



City of Dallas

Cabana Design District

**a mixed-income multi-family redevelopment project in
the Design District TIF District**

**Economic Development Committee
September 5, 2023**

Kevin Spath, AICP, EDFP, HDFP
Assistant Director
Office of Economic Development

Overview



- Background
- Proposed Project
- Staff Recommendation
- TIF District Board of Directors Recommendation and Next Steps
- Appendix



Background: Property Location



Cabana Design District (the "Project") is located at 899 N. Stemmons Freeway in the Design District Sub-District of the Design District TIF District (City Council District 6)



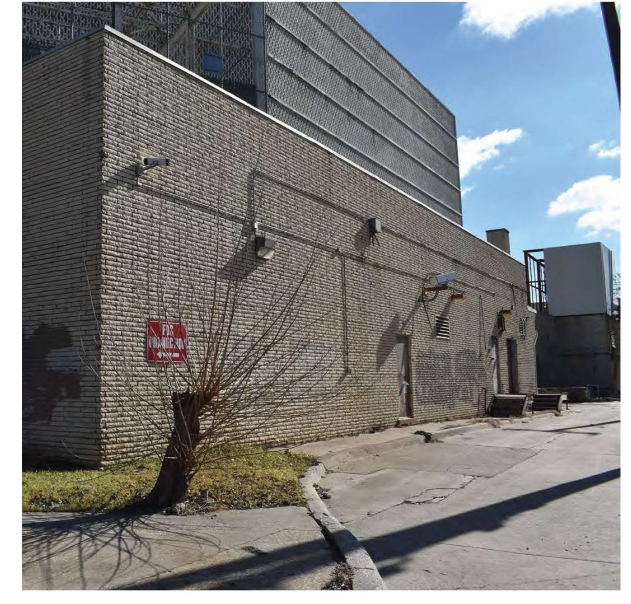
Background: Property History



- 1962: Property was originally developed as the Cabana Motor Court Hotel by Las Vegas hotelier Jay Sarno, and, in its heyday, was visited by celebrities like The Beatles and Led Zeppelin. A young Raquel Welch worked as a cocktail waitress in the “Bon Vivant Room.”
- Property changed ownership a few times before being sold in 1984 to Dallas County for use as a jail facility.
- In November 2017, the property was purchased by Centurion American Development Group with plans to rehabilitate the property back to a hotel (see Slide 35).
- Property is listed on the National Register of Historic Places (SG100003923).



Background: Existing Conditions



Background: Existing Conditions



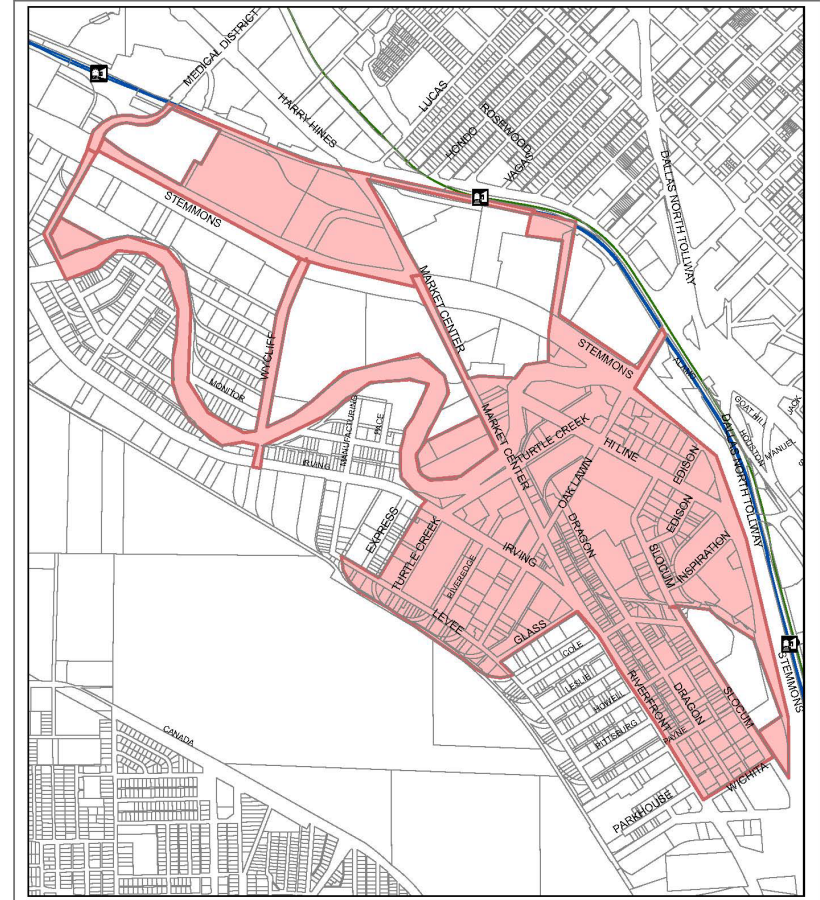
- 3.27 acres of land
- 122,776 square feet of building (11 stories, plus basement)
- 138,484 square feet of building (2 stories)
- 1-level parking structure
- 4-level parking structure
- Property has been **vacant since 2013**
- Property has been vandalized and continues to decay
- Almost all original interior features were demolished or substantially altered prior to 2017 acquisition by Centurion American Development Group
- Area surrounding the Project is challenged (large electrical sub-station; existing uses with limited street activation)
- Current (2023) taxable value of the real property is \$8.1 million (DCAD)





