



Downtown Dallas Market Context

Downtown Public Improvement District



\$6 billion active development

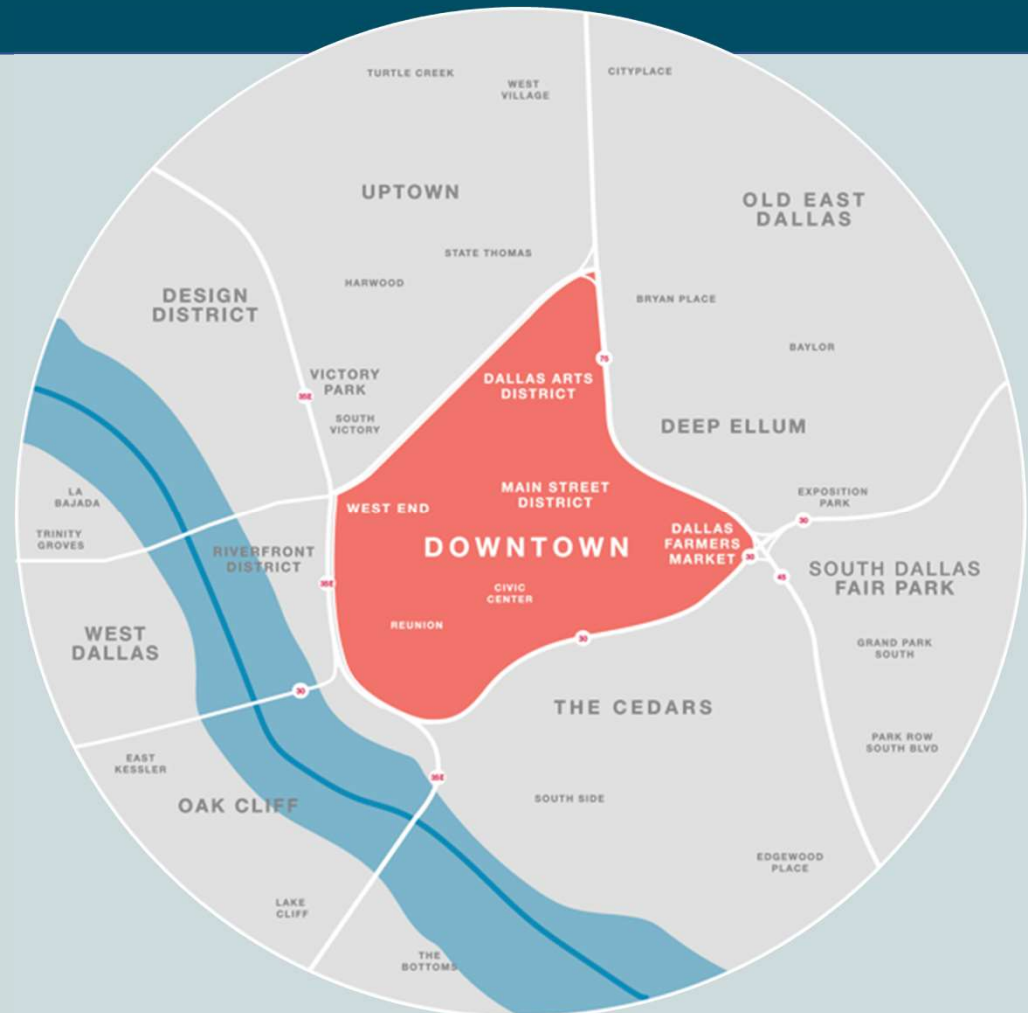
15,000 Residents

51 Residential Properties

140 Office Buildings

34M Sq Ft Office Space

30 Hotels



The Downtown Comeback: How it Started



Then:

- By late 1990s, Downtown was little more than a place to do business, with a reputation for shutting down around 5 p.m.
- Few amenities and 40 major vacant buildings
- Incentive tools used to spur development, revitalization and a plan for 20 plus acres of new parks

Now:

- Conversion of 40 previously vacant office buildings to residential, hotel, and retail use
- Overall taxable property value within Downtown rose from \$565 million in 2005 to \$5.9 billion in 2021 – an increase of 941%
- 220 Residents in to over 15,000 residents today

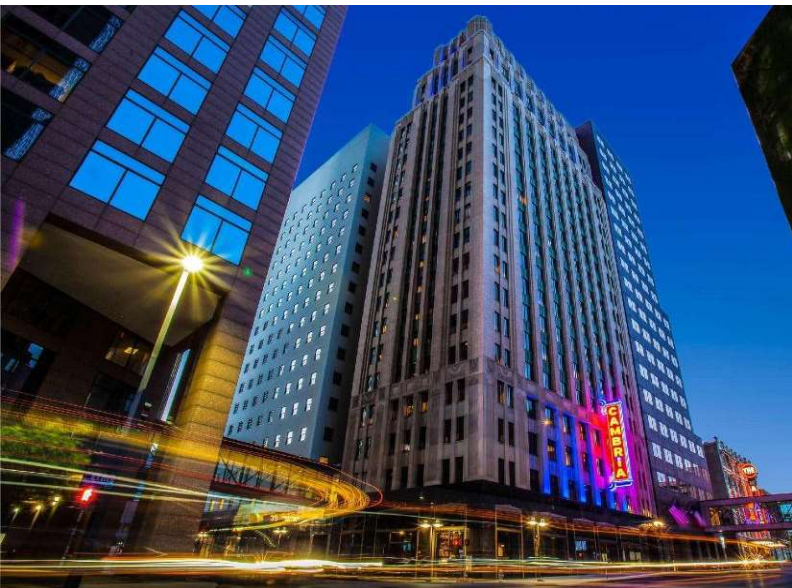
Downtown in the 1990s





Previous Downtown Growth Cycle

Previous Growth Cycle Conversion of Over 40 Historic Buildings



Development of 4 New Signature Parks





Current Market Conditions

Office Vacancy - National Comparisons

District Name	Total Inventory (sf)	% Vacancy (Trend)
San Francisco Financial District	31,846,716	29.6%
Denver CBD	29,906,334	31.5%
Seattle CBD	38,148,215	30.9%
San Francisco S. Financial District	31,705,970	27.8%
Atlanta Midtown/Pershing Point	41,268,934	25.4%
Chicago East Loop	29,377,073	27.4%
Atlanta Upper Buckhead	22,363,250	26.5%
Downtown Dallas	34, 786,266	26.8%
Downtown Atlanta	40,809,882	18.0%
Chicago Schaumburg Area	33,674,171	24.5%
Uptown Dallas	18,033,053	20.0%
Dallas Upper Tollway/West Plano	42,047,888	23.5%

Comparison- Downtown Dallas submarket occupied SF: 25.3M
Uptown Dallas submarket occupied SF: 13.9M

Headlines

- Wells Fargo vacates 700,000 SF in downtown Winston-Salem, leaving CBD with record-high vacancy rate, CBRE reports

Triad Business Journal 10/28/2024

- Drop in office vacancy rate shows Downtown Pittsburgh conversion plans may be working, report finds

Pittsburgh Post-Gazette 10/29/2024

- Will San Diego see more office buildings converted to residential?

