



**City of Dallas**

## Pearl Lofts

a mixed-use & mixed-income development project

## Pearl Improvements

a public plaza project

in the Farmers Market TIF District

**Economic Development Committee**

**February 7, 2022**

Kevin Spath, AICP, EDFP, HDFP

Assistant Director

Office of Economic Development

# Presentation Overview



- Background
- Proposed Pearl Lofts Project
- Proposed Pearl Improvement Project
- Staff Recommendation
- Next Steps
  
- Appendix

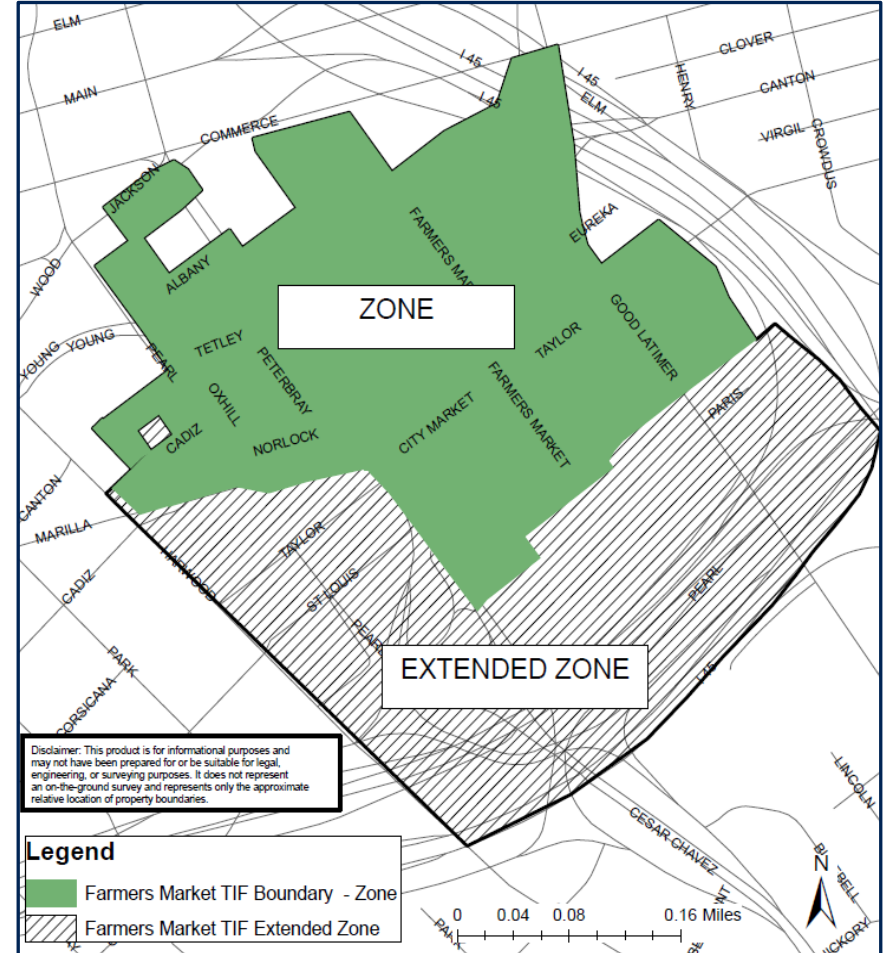


# Background: Farmers Market TIF District



- Established in 1998 as a long-term tool to provide a funding source to facilitate the redevelopment of vacant and underutilized land adjacent to the Dallas Farmers Market
- TIF District was amended in 2013 in anticipation of privatizing the Dallas Farmers Market parcels and to facilitate their redevelopment
- District sunsets December 31, 2028 (2029 collections)
- City of Dallas (90%) is the only participating jurisdiction; Dallas County participated (40%) but reached its \$1.1 million NPV cap with the 2021 increment collections
- To date, taxable value of real property has increased by \$419 million within the District, an increase of 1173% from the base value
  - 10 projects receiving \$29.3 million in TIF funds have leveraged \$287.4 million in DCAD value
  - 2,059 residential units within TIF District (60 affordable units)
  - 101,458 square feet commercial space

