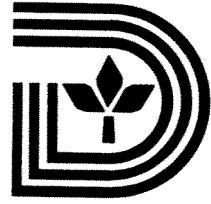


# Memorandum



CITY OF DALLAS


DATE June 4, 2010

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

SUBJECT Hydrogen on Tilden project – Oak Cliff Gateway TIF District

Attached is the briefing material on the Hydrogen on Tilden project – Oak Cliff Gateway TIF District to be presented to the Economic Development Committee on Monday, June 7, 2010.

Please contact me if you need additional information.



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  
Thomas Perkins, Jr., City Attorney  
Craig Kinton, City Auditor  
Judge C. Victor Lander, Administrative Judge Municipal Court  
Ryan S. Evans, First Assistant City Manager  
Forest Turner, Assistant City Manager  
Jill A. Jordan, P.E., Assistant City Manager  
Jeanne Chipperfield, Chief Financial Officer  
Karl Zavitkovsky, Director of Office of Economic Development  
Hammond Perot, Assistant Director, Office of Economic Development  
Helena Stevens-Thompson, Assistant to the City Manager

# ***Oak Cliff Gateway TIF District Hydrogen on Tilden Project***

Economic Development Committee

June 7, 2010



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

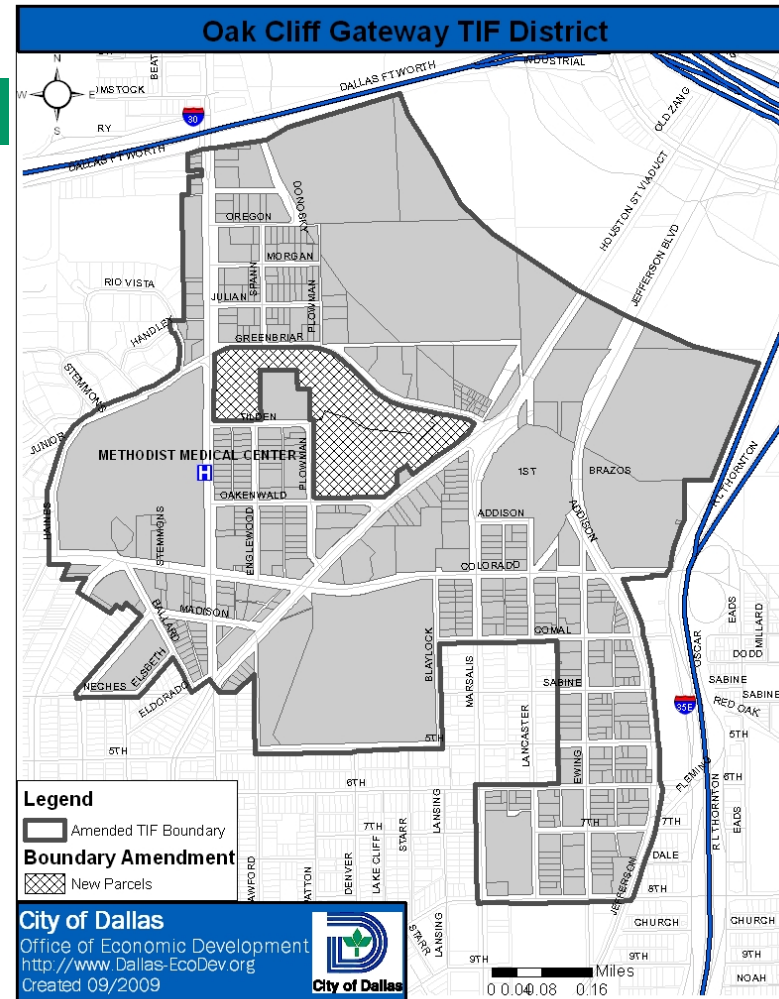


# Purpose

- ◆ Review the Hydrogen on Tilden project proposal for TIF funding in the Oak Cliff Gateway TIF District.
- ◆ Obtain Economic Development Committee approval for consideration of the project by City Council on June 23, 2010