Background: Design District TIF District

- 2005: City Council established the Design District TIF District by Ordinance Number 26021 as a long-term economic development tool. Redevelopment of Cabana Hotel property was anticipated to be a catalyst project for the southern part of the Design District.
- 2013: TIF District Plan (and boundary) was amended.
- Scheduled to terminate on December 31, 2027 (including collection of tax year 2027 increment in calendar year 2028 and any related matters to be concluded in 2028) or when the budget of \$76.9 million (2006 dollars) has been collected.
- City of Dallas and Dallas County are the two participating jurisdictions (City's participation is 90%; County's participation is 55% in the Design District Sub-District and 40% in the Market Center/Stemmons Sub-District).
- To date, taxable value of real property has increased by \$1.05 billion within the TIF District, an increase of 371% from the base value.
- **To date, 3,041 residential units have been completed or are under construction; however, only 63 units (2%) are income-restricted.**



Background: Existing Planning and Zoning



- Design District TIF District Project Plan and Financing Plan (2005)
 - Attract private development including a goal of 4,500 residential units
 - Mixed-income/affordability
 - Connect downtown with Trinity River corridor
 - Improve pedestrian environment with streetscape improvements
 - Provide funding to stimulate conversion of underutilized/vacant properties
- Trinity River Corridor Comprehensive Land Use Plan (2005)
- Stemmons Corridor-Southwestern Medical District Area Plan (2010)
- Downtown 360 Plan (2011; updated 2017)
- Zoning: 2019 zoning amendment (Ordinance 31235) to the Old Trinity and Design District Special Purpose District (PD 621) originally approved by City Council in 2002
 - Subdistrict 1J (“transit-oriented, mixed-use zoning district for the development of a combination of medium to high density residential...”)
 - Demolition Delay Overlay (DDO-2)
 - Downtown Perimeter Special Provision Sign District (SPSD)



Proposed Project: Housing Tax Credits



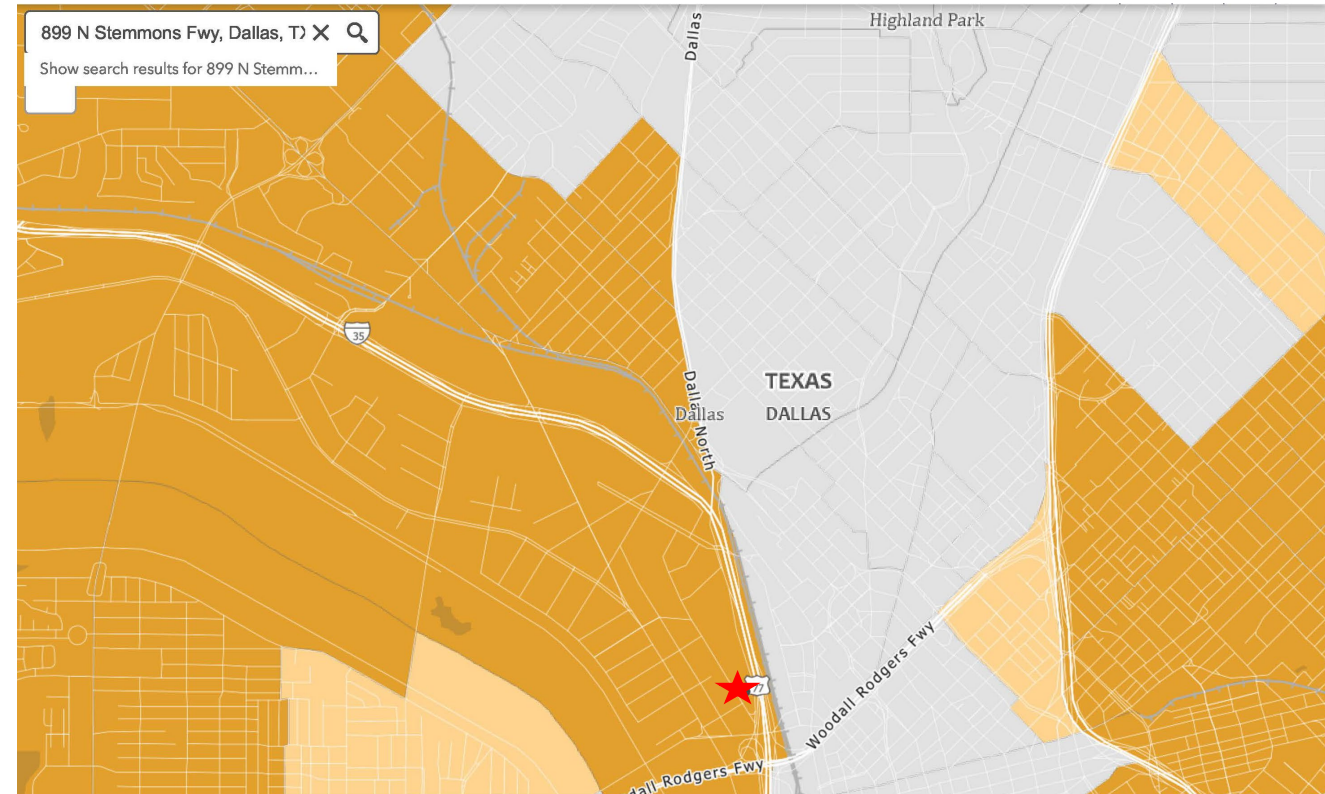
- January 23, 2023: Housing and Homelessness Solutions Committee was briefed regarding the proposed Project and the Developer's request for a Resolution of Support related to its application to the Texas Department of Housing & Community Affairs (TDHCA) for competitive 9% Housing Tax Credits (HTC) in the 2023 application cycle
- February 22, 2023: City Council authorized a Resolution of Support for Developer, related to its application to the Texas Department of Housing & Community Affairs (TDHCA) for competitive 9% Housing Tax Credits (HTC) in the 2023 application cycle for the proposed Project by Resolution No. 23-0279
- July 27, 2023: TDHCA formally awarded 9% HTCs to the proposed Project (the proposed Project was the highest scoring/top ranked application out of 24 total applications in Region 3/Urban)