Farmers Market TIF District

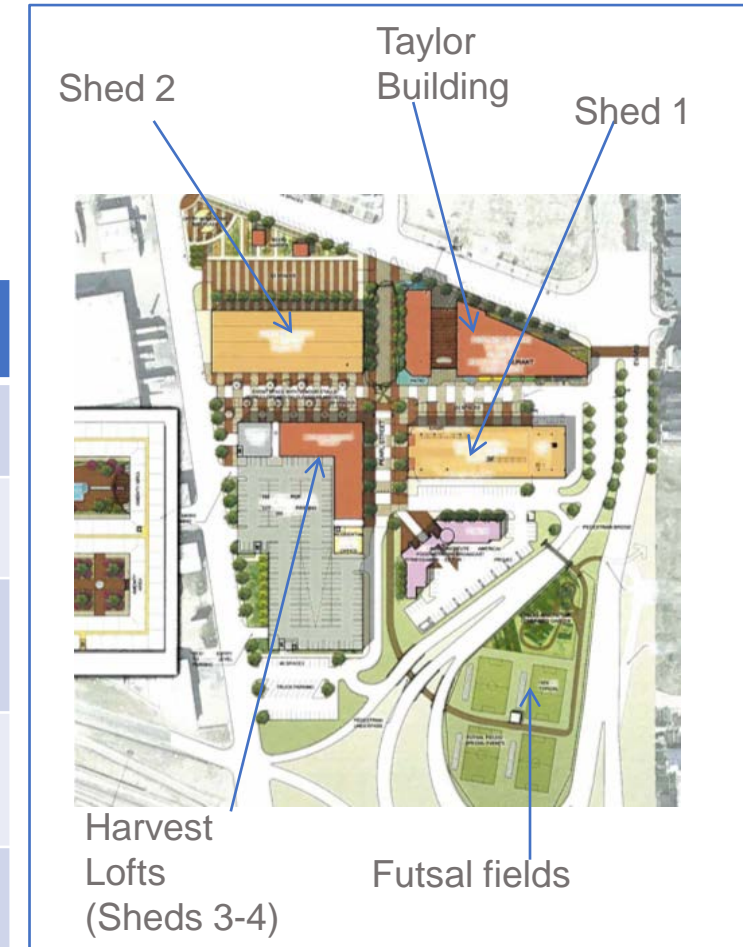


# Background: Farmers Market TIF District



- 2013 Plan Amendment set the stage for redevelopment of several Farmers Market parcels that had originally not been in the TIF District boundary because they were non-taxable City parcels
- Since the City sold the Farmers Market Redevelopment Project parcels (and leased Shed 1) through an RFP process, most of the anticipated projects have come to fruition

	Agreement/ Project	Description	Required Private Investment	TIF Funds	Status
1	Shed 1	119 stall local farmers market	\$800,000	\$300,000	Completed 2015; Paid
2	Shed 2	24,148 sf retail	\$1,784,987	\$355,477	Completed 2016; Paid
3	Harvest Lofts (Shed 3&4)	240 apt units 16,000 sf retail; 300 public parking spaces	\$28 million	\$13,204,350	Completed 2017; Paid
4	Taylor Building	60 apt units 25,000 sf retail	\$17.8 million	\$3,553,480	Completed 2019; Payment underway
5	Futsal Fields	Futsal fields & community garden	\$1.5 M million	\$589,888	Completed 2019; to be paid from future increment



# Background: Farmers Market TIF District



Shed 1



Shed 2



Harvest Lofts



Taylor Lofts



Futsal Fields

The Farmers Market building known as the Auxiliary/Administration Building was included in the extended Farmers Market TIF District boundary but remains undeveloped





# Pearl Lofts

a mixed-use and mixed-income development project



# Background: Location of Pearl Lofts Project



Pearl Lofts (the "Project") is being proposed at the site of the Auxiliary/Administration Building located at 2100 Jan Pruitt Way in City Council District 2 (Planned Development District 357)



# Background: Existing Conditions



Project site includes an existing 15,520 square foot obsolete structure that previously housed North Texas Food Bank (NTFB) corporate office





# Background: The Property



- March 27, 2013: City Council approved Resolution 13-0538, approving the sale of the Property to Dallas Farmers Market Trust, LLC (DF Market), an affiliate of the Farmers Market master developer
  - The sale included a right of reverter to be released subject to permits being issued for improvements to the Property or a personal guarantee of completion of improvements to the Property
  - The Property was to be used for a culinary learning center, production studio, administration office, retail leasing/retail vendors and potential DPD assistance or staging center
- March 2, 2014: City of Dallas acknowledged that DF Market and the NTFB had entered into a purchase and sale agreement for the Property, and, on September 19, 2014, the City released and terminated the reverter, stating that NTFB complied with the conditions
- Jan Pruitt, the prior President of the NTFB, had plans to renovate the building and update the culinary area. However, upon new leadership after her passing, the focus turned to NTFB's distribution facilities rather than owning a large corporate office building or creating a culinary center
- October 9, 2020: NTFB sold the Property back to the Farmers Market master developer under the entity name of 1100 Pearl Street, LLC
- NTFB moved out of the Property in January 2021 and is temporarily leasing office space elsewhere until the proposed Project is complete (NTFB will be the ground floor tenant)



# Proposed Project: Summary



**Project Developer:** 1100 Pearl Street, Inc., a Texas corporation (“Developer”)

- The LLC is the special purpose entity of Spectrum Properties who is the master developer of each of the Farmers Market Redevelopment parcels (Shed 1, Shed 2, Harvest Lofts, Taylor Lofts, Futsal)

**Project Summary:** Developer submitted an incentive application to the City of Dallas Office of Economic Development for Pearl Lofts (the “Project”)

- 100 unit mixed-income residential development
  - 30 affordable units and 70 market rate units
  - The 30% affordable set-aside exceeds the TIF District requirement of 20% set-aside
- approximately 5,585 gross square foot office on ground floor for North Texas Food Bank
- total Project cost: estimated \$33.2 million

	<b>RESID UNITS</b>
Market Rate Units	70
Affordable Units	30
<b>Total Residential Units</b>	<b>100</b>

<b>BEDROOM UNIT TYPE</b>	<b>RESID UNITS</b>
1 Bedroom	80
2 Bedroom	20
<b>Total Residential Units</b>	<b>100</b>



# Proposed Project: Summary



- In May 2021 and in June 2021, the City's Urban Design Peer Review Panel ("UDPRP") reviewed the Project
- UDPRP appreciated the proposed development for providing a new, active, mixed-use development on a challenging site in an already vibrant part of the city
- UDPRP recommended:
  - Exploring the ground-level design along Pearl Street and Jan Pruitt Way for more transparency and activity
  - Further design detail be given to the plaza space between the Project and Harvest Lofts
  - Further design refinement of the streetscape to create a more inviting pedestrian space
  - Further design refinement of the parking garage façade to further screen the parking uses
  - Exploring on-site rain capture and low impact development
  - More thought be given to the way the development interfaces with the upcoming Cesar Chavez reconfiguration
- **As a result, Developer made changes to accommodate UDPRP's recommendations**