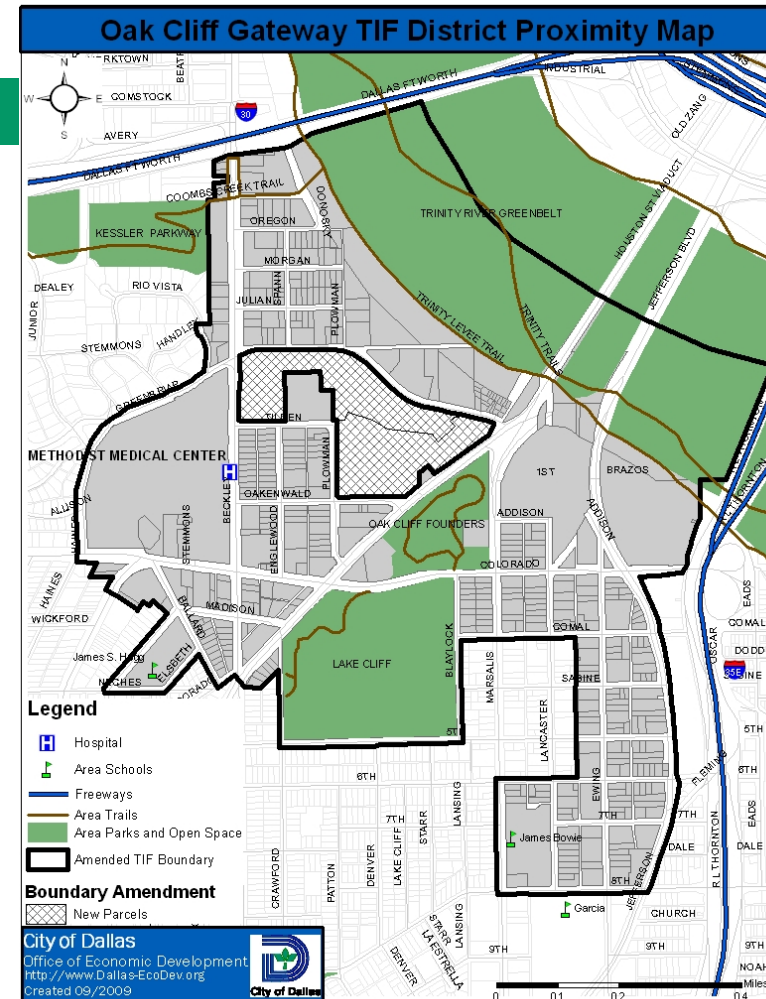
# Oak Cliff Gateway TIF District: *Background*

- The Oak Cliff Gateway TIF District was originally created in 1992
- In 2009, the district's term was extended for 10 additional years to take advantage of impending redevelopment within the District
- The District will expire December 31, 2022, or when approximately \$33 million in TIF increment has been collected
- The District is located adjacent to the Trinity River and southwest of Downtown Dallas



# Oak Cliff Gateway TIF District: Background (continued)

- ◆ This area is adjacent to the Trinity River, in close proximity to Interstates 30 and 35 and the future expansion of Methodist Medical Center
- ◆ Additional assets in and near the District include Lake Cliff Park, Founders Park, the Trinity River and Bishop Arts District



# Oak Cliff Gateway TIF District: *Current Status*

- ◆ **Changing market conditions within the District**
  - Recent development activity within the District indicates redevelopment interest exists in the area
    - **Methodist Medical Center** expansion completed in 2007 was a \$40M investment in the District
    - **Methodist Medical Center** has plans for \$30 to \$50 million expansion across from their facility on Beckley Avenue
    - **Grand Bank**, a \$2M investment, completed in 2008
    - **Wachovia Bank**, a \$1.1M, investment, completed in 2008
    - **Bishop Colorado Retail Plaza**, a \$5.12M investment, completed in 2009
    - **Trinity Town Homes Phase II**, a \$20M investment, completed in 2009
    - **Zang Triangle**, a \$32M investment, anticipated completion in 2011