Proposed Project: High Opportunity Areas



- Project is at the **edge of a High Opportunity Area** (depicted in grey color on the map)
- A High Opportunity Area within the city of Dallas is where the census tract has a poverty rate of 20% or below
- High Opportunity Areas often have attributes that, based on recent research, appear to have a positive effect on the economic mobility of residents



High Opportunity Areas



Proposed Project: Summary



Project Developer: Cabana Sycamore Development, Inc. (“Developer”) a Texas corporation whose officers will be principals of Sycamore Strategies, LLC, a Texas limited liability company

Project Summary: Developer submitted an incentive application to the Office of Economic Development to support the Cabana Design District: a mixed-income multi-family (“Project”) at 899 North Stemmons Freeway

- **Rehabilitation and adaptive reuse** (in compliance with Secretary of Interior’s Standards) **of the 2 vacant historic buildings, partial demolition/retrofitting of the 4-level parking structure, and new ground-up construction of approximately 19,472 square foot addition to deliver 160 multi-family residential units, of which 64 (40%) will be income-restricted for 45 years**
- Approximately 283 total parking spaces (approximately 260 structured parking spaces, 19 on-site surface parking spaces, and 4 on-street parking spaces), an interior courtyard with a pool, and other amenities
- **Total Project cost estimated: \$116.3 million**

	RESID UNITS
30% AMI	27
60% AMI	9
70% AMI	14
80% AMI	14
Low Income Total	64
Market Rate	96
Total Units	160

Bedroom Type	RESID UNITS
Efficiency	8
1 Bedroom	40
2 Bedroom	98
3 Bedroom	14
Total Units	160



Proposed Project: Summary



Project Amenities and Resident Support Services

UNIT AMENITIES:

- Full electric kitchen appliance package,
- Spacious nine-foot ceilings,
- Generous porches or balconies with storage closets
- Decorative lighted ceiling fans in living and bedrooms
- Garden tubs and walk-in showers,
- Full size washer and dryer connections,
- Radiant barrier, oversized walk-in closets and high-speed internet and cable tv access

EXTERIOR AMENITIES:

- Resort style pool
- Pavilion with seating and outdoor fans,
- BBQ grills and picnic areas for gatherings,
- Bocce court,
- Garden planters
- Spacious dog park

RESIDENT SERVICES

- Monthly Transportation to community/social event
- Annual Income Tax Preparation
- Food Pantry
- Annual Health Fair
- Weekly Exercise Class
- Local Law Enforcement Partnership
- Notary Services
- Bi-Monthly Recreational Activities (Arts and Crafts, Book Club etc.)
- Bi-Monthly Social Activities (Potlucks, Holiday Celebrations etc.)
- Weekly Home Chore or Maintenance for Elderly or Disabled Tenants



Proposed Project: Conceptual Site Plan



THE CABANA HOTEL
DALLAS, TX



SYCAMORE
STRATEGIES



SITE PLAN

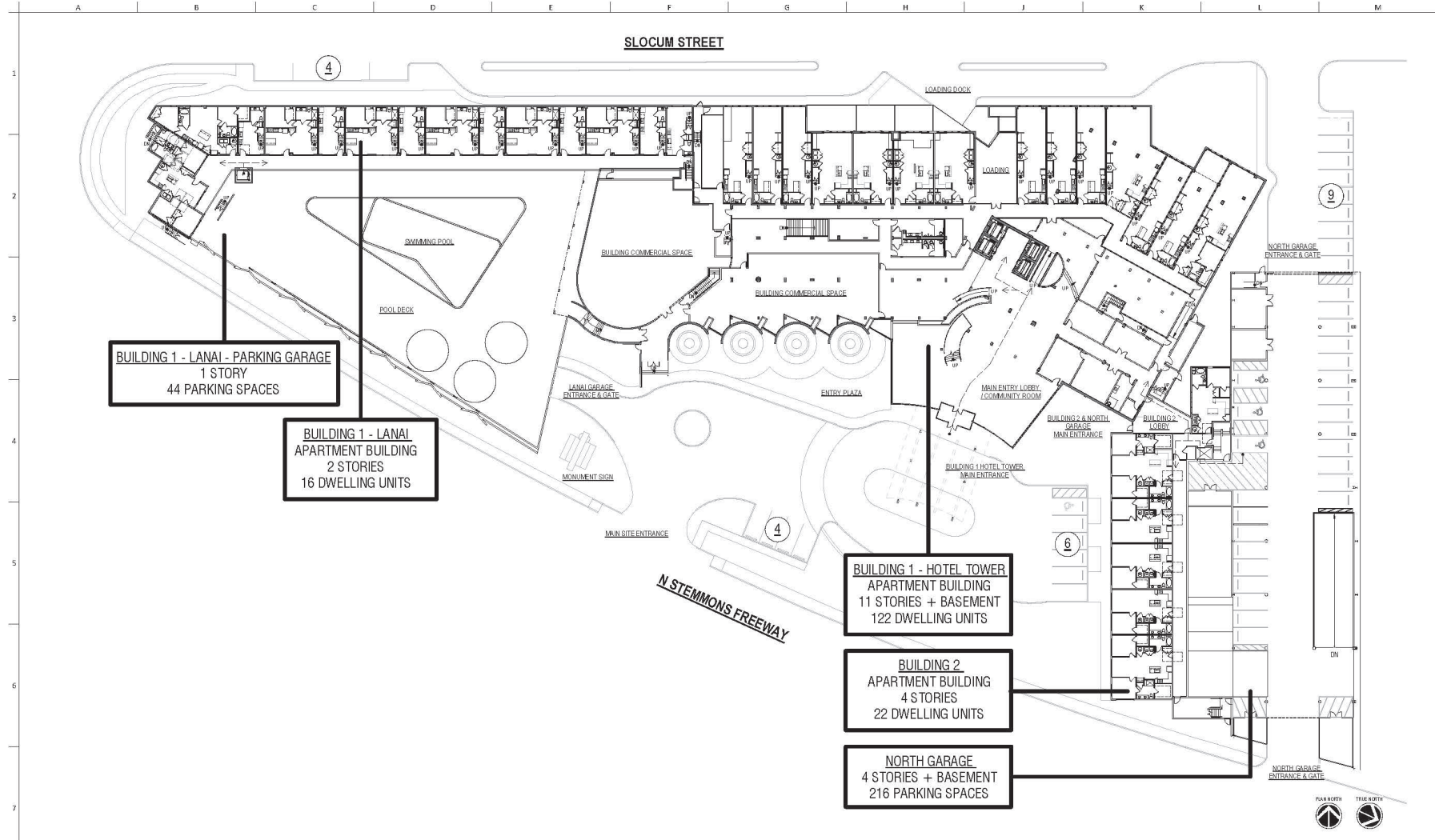
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Date: 02.24.2023

