



**City of Dallas**

# Courtyard and Residence Inn by Marriott

a hotel development project within Reimagine Redbird

Economic Development Committee  
February 7, 2022

Kevin Spath, AICP, EDFP, HDFP  
Assistant Director  
Office of Economic Development

# Presentation Overview



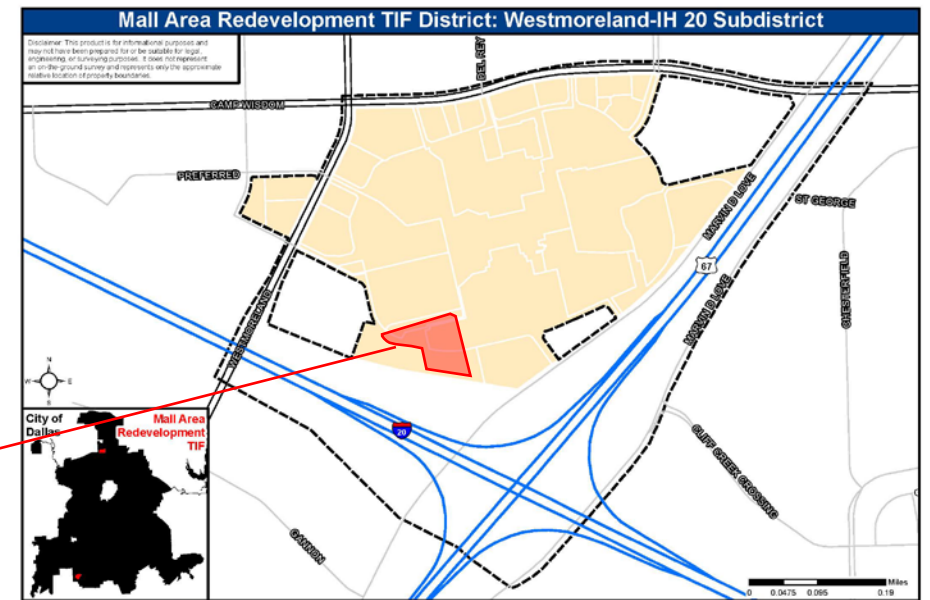
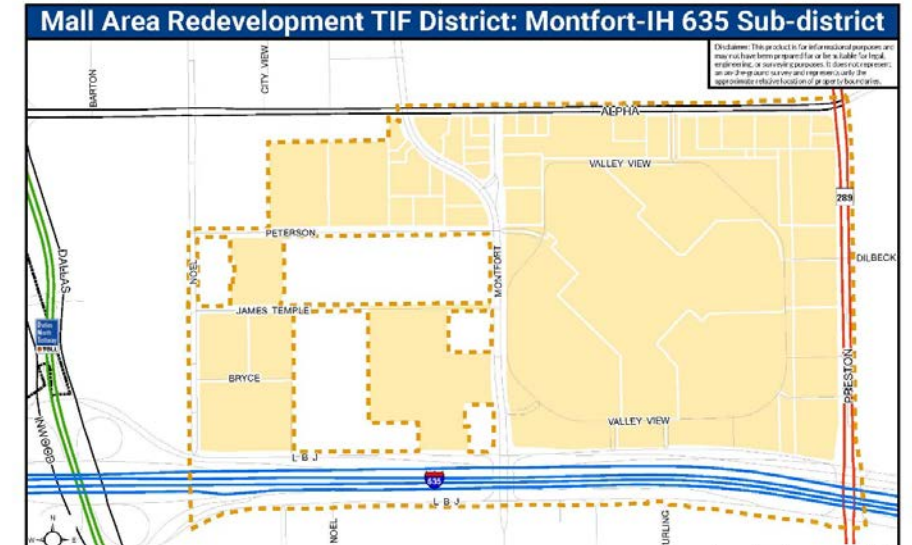
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# Background: Mall Area Redevelopment TIF District



- created in 2014, the District comprises two non-contiguous sub-districts: Montfort-IH 635 Sub-District in northern Dallas and the Westmoreland-IH 20 Sub-District in southern Dallas
- participation rates
  - City: 0% 2015
  - City: 90% 2016-2042
  - City: 75% 2043
  - City: 55% 2044
  - County: 55% for 20 years (pending execution of ILA)
- District expires in 2044
- In 2021, taxable value of real property had increased by \$60 million within the District, an increase of 35.6% above the base value