The San Diego Union-Tribune 1/12/2024

- SF's office vacancies just hit a new all-time high. But the 'Great Reset' has begun

The San Francisco Standard 6/26/2024

- Chicago Office Vacancy Still High, But Signs Point to Rebound

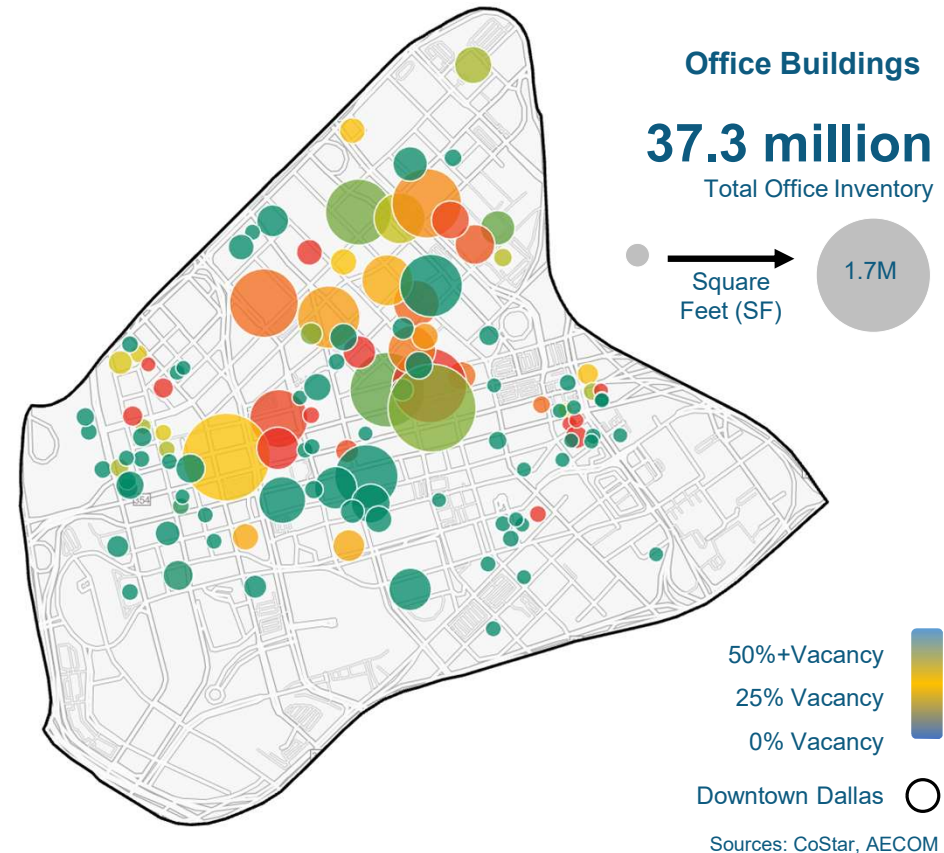
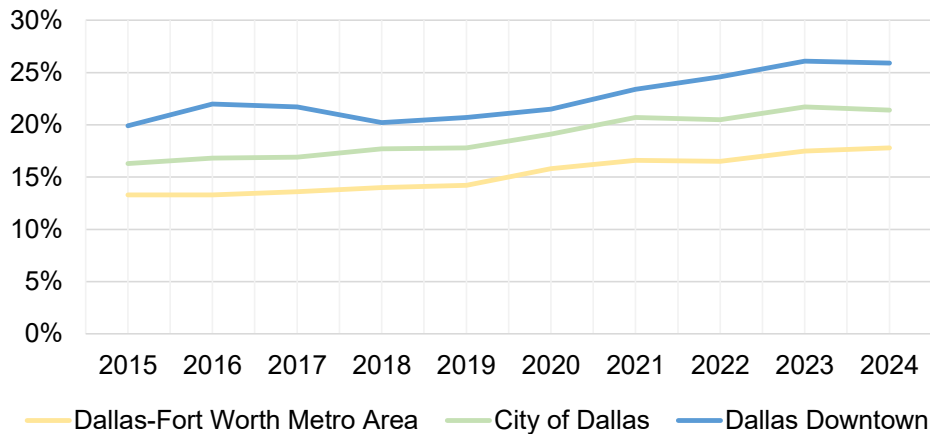
Connect CRE 7/24/2024

Increasing Vacancy – Downtown Office Market



- Downtown Dallas is home to 34.1 million square feet of existing office space, with an additional 3.2 million square feet in the pipeline
- Downtown office vacancy has increased from 20% in 2018 to 26% today
- Downtown office vacancy of 26% is higher than citywide vacancy of 21% and metro-wide vacancy of 18%