FOR PRESENTATION PURPOSES ONLY



Proposed Project: Detailed Site Plan



Proposed Project: Rendering



THE CABANA HOTEL
DALLAS, TX



SYCAMORE
STRATEGIES



Date: 02.24.2023
FOR PRESENTATION PURPOSES ONLY



Proposed Project: Elevations



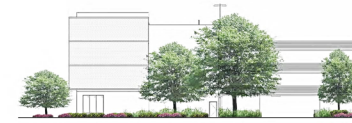
WEST ELEVATION - Building 2



NORTH ELEVATION



SOUTH ELEVATION



EAST ELEVATION - Building 2



THE CABANA HOTEL
DALLAS, TX



SYCAMORE
STRATEGIES



ELEVATIONS
Scale: NTS
Date: 02.24.2023
FOR PRESENTATION PURPOSES ONLY



Proposed Project: Elevations



EAST ELEVATION - N Stemmons Freeway



WEST ELEVATION - Slocum Street



THE CABANA HOTEL
DALLAS, TX



SYCAMORE
STRATEGIES



ELEVATIONS
Scale: NTS
Date: 02.24.2023
FOR PRESENTATION PURPOSES ONLY



Proposed Project: Urban Design Peer Review Panel



- On May 26, 2023, the City's Urban Design Peer Review Panel ("UDPRP") reviewed the Project and provided the following advice:
 - Panel recommends the sidewalk be pushed off the curb to increase pedestrian safety and provide landscape opportunities along Slocum. The Panel also advises improvements to the sidewalk condition on Slocum to encourage access to amenities in the district.
 - Panel advises that on-street parking layout be reviewed for walkability, efficiency, and ease of use along Slocum.
 - Selective members of the Panel recommend exterior amenity space and entry be designed to better serve the needs of the residents by removing parking and vehicle circulation areas where possible and/or replacing pavement with other permeable paving and landscaping improvements. One Panel member did not support this suggestion as it would diminish the historic character of the original Cabana Hotel.
 - Panel advises the proposed residential addition be designed to respect the architectural language of the original Cabana Hotel.
 - Panel suggests the design team reference the SITES USGBC rating system to help guide the design, development, and management of sustainable and resilient landscape and open space components of the site.
 - Panel advises special consideration be given to the location and design of the pedestrian path connecting the existing sidewalk on the I-35 frontage road to the building's main entry.
- Developer has accommodated the Panel's advice and will continue to collaborate with PUD staff to provide updated documents prior to building permit application.



Proposed Project: Budget



Uses	Amount	Percent
Acquisition	\$28,000,000	0.4%
Demolition	\$150,200	0.8%
On-Site Improvements	\$2,784,020	8.3%
Off-Site Infrastructure	\$140,000	0.7%
Building (Hard) Construction Costs	\$54,187,967	60.3%
Contingency	\$2,461,299	3.5%
Professional Fees	\$2,487,500	2.6%
Soft Costs	\$14,471,630	9.8%
Reserves	\$1,651,858	2.3%
Developer Fee	\$10,000,000	11.3%
Total Uses	\$116,334,474	100.0%



Proposed Project: Sources



Permanent Sources	Amount	Percent
Permanent Loan	\$20,970,000	18%
Federal/State Historic Tax Credit Equity	\$31,594,460	27%
3rd Party Equity as 9% LIHTC	\$17,998,200	15%
Deferred Developer Fee	\$4,771,315	4%
City of Dallas	\$41,000,500	35%
Total Uses	\$116,334,475	100%



Staff Recommendation: TIF Subsidy



On August 16, 2023, staff executed a Letter of Intent for a development agreement with Developer which includes a recommended TIF Subsidy in a total amount **not to exceed \$41,000,000 as gap financing** to support the Project. The TIF Subsidy shall be payable in installments as detailed in Slide 22 and subject to Developer's satisfaction of all terms and conditions in the development agreement.