# Proposed Project: Renderings



**WB** Wilder Belshaw Architects  
3875 Potts Ave. Suite 410  
Addicks, Texas 75001 214.409.0500

**PEARL LOFTS**  
DALLAS, Texas

SPECTRUM  PROPERTIES

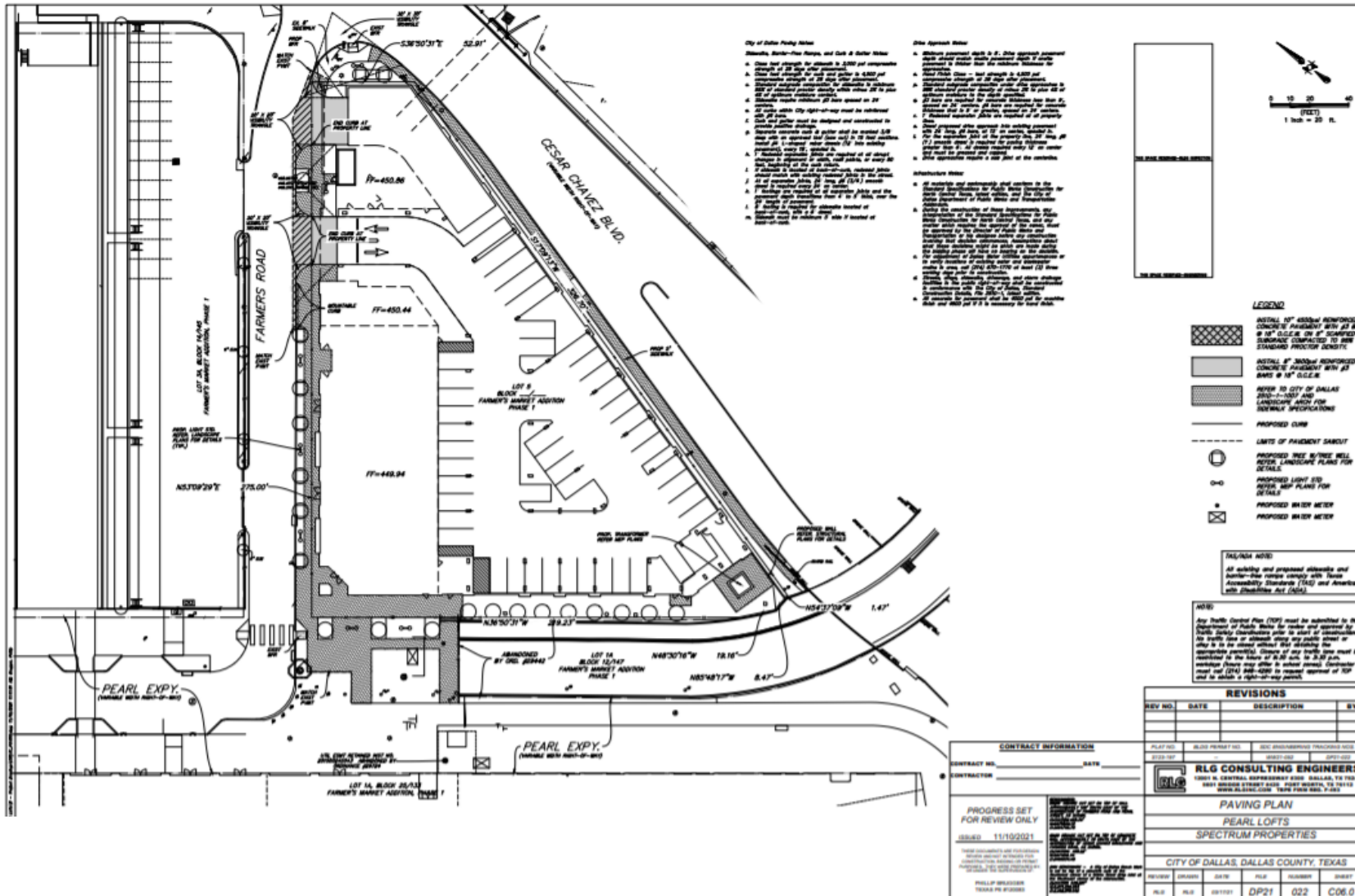


# Proposed Project: Site Plan



**Wilder Belshaw Architects**  
 2002 North Loop, Suite 210, Dallas, TX 75201  
 214.963.0500 phone, www.wilderbels.com

**Project Owner:**  
 Spectrum Properties  
 2518 Converse St.  
 Dallas, TX 75207



- Improvements were made to the Project plaza at the terminus of Pearl Street, considering the need to accommodate pedestrians and provide uses such as food trucks and to serve as a loading zone for multiple properties
- Improvements were made across the site's two driveways to create one uniform pedestrian experience
- Rain harvesting and a rain garden were added

Pearl Lofts

Dallas, Texas  
 Wilder Belshaw Project  
 Number: 2014

Drawing Name:  
 PAVING PLAN

# Proposed Project: Jan Pruitt Way Elevation



cantilevered portion of the garage clad in dark metal panels



vehicular headlights screened with 42" louverd panes in front of solid concrete wall



JAN PRUITT WAY ELEVATION  
1" - 20' 0"

4'x8' arched openings with steel grid to simulate window openings



# Proposed Project: S Pearl Expressway Elevation



BEFORE UDPRP REVIEW



AFTER UDPRP REVIEW



Façade enhancements were added on the garage facades to better screen the parking