Office Vacancy

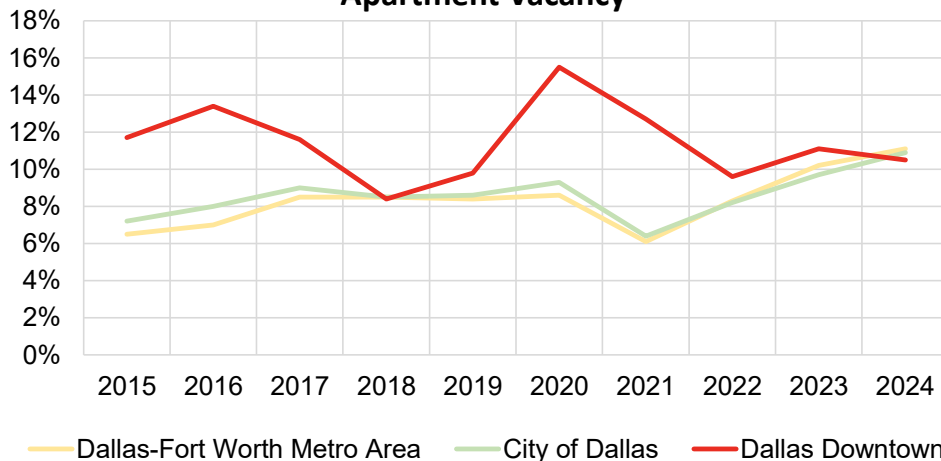


Strong Demand – Downtown Apartment Market

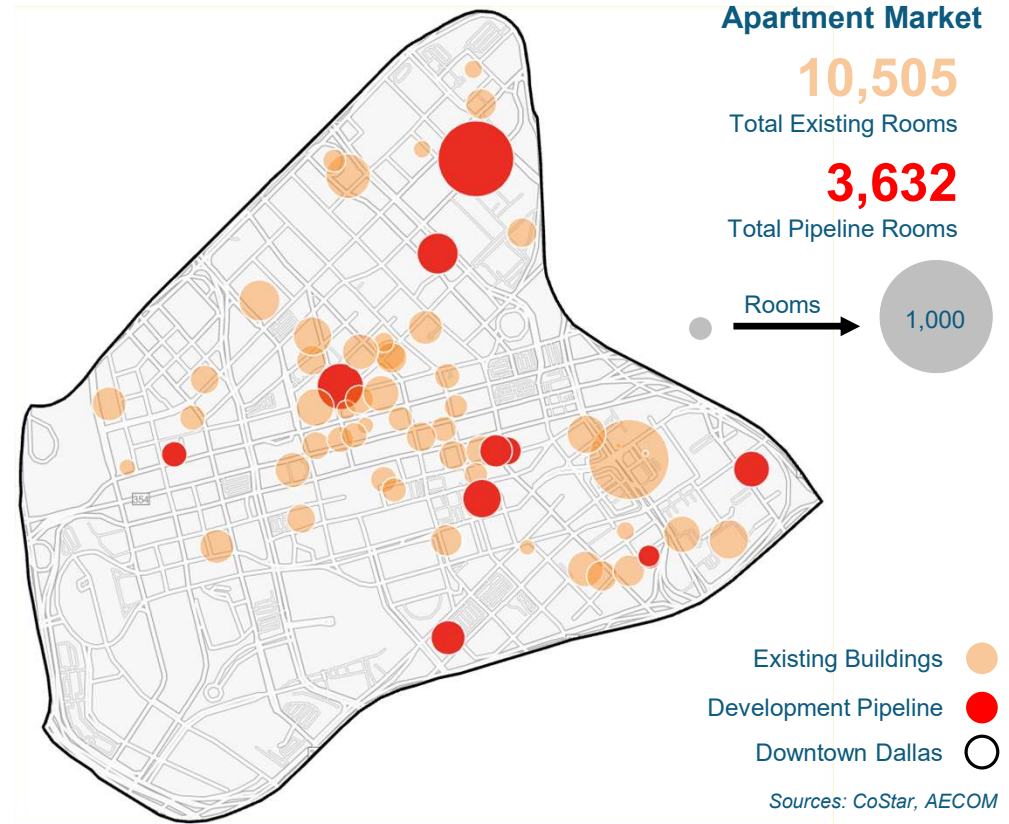


- Downtown Dallas is home to approximately 10,505 units, with 3,632 new units in the development pipeline
- Since 2015, occupied units in downtown have grown by more than 80%—far outpacing the city and the greater region, which have only seen about 20% growth
- Downtown vacancy has decreased from its 2020 peak while citywide and metro-wide vacancy have increased
- Downtown also commands a rent premium of \$2.25 per square foot, on average, compared to \$1.85 citywide

Apartment Vacancy



Sources: CoStar, AECOM

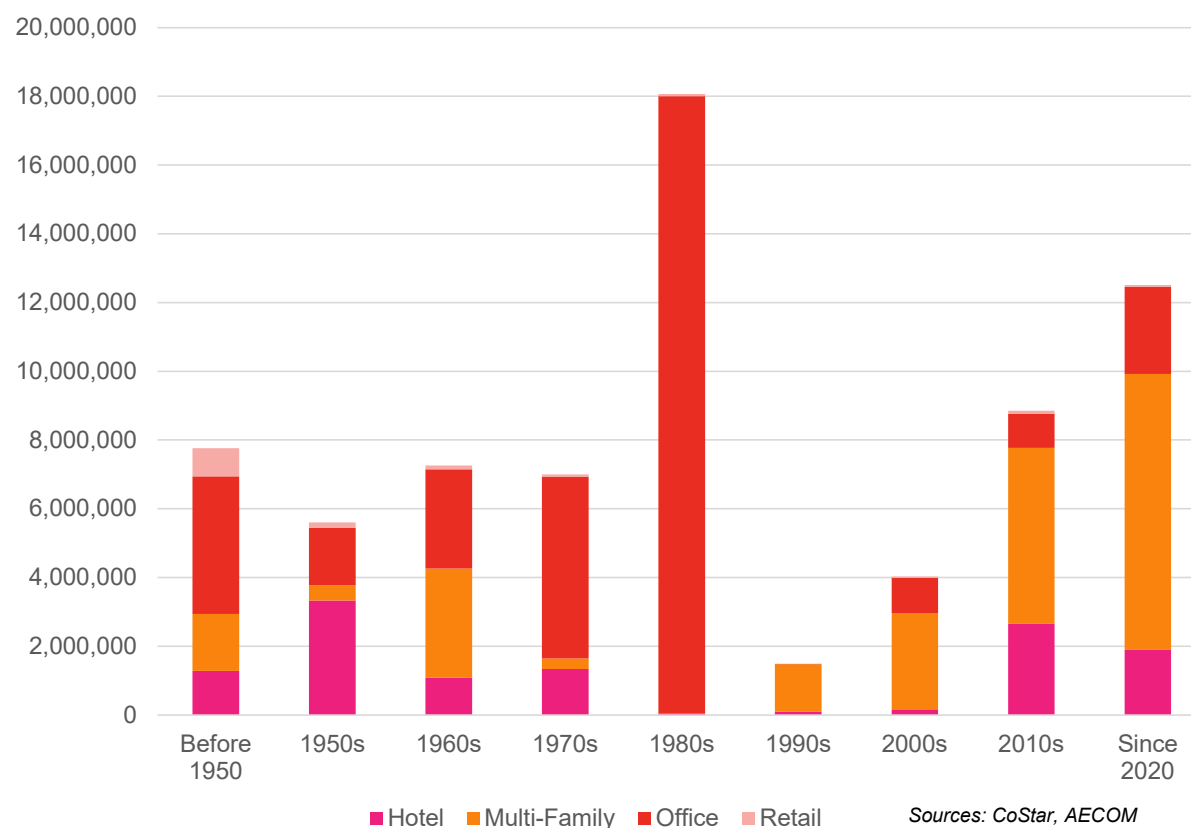


Downtown Development Context



- Most development that has occurred since 2010 has been multi-family residential and hospitality, while demand for office space had plateaued and begun to contract as a result of the COVID-19 pandemic
- Like many “post-war” sunbelt cities, most of downtown Dallas’s office space was built in the 1970s and 80s. By this time, the market was delivering buildings with floorplates designed to be highly efficient for office space, with minimum building dimensions of 120-130 feet or more
- These deep floorplates create challenges for office-to-residential or office-to-hotel conversions, which require windows in every unit/room for light and air penetration

Rentable Building Area by Decade Built



Market Conditions - Summary & Key Takeaways



- The most promising elements of a conversion program appear to be multi-unit residential (primarily for-rent options with some for-sale potential), retail, and hotels
- Less market demand is foreseen for traditional retail stores and office space

Use Type	Key Takeaways	Market Demand
Rented Housing	Small existing inventory, fast-growing residential demand, solid rent premium with stable growth, declining vacancy	High
Hotel	Demand and rates have rebounded past pre-pandemic levels, but occupancy remains slightly lower than before. Downtown leads in rates and demand but lags in occupancy.	Medium
Owned Housing	Sale prices below expectations, longer time on the market, improving conditions this year but not built at scale due to warranty requirements	Medium
Retail	Relatively low existing inventory, more residential density needed to support	Medium
Office	Moderate inventory, declining office demand, rising vacancies above other regions	Low