# Oak Cliff Gateway TIF District: TIF Budget

<b>Oak Cliff Gateway TIF District</b>			
<b>Projected Increment Revenues to Retire TIF Fund Obligations</b>			
<b>Category</b>	<b>TIF Budget*</b>	<b>Allocated</b>	<b>Balance</b>
<b>Public Infrastructure Improvements – Streets, Streetscape, Water, Wastewater, Utility Burial</b>	\$11,021,756	\$4,123,443	\$6,898,313
<b>Façade Improvements</b>	\$3,655,115	\$1,630,000	\$2,025,115
<b>Environmental Remediation and Demolition</b>	\$6,645,663	\$2,476,084	\$4,169,579
<b>Pedestrian Linkages/Lighting</b>	\$1,661,416	\$1,453,000	\$208,416
<b>Educational/Training Facilities</b>	\$664,566	\$0	\$664,566
<b>Economic Development Grants</b>	\$8,307,079	\$4,100,000	\$4,207,079
<b>Administration</b>	\$1,495,274	\$511,411	\$983,863
<b>Total Project Costs</b>	<b>\$33,450,869</b>	<b>\$14,293,938</b>	<b>\$19,156,931</b>

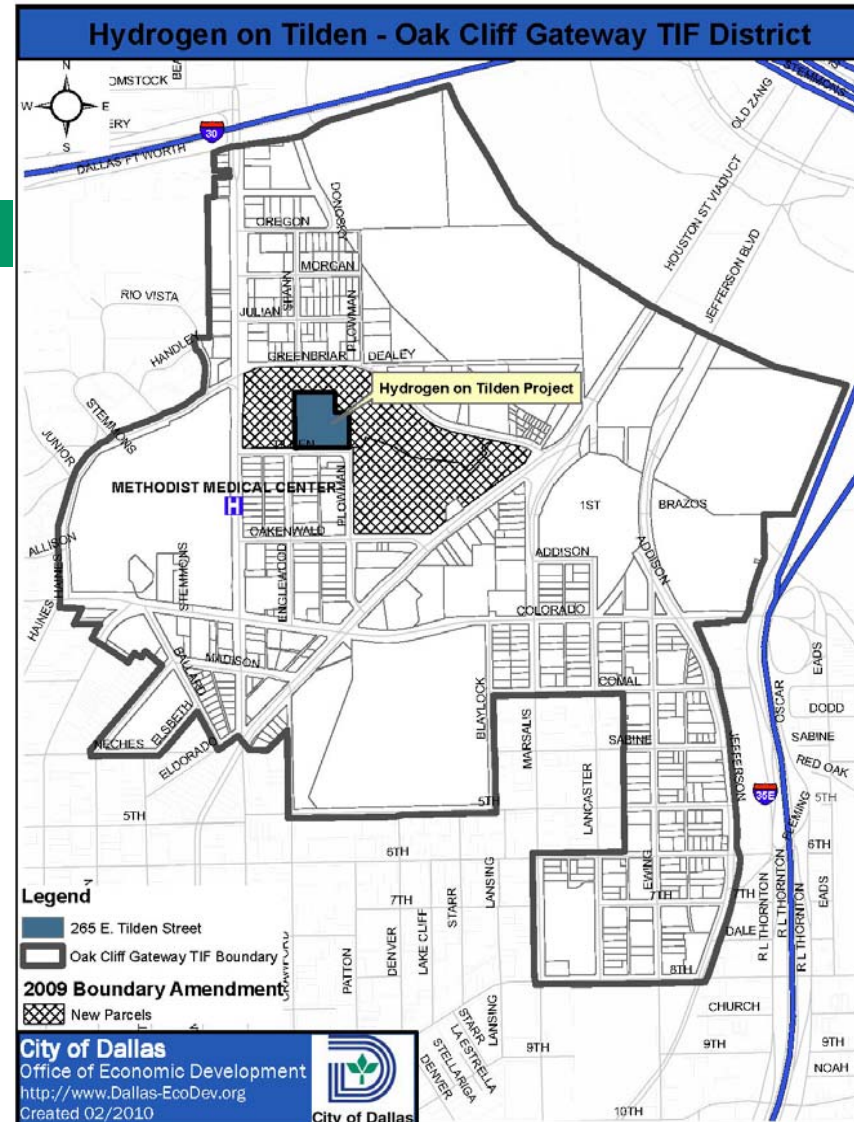
\* Budget shown in Total Dollars and based on 2009 District Extension and Amendments

\*\* All values are estimated expenditures based on Annual TIF Project Costs. These values depend on the timing of projects and will fluctuate.

