



CITY OF

TEXARKANA
TEXAS

Financial Puzzle: To Save or Not to Save The Grim Hotel

**Prepared By Community Redevelopment and Grants
March 19, 2014**

Objectives of Today's Meeting

- Objectively evaluate the future of the Grim Hotel
- Explain the concept for a \$10 - \$13 MM renovation into market rate apartments and retail/office space.
- Introduce the developer – Sari and Company.
- Articulate roles and responsibilities of Developer, City, and Public in this public – private partnership.
- Discuss proposed development budget and development timeline.
- Determine public sentiment

Issues Facing the Grim

- Environmental: asbestos, lead based paint, storm water seepage, rodents and animals
- Health and Safety: broken glass, plaster, concrete falling on sidewalks, potential fire hazards
- Security: squatters, illegal activities
- Appearance: eyesore/scary



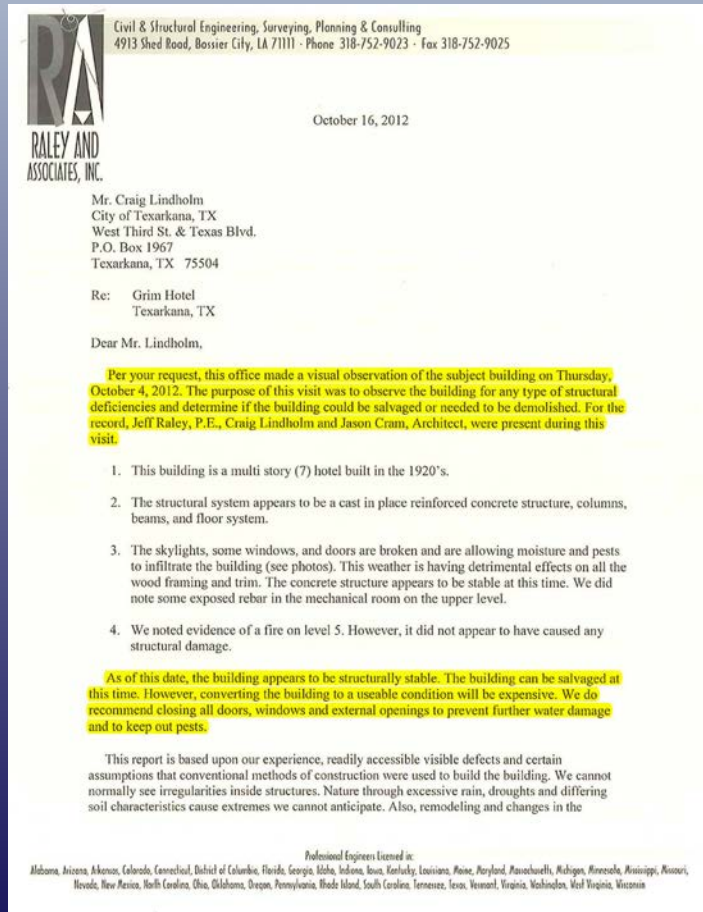
The Future of the Grim Hotel

Three Choices: Each with a cost

1. Redevelop: Market rate apartments, Office and Retail Space
2. Demolish: Demolition and Clearance of Building Leaving “Green Space”
3. Take No Action: Demolition by Neglect
“No Action is a Decision”



Is the Grim Structurally Sound?



“As of this date the building appears to be structurally stable. The building can be salvaged at this time.”
Jeff Raley P.E.
October 16, 2012

How Many Developers?

Since 2002 the City has been approached with the following development options for the Grim Hotel:

- 2002

Hotel redevelopment (Florida based developer) requesting \$5 MM in City loans and a City funded parking garage. No apparent financial backing.

- 2005

Dr. Marshall Thomas (Colossal Concepts Management, Galesburg, Illinois) Legacy Hotel and Conference Center requesting \$2 MM in City loans and a City funded parking garage. No apparent financial backing.

- 2009 – 2012

Jim Sari (Landmark Development) Mixed-use affordable housing tax credit development. City loan of \$500,000 repaid at closing (18 mo.) Did not score well on tax credit application as City committed to Rose Hill HATT developments.

- 2012

HATT Executive Director expressed interest in Grim for affordable housing tax credit development after completion of Rose Hill developments (2015).

- 2013 - 2014

Sari and Company Mixed-use affordable housing tax credit development. City loan of \$500,000 repaid at closing (18 mo.) Could not score on the Tax Credit competition due to changes in the scoring criteria established by Texas Department of Housing and Community Development, despite lobbying efforts to make allowances for downtown redevelopment projects.

- 2014

Jim Sari (Sari and Company) approached the City regarding a market rate housing and office/retail development concept for the Grim. The project would use New Market Tax Credits and Federal and State Historic Tax Credits and would require City/Public assistance in the form of commitment of CDBG funds for federal loan guarantees and private contributions.