The budget shown below outlines the anticipated TIF Subsidy in accordance with the established budget in the Design District TIF District Project Plan and Reinvestment Zone Financing Plan.

Category	Amount
Environmental Remediation and Demolition	\$150,200
Public Infrastructure Improvements	\$2,505,734
Economic Development Grant	\$38,344,066
TOTAL TIF SUBSIDY – amount not to exceed	\$41,000,000

The budget shown below outlines the anticipated TIF Subsidy in accordance with the established budget in the Design District TIF District Project Plan and Reinvestment Zone Financing Plan. Funds may be shifted from one category to another as long as the total amount of TIF Subsidy does not exceed \$41,000,000; however, the Grant component shall not exceed \$39,000,000.



Staff Recommendation: TIF Subsidy



Staff recommends a **TIF Subsidy in a total amount not to exceed \$41,000,000, payable in at least three (3) installments** as further described below:

- **Installment No. 1:** \$5,000,000 payable to Developer contemporaneously with the acquisition closing of the Property, secured by (i) a second lien deed of trust on the Property which shall be subordinate only to the senior financing for the Project under the terms and conditions of a subordination agreement approved by the Director (the "Deed of Trust"), and (ii) a guaranty made by Sycamore Strategies, LLC and Hunt Capital Partners, LLC on a joint and several basis in favor of the City, which will include a \$2,000,000 liquidity and \$12,000,000 net worth requirement, such financial covenants which will be on an aggregate basis among the guarantors and tested (1) prior to payment of Installment Nos. 1 and 2, and (2) annually starting on December 31st the year after the acquisition closing (the "Guaranty"). The Deed of Trust and Guaranty shall be released upon Developer and Owner satisfying the requirements for the payment of Installment No. 3.
- **Installment No. 2:** \$5,000,000 payable to Developer upon achievement of fifty percent (50%) completion of construction of the Project, as evidenced by detailed pay applications from a third-party construction manager approved by the Director as to the status of completion of the Project, in its reasonable discretion. Installment No. 2 will be secured by the Deed of Trust and Guaranty.
- **Installment No. 3** (and future installments, if necessary): Up to \$31,000,000 payable to Developer upon achievement of completion of the Project, so long as a Developer is otherwise in compliance with the terms and conditions of the development agreement.

TIF Subsidy payments shall also be made in accordance with the Design District TIF District Increment Allocation Policy.

Following completion of the Project and being placed in service, the City shall conduct a **post-construction audit** to review the Developer's actual costs incurred to deliver the Project.

For every \$100,000 in actual costs incurred below the estimated total cost of \$116,334,474, the City shall reduce the TIF Subsidy (in the Economic Development Grant category) by \$35,000. The City agrees to complete such audit within three (3) months of City's receipt of all necessary supporting documentation from Developer.



TIF District Board of Directors Recommendation and Next Steps



- August 31, 2023: Design District TIF District Board of Directors reviewed and discussed the proposed Project; action deferred until September 11 meeting
- September 11, 2023: Design District TIF District Board
- September 27, 2023: City Council





Appendix



Appendix: Development Team



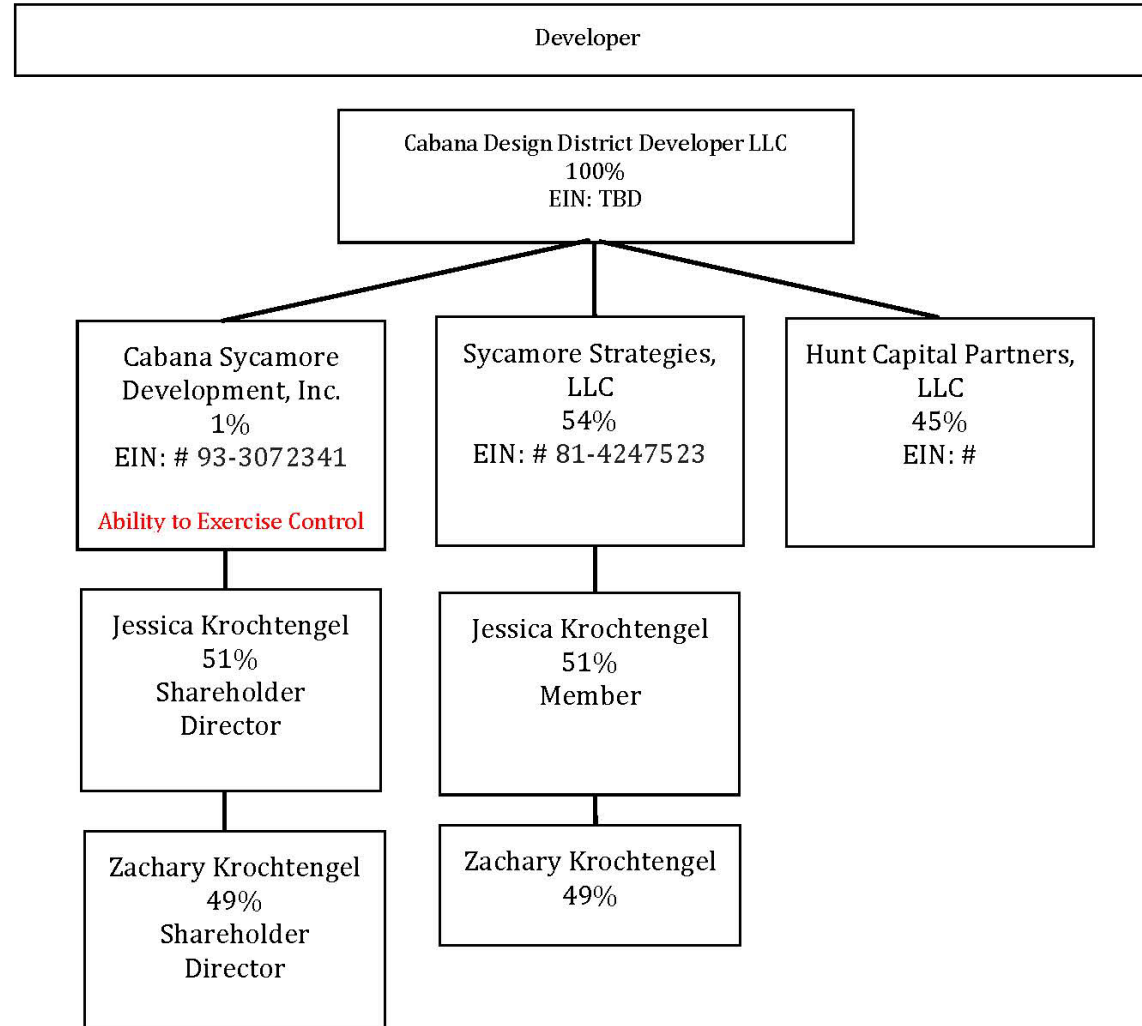
Role	Party Name
Developer/Primary Contact	Cabana Sycamore Development, Inc. (Sycamore Strategies, LLC--Jessica Krochtengel; Zach Krochtengel)
Architect	Urban Design Group
Engineer	Jacobs
General Contractor	Bonner Carrington Construction
Attorney	Barry Palmer (Coats Rose); Phill Geheb (Munsch Hardt); Philip Kingston (Sheils Winnubst)
Property Management	Bonner Carrington



