



Legislation Text

File #: 22-1334, **Version:** 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: June 22, 2022
COUNCIL DISTRICT(S): 14
DEPARTMENT: Office of Economic Development
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize a development agreement and all other necessary documents with One Newpark GP, LLC and/or its affiliates for a City Subsidy in an amount not to exceed \$96,100,000.00 comprised of (1) an amount not to exceed \$4,100,000.00 in the form of an economic development grant payable from the City's Public/Private Partnership Fund ("PPP Grant") and (2) an amount not to exceed \$92,000,000.00 payable from future Downtown Connection TIF District funds ("TIF Subsidy") in consideration of the One Newpark Project, a 38-floor, 1,345,845 square foot mixed-use, mixed-income development to be constructed on 1.7 acres at the southeast corner of S. Akard Street and Canton Street in Tax Increment Financing Reinvestment Zone Number Eleven (Downtown Connection TIF District) - Financing: Public/Private Partnership Fund (\$4,100,000.00) and Downtown Connection TIF District Fund (\$92,000,000.00) (subject to annual appropriations from tax increments)

BACKGROUND

Newpark Dallas is a proposed multi-phased redevelopment of approximately five acres of surface parking lots owned by Hoque Global on the southern side of the downtown central business district. At full build-out, Newpark Dallas is planned to include over one million square feet of Class A office space, 200,000 square feet of urban retail space, a few thousand residential units, and a four-star hotel. The estimated total private investment associated with full build-out of the Newpark Dallas development exceeds \$1.5 billion.

In 2021, a development incentive application was submitted to the Office of Economic Development by One Newpark GP, LLC, ("Developer") a partnership between Hoque Global (property owner) and Lanoha Real Estate Company (real estate developer) requesting the expansion of the Downtown Connection TIF District ("Zone") boundary to include the Newpark Dallas parcels and an economic development subsidy in the amount of \$130 million to facilitate the first phase development (One Newpark) of Newpark Dallas.

One Newpark, a 38-floor, 1.3 million square foot mixed-use and mixed-income tower is proposed to be constructed on approximately 1.7 acres of land currently used as surface parking lots and

addressed as 808 S. Akard Street; 801, 807, 809 and 817 Browder Street; 1404 Canton Street; and a portion of 1600 Canton Street (the “Project”). As part of the land assembly for the Project, the Developer is currently working with the Real Estate division of the City’s Public Works Department to request an abandonment of Browder Street between Canton Street and Cadiz Street.

The Project will include: (1) below-grade parking (3 levels); (2) street-level retail; (3) above-grade parking (6 levels); (4) an office component (7 levels); (5) a hotel component with 245 rooms (7 levels); and (6) a multi-family component with 268 units on the remaining top 15 levels of the tower. The total project cost for One Newpark is approximately \$379.3 million and comprised of the following components: (i) site acquisition cost of \$ \$9,881,647.00 (inclusive of the City abandonment fee for Browder Street of \$3,611,647.00), (ii) hard costs of approximately \$311,291,710.00 (including approximately \$2,304,931.00 in environmental remediation and demolition costs), (iii) soft costs of approximately \$49,565,454 and (iv) developer’s fee of approximately \$8,550,617.00.

The Project’s design was reviewed by the City’s Urban Design Peer Review Panel (“Panel”) on October 23, 2020, and the Developer made changes to the Project’s design to accommodate recommendations by the Panel.

The Office of Economic Development engaged an independent outside underwriter to extensively review the Project and the Developer’s incentive application. Staff, in consultation with the underwriter, structured the proposed City Subsidy as gap financing to make the Project financially feasible. The Office of Economic Development negotiated a detailed Letter of Intent with the Developer for an amount not to exceed \$95,500,000.00 (“City Subsidy”). On February 11, 2022, City staff received an executed Letter of Intent from the Developer. Since execution of the LOI and following the Economic Development Committee meeting on May 2, 2022, the abandonment fee for Browder Street increased by \$600,000.00 based on an updated appraisal of the right-of-way received on May 24, 2022. The PPP Grant portion of the City Subsidy was increased from \$3.5 million to \$4.1 million to reflect the increase in the abandonment fee.

