

**WHEREAS**, on June 8, 2005, City Council authorized the establishment of Tax Increment Financing Reinvestment Zone Number Eleven, City of Dallas, Texas ("Downtown Connection TIF District") in accordance with the Tax Increment Financing Act, as amended, Chapter 311 of the Texas Tax Code, Vernon's Texas Codes Annotated (the "Act") to promote development and redevelopment in the Uptown and Downtown areas through the use of tax increment financing by Ordinance No. 26020; as amended; and

**WHEREAS**, on August 29, 2005, City Council authorized the Downtown Connection Tax Increment Financing District Project Plan and Reinvestment Zone Financing Plan by Ordinance No. 26096; as amended; and

**WHEREAS**, on March 21, 2013, the Downtown Connection TIF District Board of Directors reviewed and recommended approval of Supplemental Agreement No. 2, an amendment to the development agreement with Ricchi Dallas Investments, LLC for the redevelopment of 1600 Pacific Avenue to: (1) require only the completion of Stage 1 and a portion of Stage 2 work inclusive of renovation of elevator systems, roof, windows, restoration of the exterior of the building and installation of core components of a new heating and air conditioning system); (2) allow project's eligibility for reimbursement to be effective upon acquisition and closing of a construction loan for the LTV Tower Building by 1600 Pacific Landlord, LLC; (3) establish an acquisition and project construction financing closing date; and (4) establish that if 1600 Pacific Landlord, LLC, does not acquire and close construction financing for the LTV Tower Building by established acquisition and financing closing date, amendments (1) and (2) shall be void and the Certificate of Occupancy Date defined in the existing development agreement with Ricchi Dallas Investments, LLC, as amended, shall be extended ; and

**WHEREAS**, on March 21, 2013, the Downtown Connection TIF District Board of Directors reviewed and recommended approval of: (1) a Development Agreement with 1600 Pacific Landlord, LLC, for the LTV Tower Redevelopment Project (addressed as 1600 Pacific Avenue) that includes completion of the remaining portions of Stage 2, and Stage 3 work removed from the development agreement with Ricchi Dallas Investments, LLC and finish out of the entire building with hotel and residential uses; (2) an Economic Development TIF Grant Agreement with First National Bank for TIF incentives in an amount not to exceed \$17,500,000 associated with the LTV Tower Redevelopment Project; and (3) dedication of TIF funding for the LTV Tower Redevelopment Project not to exceed \$17,500,000; and

May 22, 2013

**WHEREAS**, on April 15, 2013, the Economic Development Committee was briefed and recommended approval of: (1) a Supplemental Agreement No. 2 amending the development agreement with Ricchi Dallas Investments, LLC; (2) a Development Agreement with 1600 Pacific Landlord, LLC for the LTV Tower Redevelopment Project; and (3) an Economic Development Grant Agreement with First National Bank for TIF incentives in an amount not to exceed \$17,500,000 for the LTV Tower Redevelopment Project; and

**WHEREAS**, in furtherance of the Downtown Connection TIF District Project Plan and Reinvestment Zone Financing Plan and to promote within the Downtown Connection TIF District: (1) development and diversification of the economy, (2) elimination of unemployment and underemployment, and (3) development and expansion of commerce, the City desires to provide economic incentives for the development/redevelopment of the LTV Tower building in the Downtown Connection TIF District as depicted in the Site/Streetscape Plan, Pedestrian Access Plan and Exterior Concept Images, attached hereto as **Exhibits A, B, and C** respectively; and

**WHEREAS**, the expenditure of TIF funds supporting this development is consistent with promoting development and redevelopment of the Downtown Connection TIF District in accordance with the purposes for its creation, the City's revised Public/Private Partnership Guidelines and Criteria, the ordinance adopted by the City Council approving the Project and Financing Plan, and is for the purpose of making public improvements consistent with and described in the Project and Financing Plan for the Downtown Connection TIF District.

**NOW, THEREFORE,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

**Section 1.** That the City Manager, upon approval as to form by the City Attorney is hereby authorized to execute a development agreement with 1600 Pacific Landlord, LLC and the City of Dallas, on behalf of the Downtown Connection TIF District for the LTV Tower Redevelopment Project.

**Section 2.** That the City Manager, upon approval as to form by the City Attorney is hereby authorized to execute a Economic Development TIF Grant agreement with First Nation Bank and the City of Dallas, on behalf of the Downtown Connection TIF District for the LTV Tower Redevelopment Project.