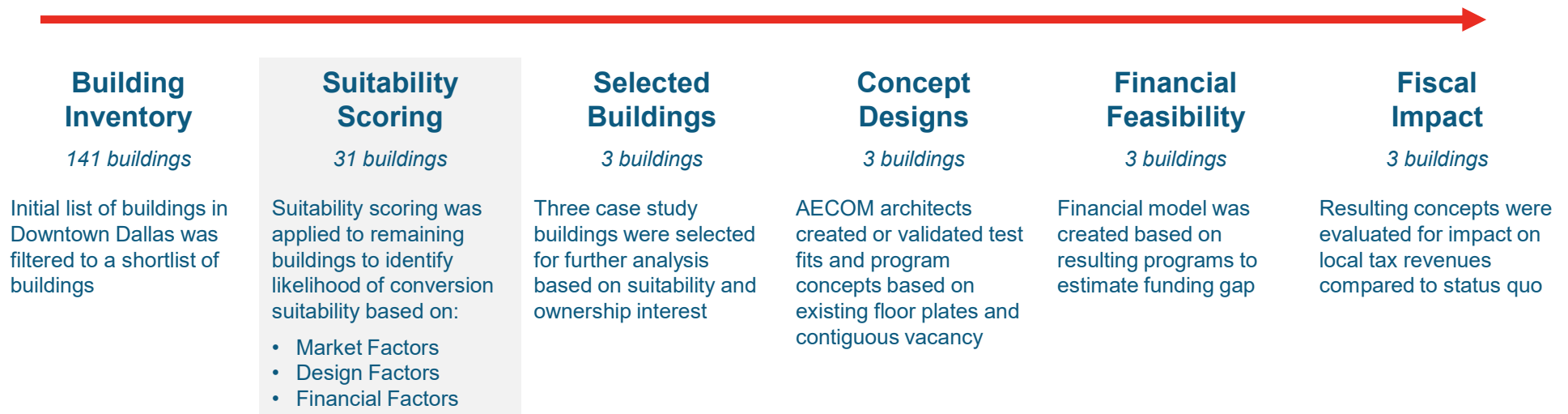
Creating a Plan for Action

Conversion Evaluation Process



The methodology underlying the building scoring, design feasibility, and financial feasibility processes is further detailed below.

Adaptive Reuse Feasibility Analysis Process



Summary – Suitability Assessment of Inventory



- This analysis combines market analysis, an in-depth evaluation of the downtown office building stock, identification and prioritization of buildings that are good candidates for conversion to residential or mixed uses, creation of architectural conversion concepts and economic feasibility models for three buildings, and a roadmap for how DDI and the City of Dallas can continue to encourage momentum and private investment in these types of conversion projects in Downtown Dallas

To select conversion concept buildings, AECOM evaluated 141 office buildings within the Dallas Downtown Improvement District based on a three-step process to evaluate financial, market, and design feasibility:

- Initial Filtering: Excluding buildings 50,000 square feet or less, built after 2000, and less than 20% vacant/available
- Building Conversion Scoring: Scoring based on the seven criteria shown in the table below with scores from 1-5
- Building Selection: Selecting three concept buildings to serve as representative properties applicable to the broader Downtown office stock

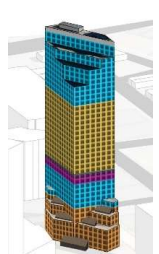
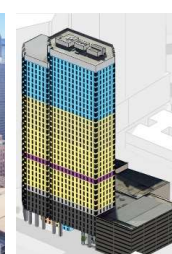
	Property Address	Property Name	Square Feet ¹	Floorplate Score ²	Contiguous Space Score	Vacancy Score ³	Building Quality Score	Office Rent Score	Parking Score	Distress Score	Total Score
2	1999 Bryan St	Harwood Center	734,443	2	4	3	3	5	3	5	25
	* 1201 Main St	One Main	594,029	2	4	3	3	5	3	5	25
3	* 1700 Pacific Ave	1700 Pacific	1,340,481	1	5	4	3	5	3	3	24
	* 901 Main St	Bank of America Plaza	1,854,328	2	5	3	3	5	3	3	24
	* 1201 Elm St	Renaissance Tower	1,738,979	1	5	4	3	4	3	4	24
	* 211 N Ervay St	Alto 211	185,011	5	1	2	4	5	1	5	23
	1801 N Lamar St	Landmark Center	133,909	2	2	5	4	5	3	1	22
	2001 N Lamar St	Oilwell Supply Building	73,384	3	1	2	5	5	1	5	22
1	* 1717 Main St	Comerica Bank Tower	1,741,036	1	3	3	3	3	3	5	21
	* 325 N Saint Paul St	Republic Center	768,723	3	2	3	3	5	3	2	21
	* 2001 Bryan	Bryan Tower	1,124,021	1	3	4	3	3	3	4	21
	2030-2036 Main St	2030 Main	67,569	3	1	3	4	4	3	2	20
	* 350 N Saint Paul St	One Dallas Center	278,496	1	2	2	3	5	3	4	20

Building Conversion Study



Modern Conversion Challenges:

- Larger buildings
 - Increased basis and conversion costs
 - Identifying a complementary mix of uses
- Larger service cores
 - Large central areas and elevator lobbies create cavities where revenue recovery is challenging
- Financing costs
 - High-interest rate environment
- Construction costs
 - Construction materials prices, are falling, but remain, up to, 39.7% higher than pre-pandemic levels



Comerica Bank Tower

- Higher expected performance due to building significance
- Demolition of retail podium and construction of parking garage
- Largest building at 1.5M SF and inclusion of hotel leads to highest budget

Harwood Center

- Lowest contiguous floor availability leads to highest relocation costs per SF
- Uniform floorplates
- Some added cost of “double height” cut throughs on residential floors

1700 Pacific

- Lower expected performance and longer lease-up due to highest unit count
- Larger floorplates lead to storage space in core; somewhat tempered by double-height cut throughs

Funding Gaps

	Without HTC	With HTC	Without HTC	With HTC	Without HTC	With HTC
100% Market Rate	\$290 million	N/A	\$122 million	\$55 million	\$237 million	\$123 million
TIF Affordability (10% at 80% AMI)	\$293 million	N/A	\$126 million	\$60 million	\$242 million	\$128 million
LIHTC Affordability (20% at 50% AMI)	\$295 million	N/A	\$128 million	\$63 million	\$244 million	\$131 million