# Background: Location of Project



The Courtyard and Residence Inn by Marriott Hotel at Redbird development project ("Project") is located at 3662 W. Camp Wisdom Road in City Council District 8 within the Reimagine Redbird area



# Background: Within Reimagine Redbird



2018 TIF Development, Chapter 380 Grant, and Chapter 380 Loan Agreement:

- was underwritten, structured, and authorized June 2018 by City Council to require WCWRD, Inc. (master developer of Reimagine Redbird redevelopment project) to prepare and convey property at fair market value to a hotel user for the construction of a minimum 125-room hotel and conference center and to a residential developer for the construction of a minimum 250-unit multi-family development
- requires City to execute releases of lien for portions of the property that are sold to unaffiliated third parties for vertical development of multi-family, hotel, or other commercial, residential, or mixed-use development
- October 2019: City released lien for the Palladium Redbird apartment project (WCWRD, Inc. completed horizontal infrastructure improvements necessary to make the 6.1-acre site shovel-ready for the vertical developer and then sold the site to DHFC; DHFC ground-leased the site to Palladium Redbird LP to finance, build, and operate the apartment project)
- June 2021: City Council authorized amendment of the 2018 TIF Development, Chapter 380 Grant, and Chapter 380 Loan Agreement to change WCWRD, Inc.'s requirement to convey property to a hotel developer based on "reasonable efforts" rather than an obligation. Reasonable efforts means either of the following:
  - Executing a letter of intent with a hotel user, or
  - Preparing a site of sufficient size and with sufficient infrastructure improvements (e.g. rough grading and construction of necessary roadway and utility improvements) to support a hotel user and providing written quarterly reporting on the status of the pursuit of a hotel user
- City will release its lien to facilitate this Courtyard and Residence Inn by Marriott Hotel project



# Background: Existing Conditions



- Project site is currently a vacant parking lot
- Project site is located immediately south of the new Palladium Redbird apartment project
- Project site's 2021 certified taxable value (Dallas CAD) is approx. \$500,000
- In 2018, City Council approved change in zoning district from Regional Retail (RR) to Mixed Use (MU-2)
  - lodging uses allowed by right
  - SUP required for extended stay



# Background: Public/Private Partnership Program



- Pursuant to the City's Public/Private Partnership Program ("P/PPP") Guidelines and Criteria (effective for the period July 1, 2021 through June 30, 2022), the subject property is located in a Target Area
- With Project investment totaling approximately \$31.5 million, this Project exceeds minimum eligibility criteria requirements of the P/PPP Guidelines and Criteria for a Target Area



# Proposed Project: Summary



**Project Developer:** Redbird Hotel Venture, LLC ("Developer"), a Texas limited liability company and/or its assigns will directly or indirectly control the Project. Redbird Hotel Venture, LLC is a special purpose entity of Atlantic Hotels Group.

**Project Summary:** Developer submitted an incentive application to the Office of Economic Development for the Courtyard and Residence Inn by Marriott Hotel (the "Project"):

- 5-story, 164 room dual-branded, select-service and extended-stay lodging facility consisting of approximately 117,320 gross square feet of hotel and shared common space on 4.9 acres
- breakfast dining area and a bar
- approximately 4,508 square feet of ballroom/indoor meeting space
- approximately 4,894 square feet of outdoor event space
- outdoor pool, patio, and barbeque area
- fitness room; lobby workstations; market pantry; guest laundry room; necessary back-of-house
- total Project cost estimated \$31.5 million
- start construction by end of 2022
- estimated opening 2024





# Proposed Project: Urban Design



- In June 2021, the City's Urban Design Peer Review Panel ("UDPRP") reviewed the Project and commended the development team for providing a much-needed product for southwest Oak Cliff and for contributing more vibrancy to the Reimagine Redbird area
- UDPRP recommendations:
  - Give more thought to the **design and routing of the wellness trail** to provide **adequate space for bikes and pedestrians**, with additional design detail being conducted to **emphasize pedestrian safety**, including **minimizing driveway crossings** and **eliminating curbs**
  - Give more thought to how this site can individually handle **stormwater management** and improve water quality through **on-site bioswales and landscape design in the parking islands** and surrounding pervious spaces
  - In order to **reinforce the overall vision for redevelopment of the Red Bird Mall site**, more architectural and landscape design attention should be given to the **north and eastern facades of the building**, considering **internal building programming** as well as **streetscape design along those edges**. The goal of such design is to **better connect and integrate the hotel to the rest of the Red Bird Mall site**, while also **encouraging pedestrian connectivity** and access to the surrounding community. It was additionally noted the need to provide **transparency along both of these facades**.
- **As a result, Developer made changes to accommodate UDPRP's recommendations**



# Proposed Project: Site Plan



Source: Mayse & Associates, Inc



# Proposed Project: Renderings



Source: Mayse & Associates, Inc.