**Section 3.** That the Downtown Connection TIF District Board of Directors is authorized to dedicate future Downtown Connection TIF revenues in an amount not to exceed \$17,500,000 for the LTV Tower Redevelopment Project located in the Downtown Connection TIF District.

**Section 4.** That the City Controller is hereby authorized to encumber and disburse funds from future tax increments and subject to future appropriations from:

Fund 0044, Department ECO, Unit P797, Object 3016, Activity DTTI, Program No. DCTIF0012, CT ECOP797H221, Vendor No. VS0000078329 , in an amount not to exceed \$17,500,000

For a total not to exceed \$17,500,000.

**Section 5.** That nothing in the resolution shall be construed to require the City to approve future dedications of Downtown Connection TIF revenues (the "TIF Grant") from any source of the City funds other than the Downtown Connection TIF District Fund. Any portion of the TIF Grant that remains unpaid due to lack or unavailability of Downtown Connection TIF District Funds shall no longer be considered project costs of the Downtown Connection TIF District or the City and the obligation of the Downtown Connection TIF District to pay the Owner shall automatically expire.

**Section 6.** That the TIF Grant to be provided to First National Bank , will be based on the Downtown Connection TIF District's Increment Allocation Policy and Reimbursement Queue for the sharing of future revenues in the Tax Increment Fund, adopted by the Downtown Connection TIF District Board of Directors September 16, 2009, attached hereto as **Exhibit D**.

**Section 7.** That in addition to the conditions set out in the Sections above, the Development Agreement with 1600 Pacific Landlord, LLC, is hereby expressly made subject to all of the following contingencies which must be performed or occur:

- A. Minimum private investment of \$35,000,000 for the Project for construction and construction related soft costs; and

The term "Invest" or "Investment" means the sum of all, construction costs (hard and soft) paid, payable or actually incurred by or on behalf of the Owner, with respect to the Property and the improvements thereon. Construction related soft costs include the following items: architecture and engineering, interior design, remediation and demolition. Carrying or other similar costs shall not be considered toward this definition of project investment. The owner must provide verification of all expenditures.

**Section 7. (Continued)****B. Redevelopment of the Project shall include:**

- a. Minimum 15,500 square feet of retail/commercial ground floor space (inclusive of ground floor hotel space);
- b. Minimum 180,000 square feet of residential space (approximately 140 residential units);
- c. Minimum 30,000 square feet of parking space (approximately 120 parking spaces);
- d. Minimum 180,000 square feet of hotel and parking space (approximately 145 hotel rooms); and
- e. ~~Obtain a building and/or demolition permit and start construction and/or demolition for the Project by December 31, 2013.~~

DC. Obtain a Certificate of Occupancy (CO) for the Project within 24 months of the Project's construction financing closing;

ED. Obtain final acceptance of public infrastructure improvements associated with the Project, as evidenced by the issuance of a Green Tag from the Public Works and Transportation Department by December 31, 2015 and submit documentation to the Office of Economic Development (the "OED");

FE. Execute an Operating and Maintenance agreement for public infrastructure improvements associated with the Project by December 31, 2015, for a period of 20 years;

GF. A minimum of 25% of the total net leasable square footage of retail/commercial ground floor space must be occupied within 45 days of obtaining a CO for the Project;

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HG. Mixed Income Housing: A minimum of 10% of the Project's total residential units must meet affordable housing standards in accordance with the District's Mixed Income Housing Guidelines ~~Exhibit B~~. The requirements on the Project related to mixed income housing shall be documented in a deed restriction on the Property. These guidelines require, but are not limited to, the following:

- a. Affordable units must be available for a 15 year period (from the date of CO);

