

# Memorandum



CITY OF DALLAS

DATE October 2, 2020

TO Honorable Members of the Economic Development Committee:  
Tennell Atkins (Chair), David Blewett (Vice-Chair), Jennifer Staubach Gates,  
Adam McGough, Omar Narvaez, Jaime Resendez, Chad West

SUBJECT **The Stack Deep Ellum Amendments**

On October 13, 2020, City Council will be asked to consider amendments to Resolution 20-0225 approved on January 22, 2020 to refine the private investment allowances for The Stack Deep Ellum Project ("Project") and, in consideration, increase the minimum required private investment and minimum required total square footage.

On January 22, 2020, by Resolution No. 20-0225, City Council authorized the City Manager to execute a development agreement with HW Commerce Office LP and/or its affiliates ("Developer") in an amount not to exceed \$2,576,125, payable from current and future Deep Ellum TIF District Funds, in consideration of the Project on property currently addressed at 2700, 2712, and 2718 Commerce Street in Tax Increment Financing Reinvestment Zone Number Twelve ("Deep Ellum TIF District").

HW Commerce Office LP, a Texas limited partnership led by Hines, with equity investment from Westdale Properties and Canadian investor Ivanhoé Cambridge, is well underway with construction of the 16-level mixed-use Project. HW Commerce Office LP has invested \$47.7 million in the Project to date. The Project is 56% complete. The development team recently announced a number of wellness and safety enhancements with the goal of providing a touchless tenant experience. These include touchless vehicular entry/exit paths via toll tag readers, touchless main building and elevator lobby entry/exits, and RFID elevator access such that any tenant can move from home to desk using a completely touchless pathway. The building is also designed with a focus on outdoor space, including a 10<sup>th</sup> floor amenity level with roll up glass doors and open-air balconies on all typical office floors. Other enhancements include fresh air exchanges at 30% above code and antimicrobial UV lights in air conditioning equipment.

Since City Council's authorization of the development agreement in January 2020, City staff and the Developer have been working diligently to finalize and execute the development agreement. In that process, it was realized that the private investment definition provided in Resolution No. 20-0225 does not clearly identify expenditures that can be included/cannot be included towards the required investment minimum. The proposed amendment provides such detail.

Further, as approved, the required minimum private investment would necessitate 100% of the tenant improvement expenditures to be complete before any TIF payments are made. Another condition of TIF payment is that a minimum of 50% of the office and retail space is occupied. Therefore, as approved, the required tenant improvement expenditures far exceed the required minimum occupancy. Amending Resolution No. 20-0225 to allow additional valid private expenditures (site acquisition/contribution and professional fees) to be included will align the required minimum investment with the required minimum occupancy. By refining the private investment allowances, the Developer can also increase the required minimum investment.

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As construction has progressed, the anticipated total square footage has increased, with the office space going from 195,000 square feet to 200,000 square feet and the leasable retail space going from 15,000 square feet to 14,600 square feet.

The proposed amendments to Resolution No. 20-0225 are as follows:

Section 7.

- A. Developer shall invest and document a minimum of ~~\$73,800,000~~ \$75,500,000.00 in private improvements in the Project, including site acquisition/contribution, site preparation (on-site infrastructure, off-site infrastructure, utilities, paving, grading, environmental remediation), and construction hard costs (foundation, interior and exterior building improvements, structures, lighting, landscaping, contractor fees, and the cost of equipment, supplies, materials, and construction labor associated with such site preparation and development), tenant improvements (including tenant improvement allowances paid by Developer and any tenant improvement expenditures in excess or in lieu of such allowances), and professional fees (architectural, engineering, surveying, interior design, environmental remediation) but (excluding site acquisition/contribution, developer fees and soft costs for legal, financing, leasing, and marketing) (Amended Exhibit D). The Developer shall provide verification of all expenditures utilized to satisfy the minimum private investment requirement. Costs incurred prior to November 15, 2019, the final execution date of the Letter of Intent, shall not be eligible to count toward the minimum private investment.
- B. The Project shall include a minimum of ~~195,000~~ 200,000 square feet of office space, of which a minimum of 50% must be occupied prior to TIF payment.
- C. The Project shall include a minimum of ~~15,000~~ 14,600 square feet of leasable retail space, of which a minimum of 50% must be occupied prior to TIF payment.

Should you have any questions, please contact Kevin Spath, Assistant Director, Office of Economic Development at 214-670-0170.



Dr. Eric Anthony Johnson  
Chief of Economic Development & Neighborhood Services

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| c: T.C. Broadnax, City Manager                              | Joey Zapata, Assistant City Manager                               |
| Chris Caso, City Attorney                                   | M. Elizabeth Reich, Chief Financial Officer                       |
| Mark Swann, City Auditor                                    | M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion |
| Biliera Johnson, City Secretary                             | Directors and Assistant Directors                                 |
| Preston Robinson, Administrative Judge                      |   |
| Kimberly Bizzor Tolbert, Chief of Staff to the City Manager |   |
| Majed A. Al-Ghafry, Assistant City Manager                  |   |
| Jon Fortune, Assistant City Manager                         |   |

## AMENDED EXHIBIT D

<b>Project Budget</b>		
<b>Uses</b>	<b>Amount</b>	<b>Percent</b>
<b>Land</b>	<b>\$ 5,118,300</b>	4.8%
<b>Hard Costs (including tenant improvements)</b>	<b>\$79,061,474</b>	<b>74.5%</b>
<b>Professional Fees</b>	<b>\$ 6,923,000</b>	6.5%
Soft Costs (including financing & marketing)	\$10,513,775	9.9%
Developer Fee	\$ 4,559,030	4.3%
<b>Total Uses</b>	<b>\$106,175,579</b>	<b>100%</b>

The total private investment of the Project is anticipated to be \$106,175,579. The required private investment in the Project is a minimum of ~~\$73,800,000~~ \$75,500,000, including site acquisition/contribution, site preparation (on-site infrastructure, off-site infrastructure, utilities, paving, grading, environmental remediation), and construction hard costs (foundation, interior and exterior building improvements, structures, lighting, landscaping, contractor fees, and the cost of equipment, supplies, materials, and construction labor associated with such site preparation and development), tenant improvements (including tenant improvement allowances paid by Developer and any tenant improvement expenditures in excess or in lieu of such allowances), and professional fees (architectural, engineering, surveying, interior design, environmental remediation) but (excluding site acquisition/contribution, developer fees and soft costs for legal, financing, leasing, and marketing). The Developer shall provide verification of all expenditures utilized to satisfy the minimum private investment requirement. Costs incurred prior to November 15, 2019, the final execution date of the Letter of Intent, shall not be eligible to count toward the minimum private investment.