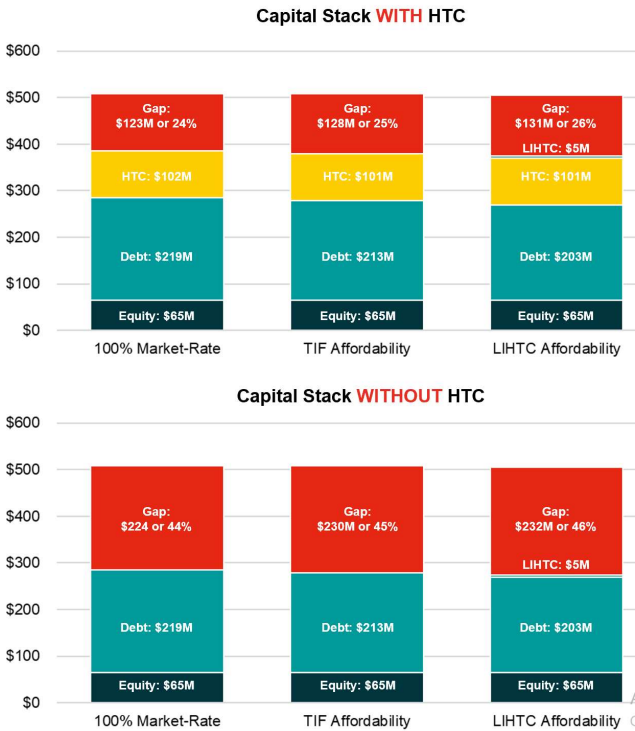
Building Conversion Study



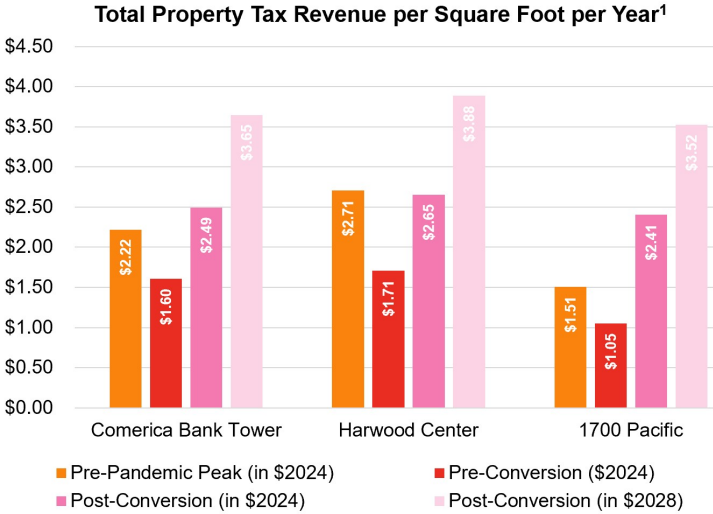
Architectural Test Fits



Financial Modeling

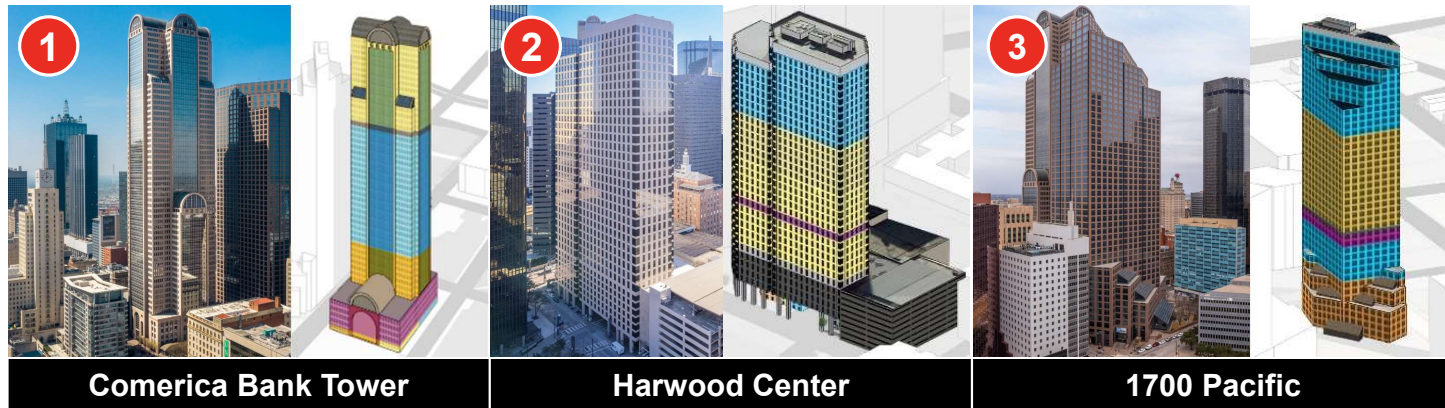


Public Economic Impact



Sources: Downtown Dallas Inc. (DDI), Dallas Central Appraisal District (DCAD), AECOM
¹ Includes all property tax revenue to all taxing entities for each building
² Based on property tax bills for comparable downtown properties, assumed at \$3.75-4.25 per sq. ft. office space, \$3.25-3.75 per sq. ft. of retail space, \$3,750-4,250 per residential unit, and \$2,750-3,200 per hotel room in the post-conversion building program

Feasibility Results: Funding Gaps as % Total Project Cost



	Comerica Bank Tower		Harwood Center		1700 Pacific	
	Without HTC	With HTC	Without HTC	With HTC	Without HTC	With HTC
100% Market Rate	34%	N/A	37%	15%	41%	20%
TIF Affordability (10% at 80% AMI)	35%	N/A	39%	17%	42%	21%
LIHTC Affordability (20% at 50% AMI)	35%	N/A	40%	16%	43%	21%

Legend

Feasible	No funding gap, project is feasible without TIF
Potentially	Funding gap is less than 10% of total project cost, project may be feasible without TIF or may need a small TIF incentive
Not Feasible	Funding gap is greater than 10% of total development costs, project is not feasible without TIF incentive

"HTC" = Historic Tax Credits

Recommendations

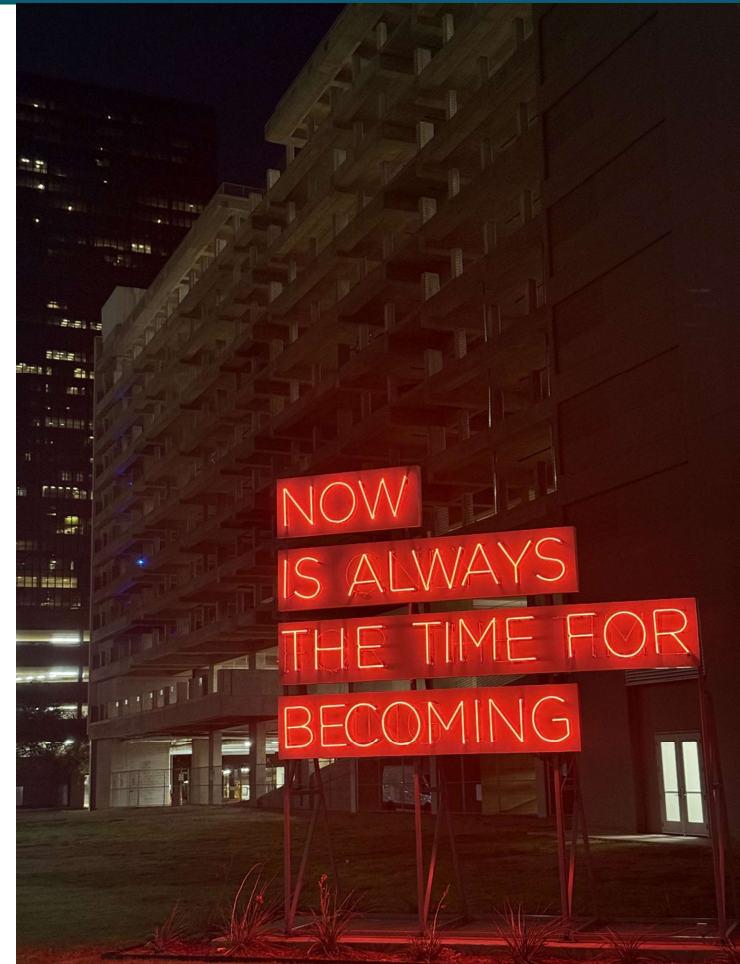


Sample Recommendations & Next Steps

- **Leverage Existing TIF:** Supporting action by prioritizing TIF funds for key conversion projects
- **Expand Historic District:** Expanding access to Historic Tax Credits significantly reduces project gaps
- **Set Affordability Level:** Maintain existing affordability requirements to continue market diversity
- **Explore Additional Funding:** Explore additional sources identified in report to maximize non-city sources and expand impact of TIF dollars
- **Coordinate with Other Jurisdictions:** Additional taxing entities could be approached for participation in the Downtown Connection TIF District to increase available funding