Appendix: Developer



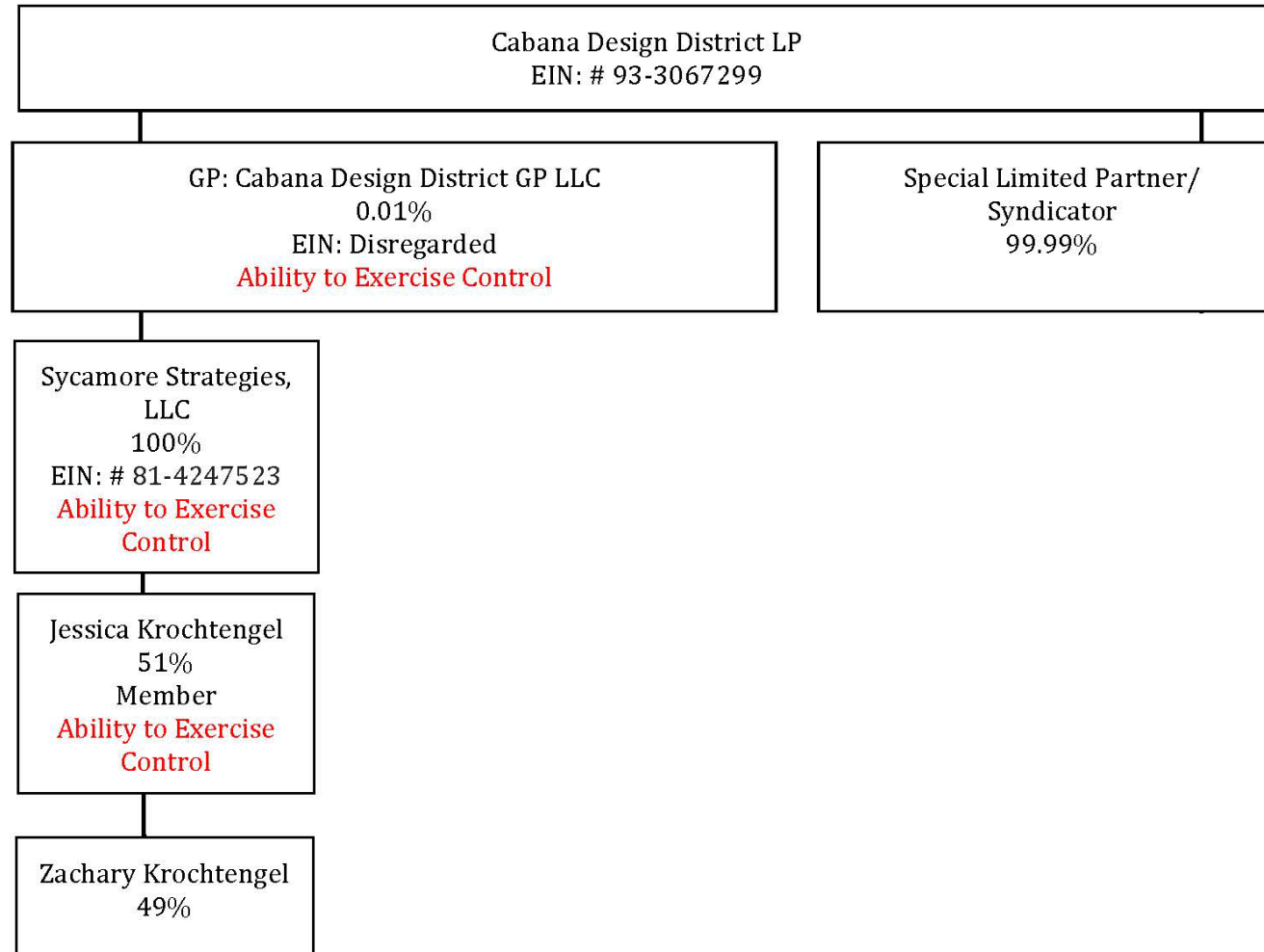
Cabana Design District: Developer TDHCA #23100 Organizational Chart