Wire mesh garage screens



SOUTH PEARL EXPY. ELEVATION  
1" = 20' 0"



# Proposed Project: Cesar Chavez Elevation



BEFORE UDPRP REVIEW

AFTER UDPRP REVIEW



A green/vegetated screen wall was added to the rear façade to soften the edge in anticipation of I-30 reconstruction and to better interact with a future open space





# Proposed Project: Budget (Uses)



USES	AMOUNT	PERCENT
Acquisition	\$1,512,936	4.6%
On-Site Preparation including demolition costs	\$100,000	0.3%
On-Site and Off-Site Infrastructure (site work)	\$1,337,960	4.0%
Hard Construction Costs (building/parking construction, finish out, site amenities)	\$26,345,382	79.4%
Professional Fee (including but not limited to A&E, testing, permits)	\$807,855	2.4%
Soft Costs (including but not limited to financing costs, construction interest, legal fees, taxes)	\$2,440,238	7.4%
Developer Fee	\$650,887	2.0%
<b>TOTAL COSTS</b>	<b>\$33,195,258</b>	<b>100%</b>



# Proposed Project: Budget (Sources)



Construction and Permanent Sources of Funds	Amount	Percent
Construction and Mini-Perm Loan	\$19,214,000	58%
Equity	\$6,786,122	20%
Developer Fee Deferral	\$650,887	2%
City of Dallas TIF Subsidy	\$6,544,249	20%
<b>Total Sources</b>	<b>\$33,195,258</b>	<b>100%</b>



# Staff Recommendation: TIF Subsidy



- Authorize a development agreement with 1100 Pearl Street, Inc. (“Developer”) and/or its affiliates in an amount not to exceed **\$6,544,249** for a TIF Subsidy comprised of an Economic Development TIF Grant and Infrastructure Improvements

TIF Eligible Expenditures for TIF Subsidy	Estimated
Economic Development TIF Grant for high density development and offsetting the cost of providing affordable housing	\$6,166,015
Infrastructure Improvements (utility improvements, street and streetscape improvements, associated design expenses)	\$378,234
<b>TOTAL TIF SUBSIDY – amount not to exceed</b>	<b>\$6,544,249</b>



# Staff Recommendation: Conditions



The Project shall include, at minimum, the following:

- **100 residential units of which 30% (30 units) shall be set aside for households earning 80% of the Area Median Family Income for a minimum period of 15 years (exceeds the 20% affordability requirement of the TIF District)**
- **100,000 square foot building (excluding parking structure) of which a minimum of 5,300 square feet shall be the ground floor office space**
  - Developer will execute a lease with North Texas Food Bank (NTFB) for the ground floor office space for a minimum 5-year term
- **Of the parking spaces being constructed as part of the Project, 25 spaces, most conveniently located to the public, will have signage stating that those 25 parking spaces are available to the public between 6:00 p.m. and 7:00 a.m. on the weekdays and at all times during the weekends;** the public parking spaces may be shared with NTFB and shall be reflected in the lease between Developer and NTFB



# Staff Recommendation: Conditions



- Developer will invest and document a **minimum of \$27,000,000 in private improvements** in the Project, including on-site and off-site infrastructure, on-site preparation including demolition, site amenities, building construction/finish-out, and professional fees
- At least 10% of the Project's residential units must be set aside and leased to **voucher holders** or abide by any amendments to Ordinance 30246 and Chapter 20A
- Developer will obtain a **demolition permit by December 31, 2022** and a **building permit by March 31, 2023**
- Construction of the Project, including associated public improvements/streetscape improvements, will be substantially complete by **March 31, 2025** as evidenced by letter of acceptance, certificate of completion, or similar documentation from the City



# Staff Recommendation: Conditions



- The **proposed management entity for the Project must be submitted at least three months prior to Project completion for review by the Director** of the Office of Economic Development to consider acceptance
- Developer will execute a **20-year Operating and Maintenance Agreement** for all **non-standard public improvements** prior to payment
- Developer will make a good faith effort to comply with City's Business Inclusion and Development ("BID") **goal of 32% participation by certified Minority/Women-owned Business Enterprises ("M/WBE")** for **all hard construction expenditures** of the Project and meet all reporting requirements
- Until the Project has passed final building inspection and all required paperwork for payment has been submitted, Developer will submit to the Office of Economic Development **quarterly status reports** for ongoing work on the Project as well as public improvements
- Developer will 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 comments provided by the Urban Design Peer Review Panel**; allowable minor modifications may include those required for compliance with development regulations



# Staff Recommendation: Conditions



- For all permanent employment opportunities, Developer shall submit **a written plan describing how Developer or property management group will use and document best efforts to recruit and hire residents of the city of Dallas**. At a minimum, the written plan shall describe how local recruitment will be targeted through local advertisement, community outreach, local engagement, participation in local job fairs, and/or coordination with local hiring sources
- Developer shall submit the **Affirmative Fair Housing Marketing Plan** for approval
- Prior to payment of the TIF Subsidy, Developer shall provide evidence that a **minimum of 60% of the residential units and 60% of the ground floor office space are leased and occupied and such occupancy must be verified each year that TIF Subsidy payments are made**
- **Director of the Office of Economic Development may authorize minor modifications** to the Project, including, but not limited to, adjustment in unit type, unit mix
- **After approval of the TIF Board and Director of the Office of Economic Development, deadline extension up to 12 months** may be granted