**Section 7. (Continued)**

- b. If the total number of affordable units drops below 10%, a 90-day compliance period will be granted; and
  - c. Submit semi-annual reports to the OED Staff (from the date of CO).
- IH. Construction of Project improvements and building renovations shall be in general conformance with design plans approved by the Downtown Connection TIF Board of Directors and Dallas City Council;
- JI. The residential portion of the Project shall be initially managed by HRI Management Corporation which is an approved operator, or a management company acceptable to the Director of the OED, such approval not being unreasonably withheld;
- KJ. The hotel portion of the Project shall be initially franchised under a hotel brand acceptable to the Director of the OED and TIF Board, such approval not being unreasonably withheld. The hotel will be operated by HRI Lodging initially, an approved operator by the Director of the OED and the TIF Board. The Owner shall not change its brand affiliation or operator without the prior written approval of the Director, which approval shall not be unreasonably withheld, until the expiration of the term of the Downtown Connection TIF District;
- LK. Owner shall submit to the Director of the OED a quarterly status report for ongoing work on the Project, as well as public improvements. Status reports will be due once every three months after the Council approval date;
- ML. Comply with the Business Inclusion and Development ("BID") goal of twenty-five percent (25%) Minority/Women-owned Business Enterprise (M/WBE) participation for TIF reimbursable improvements, and the Owner shall make a good faith effort to achieve a goal of 25% certified M/WBE participation for total private improvement construction expenditures for the Project, and meet all reporting requirements for each;
- NM. Market the apartments pursuant to an affirmative fair housing marketing plan approved by the City;

**Section 7. (Continued)**

- ON. If the total number of Affordable Units drops below 10%, and noncompliance was not cured within the 90-day compliance period, the Owner shall be required to pay a Penalty Payment until the total number of affordable units provided meets or exceeds 10% of the Project's total residential units. The Penalty Payment shall be an amount equal to two times the property's median monthly rent for market rate units in the project multiplied by the number of Affordable Units required less the number of Affordable Units provided for the property, multiplied by the number of months each unit has been unavailable. (For example: An owner of a project that has 150 units, a median market rate of \$1,000 and 5 of the 15 Affordable Units are not provided for 6 months each would pay an annual Penalty Payment equal to \$60,000;  $2 \times \$1,000$  (median market rate)  $\times 5$  (unavailable units)  $\times 6$  months = \$60,000); and
- PO. If necessary, the Project deadline can be extended up to 6 months, subject to the Office of Economic Development Director's and Downtown Connection TIF District Board of Director's approval.
- P. Obtain a building and/or demiltion permit and start construction and/or demolition for the Project by December 31, 2013.

**Section 8.** That in addition to the conditions set out in Sections 1 through 6 above, the Economic Development TIF Grant Agreement with First National Bank for the LTV Tower Redevelopment Project, is hereby expressly made subject to all of the following contingencies which must be performed or occur:

- A. HRI Properties acquisition of 1600 Pacific Avenue (LTV Redevelopment Project building and site);
- B. If the Project is completed and issued a final Certificate of Occupancy for all portions of the Project, the total TIF Grant shall be reduced to \$16,500,000;
- C. HRI Properties shall submit a Completion Guarantee for the Project, covering items A., B., C., D., ~~EE.~~, GH., JK., L., and NM., ~~and O.~~ detailed above in Section 7., and such guarantee shall include minimum net worth/market asset values and liquidity requirements to be negotiated with the City;
- D. Owner shall close construction financing for the LTV Redevelopment Project and provide documentation of construction financing;
- E. Owner shall provide evidence of Performance Bond by the LTV Redevelopment Project's General Contractor;

**Section 8.** (Continued)

- F. Owner shall provide evidence of private equity investment for the LTV Redevelopment Project; and
- G. Reimbursement of the final \$1,000,000 of TIF Grant shall be contingent upon completion of the LTV Tower Redevelopment Project and issuance of a final Certification of Occupancy for all portions of the Project, so that the total TIF Grant payments do not exceed \$16,500,000.

**Section 9.** That should 1600 Pacific Landlord, LLC, not acquire 1600 Pacific Avenue and close construction financing for the project by September 30, 2013, which may be extended by the lesser of 90 days or the number of days Ricchi Dallas Investments, LLC, extends 1600 Pacific Landlord, LLC's right to purchase the LTV Building beyond September 30, 2013, subject to approval of the Director of the OED with such approval not being unreasonably withheld, and not perform items A., C., D., E., and F. of Section 8 detailed above, the City Manager is authorized to terminate the development and grant agreements and disallow the total TIF Grant up to an amount not to exceed \$17,500,000.