Appendix: Owner



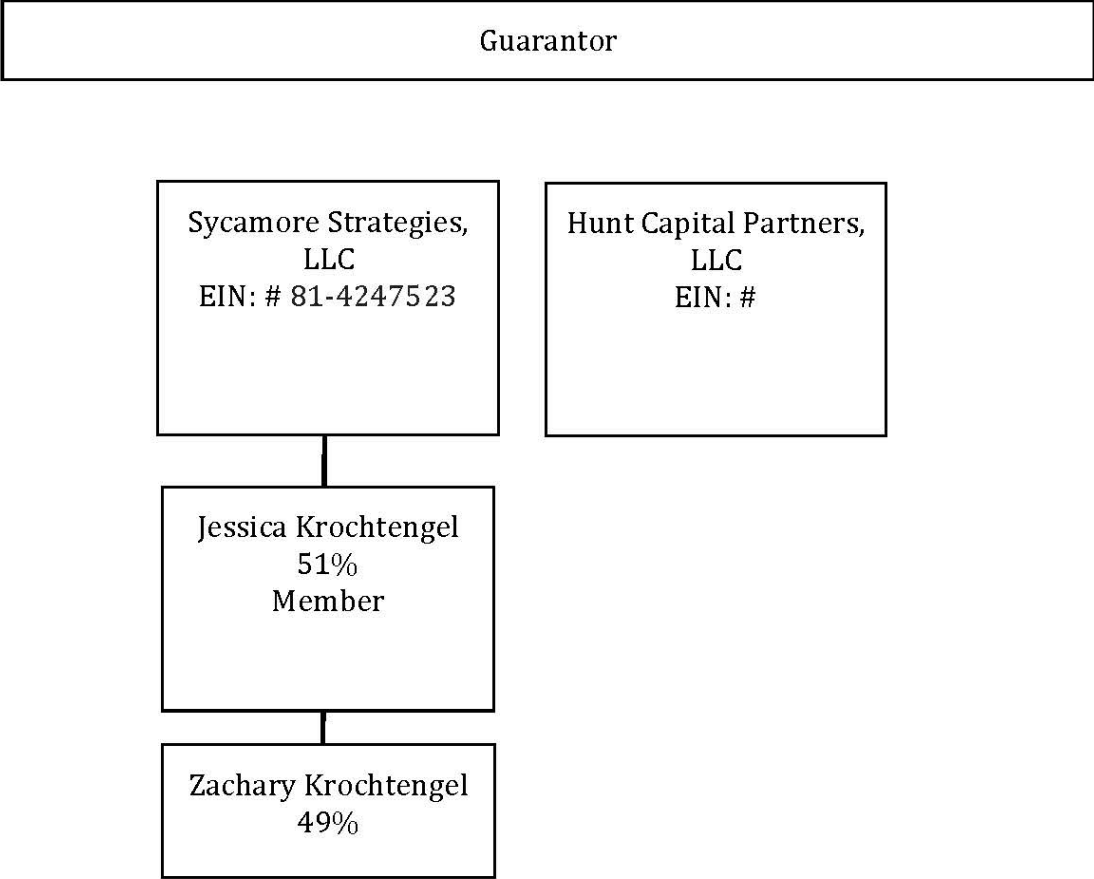
Cabana Design District: Ownership TDHCA #23100 Organizational Chart



Appendix: Guarantor



Cabana Design District: Guarantor
TDHCA #23100
Organizational Chart



Appendix: Conditions of Agreement



- **Developer shall invest and document a minimum of \$83,000,000 in eligible expenditures** in the Project, including site acquisition, environmental assessment and remediation, off-site infrastructure, on-site preparation, site amenities, building construction/finish-out/furnishings, and professional fees .
- **Project shall include a minimum of 160 residential units of which a minimum of 40% (64) of the units shall be set aside and leased solely to those households earning a maximum of 80% of the AMI for a minimum of 15 years (“Affordability Period”)** (although to be set aside for 45 years pursuant to the LIHTC LURA).
- In accordance with Section 20-4.1 (b) of the Dallas City Code, Developer shall make **best efforts to lease up to ten percent (10%) of the Project’s residential units to voucher holders** during the Affordability Period from the date of Project Completion.
- Developer shall submit an **Affirmative Fair Housing Marketing Plan** for approval.



Appendix: Conditions of Agreement



- Developer shall obtain a **building permit** for the Project components by **December 31, 2024**. A demolition permit or grading permit does not constitute meeting this requirement.
- **Construction of the Project, including associated public improvements/streetscape improvements, shall be complete**, and all portions of the building shall be occupiable by **December 31, 2027**, as evidenced by certificate of occupancy, letter of acceptance, certificate of completion, and/or similar documentation from the City.
- Developer shall execute a **20-year Operating and Maintenance Agreement** for all **non-standard public improvements**.
- Developer shall make a good faith effort to comply with City's Business Inclusion and Development ("BID") goal of **40% participation by certified Minority/Women-owned Business Enterprises ("M/WBE") for all hard construction expenditures** of the Project and meet all reporting requirements.