# Hydrogen on Tilden Project

## ◆ Project Location

- The project is located at the terminus of Plowman Avenue and Tilden Street – 265 E. Tilden Street
- The site is 3.6 acres in size
- The site is one block east of Methodist Medical Hospital and less than a five minute drive from downtown Dallas



# Hydrogen on Tilden Project (continued)

## ◆ Project Description

- A 5-story, residential building with 180 residential units (approximately 145,367 square feet of residential space)
- A minimum of 36 units (20% of total project units) will meet affordable housing requirements
- Estimated private investment for the project is approximately \$20,000,000
- Recommended TIF subsidy for the project is \$3,000,000
- On-site amenities for the project include a pool, observation deck with roof top access, club house with fitness center and recreation/entertainment area and central mail room
- The project costs are approximately \$20.3M (See Appendix 1)
- TIF reimbursement funding is required as a repayment source for gap financing

# Hydrogen on Tilden Project *Rendering*



# Hydrogen on Tilden Project *Observation Deck Rendering*





# Hydrogen on Tilden Project

## *Proposed TIF Funding*

- ◆ The Hydrogen on Tilden project would not be developed, but for TIF funding
- ◆ TIF funds for the project would be used to offset the cost of the following improvements:
  - Site assessment
  - Streetscape/utilities design and construction
  - Project financing gap

Description	Amount
Environmental Remediation and Demolition	\$62,500
Public Infrastructure Improvements – Streetscape/Utilities (Design and Construction)	\$207,000
Economic Development TIF Grant	\$2,730,500
<b>Total TIF Funding Request</b>	<b>\$3,000,000</b>

# Hydrogen on Tilden Project

## *Funding Sources & Uses*

- ◆ Funding Sources and Uses

Funding Source	Amount	Use
First Mortgage Bank Loan	\$12,772,695	Construction
Gap Loan	\$3,500,000	Construction
Private Equity	\$3,999,188	Land Acquisition
<b>Total</b>	<b>\$20,271,883</b>	

# Hydrogen on Tilden Project Summary

Proposed Hydrogen on Tilden Project	
<b>Project Square Footage</b>	145,367 square feet – 180 units 28,488 square feet – common area
<b>Private Investment</b> <i>(land acquisition, hard and soft costs)</i>	\$16,771,883
<b>Total Project Costs</b> <i>(actual investment, land acquisition, soft costs, debt expenses, etc)</i>	\$20,271,883
<b>TIF Funding</b>	\$3,000,000
<b>% TIF Funds to Total Project Costs</b>	14.79%
<b>Return on Cost with TIF Reimbursement</b>	8.6% <i>(See Appendix 4 for calculation)</i>
<b>Return on Cost without TIF Reimbursement</b>	7.3% <i>(See Appendix 4 for calculation)</i>
<b>Developer Fee</b>	3%
<b>Anticipated Construction Start Date</b>	December 31, 2010
<b>Anticipated Project Completion Date</b>	December 31, 2011



# Recommendations

- ◆ The following action is recommended:
  - Approval of a Development Agreement with Hydrogen on Tilden, LLC, for TIF reimbursement for the Hydrogen on Tilden project

# ◆ Appendices

# Appendix 1: Hydrogen on Tilden Project Budget

Hydrogen on Tilden Project Budget	
<b>Private Costs</b>	
<b>Land/Building:</b>	<b>Amount</b>
Land Cost (Acquisition)	\$4,400,000
Other Cost (specify)	
Less Pad/Land Sales	
<b>Total Land Acquisition</b>	<b>\$4,400,000</b>
<b>Hard Costs:</b>	
Site work	\$717,000
Building construction costs	\$12,288,560
Garage construction costs	
Hard cost contingency	\$286,534
Other hard costs (specify) Engineering, Erosion Control, Retaining Walls	\$200,000
<b>Total Hard (total construction)</b>	<b>\$ 13,492,094</b>
<b>Soft Costs:</b>	
Marketing expenses, advertising, etc.	\$ 125,000
Architects/Engineers/Consultants Total	\$ 572,000
Appraisal, market study, & feasibility	\$ 37,000
Legal & Accounting	\$ 117,240
Loan expenses	\$ 374,107
Title & Closing Costs	\$ 48,582
Consulting/Developer Fee & Reimbursable expenses	\$ 592,445
Property Taxes	\$ 73,915
Security	\$ 100,000
Surveys	\$ 20,000
Soft cost contingency	\$
<b>Total Soft Costs</b>	<b>\$ 2,060,289</b>
<b>Public Costs</b>	
<b>Environmental/Demo</b>	
Environmental Site Assessment	\$ 55,000
Engineering	\$ 7,500
Other environmental/demo (specify)	\$
<b>Total Environmental/Demo</b>	<b>\$ 62,500</b>
<b>Streetscape/utilities:</b>	
Sidewalks	\$ 50,000
Landscaping	\$ 30,000
Utilities	\$ 75,000
Lighting	\$ 40,000
Architectural/Engineering:	\$ 12,000
Other:	\$
<b>Total Streetscape</b>	<b>\$ 207,000</b>
<b>Other:</b>	
Façade at Entrance	\$ 50,000
Park/plaza construction	\$
Other (describe)	
<b>Total Other</b>	<b>\$ 50,000</b>
<b>Total Development Costs (private plus public)</b>	<b>\$ 20,271,883</b>