# Appendix: Ownership and Development Team



- Affiliation exists between the Developer/Owner, 1100 Pearl Street, Inc. and the Property Manager, Spectrum Properties, Ltd.
  - Developer has formed a special purpose entity for the Project (1100 Pearl Street, Inc.)
  - Once construction of the Project is complete, the Developer's management company, Spectrum Properties, Ltd. will manager and operate the Project

Role	Party Name
Developer Entity/Primary Contact	1100 Pearl Street, Inc.
Developer	Spectrum Properties, Ltd. (Brian Bergersen)
Architect	Wilder Belshaw Architects, Inc.
Contractor	Andres Construction
Property Management and Leasing	Spectrum Properties, Ltd.
Construction Lender	Frost Bank
Legal	Pedersen & Houpt





# Appendix: Projected Taxable Value



- Current (2021) taxable value of the real property per DCAD: \$1,509,580 (\$11,674 annual City taxes)
- Estimated post-completion taxable value: \$24,100,000



# Appendix: Underwriting



- Developer's amended incentive application requested \$7,195,136 in TIF subsidy
- National Development Council (NDC), under contract with the City, conducted independent underwriting of the incentive application
- Conclusions of independent underwriting:
  - **Development team:** Highly qualified; experienced
  - **Equity investors:** Sufficient equity; the Developer will use equity to bridge proposed TIF Subsidy
  - **Permanent debt capacity of Project:** Maximized; term sheet shows willingness to lend in an amount greater than industry standards
  - **Appraisal and Market Study:** Applicant's assumptions are consistent with information presented
  - **Cost estimates of Project:** Hard construction costs for the residential is \$177/sf and office is \$85/sf, both of which appear reasonable compared to other projects. Structured parking is \$42,590 per space which is high for a poured in place garage. Soft costs are 14% of hard costs which is slightly below the lower end of the expected range.
  - **Rationale for subsidy based on Costs:** Project costs are relatively high per unit, primarily caused by cost of structured parking and inefficiently shaped parcel; Project helps to complete Farmers Market neighborhood
  - **Rational for subsidy based on Returns:** Project appears viable although produces low returns to equity; with proposed TIF Subsidy, cash-on-cash target of 7% will take 14 years to achieve; NDC concluded no undue enrichment of Applicant



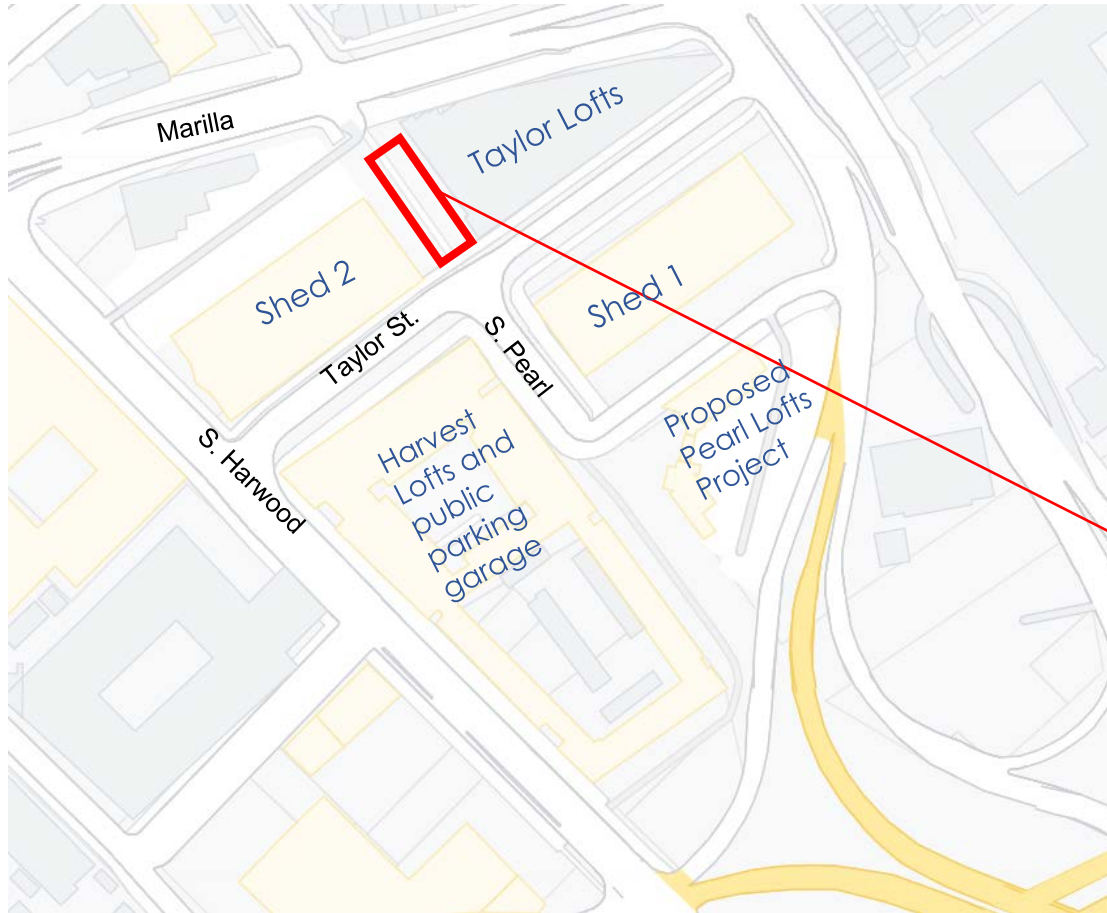


# Pearl Improvements

a public plaza project



# Background: Location of Pearl Improvement Project



The proposed Pearl Expressway Improvement Project (the "Pearl Improvement Project") will be located in the Pearl Expressway public right-of-way between Taylor Street and Marilla Street (between the bollards)