# Proposed Project: Elevations



2 WEST BUILDING ELEVATION



2 NORTH BUILDING ELEVATION



1 SOUTH BUILDING ELEVATION



1 EAST BUILDING ELEVATION



Source: Mayse & Associates, Inc

# Proposed Project: Development Budget



Uses	Amount	Percent
<b>Land Acquisition</b>	\$ 1,230,057	3.9%
<b>Hard Construction</b> (building and site improvements; exterior signage; contingency)	\$ 22,566,232	71.7%
<b>FF&amp;E; OS&amp;E; kitchen/laundry equipment; technology systems; security system</b>	\$ 3,852,600	12.2%
<b>Professional Fees</b> (A/E; landscape architect; testing; licenses; inspections)	\$ 900,000	2.9%
<b>Soft Costs</b> (marketing; franchise fees; taxes; insurance; bonding; title; legal fees; financing fees; credit enhancement fees; broker fee; interest reserve)	\$ 1,734,400	5.5%
<b>Developer Fee</b>	\$ 1,197,769	3.8%
<b>TOTAL</b>	<b>\$ 31,481,058</b>	<b>100.0%</b>



# Proposed Project: Development Budget



Sources	Amount	Percent
Construction and Permanent Loan	\$ 21,685,000	68.9%
Equity	\$ 8,296,058	26.4%
City of Dallas	\$ 1,500,000	4.8%
<b>TOTAL</b>	<b>\$ 31,481,058</b>	<b>100.0%</b>



# Staff Recommendation



- Authorize a TIF development and Chapter 380 grant agreement
- **City Subsidy in a total amount not to exceed \$3,288,126 as gap financing** to make the Project financially feasible
- City Subsidy shall be payable: (1) after construction of the Project is completed, (2) after the Project has obtained final certificate(s) of occupancy, (3) after the hotel is open to the public and has commenced daily operations, and (4) upon satisfaction of all terms and conditions in the TIF development and Chapter 380 economic development grant agreement
- City Subsidy shall be comprised of the following:
  - **\$1,500,000 grant (Chapter 380) sourced from Public/Private Partnership Fund**
  - **\$1,788,126 grant sourced from future tax increment in Mall Area Redevelopment TIF District Fund (Westmoreland-IH 20 Sub-District)**



# Staff Recommendation: Conditions of City Subsidy



- **Hotel Franchise Agreement.** Prior to City's execution of a development agreement, Developer shall execute a hotel franchise agreement with Marriott.
- **Deadline for Execution of Development Agreement.** Developer shall execute a development agreement with the City by December 31, 2022.
- **Minimum Private Investment.** Developer shall incur (or cause to be incurred) and provide documentation evidencing a minimum of \$23,000,000 in Private Investment Expenditures for construction of the Project including capitalized costs for land acquisition, on and off-site infrastructure improvements, site amenities, exterior signage, building construction/finish-out/furnishings/fixtures/equipment, OS&E, building management technology system, building security system, and professional fees (e.g. architecture, engineering, landscape architecture, interior design, testing, licenses, inspections). With the exception of professional fees and environmental assessments necessary to complete the City of Dallas Development Incentive Application, no expenditures made prior to execution of the Letter of Intent (January 7, 2022) may count towards the required Minimum Private Investment.
- **Minimum Project Requirements.** Developer shall construct a minimum of 117,320 square feet of hotel space (with a minimum of 164 guest rooms). The Project shall also include a minimum of 4,508 square feet of indoor meeting space/ballroom.