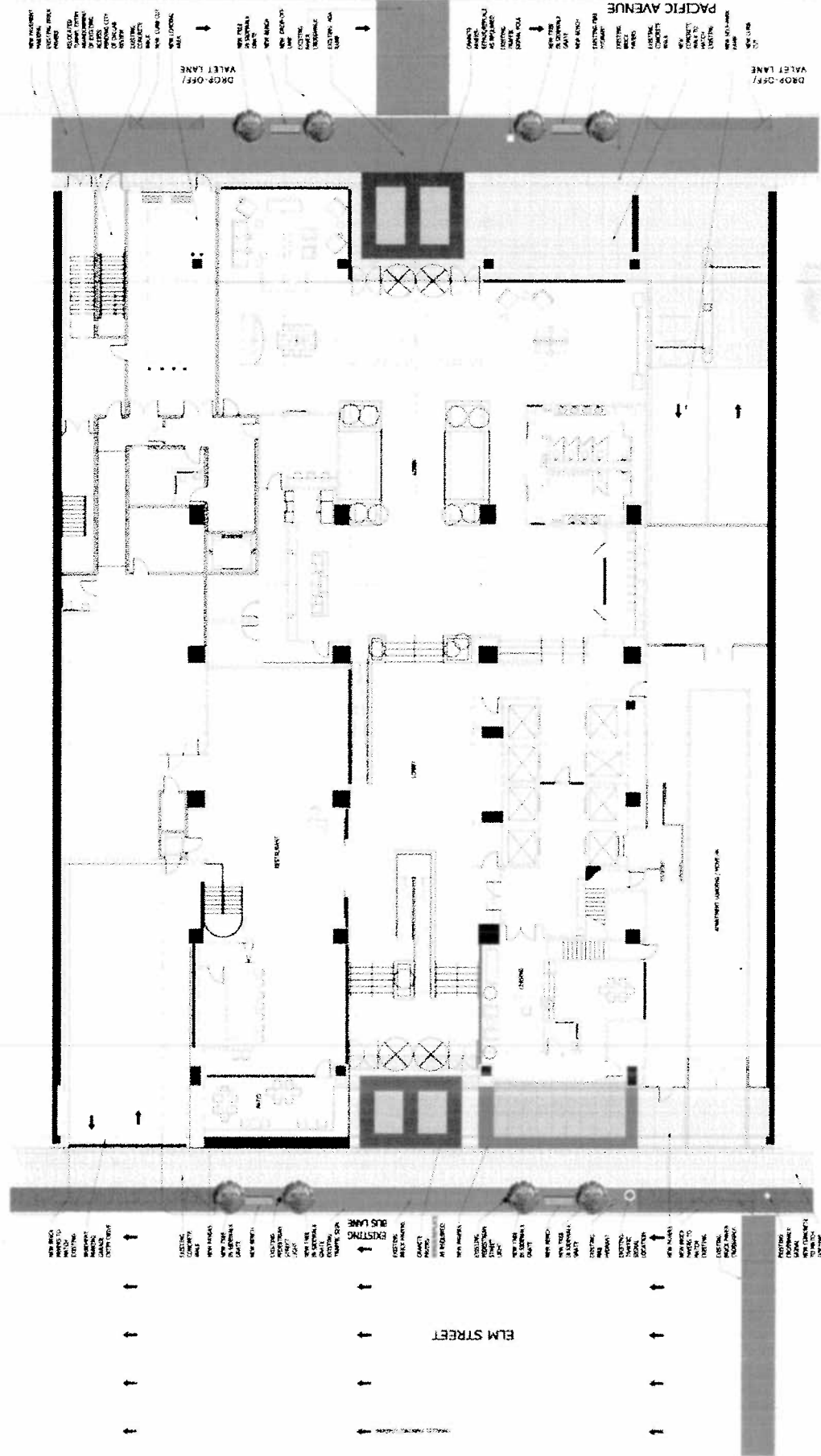
**Section 10.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.

APPROVED BY  
CITY COUNCIL

MAY 22 2013

  
City Secretary

LTV MIXED-USE  
1600 PACIFIC AVE



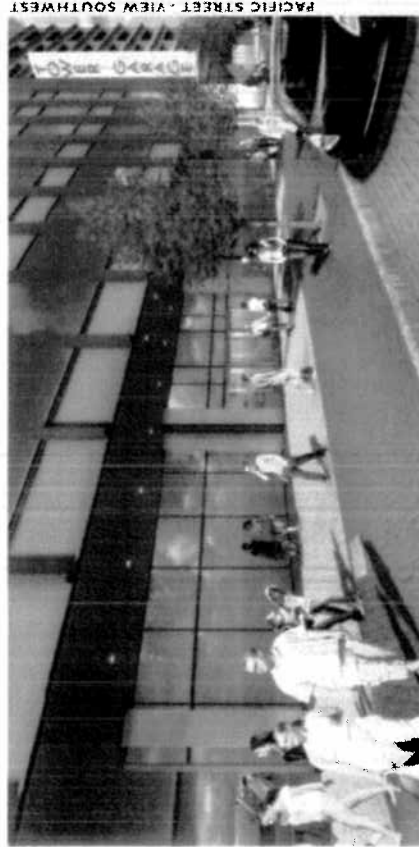
**Exhibit B**  
 Pedestrian Access Plan  
 (Stone Street to Pacific Avenue)



