Martin, Assistant Director, Office of Economic Development  
Helena Stevens-Thompson, Assistant to the City Manager

"Dallas, Together, we do it better."
DATE  December 1, 2008

TO  Members of the Economic Development Committee:  Ron Natinsky, (Chair), Tennell Atkins (Vice-Chair), Dwaine R. Caraway, Steve Salazar, Sheffie Kadane, Jerry R. Allen, Linda Koop, Mitchell Rasansky

SUBJECT  FYI - Good Faith Effort Performance Report

Attached for your information is the Good Faith Effort Performance report for October 1, 2007 through September 30, 2008. During FY 2007-08 we were $19,485,105 or 17.6% above the Minority/Women Business Enterprise (M/WBE) participation goal.

If you have any questions please call me at 214 670-7804.

David Cook
Chief Financial Officer

Attachment

C:  Honorable Mayor and Members of the City Council
    Mary K. Suhm, City Manager
    Deborah A. Watkins, City Secretary
    Thomas P. Perkins, City Attorney
    Craig Kinton, City Auditor
    Ryan S. Evans, First Assistant City Manager
    Forest Turner, Interim Assistant City Manager
    A. C. Gonzalez, Assistant City Manager
    Jill A. Jordan, PE, Assistant City Manager
    Ramon F. Miguez, PE, Assistant City Manager
    Jeanne Chipperfield, Director, Office of Financial Services
    Ade Williams, Director of Business Development and Procurement Services
    Helena Stevens-Thompson, Assistant to the City Manager

"Dallas, the City that Works: Diverse, Vibrant and Progressive"
## Business Development and Procurement Services
### Good Faith Effort Performance Report
#### (October 2007 - September 2008)

### COUNTY

#### GOALS

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Memorandum

DATE December 1, 2008

TO Members of the Economic Development Committee:
Ron Natinsky (Chair), Tennell Atkins (Vice-Chair), Dwaine Caraway, Jerry R. Allen,
Sheffie Kadane, Mitchell Rasansky, Linda Koop, Steve Salazar

SUBJECT KP Million , LP – City Council Agenda – December 10, 2008

MAIN TOPIC

On December 10, 2010 City Council will consider authorizing an amendment to the real property tax abatement and economic development grant agreement with KP Million, LP to: 1) extend the substantial completion date from December 31, 2008 to December 31, 2010 and 2) revise the start of the real property tax abatement from January 1, 2009 to January 1, 2011 with KP Million, LP for the construction of Shinchon Grand Shopping Plaza.

BACKGROUND

Pursuant to Resolution No. 07-1514 approved on May 23, 2007, the City entered into a 75 percent real property tax abatement agreement for 10 years and a $150,000 economic development grant with KP Million, LP for the development of the Shinchon Grand Shopping Plaza at Walnut Hill Lane and Goodnight Lane. Due to delays associated with obtaining State permits for building on a landfill site and the difficulties that exist in the current financial markets the construction of the project has been delayed. KP Million, LP requests that 1) the substantial completion date of December 31, 2008 for the real property tax abatement and economic development grant be extended to December 31, 2010 and that 2) the start of the real property tax abatement be revised from January 1, 2009 to January 1, 2011.

The Shinchon Grand Plaza is a 101,000 square foot retail development on 15 acres south of Walnut Hill Lane and west of Interstate 35. The Shinchon Grand Plaza project will include the development of an Asian grocery store, other complementary retail establishments, including a health club and a restaurant. The grocery store will retain/create 40 jobs and it is anticipated that once completed, total employment will reach approximately 100 employees within the various businesses at this site. The site for this project is a former landfill which requires the developer to conform to State of Texas regulations for building new facilities on landfills. This adds to the normal expenses of a retail project. KP Million, LP will be investing $10,700,000 of building improvements and approximately $5,200,000 of land improvements for an estimated total investment of $15,900,000 for the project.
Project Details

Project Site: south of Walnut Hill Lane and west of Interstate 35

Acreage: 15.193

New Facility: 101,000 square feet

Jobs: Minimum 40

Real Property Investment:
- $10.7 million building improvements
- $5.2 million land improvements

Estimated Schedule of the Project

Begin Construction: February 2009
Complete Construction: December 2010

Approved City Incentives

Real Property Tax Abatement, on added value: 75% - 10 years

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<th>Real property</th>
<th>Annual Investment</th>
<th>Annual Tax Abatement</th>
<th>Annual Foregone Revenue</th>
<th>Annual City of Dallas Tax Revenue</th>
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<td>$15.9M</td>
<td>75% - 10yrs</td>
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10-year totals $869,571 $289,857

Economic Development Grant $150,000

Map

Attached

OWNER

KP Million, LP.
Mr. Ki P. Na, President
Mrs. Chong Na, Vice President

DEVELOPER

KP Million, LP.
Mr. Ki P. Na, President
Mrs. Chong Na, Vice President
KP Million, LP
December 1, 2008
Page 3 of 3

Should you have any questions, please contact me at (214) 670-3314.

A.C. Gonzalez
Assistant City Manager

C: Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, 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
Karl Zavitzovsky Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

Dallas-Together, we do it better