# Appendix 2: TIF Increment Chart

Projected TIF Increment Schedule											
Tax Year	Net Taxable Assessed Value City	Cumulative Prop Val Growth	Captured Appraised Value City	Tax Increment Revenue Total Dollars	Accumulated Net Present Value	Tax Increment Revenue City	Tax Increment Revenue DISD	Tax Increment Revenue Dallas County	Tax Increment Revenue DCHD	Tax Increment Revenue DCCCD	
Base Year	1992	\$38,570,128									
1	1993	\$38,245,158	-0.84%	(\$324,970)	\$0	\$0	\$0	\$0	\$0	\$0	
2	1994	\$38,699,692	0.34%	\$129,564	\$0	\$0	\$0	\$0	\$0	\$0	
3	1995	\$38,323,980	-0.64%	(\$246,148)	\$0	\$0	\$0	\$0	\$0	\$0	
4	1996	\$39,118,366	1.42%	\$548,238	\$0	\$0	\$0	\$0	\$0	\$0	
5	1997	\$41,514,962	7.64%	\$2,944,834	\$59,146	\$44,722	\$19,189	\$27,095	\$5,919	\$5,471	\$1,472
6	1998	\$43,746,236	13.42%	\$5,176,108	\$103,331	\$118,606	\$33,598	\$47,625	\$10,207	\$9,312	\$2,588
7	1999	\$45,659,848	18.38%	\$7,089,720	\$142,199	\$214,752	\$47,324	\$63,573	\$13,868	\$13,868	\$3,566
8	2000	\$51,431,069	33.34%	\$12,860,941	\$266,401	\$385,083	\$85,847	\$116,281	\$25,188	\$32,641	\$6,444
9	2001	\$54,818,286	42.13%	\$16,248,158	\$339,026	\$590,062	\$108,456	\$147,727	\$31,827	\$41,245	\$9,771
10	2002	\$56,761,977	47.17%	\$18,191,849	\$385,383	\$810,400	\$127,307	\$165,313	\$35,636	\$46,181	\$10,947
11	2003	\$52,797,457	36.89%	\$14,227,329	\$260,649	\$951,319	\$85,116	\$110,378	\$24,785	\$30,875	\$9,496
12	2004	\$55,421,996	43.69%	\$16,851,868	\$324,311	\$1,117,124	\$111,266	\$133,818	\$30,582	\$36,950	\$11,695
13	2005	\$57,308,839	48.58%	\$18,738,711	\$412,881	\$1,316,733	\$138,985	\$170,975	\$40,039	\$47,546	\$15,336
14	2006	\$60,675,614	57.31%	\$22,105,486	\$485,923	\$1,538,881	\$161,193	\$203,393	\$47,284	\$56,148	\$17,905
15	2007	\$76,125,212	97.37%	\$37,555,084	\$772,572	\$1,872,871	\$256,776	\$316,447	\$84,545	\$87,155	\$27,649
16	2008	\$95,665,708	148.03%	\$57,095,580	\$1,302,824	\$2,405,469	\$418,060	\$556,443	\$122,836	\$152,368	\$53,118
17	2009	\$104,589,616	171.17%	\$66,019,488	\$1,495,341	\$2,983,530	\$493,760	\$607,445	\$150,590	\$180,893	\$62,652
18	2010	\$112,021,856	190.44%	\$73,451,728	\$1,663,682	\$3,591,698	\$549,345	\$675,829	\$167,543	\$201,258	\$69,706
19	2011	\$114,822,403	197.70%	\$76,252,275	\$1,727,114	\$4,188,725	\$570,291	\$701,597	\$173,931	\$208,931	\$72,363
20	2012	\$179,192,963	364.59%	\$140,622,835	\$2,479,040	\$4,999,081	\$1,051,718	\$1,293,871	\$0	\$0	\$133,451
1	2013	\$183,672,787	235.06%	\$145,102,659	\$1,137,576	\$5,350,717	\$922,439	\$0	\$215,136	\$0	\$0
2	2014	\$225,405,030	311.19%	\$186,834,902	\$1,464,748	\$5,778,865	\$1,187,737	\$0	\$277,011	\$0	\$0
3	2015	\$281,503,156	413.52%	\$242,933,028	\$1,904,546	\$6,305,298	\$1,544,362	\$0	\$360,185	\$0	\$0
4	2016	\$311,270,652	467.82%	\$272,700,524	\$2,137,918	\$6,864,105	\$1,733,598	\$0	\$404,319	\$0	\$0
5	2017	\$343,797,979	527.16%	\$305,227,851	\$2,392,923	\$7,455,557	\$1,940,379	\$0	\$452,546	\$0	\$0
6	2018	\$370,265,234	575.44%	\$331,695,106	\$2,600,423	\$8,063,348	\$2,108,636	\$0	\$491,788	\$0	\$0
7	2019	\$417,984,974	662.49%	\$379,414,846	\$2,974,537	\$8,720,778	\$2,411,997	\$0	\$562,539	\$0	\$0
8	2020	\$466,897,708	751.72%	\$428,327,580	\$3,358,003	\$9,422,605	\$2,722,943	\$0	\$635,060	\$0	\$0
9	2021	\$499,160,955	810.57%	\$460,590,827	\$3,260,371	\$10,066,977	\$2,643,775	\$0	\$616,596	\$0	\$0
10	2022	\$532,230,783	837.65%	\$493,660,655	\$0	\$0	\$0	\$0	\$0	\$0	\$0
				\$33,450,867	\$10,066,977	\$21,474,098	\$5,337,811	\$4,979,961	\$1,150,842	\$508,162	