The Developer: Sari and Company Austin, Texas

- Development, construction and property management expertise.
- Developed over \$400 MM of historic structures in seven southeastern states, plus Texas, Wisconsin and Washington state.
- More than 4,500 units; 150 storefronts
- Winner of state and national awards for historic preservation and reuse
 - [Globe Tobacco Lofts](#)
 - [Johnson Lakes Apartments](#)
 - [Nantucket Lofts](#)



<http://www.sariandco.com>

Sari and Company

- Built, Owned, Operated, Managed, and Maintained by Sari and Company
- Rehab Builders, Inc. (RBI) general contractor for 30 years, hires qualified *local subcontractors*.
- Proven financial fiduciary with Texas Department of Housing and Community Affairs historic adaptive reuse projects.
- On-site management and maintenance
- Occupancy and customer satisfaction are 95% at all properties.

Texas Properties



Waco High School Lofts
<http://longbridge.wix.com/lofts#!>

Beaumont Antioch Baptist Church &
Neches Electric Building
http://www.beaumontmainstreet.com/econdev_lease.php

Tyler Moore Grocery Lofts
<http://www.landmark-propertymanagement.com/cgi-bin/cmt/properties/lpm?cmd=v&id=46>

Redevelopment: Issues

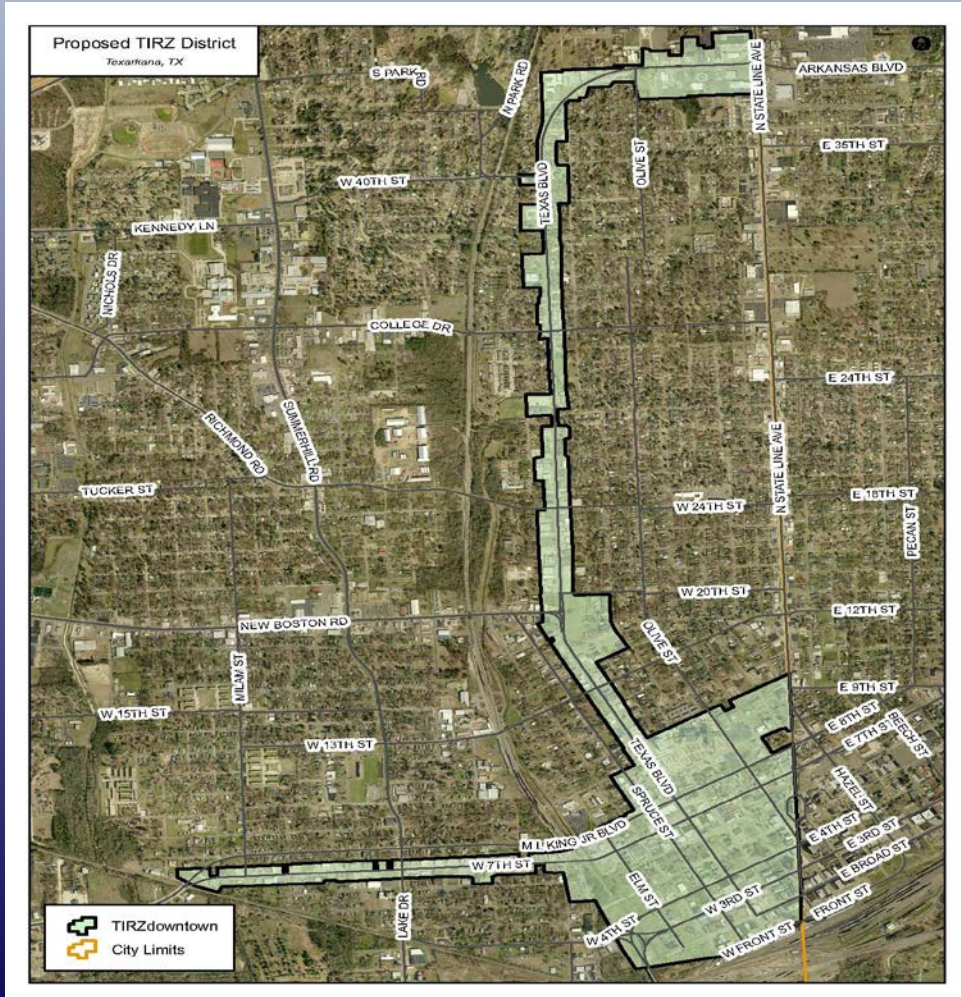
- Proven developer with financial backing
- \$10 - \$13 million would be subject to property tax.
- Requires about \$1,500,000 in loans, grants or contributions from the City and public.
- How do we determine/measure City's return on investment?
- Should the City become a "partner" in the development?
- Can or will downtown Texarkana support housing/retail/office space?