# Background: Pearl Improvement Project



- The Farmers Market TIF District Amended Project Plan and Reinvestment Zone Financing Plan (“Plan”) cites a goal to **“improve the pedestrian environment through plaza and sidewalk improvements, landscaping, lighting, design standards, and burial of overhead utilities, including improved pedestrian connections throughout the Farmers Market TIF District”** and, specifically, calls for **“improvements to Pearl Street and Taylor Street for outdoor public festivals/activities”**
- The Pearl Expressway public right-of-way between Taylor Street and Marilla Street (the “Premises”) is currently blocked off by vehicular traffic with the use of bollards
  - Ordinance 23182 approved in 1997 provided the closure and vacation of a portion of Pearl, between Taylor Street and Marilla Street, to vehicular traffic
  - Resolution 13-1024, approved on June 12, 2013, repealed Ordinance 29040, although this segment of Pearl remained closed to vehicular traffic
  - To facilitate the Pearl Improvement Project, a staff recommendation will be made to City Council on March 9, 2022 to re-instate the closure and vacation of the Premises to formally continue the use as a public non-vehicular right-of-way



# Proposed Pearl Improvement Project: Summary



- **Project Developer:** Spectrum Properties, Ltd., the Farmers Market master developer under various single purpose entities, is the abutting owner of the Premises and is the Manager of FM City Park, LLC, a Texas limited liability company (“Adjacent Owner”)
- **Project Partnership:** The City has the opportunity to partner with the Adjacent Owner who owns or leases all of the property known as the Farmers Market Redevelopment Project (Shed 1, Shed 2, Harvest Lofts (formerly Shed 3 and 4), Taylor Lofts, and the Auxiliary/Administrative Building), to improve the Premises
- **Project Summary:** The Adjacent Owner submitted an incentive application to the City of Dallas Office of Economic Development for the Pearl Improvement Project requesting to construct public improvements including raising the street right-of-way to be level with the abutting sidewalks, installation of pavers and streetscape furnishings, and to maintain the Premises