## Appendix 3: Hydrogen on Tilden, LLC

- ◆ The members of Hydrogen on Tilden, LLC (HOT, LLC) include Louis Ramirez, Marchand Froschheuser, and Ezequiel Witis
- ◆ While functioning as the development team of HOT, LLC, they also represent RWI Developments, Inc in their roles listed below
  - Louis Ramirez, Senior Partner – over 20 years of experience managing multi-million dollar accounts in the IT industry; seasoned real estate investor; co-founded RWI Developments Inc. in 2007
  - Marchand Froschheuser, Senior Partner – over 12 years of senior level management and consultant experience in large-scale, multi-family, commercial and mixed use development projects
  - Ezequiel Witis, Senior Partner – 19 years of experience in architectural design; co-founded RWI Developments, Inc. in 2007

# Appendix 4: Calculation of Return on Cost

<b>Project Costs</b>	
Hard Cost	\$13,542,094
Soft Cost	\$2,060,289
Acquisition	\$4,400,000
Public Costs	\$269,500
<b>Total Project Cost (Without City \$)</b>	<b>\$20,271,883</b>

<b>Total Project Cost (Without City \$)</b>	<b>\$20,271,883</b>
<b>CITY ASSISTANCE (Current \$)</b>	<b>\$3,000,000</b>
<b>Total Project Cost (With City \$)</b>	<b>\$17,271,883</b>

<b>Return on Cost Analysis NOI/Total Project Costs</b>	
Return on Cost (Without City \$)	<b>7.3%</b>
Return on Cost (with City \$)	<b>8.6%</b>

<b>Income</b>	
1) Rental Income	\$2,195,856
2) Other Income	\$215,460
<i>Includes parking, storage and trash pick-up, etc.</i>	
<b>Gross Income</b>	<b>\$2,242,524</b>
<i>Includes Vacancy at 7%</i>	
- Operating Expenses	\$441,316
- Utilities, insur, taxes	\$320,060
<b>NOI</b>	<b>\$1,481,148</b>
<i>Note: income assumptions uses stabilized operating income</i>	