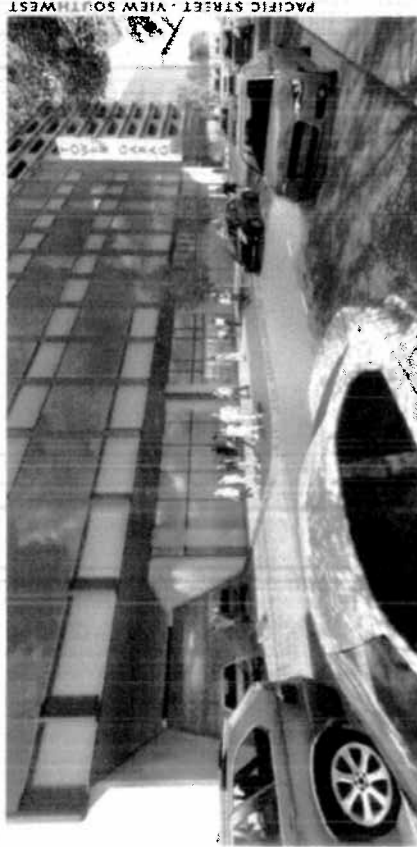
STONE STREET CONNECTION

**LTV MIXED-USE**  
 1600 PACIFIC AVE

**Exhibit C**  
 Exterior Concept Images  
 (Ground Floor)



PACIFIC STREET - VIEW SOUTHWEST



PACIFIC STREET - VIEW SOUTHWEST



ELM STREET - VIEW NORTHEAST



ELM STREET - VIEW NORTHWEST

EXTERIOR CONCEPT IMAGES

**LTV MIXED-USE**  
 1600 PACIFIC AVE

**Exhibit D**  
**TIF Increment Allocation Policy**  
**Downtown Connection TIF District**  
**As of September 30, 2009**

It is important for the City of Dallas to encourage as many projects as possible in the Downtown Connection TIF District (the "Downtown Connection TIF" or "District"). After satisfying all bond Downtown Dallas Development Authority ("DDDA") obligations related to reserves and debt service coverage requirements, Downtown Connection TIF funds will be allocated to Developers based on the increment created by the Project (as defined below) and Related Projects/Developers (as defined below) within the District and the distribution of any remaining funds in accordance with the reimbursement queue policy.

**Definitions**

Accrued Priority Increment - The unpaid balance of the *Individual Increment* owed to a project.

Administrative Expenses – the City will take a share of the District's annual TIF revenue to compensate for the amount billed to the District for costs related to the administration of its TIF program. This may include charges from the Office of Economic Development as well as other departments.

Available Funds – Total Increment less: (1) debt service on DDDA Bonds excluding Bonds issued pursuant to the Continental Building Improvements, (2) Bond trustee fees and expenses, (3) Administrative Expenses, (4) payment of any other DDDA obligations related to Bonds issuance, and (5) reimbursement to the City of Dallas for any grant of loan payments made to the DDDA.

Completed Projects – Projects which received City approval for satisfying all of its project obligations and approval on all supporting documentation required by their executed development agreements.

Cumulative Individual Increment – sum of all *Individual Increment* that a Project or Related Project produces in all years since its completion.

Developer/Owner – a person or entity that has completed all the requirements for a TIF-eligible Project as prescribed by the Project's fully executed development agreement.

District-Wide Improvements – improvements that benefit multiple properties or blocks but are not specific to a single development site such as public parks, gateways, trails, public open space, public facilities, or utility/streetscape improvements.

Individual Increment – the annual amount of increment deposited into the District's TIF fund by its participating jurisdictions that is generated by a Project eligible for TIF reimbursement. Dallas Central Appraisal District (DCAD) certified values for each tax year will be the data source used to determine values for the increment allocation procedure.