Property Tax Implications

2013	Taxable Value	Tax Rate	Tax Revenue
Texarkana College	\$ 56,534	.0105267	\$59.51
Texarkana ISD	\$ 56,534	1.339	\$756.99
Texarkana City	\$ 56,534	0.669293	\$378.38
Bowie County	\$ 56,534	0.3612	\$204.20
Total			\$1,399.08
2015	Taxable Value	Tax Rate	Tax Revenue
Texarkana College	\$11,000,000	.0105267	\$11,579.37
Texarkana ISD	\$11,000,000	1.339	\$147,290.00
Texarkana City	\$11,000,000	0.669293	\$73,622.23
Bowie County	\$11,000,000	0.3612	\$39,732.00
Total			\$272,223.60

Reinvestment TIRZ District



- Resolution No. 131-09 established the downtown TIRZ district, providing for the reinvestment of difference (increment) in property tax revenue in the downtown TIRZ district.
- Eligible uses – sidewalks, landscaping, streetscape, fountains, works of art, parking lots, signage, parks, bike lanes, and infrastructure among other improvements.

Demolition of the Grim: Issues to Consider

- Cost of demolition/clean-up would be \$750,000 - \$1,000,000 (non-federal funds).
- Will require condemnation of existing property. City Council and community will need to be prepared for the negative comments regarding the destruction of a historic hotel and “taking” of private property.
- Vacant lot has little tax implication.
- Vacant lot has no guarantees that it would ever be redeveloped.



Grim Demolition by Neglect: Issues to Consider



- **No action is a decision.**
- Much more difficult to find an investment group who would do a redevelopment project with no local investment.
- No impact on property taxes.
- Is lack of action a signal that City has little/no interest in redeveloping downtown?
- How can we enforce our codes on other properties if we do not act on this one?
- Building will eventually deteriorate to the point it will have to be demolished – pay more later.



Weighing the Options

Redevelopment	Demolition	No action
Proven Developer & Financial Backing	Cost \$750k – 1 MM (non-federal funds)	No action is a decision
\$1,500,000 loans (federal funds) and contributions	Condemnation & Repercussions	Difficulty finding an investment group with no local investment
Measure ROI?	Vacant Lot- no tax implications	No impact on property taxes
“Partnership”	No guarantee of redevelopment	Pay more later
Support Housing/Retail/Office	Negative economic impact on downtown businesses result of more vacant hard to develop space	Signal no interest in development of downtown
\$10 - \$13 Mil Property Tax		Negative economic impact on downtown businesses result of more vacant hard to develop space.



Finance Overview

(Approximate – First Run)

Source	Amount	Percentage
Equity Federal Historic Tax Credits	\$1,805,557	15.6%
Equity State Historic Tax Credits	\$2,085,245	18.0%
Equity New Market Tax Credits	\$2,808,000	24.2%
Bank Debt	\$3,296,000	28.4%
City Public	\$1,500,000	12.9%
Deferred Fee	\$94,578	.8%
	\$11,589,00	

Financing the Gap: Options

\$1,500,000 Gap

What is it worth to the community?

- City
 - Brownfield Revolving Loan Clean Up \$250,000
 - CBDG Section 108 Loan \$1,000,000 Tied to Employment
- Public/Other
 - Main Street Façade Grant
 - Master Lease or Lease Space
 - Crowd Funding Website
 - Fund Campaigns – “Buy a Brick”
 - Taxes



Synergy

Downtown Development is currently underway

Silvermoon
on Broad



Benjamin
Moore "Main
Street
Matters"



Better
Block
Texarkana



Synergy

Downtown Development is currently underway

Brew pub
will add
flavor to
downtown

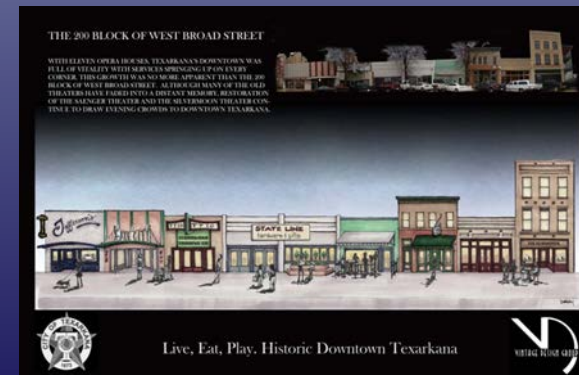
Texarkana Gazette 1/27/2014



Sidewalk
improvements
on Main and
Broad



Brownfield
Multipurpose
& Revolving
Loan Grants



Synergy

Downtown Development is currently underway



Arts and
Historic
District



Texarkana
Texas
Farmer's
Market



Facebook: Save the
Hotel Grim:
3,949 likes
 in 1 week



No action is a Decision:

The Majestic Hotel in Hot Springs, AR



Hotel Grim

No action is a decision

Luxury Living and Dining
Historic Downtown Texarkana



HOTEL GRIM PROJECT

NOT A DETAIL WAS OVERLOOKED WHEN MANN & STERN DESIGNED THIS MAGNIFICENT 250 ROOM HOTEL. WHEN THE DOORS OPENED ON JULY 15, 1925, GUESTS WERE ASTONISHED BY A LOBBY OF FINE MARBLE, MAGNIFICENT BRONZE CHANDELIERS, BALLROOM DANCING AND A DINING EXPERIENCE FROM THE ROOF TOP GARDEN THAT THEY WOULD NOT SOON FORGET.