-Currently determining policy recommendations with City leadership

-Significant progress on Historic District Expansion



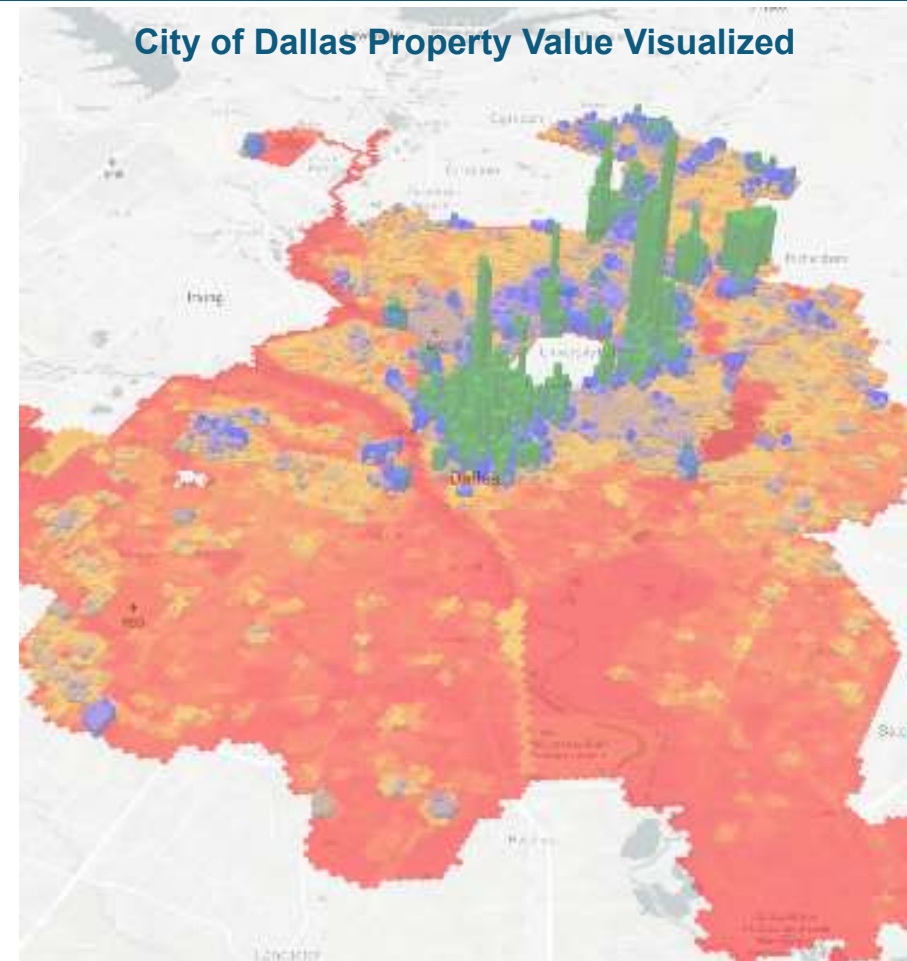


Making the Political Case

The Value of Downtown to the Dallas



- Downtown is 1.4 square miles of a 384 square mile city
- The **ES1** D alone accounts for over 4.3% of total property tax generation for the City of Dallas
- The perception of the Downtown Dallas CBD market drives the perception of the region
- Downtown's success benefits the entire geography of Dallas, and the larger North Texas region



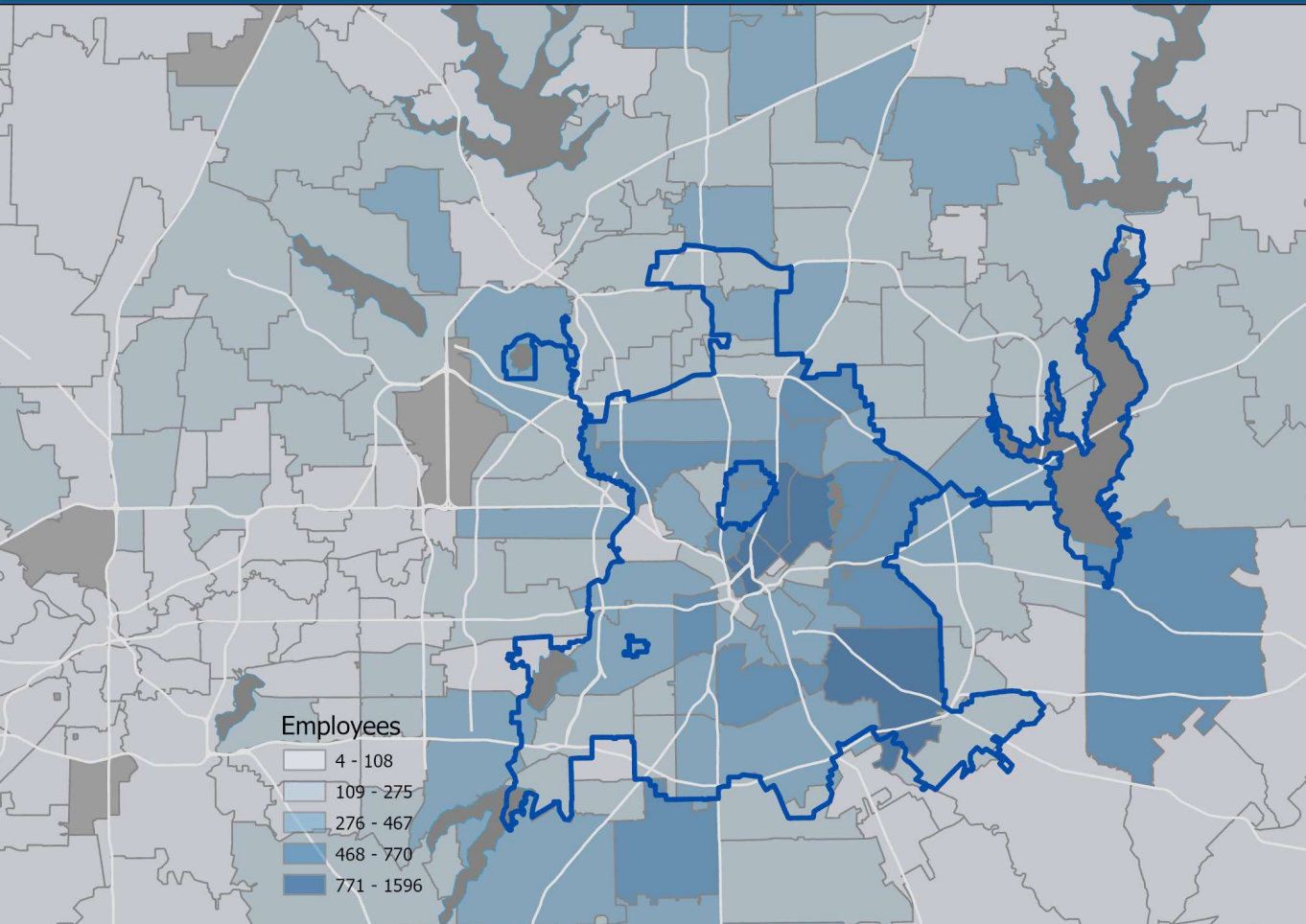
Slide 21

ES1

[@Doug Prude]

