

In The News

Historic building near Dallas' city hall lands biggest clean energy-tied loan in Texas history

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The Dallas developer behind proposed plans to bring a Trump-branded hotel to downtown Dallas has landed \$23.9 million in Property Assessed Clean Energy finance funds — which will help update the \$120 million historic building with energy-efficient systems and water reduction technology.

This loan is the largest commercial Property Assessed Clean Energy (PACE) deal in Texas and is believed to be the second largest of its kind in the country.

Alterra International, which is based in Dallas and San Francisco, decided to apply for the PACE loan for the nine-story, century-old building at 500 S. Ervay St. to help it increase the energy-efficiency of the redevelopment project, which is still underway.

Munsch Hardy Kopf & Harr P.C. represented Alterra International in securing the PACE funds.

"With the loan's focus to increase energy-efficiency, the development will likely attract even more interest, as today's residents and tenants look for high-efficiency and low maintenance costs for their apartments and businesses and hotel guests want to stay in buildings that are sustainable," said Mike Sarimsakci, president of Alterra International, in a statement.

"Combined with federal and state history tax credits, we feel the PACE loan will enable us to bring this catalytic and complicated project into a reality," he added.

The energy-efficiency updates will improve the property's value and enable the owner of the building to lower an overall first lien loan on the project. The PACE loan was secured through a contractual assessment lien — which has the same priority as a tax lien loan.

The PACE assessment lien cannot be accelerated, like a conventional construction financing loan, and can only be enforced for the delinquent assessment amounts.

PACE loans, which are made through a city ordinance adopted by Dallas city officials, pair well with historic buildings that require additional capital to bring an aging property to modern energy efficiency standards, said Phill Geheb, a shareholder at Munsch Hardt.

"In my practice, I am beginning to see greater interest in the utilization of this program for history and non-history renovation projects because of its flexibility, relative low-cost and non-recourse nature," he added.

Alterra International has been working on the redevelopment of 500 S. Ervay for years, transforming long-vacated real estate next to Dallas City Hall into 238 apartments and a 270-room dual-branded Fairfield Inn and Town Home Suites by Marriott, as well as retail and a small office complex on the ground floor of the property.

Sarimsakci says he hopes the redevelopment of the century-old building will be a catalyst for the immediate neighborhood. The apartments and small office space have been completed.

The dual-branded hotel is slated for completion by the end of the year.

By: Candace Carlisle

Primary Contacts



Phillip Geheb

Dallas
214.855.7560
pgeheb@munsch.com

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