# Staff Recommendation: Conditions of City Subsidy

- **Building Permit.** Developer shall submit a complete building permit application by December 31, 2022.
- **Certificate of Occupancy.** Developer shall complete construction of the Project and obtain final certificate(s) of occupancy (or equivalent evidence of completion issued by the City) by June 30, 2025.
- **Commencement of Operations.** Prior to City's disbursement of the City Subsidy, the hotel shall be open to the public and shall have commenced daily operations.
- **Acceptance of Public Infrastructure Improvements.** If applicable, Developer shall obtain final acceptance of any public infrastructure improvements associated with the construction of the Project, as evidenced by a letter of acceptance or similar documentation issued by the City by December 31, 2025.
- **Operating and Maintenance Agreement.** If applicable, and prior to Project completion, Developer shall execute an Operating and Maintenance Agreement for any Non-Standard Public Improvements associated with the Project, and if necessary, obtain a license from City for the purpose of maintaining any improvements in any public right-of-way. The term for the Operating and Maintenance Agreement shall be twenty (20) years. The terms and conditions of the Operating and Maintenance Agreement are binding upon the successors and assigns of all parties hereto and may be assignable, subject to the Director's approval, in whole or in part, to a new owner of all or a portion of the Project. Developer shall remain responsible for the maintenance of the Non-Standard Public Improvements for a term of 20 years even if Developer chooses to forgo the City Subsidy or is not paid any/all of the City Subsidy as a result of default.





# Staff Recommendation: Conditions of City Subsidy

- **Public Access to Privately Owned Infrastructure.** Prior to City's disbursement of the City Subsidy, Developer shall provide public access easements, deed restrictions, or another instrument acceptable to the Director if any street and utility improvements associated with the Project remain privately owned but require public access.
- **Urban Design.** Developer shall construct the Project (public and private improvements) in substantial conformance with the updated conceptual drawings and renderings submitted by Developer on September 13, 2021, addressing the comments provided by the City's Urban Design Peer Review Panel on June 25, 2021. Allowable minor modifications to the Project's design may include those required for compliance with development regulations.
- **Quarterly Reporting.** Until the Project has passed final building inspection and all required paperwork documenting Project completion has been submitted to the Office of Economic Development, Developer shall submit to the Office of Economic Development quarterly status reports for ongoing work on the Project. Such reports shall be due within 30 calendar days following the end of each calendar quarter.





# Staff Recommendation: Conditions of City Subsidy

- **Local Hiring Plan.** For all permanent employment opportunities created by operation of the Project and prior to commencing any hiring activities, Developer shall submit to the Director of the Office of Economic Development a written plan describing how Developer or property management group shall use and document commercially reasonable efforts to recruit and hire residents of the city of Dallas with a targeted focus on the southern sector of Dallas. At a minimum, the written plan shall describe how Developer or property management group will target local recruitment (and specifically target the City's southern sector) through local advertisement, community outreach, local engagement, participation in local job fairs, and/or coordination with local hiring sources.
- **Business Inclusion.** Developer shall make a good faith effort to comply with the City's Business and Workforce Inclusion's goal of 32% participation by certified Minority/Women-owned Business Enterprises ("M/WBE") for all hard construction expenditures (i.e. public and private improvements) on the Project and meet all reporting requirements.
- **Minor Modifications.** Director of the Office of Economic Development may authorize minor modifications to the Project, including, but not limited to, a reduction of the Minimum Project Requirements (minimum of 117,320 square feet of hotel space, minimum of 164 guest rooms, minimum of 4,508 square feet of indoor meeting space/ballroom) by up to 2% for just cause. Additionally, the Director may, after approval and recommendation of the TIF District Board of Directors, authorize an extension of the Project deadlines up to 12 months.