Evan Sheets, 2025-08-08T20:51:10.931

Downtown Employees Origins



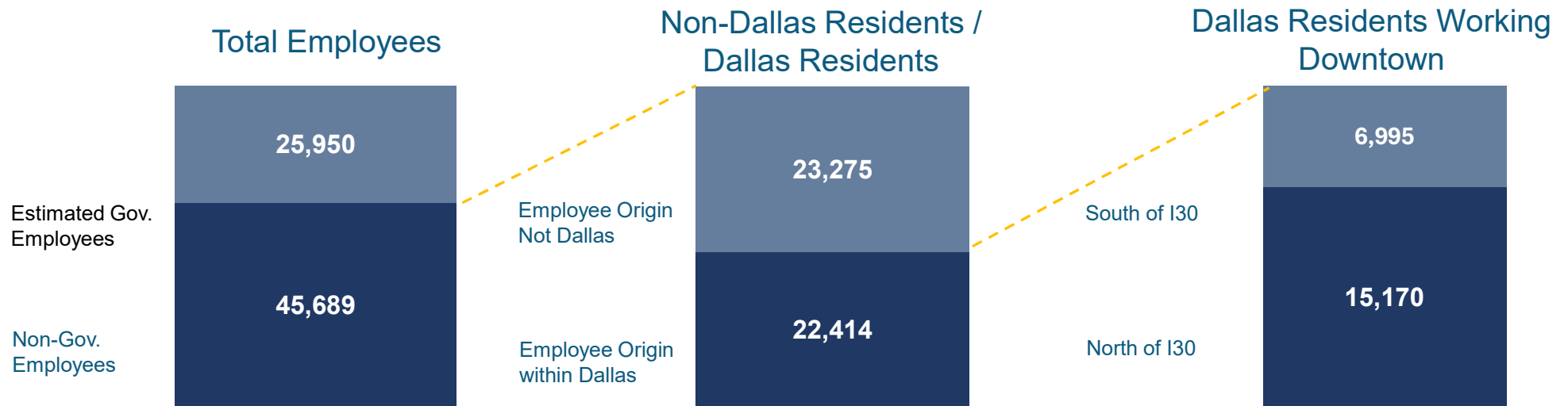
The Downtown CBD draws talent from across the metroplex

- Largest YOY commuter increases come from nearby areas: East Dallas, Lakewood, and Lake Highlands
- Top Origin Zips for non-gov employees:

Zip Code	% of Downtown Non-Government Workforce	Total	Area
75201	3.5%	1.6K	Downtown / Uptown
75204	3.0%	1.4K	Deep Ellum / East Dallas
75206	2.8%	1.3K	Lwr. Greenville / East Dallas
75214	2.6%	1.2K	Lakewood
75217	2.3%	1K	Pleasant Grove
75216	1.7%	789	Oak Cliff Gardens / Kiest Park
75205	1.7%	770	Highland Park / University Park
75228	1.5%	706	Casa View / White Rock Hills
75115	1.5%	683	DeSoto
75219	1.4%	651	Oak Lawn

Source: placer.ai

Downtown Employee Origin Summary



Total estimated daily Downtown employees:
Approx. 71,639

Sources: Placer.ai, City of Dallas, DART, Dallas County, quantumusa.org



Making the Math Work

Doubling Down on Great Office Buildings



Trammel Crow Center
1.2 M SF
\$200 M Investment
Current occupancy: 88.9 %



Dallas Arts Tower
1.3 SF
\$20 M Investment
115,000 SF increase in leasing



Ross Tower
1.1 M SF
\$20 M Investment
Current occupancy: 64.8%

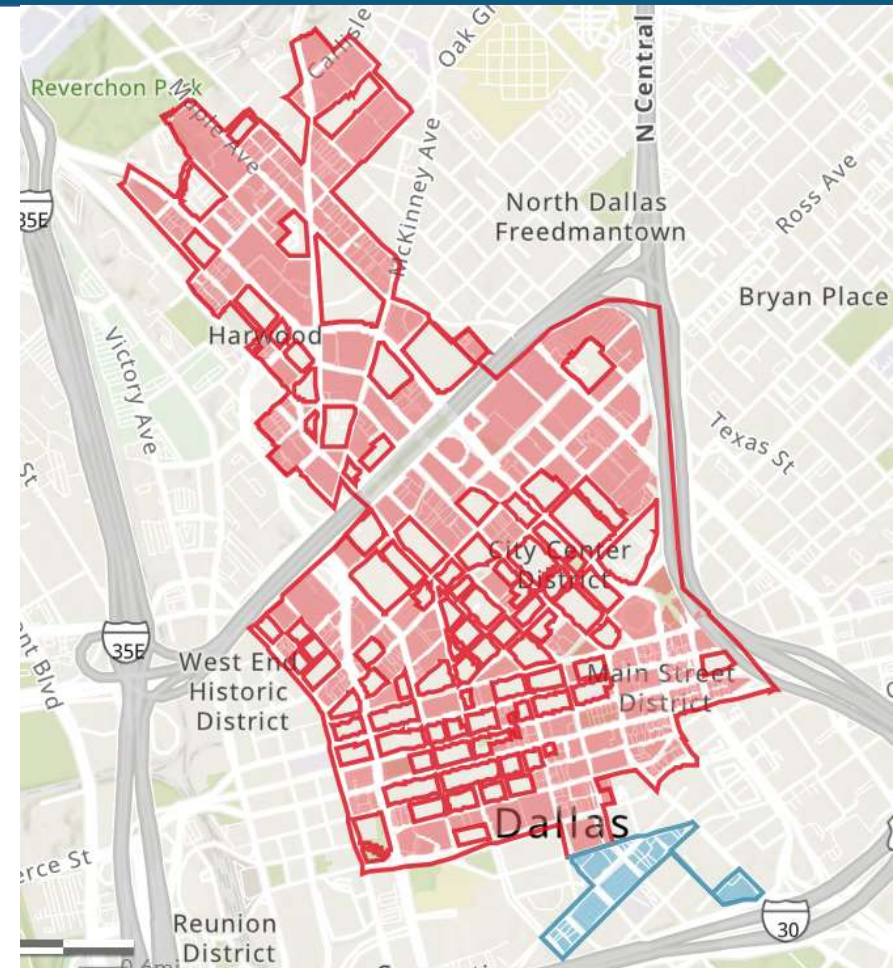
Strengthening Existing Financial Tools



Reprogramming Existing Tax Increment Financing District funds:

- In 2003, the Downtown Connection TIF district was created to catalyze development. The fund, expanded in 2019, currently holds \$545 M for investment in new projects district wide
- In response to market changes, shifting a portion of that fund to support office conversions is a critical tool to further diversify the market and renovate aging iconic structures
- Must continue to also fund new ground up development to continue to feed the district fund
- The DDI Office Conversion Study is serving as a key tool to re-prioritize available funds and maximize their impact in downtown

Additional tools are critical to maximize TIF impact!