Performance Percentage – percentage of Individual Increments divided by the total Shared Increment.

Project (TIF-eligible) – development or redevelopment that increases the taxable value of real property at a particular site or a space or facility of public benefit such as improvements to City parks, open space, trails or cultural facilities. The Project has been approved for TIF funds and all requirements set forth in the development agreement have been completed.

Related Project/Developer – if a Developer or a Developer's affiliates (as defined in a development agreement) has other development or redevelopment projects in addition to a TIF-eligible Project, increment from those Related Project(s) may be included in Individual Increment for reimbursement of the TIF-eligible Project expenses. A Developer of a TIF-eligible Project must have at least 50% ownership in any Related Project. These requirements will be further specified in a development agreement where applicable.

Related Projects must create new taxable real property value for the District based on the following criteria:

- New development on previously vacant land or site of demolished structures.
- Redevelopment or major modification of an existing building that exceeds the building's original taxable value by 50% or more, or any increase in a building's original floor area if the expansion exceeds 50% for residential projects, 65% for mixed-use projects, and 75% for office/showroom projects

Remaining Funds – Funds leftover after distribution of all *Accrued Priority Increment* payments and all Individual Increment payments to *Completed Projects*.

Shared Increment – the sum of all Individual Increments generated by all Completed Projects in a given year.

Total Increment – the annual amount of increment deposited into the District's TIF fund by its participating jurisdictions.

## Procedure

Annually, after the *Total Increment* has been deposited in the TIF Fund, the funds shall be used to meet the financial obligations of the Downtown Connection TIF District in the following order:

1. Payment of all principal, interest, premium (if any) and fund any reserves necessary or desirable in connection with outstanding District Bonds (excluding Bonds issued pursuant to Section 2.07 of the Mercantile Development Agreement for the Continental Building Improvements) pursuant to Bonds issued by the DDDA and to pay any DDDA obligations which are on a parity with such Bonds;
2. Payment of any fees and expenses of the trustee and paying agent/registrar due and owing;
3. Reimbursement to the City for staff costs, administrative costs and other costs and expenses of the City and the Downtown Connection TIF District;
4. Payment of any other DDDA obligations which are subordinate to the Bonds, but are related to the DDDA's role in issuing the Bonds and administering contracts to be funded with Bond proceeds;
5. Reimbursement to the City for any grant or loan payments made to the DDDA to cover debt service on the Bonds or other DDDA obligations pursuant to the Chapter 380 Program as a result of any shortfalls in tax increment of the Downtown Connection TIF District;

Should for any reason the District fail to meet all of the above financial obligations and satisfying all DDDA bond obligations related to reserves and debt service coverage requirements, no funds shall be distributed to any projects

If, after meeting the above financial obligations and satisfying all DDDA bond obligations related to reserves and debt service coverage requirements, the remaining funds may be used as *Available Funds* to meet other TIF financial obligations including but not limited to the reimbursement of certain project costs for eligible projects.

A *Completed Project* shall be entitled to receive its *Individual Increment* each year if the total amount of *Available Funds* is greater than the total *Shared Increment* for all *Eligible Projects*. Should the amount of *Available Funds* be less than the total *Shared Increment* in a given year, a *Completed Project* shall be reimbursed based on their *Performance Percentage*. The unpaid balance of the *Individual Increment* owed to a project shall be deemed as "*Accrued Priority Increment*" and shall be paid in the following year(s) prior to the distribution of any Individual Increment payments.

Should any *Available Funds* remain after distribution of all *Accrued Priority Increment payments* and all *Individual Increment payments* to *Eligible projects*, the *Remaining Funds* shall be distributed in accordance to the Downtown Connection TIF District Modified Queue Reimbursement Policy approved by the Downtown Connection TIF District Board of Directors on September 30, 2009.

### **THE REIMBURSEMENT QUEUE**

The *Reimbursement Queue* shall list all approved Downtown Connection TIF District projects in order of priority based upon the earlier date in which the developer submits evidence of an executed construction loan and receipt of a building permit. Projects, such as Stoneleigh Hotel and Santa Fe IV, which were completed prior to the adoption of this policy, shall be placed in the queue based on their date of completion.