The proposed City Subsidy for the Project is contingent upon City Council’s approval of various proposed amendments to the Downtown Connection TIF District which include the expansion of the Zone’s boundary to create a Newpark Sub-district that would encompass the Project and establishment of a source of tax increment financing to facilitate the Project. Additionally, the Developer’s request for the abandonment of Browder Street between Canton Street and Cadiz Street is contingent upon City Council’s approval of the proposed City Subsidy and development agreement for the Project.

Staff’s recommended City Subsidy is comprised of (1) up to \$4,100,000.00 in the form of an economic development grant payable from the City’s Public/Private Partnership Fund (“PPP Grant”) to offset expenditures made by the Developer for City development fees such as right-of-way abandonment, permitting, plan review, and inspection fees; and (2) up to \$92,000,000.00 payable from future tax increment in the Newpark Sub-district of the Downtown Connection TIF District (“TIF Subsidy”).

The TIF Subsidy portion of the City Subsidy will be deployed from the proposed Newpark Sub-district budget categories as follows (i) environmental remediation/demolition \$2,304,931.00; (ii) street/utility improvements \$2,000,000.00; (iii) streetscape improvements \$2,000,000.00; and (iv) economic

development TIF grant for high density, mixed-use development, mixed-income housing and repayment of the PPP Grant \$85,695,069.00. Funds may be shifted among the budget categories except the TIF grant, so long as the total TIF Subsidy does not exceed \$92,000,000.00. The total TIF grant shall not exceed \$85,695,069.00 under any circumstances but may be less if actual expenditures for environmental remediation/demolition, street/utility improvements and streetscape improvements exceed \$6,304,931.00.

According to the City's Public/Private Partnership Program ("PPP") Guidelines and Criteria (effective for the period July 1, 2021 through June 30, 2022), the Project is located in a non-target area. The minimum eligibility criteria for a project in a non-target area is the creation/retention of 100 jobs or the provision of \$5 million investment. With a total Project cost of almost \$380 million, the Project substantially exceeds the \$5 million minimum eligibility criteria for a non-target area.

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

| | |
|-----------------------|---------------|
| Begin Construction | December 2024 |
| Complete Construction | December 2027 |

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On June 8, 2005, City Council authorized the establishment of Tax Increment Financing Reinvestment Zone Number Eleven (Downtown Connection TIF District) by Resolution No. 05-1779; Ordinance No. 26020, as amended.

On August 29, 2005, City Council authorized the District's Project Plan and Reinvestment Zone Financing Plan for Tax Increment Financing Reinvestment Zone Number Eleven (Downtown Connection TIF District) and a participation agreement with Dallas County for the Downtown Connection TIF District by Resolution No. 05-2543; Ordinance No. 26096, as amended.

On April 29, 2022, the Downtown Connection TIF District Board of Directors and Downtown Dallas Development Authority reviewed and recommended City Council approval of the proposed Plan amendments to the Downtown Connection TIF District Project Plan and Reinvestment Zone Financing Plan.

On April 29, 2022, the Downtown Connection TIF District Board of Directors reviewed the Project and recommended City Council authorization of a development agreement with One Newpark GP, LLC and/or its affiliates for a City Subsidy in an amount not to exceed \$95,500,000.00.

On May 2, 2022, the Economic Development Committee (OED) was briefed regarding this matter.

FISCAL INFORMATION

| Fund | FY 2022 | FY 2023 | Future Years |
|---------------------------------|---------|---------|-----------------|
| Public/Private Partnership Fund | \$0.00 | \$0.00 | \$ 4,100,000.00 |

| | | | |
|---------------------------------------|--------|--------|-----------------|
| Downtown Connection TIF District Fund | \$0.00 | \$0.00 | \$92,000,000.00 |
| Total | \$0.00 | \$0.00 | \$96,100,000.00 |

OWNER/DEVELOPER

One Newpark GP, LLC

Jason Lanoha, Manager

MAP

Attached