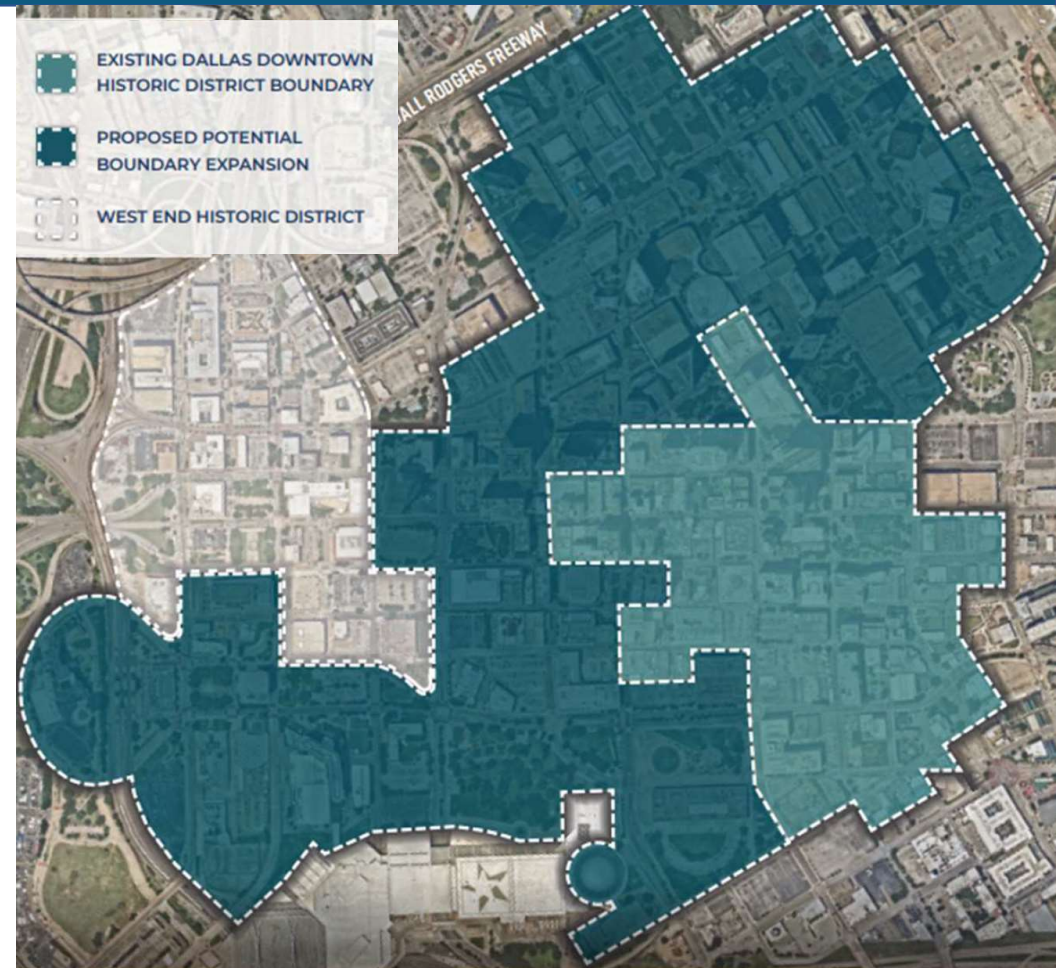


Creating Additional Investment Tools



National Historic District Expansion Effort

- Expand period of eligibility to capture up to late 80's Oil Boom Era
- Unlock State/Federal Historic Tax Credits for large scale Downtown office properties
- No imposed regulatory or design/demolition restriction imposed by inclusion in the district
- Full District nomination currently under review
- Approx. 60 additional properties identified for addition into the expanded district
- Key tool to spread TIF funds across more projects



Creating Additional Investment Tools



Current phases of work and next steps:

PHASE 1

Boundary review and consideration by THC:

- Due Diligence Phase completed and reviewed by the State review staff

PHASE 2

Example Building Nomination:

- Lead building Part 1 nomination complete and submitted to initiate review of the full expanded district

Full District Nomination:

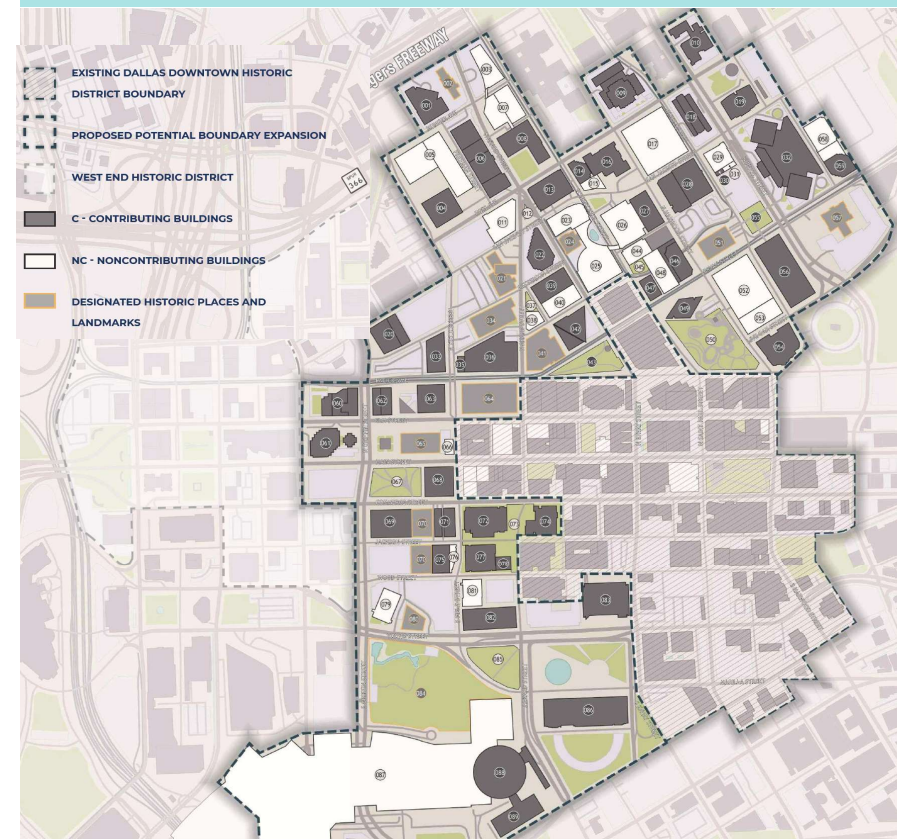
- Detailed district nomination report complete
- Submitting alongside individual Part 1 submission
- All properties included are now eligible to submit

PHASE 3

Official District Designation:

- Final administrative phase to officially designate expanded district, allowing access Historic Tax Credit programs for all listed properties

Detailed Expansion Area Property Map



Seeing the Results



Six Projects already in the Current Deal Pipeline

- Total reduction of 9,426,372 M SF of total office inventory district wide since early 2000s, with an additional 2-4M SF proposed
- Reversal of vacancy trend
- Reinvesting in remaining office inventory in partially converted properties
- Updating and revitalizing aging office product to modern Class AA standards

Bank of America Tower
Proposed Redevelopment





**DOWNTOWN
DALLAS
.COM**