Each year, City staff is required to verify the status of all approved Downtown Connection TIF District projects as of June 1st. Those projects which have been completed shall be eligible to receive their Individual Increment; and shall be eligible to receive all or a portion of those funds which remain after the distribution of all Individual Increment payments. Payments from the *Remaining Funds* shall be made to completed projects in order of their priority ranking.

The amount of *Remaining Funds* distributed to a project shall not exceed the project's Total TIF Award (including interest when applicable) less the amount of *Cumulative Individual Increment* paid to date for a project. After such payment(s) are made, any leftover funds shall be distributed to the next completed project in order of their priority ranking.

**Should a project which has not been completed as of June 1<sup>st</sup> of a given year have priority ranking over a project which has been completed, the uncompleted project shall be deemed "bumped" and shall not receive any payments for that year. A project may be "bumped" by more than one project in a given year. However, a "bumped" project shall retain its priority ranking for subsequent years.**

As projects are approved by City Council for funding from the Downtown Connection TIF Fund, they shall be given the lowest priority ranking until such time the developer submits evidence of: **(1) an executed construction loan and receipt of a building permit or (2) final certificate of occupancy.** At which time, the reimbursement queue shall be updated. Once a project has been completed, its priority ranking shall not be subject to change. The City's Director of Economic Development will make the final determination in applying future available revenues in the TIF Fund among Projects.

Downtown Connection TIF District  
Reimbursement Queue  
*As of April 2013*

Reimbursement Priority <sup>1</sup>	Project Name	Priority Date	Construction Status	Primary TIF Reimbursement	Maximum Interest	Total Eligible TIF Reimbursement	Project Generated Increment Only <sup>4</sup>	Reimbursement Status
1	Stoneleigh Hotel	5/30/2010	Completed	\$2,500,000	\$0	\$2,500,000	Yes	To Be Paid
2	Hall Lone Star <sup>2</sup>	5/30/2010	Completed	\$852,764	\$2,000,000	\$2,852,764	No	To Be Paid
3	Santa Fe IV - Aloft Hotel	5/30/2010	Completed	\$4,296,264	\$0	\$4,296,264	No	To Be Paid
4	Grand Ricchi Dallas - 1600 Pacific	10/26/2010	Under Construction	\$8,830,000	\$4,040,200	\$12,870,200	No	N/A
5	Joule Hotel Expansion	1/19/2011	Under Construction	\$20,658,500	\$0	\$20,658,500	No	N/A
6	Atmos Complex Phase I	6/20/2011	Under Construction	\$3,250,000	\$3,000,000	\$6,250,000	No	N/A
7	Joule Hotel Expansion Amendment	8/10/2011	Under Construction	\$3,194,409	\$0	\$3,194,409	No	N/A
8	Continental Building <sup>3</sup>	9/16/2011	Under Construction	\$13,305,700	\$4,222,588	\$17,528,288	No	N/A
TBD	Atmos Complex Phase II	TBD	Approved	\$11,750,000	\$5,000,000	\$16,750,000	No	N/A
TBD	1914 Commerce Street	TBD	Under Construction	\$13,168,950	\$0	\$13,168,950	No	N/A
TBD	1954 Commerce Street	TBD	Under Construction	\$3,020,350	\$0	\$3,020,350	No	N/A
TBD	Hall Lone Star Project - Phase II <sup>2</sup>	TBD	Approved	\$5,000,000	\$0	\$5,000,000	No	N/A
TBD	1401 Elm Street	TBD	Approved	\$30,000,000	\$0	\$30,000,000	No	N/A
TBD	PetroCorrigan Project	TBD	Approved	\$10,300,000	\$0	\$10,300,000	No	N/A
TBD	500 S. Ervay	TBD	Approved	\$5,000,000	\$0	\$5,000,000	No	N/A
TBD	LTV Tower Project	TBD	Approved (TIF Board)	\$17,500,000	\$0	\$17,500,000	No	N/A
<b>\$170,889,725</b>								

Notes:

<sup>1</sup>The priority ranking of an approved project is established by the submittal of evidence to the City of an executed construction loan and building permit for the project.

<sup>2</sup>Hall Lone Star Project, Phases I and II, is eligible to receive up to \$2M in interest. The full \$2M in interest is shown in Phase I of the project.

<sup>3</sup>The Total TIF Reimbursement for the Continental Building project is \$22,528,288 (includes an additional \$5M in bond proceeds).

<sup>4</sup>Based on the development agreement for the project, reimbursement may take the form of project generated increment only or project generated increment plus shared increment.