Appendix: Conditions of Agreement



- Until the Project has passed final building inspection and all required paperwork documenting Project completion has been submitted to the Office of Economic Development, Developer shall submit to the Office of Economic Development **quarterly status reports** for ongoing work on the Project (including any public improvements). Such status reports shall be due within 30 calendar days following the end of each calendar quarter after the Council approval date.
- Developer shall construct the Project (public and private improvements) **in substantial conformance with the conceptual site plan and conceptual renderings approved by the City's Planning and Urban Design Department, addressing the advice provided by the Urban Design Peer Review Panel on May 26, 2023.** Allowable minor modifications may include those required for compliance with development regulations.
- For all **permanent employment opportunities** created by operation of the Project and prior to City payment of Installment No. 3 of the TIF Subsidy, Developer shall submit to the City **a written plan describing how Developer or property management group shall use and document best efforts to recruit and hire residents of the city of Dallas.**



Appendix: Conditions of Agreement



- The **proposed management group** for the Project shall be submitted at least 3 months prior to Project completion for review by Director to consider acceptance based on the management entity's comparable experience managing other multi-family residential properties with income-restricted units, such approval not being unreasonably withheld.
- **Prior to payment of Installment No. 3** of the TIF Subsidy, Developer shall provide evidence that a minimum of **seventy percent (70%) of the residential units in the Project are leased and occupied.**
- **Director may authorize minor modifications to the Project**, including, but not limited to, adjustment in unit type, unit mix, income-restriction duration, and/or qualifying AMI, if consistent with the TDHCA Project requirements and in compliance with Design District TIF District Policies and Plans. Additionally, after specific **approval and recommendation of the TIF Board, the Director may authorize an extension of the Project's material dates and deadlines up to 12 months.**



Appendix: Underwriting



- National Development Council (NDC), under contract with the City, conducted independent underwriting of the incentive application
- Conclusions of independent underwriting:
 - **Development team:** Development team appears highly qualified to carry out the proposed Project.
 - **Equity investors:** As a tax credit project, \$49.6 million of funding for Project is equity generated from housing tax credits and historic tax credits (state and federal). The tax credit investor requires several guarantees, including completion. Should the Developer not perform, the investor (99.99% owner) may intercede to complete the Project.
 - **Market, Project Viability, and Reasonable of Operating Assumptions:** Developer's assumptions used in the projection of Project income are consistent with information presented in the Appraisal and Market Study. Developer's assumptions for operating expenses (\$9,091 per unit per year) are lower than the Appraisal (\$9,810) but are higher than TDHCA's average for the Dallas region (\$6,197). The proposed Project appears viable.
 - **Permanent debt capacity of Project:** NDC finds that the Project likely cannot support additional debt.
 - **Cost estimates of Project:** Rehabilitation hard cost estimate (\$285 psf) is in the upper range of similar residential rehabilitation projects reviewed; soft costs overall are very high (48% of hard costs); construction costs could be higher (or lower) than projected since the figures provided by the Developer do not represent contracted prices. NDC recommends a post-construction audit of actual construction costs.
 - **Rationale for City subsidy based on Costs:** The main driver of the City subsidy is: (1) high soft costs, and (2) TDHCA's artificial restriction of the housing tax credits to \$2.0 million per year (\$20 million total). Without the TDCHA restriction, the Project would have the potential to qualify for over \$60 million in housing tax credits (which would eliminate the funding gap).
 - **Rational for City subsidy based on Returns:** Tax credit syndication prices (\$0.87/housing tax credit; \$0.86/historic tax credit) is within a reasonable range for the Dallas market (\$0.86-\$0.91). Developer proposes to take a 9.4% developer fee (\$10 million) which is slightly below the typical range of 10%-15% for these types of projects.



Appendix: Design District TIF District Budget



Category	Estimated TIF Expenditures (Current dollars)	Allocated to Date	Pending Allocation for Project	Balance
Design District Sub-district				
*Paving & Streetscape				
*Wayfinding & District Signage				
*Water, Wastewater & Storm				
*Open Spaces, Plazas, Portals, Civic				
*Environmental Remediation & Demolition				
*Utility Burial				
*Economic Development Grants	\$81,756,586	\$31,647,887	\$41,000,000	\$9,108,699
Market Center/Stemmons Sub-district				
*Paving & Streetscape				
*Wayfinding & District Signage				
*Water, Wastewater & Storm				
*Open Spaces, Plazas, Portals, Civic				
*Environmental Remediation & Demolition				
*Utility Burial				
*Economic Development Grants	\$32,572,854	\$0	\$0	\$32,572,854
Trinity Strand Trail	\$7,610,724	\$7,400,000	\$0	\$210,724
Administration	\$4,566,434	\$633,017	\$0	\$3,933,417
Total Project Costs	\$126,506,598	\$39,680,904	\$41,000,000	\$45,825,694
<i>Budget shown in total dollars. TIF District Plan shows budget in net present value (NPV)</i>				



Appendix: 2019 Development Agreement



- On November 13, 2019, City Council authorized a development agreement with Cabana Development, LLC, an affiliate of Centurion American Development Group (“Centurion”), in an amount not to exceed \$15.5 million in TIF District funding to support the Cabana Hotel Redevelopment Project by Resolution No. 19-1804.
- The project was proposed to include the historic rehabilitation of the property into 260 hotel rooms as well as the hotel’s original amenities, including restaurant, entertainment, and conference facilities.
- The project encountered delays and challenges during the COVID-19 pandemic.
- Centurion has recently submitted a letter (1) confirming that Centurion no longer desires to pursue the Cabana Hotel Redevelopment Project, and (2) authorizing the Director of the Office of Economic Development to request City Council rescission of the TIF District funding previously awarded on November 13, 2019 by Resolution No. 19-1804, effective upon the Developer’s closing on the acquisition of the Property from Centurion.





City of Dallas

Cabana Design District

a mixed-income redevelopment project in
the Design District TIF District

Economic Development Committee
September 5, 2023

Kevin Spath, AICP, EDFP, HDFP
Assistant Director
Office of Economic Development