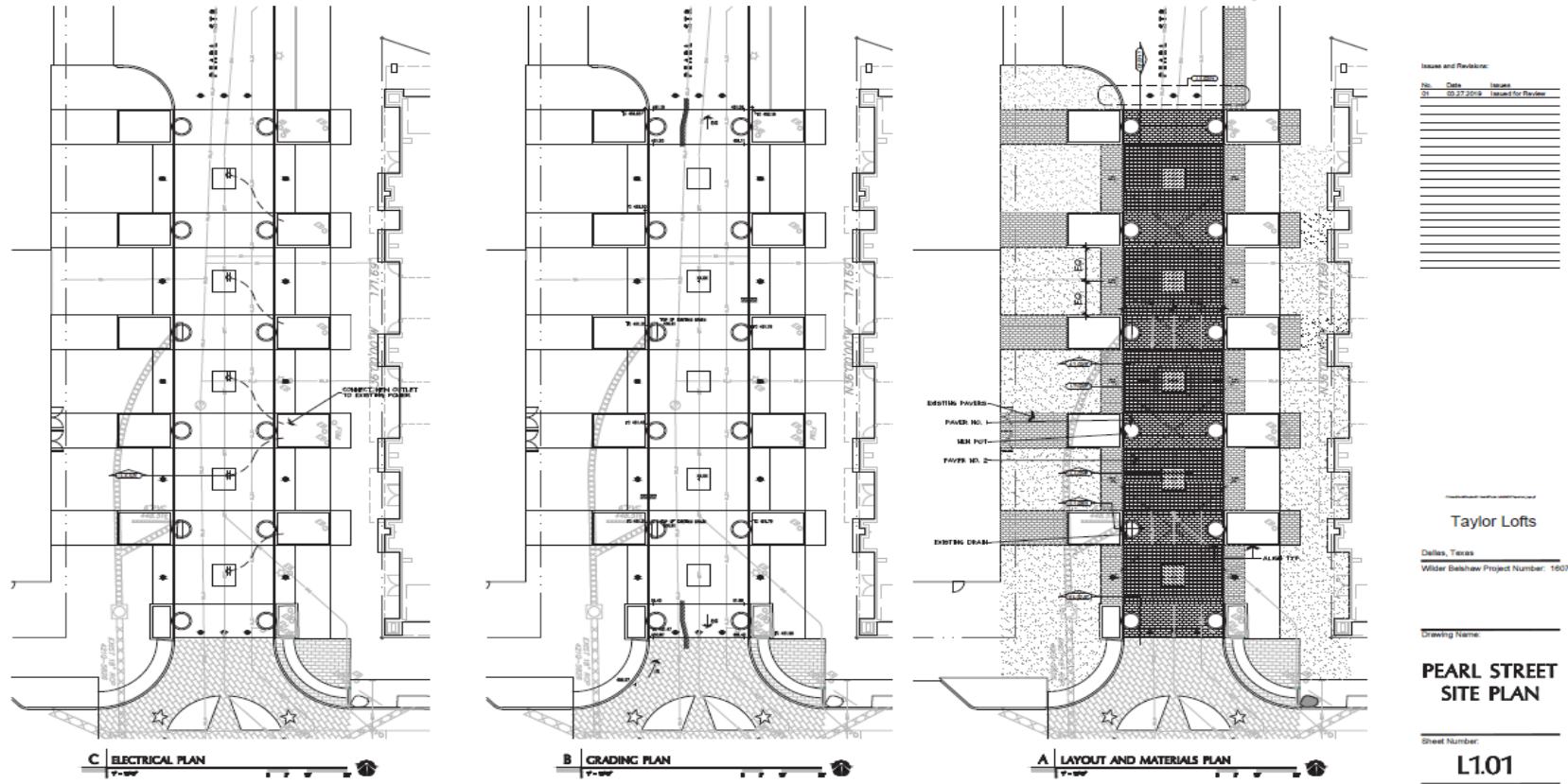
# Staff Recommendation: TIF Funding



- On November 3, 2021, the Office of Economic Development and Adjacent Owner executed a Letter of Intent including a recommendation of TIF funding in an amount not to exceed **\$285,650** to reimburse the costs of the public improvements upon Project completion
- TIF funding will be sourced from district-wide set-aside funds (Farmers Market Area Improvements budget category)
- The Farmers Market TIF District allocation policy includes a district-wide set-aside, comprised of 5% of the District's annual increment, for improvements such as gateways and open space, benefitting multiple properties or blocks

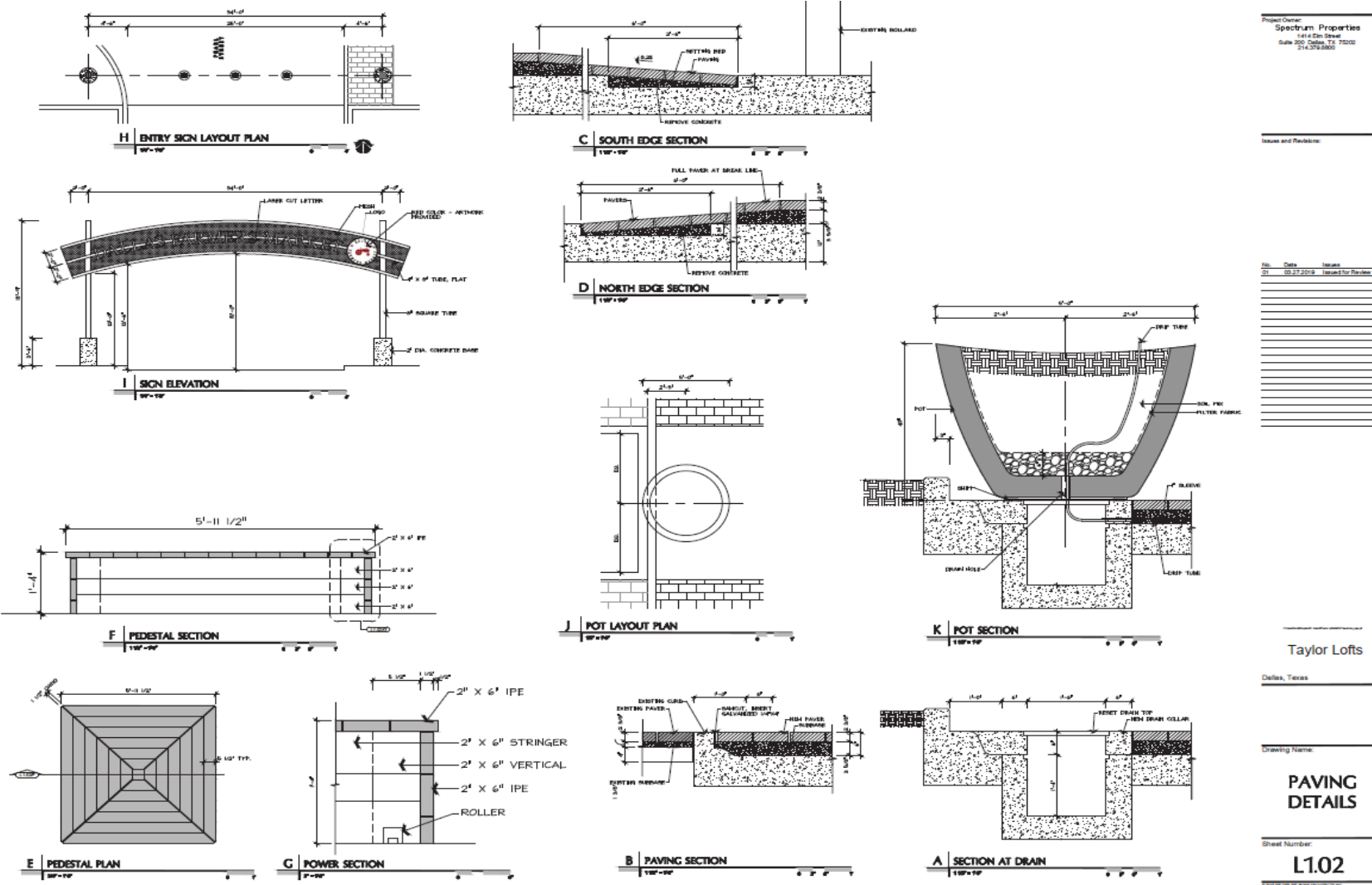


# Proposed Project: Conceptual Plan Details





# Proposed Project: Conceptual Plan Details



# Proposed Project: Example Images



- Below are examples that illustrate the creation of plazas in urban environments:



# Staff Recommendation: Conditions



- The Adjacent Owner will enter into a private development contract with the City of Dallas, administered by the Development Services Department, to privately bid and contract for construction of the Pearl Improvement Project and **will obtain a permit or other required City documentation evidencing approval to start construction by December 31, 2022**
- Construction of the Pearl Improvement Project will **be substantially complete by December 31, 2023**
- Adjacent Owner will execute an **Operating and Maintenance Agreement in perpetuity** (unless or until the Premises is no longer utilized as a public pedestrian area), for all **non-standard public improvements** prior to payment
- Adjacent Owner will make a good faith effort to comply with City's Business Inclusion and Development ("BID") **goal of 32% participation by certified Minority/Women-owned Business Enterprises** ("M/WBE") for **all hard construction expenditures** of the Project and meet all reporting requirements



# Staff Recommendation: Conditions



- Until the Project has passed final building inspection and all required paperwork for payment has been submitted, Adjacent Owner will submit to the Office of Economic Development **quarterly status reports** for ongoing work on the Project
- The Adjacent Owner submitted conceptual plans of the Pearl Improvement Project to the City of Dallas Planning and Urban Design Department (“PUD”) and the conceptual plans were accepted by PUD on December 4, 2020; Adjacent Owner will construct the Project in **substantial conformance with the conceptual plans approved by PUD**; allowable minor modifications may include those required for compliance with development regulations
- In addition to acceptance by PUD, all local, state and federal health and safety requirements must be met including, but not limited to, approval of the Pearl Improvement Project by Dallas Fire Rescue, Development Services Department, and Public Works Department, prior to entering into a private development contract
- Adjacent Owner will continue to **abide by Dallas City Code Chapter 42A related to Special Events and Dallas Farmers Market related activities**, including, but not limited to, activation and permitting of the Premises, a portion of the “Dallas Farmers Market”, as defined in Chapter 42A





# Appendix: Downtown 360 Plan

- Pearl Lofts Project and Pearl Improvement Project both advance the Downtown 360 Plan vision and framework
- As part of the Building Complete Neighborhoods and Promote Great Placemaking Transformative Strategies:
  - Diversify and Grow Housing
    - Diversity in Price Point - in order to recoup initial development costs, financial incentives must be more readily accessible for developers to supply affordable units throughout the City Center. Without incentives or subsidies, construction of new and affordable housing units becomes infeasible due to the high land and construction costs
  - Create Vibrant Parks and Neighborhood Spaces
    - Pocket parks or plazas - activate existing small lots and other “leftover” spaces to provide relief from buildings by creating intimate spaces for a range of activities
    - The City Center’s growing population will generate new demand for improved park and open space as development in emerging neighborhoods, including the Cedars, Dallas Farmers Market, South Dallas/Fair Park, and Deep Ellum, continues
    - Activate the public realm

THE **360** PLAN

2017 **PLAN FRAMEWORK**

THE VISION

A COMPLETE AND CONNECTED  
CITY CENTER

TRANSFORMATIVE STRATEGIES



# Appendix: Farmers Market TIF District Budget



## Farmers Market TIF District Projected Increment Revenues to Retire TIF Fund Obligations

Category	TIF Budget <sup>1</sup>	Allocated <sup>2</sup>	Budget Allocated to Pearl Lofts and Pearl Improvements	Balance
Phase IA <sup>3</sup>	\$11,821,892	\$8,125,410		\$3,696,482
Deep Ellum Connector <sup>4</sup>	\$672,970	\$672,970		\$0
Phase IB	\$742,031	\$742,031		\$0
Phase II <sup>5</sup>	\$4,731,753	\$3,252,225		\$1,479,528
Harlan Building	\$701,142	\$701,142		\$0
Farmers Market Area Improvements	\$33,936,703	\$19,668,027	\$6,829,899	\$7,438,777
TIF Administration <sup>6</sup>	\$2,033,423	\$1,034,282		\$999,141
<b>Total</b>	<b>\$54,639,915</b>	<b>\$34,196,087</b>	<b>\$6,829,899</b>	<b>\$13,613,929</b>

1. Budget shown above in current dollars (NPV value of \$19,238,514); Budget items that have been completely expended have not been escalated to current dollars. Catalyst Infrastructure Projects may be partially paid from Phase IA and Phase II

2. Allocated includes money expended and committed for existing and future projects.

3. Phase 1A and Phase II includes \$7,654,743, funds advanced by the City.

4. Deep Ellum Connector includes – Lighting near Art Park and Open Space Improvements (AA) - \$25,000 & Pearl Street conceptual design \$25,000.

5. Phase II includes Farmers Market Square and Phase IIA

6. TIF administration fee includes funds expended or committed through FY 2020-2021.



# Next Steps



- On February 17, 2022, the Farmers Market TIF District Board of Directors will review and consider approval of TIF funding and development agreement for the Pearl Lofts Project in an amount not to exceed \$6,544,249 (February 3, 2022 Board meeting was cancelled due to inclement weather)
- On December 13, 2021, the Farmers Market TIF District Board of Directors reviewed and recommended for approval of up to \$285,650 in TIF District district-wide set-aside funds for Pearl Improvements Project
- Three agenda items will be placed on the City Council voting agenda on March 9, 2022
  - 1) Consideration of Pearl Lofts Project
  - 2) Consideration of Pearl Improvement Project
  - 3) Re-instatement of the closure and vacation of the Premises (by Real Estate division of the Public Works Department)





# Pearl Lofts

a mixed-use & mixed-income development project

# Pearl Improvements

a public plaza project

in the Farmers Market TIF District

## Economic Development Committee

February 7, 2022

Kevin Spath, AICP, EDFP, HDFP

Assistant Director

Office of Economic Development

