



Legislation Text

File #: 20-20, Version: 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality
AGENDA DATE: January 22, 2020
COUNCIL DISTRICT(S): 2
DEPARTMENT: Office of Economic Development
EXECUTIVE: Michael Mendoza

SUBJECT

Authorize **(1)** a development agreement with HW Commerce Office LP and/or its affiliates ("Developer") in an amount not to exceed \$2,576,125.00, payable from current and future Deep Ellum Tax Increment Financing ("TIF") District Funds, in consideration of The Stack Deep Ellum Project on property currently addressed at 2700, 2712, and 2718 Commerce Street in Tax Increment Financing Reinvestment Zone Number Twelve ("Deep Ellum TIF District"); and **(2)** an increase in appropriations in an amount not to exceed \$2,576,125.00 in the Deep Ellum TIF District Fund - Not to exceed \$2,576,125.00 - Financing: Deep Ellum TIF District Fund (subject to current and future appropriations from tax increments)

BACKGROUND

HW Commerce Office LP, a Texas limited partnership led by Hines (a global real estate investment, development, and management firm founded in 1957), with equity investment from Westdale Properties (a Dallas based real estate investment company) and Canadian investor Ivanhoe Cambridge, has submitted an incentive application to the City of Dallas Office of Economic Development to support The Stack Deep Ellum Project ("Project").

The Project is planned to include the construction of a 16-level mixed-use building consisting of 195,000 square feet of Class A office space (7-levels), 15,000 square feet of ground floor retail space, and 638 structured parking spaces (8-levels). The property, located at 2700, 2712, and 2718 Commerce Street, has previously been used as a surface parking lot and has been owned by Westdale Properties since 2005. The total development cost of the Project is estimated at \$106,000,000.00.

The City's Urban Design Peer Review Panel ("UDPRP") is an independent group of professional designers selected by the City Manager with expertise in architecture, landscape architecture, engineering, and urban planning. Review by the UDPRP is required for all projects requesting TIF funding assistance. In February 2019, the Project was reviewed by the UDPRP. The UDPRP was encouraged by the overall architectural design of the Project to fit into the neighborhood's existing

historical fabric (e.g. additional garage façade architectural elements). The UDPRP also recommended enhancing the western façade along Henry Street, providing greater design detail to the street-level experience, and shifting the ingress/egress garage access alignment at Pryor Street to create a more striking street-level use at this terminating vista.

As a result of the UDPRP's recommendations, the Developer has made several changes to the Project such as moving the garage entrance and enhancing the street experience, thereby satisfying the UDPRP comments.

The City also engaged an independent outside underwriter to extensively review the Project and the Developer's incentive application requesting \$11,131,000.00 in TIF funding. The underwriter concluded the following: the development team is highly qualified and experienced; the equity investors have substantial capacity to provide the required equity and handle any unforeseen circumstances that might arise during construction; the Project does not have additional permanent debt capacity beyond the \$74,800,000.00 assumed by the Developer; the operating assumptions used in the projection of Project income are consistent with third-party appraisals and market studies; the Project is viable but risky; cost estimates for the Project are reasonable; the Developer's requested amount of TIF funding is justified due to specific extraordinary development costs (e.g. extensive environmental remediation of the site; burial of overhead utilities; double-stack manholes; enhanced design of façade; enhanced streetscape); and the Developer's requested amount of TIF funding is justified based on the reasonableness of projected internal rates of return. In summary, the outside underwriter concluded that TIF funding of \$11,131,000.00 was justified.

Using the outside underwriting as a guide, the Office of Economic Development negotiated a detailed Letter of Intent with the Developer for an amount not to exceed \$2,576,125.00. On November 15, 2019, the Developer agreed to and executed the detailed Letter of Intent.

Staff's recommended \$2,576,125.00 in TIF funds will be used for TIF eligible expenditures including water, wastewater, stormwater, utilities, paving, streetscape, lighting, and environmental remediation of the site. Funds could be shifted among TIF eligible expenditure categories, with verification of actual expenditures as long as the total TIF payment does not exceed \$2,576,125.00.

The Project meets several goals and objectives of the Deep Ellum TIF District Project Plan including, but not limited to, the following:

- Creating additional taxable value attributed to new private investment
- Attracting new private development including retail space and office/commercial space
- Improving the pedestrian environment through sidewalk improvements, landscaping, lighting and design standards
- Providing funding for environmental remediation and interior/exterior demolition assistance to encourage redevelopment of land within the Deep Ellum TIF District
- Upgrading basic infrastructure including storm drainage, water/wastewater lines, and burial of overhead utilities to support redevelopment in the District
- Directing overall development of the Deep Ellum TIF District through the application of design guidelines for public improvements and private development
- Encouraging infill development and structured parking

City Council's approval of this item will authorize the City Manager to execute a development agreement as well as any other related documents.

ESTIMATED SCHEDULE OF PROJECT

Began Construction	December 2019
Complete Construction	March 2022

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 22, 2005, City Council held a public hearing and authorized the establishment of Tax Increment Financing Reinvestment Zone Number Twelve (Deep Ellum TIF District) by Resolution No. 05-1971; Ordinance No. 26043, as amended.

On April 12, 2006, City Council authorized the Project Plan and Reinvestment Zone Financing Plan for the Deep Ellum TIF District by Resolution No. 06-1077; Ordinance No. 26304, as amended.

On September 10, 2014, City Council held a public hearing and amended the Project Plan and Reinvestment Zone Financing Plan for the Deep Ellum TIF District by Resolution No. 14-1519; Ordinance No. 29469.

On December 3, 2019, the Deep Ellum TIF District Board of Directors reviewed the proposed The Stack Deep Ellum Project and recommended City Council authorization of a development agreement with HW Commerce Office LP and/or its affiliates.

The Economic Development Committee was briefed regarding this matter on January 6, 2020.

FISCAL INFORMATION

Deep Ellum TIF District Fund - \$2,576,125.00 (subject to current and future appropriations from tax increments)

OWNER/DEVELOPER

HW Commerce Office LP

Ben Brewer, Managing Director

MAP

Attached