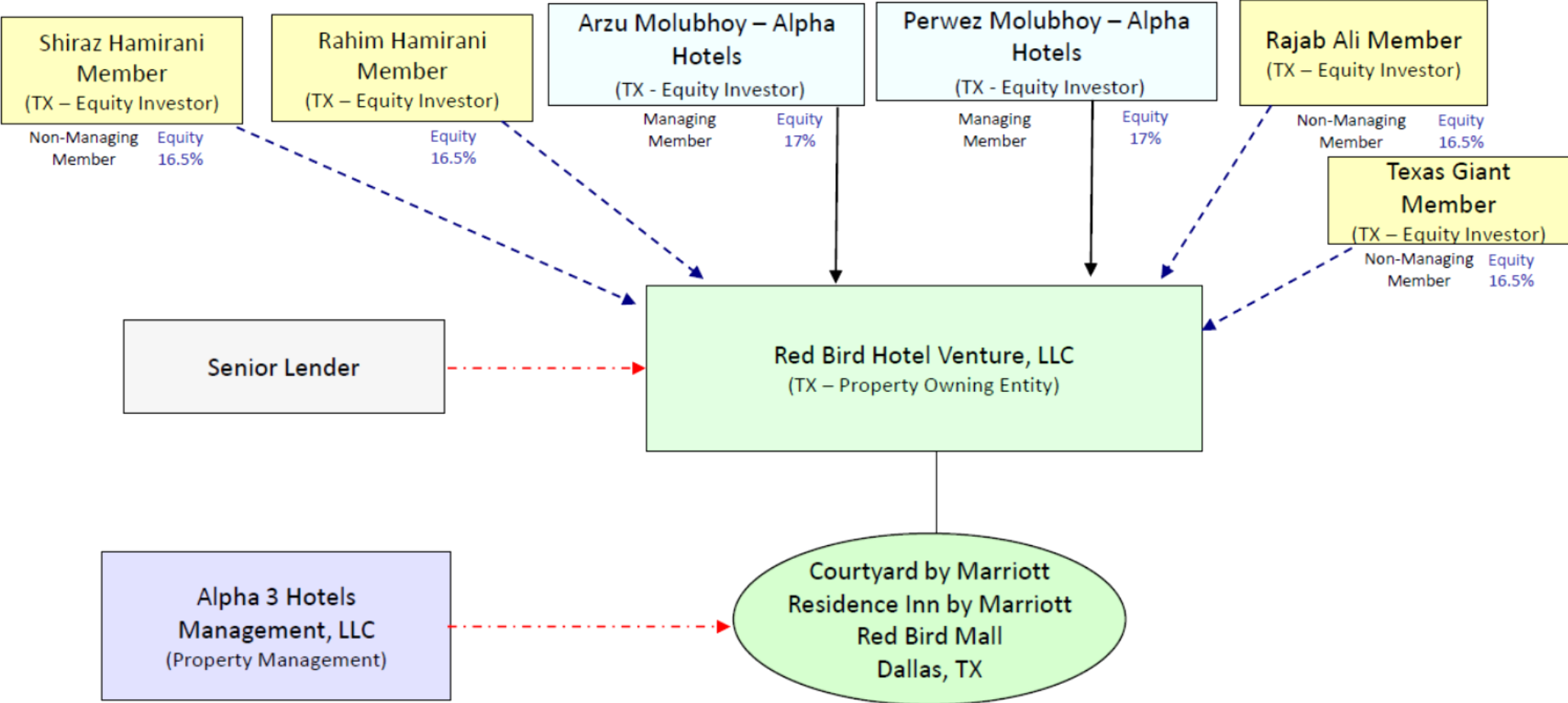
# Next Steps



- On January 25, 2022, the Mall Area Redevelopment TIF District Board of Directors unanimously recommended approval of the City Subsidy and the associated agreement conditions recommended by staff
- City Council: February 23, 2022



# Appendix: Ownership Structure



# Appendix: Development Team



Role	Party Name
Applicant	Atlantic Hotels Group <ul style="list-style-type: none"><li>• Perwez (Perry) Molubhoy, Chief Executive Officer</li><li>• Arzu Molubhoy, Chief Financial Officer</li></ul>
Developer Entity	Redbird Hotel Venture, LLC
Architect	Mayse & Associates
Contractor	Clark Contractors



# Appendix: Developer Experience



Developer has a proven track record in Dallas



Aloft/Element Love Field (2333 W. Mockingbird)

AC/Residence Inn by Marriott at the Galleria (5460 James Temple)



Residence Inn by Marriott at The Canyon (3425 Canyon Bluff)



# Appendix: Underwriting



- Developer's amended incentive application requested \$3,500,000
- National Development Council (NDC), under contract with the City, conducted independent underwriting of the incentive application
- Conclusions of independent underwriting:
  - **Development team:** Qualified; experienced
  - **Financial Capacity:** Equity investors have sufficient financial capacity to undertake the project and cover any shortfalls
  - **Permanent debt capacity of Project:** Maximized
  - **Appraisal and Market Study:** Applicant's assumptions are consistent with information presented
  - **Cost estimates of Project:** Costs are reasonable; development costs could be higher than projected since the figures provided by Applicant do not represent contracted prices
  - **Rationale for City subsidy based on Returns:** With the proposed City subsidy of \$3,288,126, NDC concluded no undue enrichment of Applicant. Project achieves average cash-on-cash return of 15% with City subsidy over first 10 years







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