

DATE: November 5, 2019
SUBJECT: Red Bird Phase 1
FROM: City of Dallas Office of Economic Development

Project Overview

Overall Project

Red Bird Mall Redevelopment Project is a multi-phase, multi-year transformation of a long-declining mall into a multi-purpose campus where Dallas residents can live, shop, work, and dine. Over the last two decades, the Mall—built in 1975 and initially known as Red Bird Mall before being renamed to Southwest Center Mall—lost all four major retail anchors, leaving large vacancies and making it difficult to attract new smaller tenants without a fundamental rethinking of the mall’s function. By the 2010s, the mall was a shell of its former self and any redevelopment was made challenging because of fragmented ownership, lack of a master plan, and weak market conditions.

This \$157 million redevelopment is being led by 3662 Investors LP, a joint venture between Peter Brodsky and other investors. First phase deliverables began this year with the opening of a Starbucks community store, which is exceeding projections and proving that the neighborhood can support new shops and restaurants at the site. The Dallas Entrepreneurial Center and an extension campus of Jarvis Christian College have also opened, laying the groundwork for a diverse mix of tenants expected to locate at the project in the coming years. These include a comprehensive primary care clinic, a 300-unit apartment complex, a Marriott Courtyard hotel, a Foot Locker Power Store, and an Urban Air Adventures Park.

Beyond NMTC, the City is providing support for the redevelopment to finance infrastructure improvements and workforce development training at the site. This support includes \$10 million of City Bond funding awarded as a conditional grant and \$12 million of PPP funds awarded as interest-only Chapter 380 loans with 15-year term. TIF proceeds will be used to repay the PPP.

NMTC Project Description

DDF’s financing will support two key components in the initial phase of the project development: a 51,000 SF call/business operations center and a 1.1 acre outdoor gathering space (“The Lawn”). Please find a site plan for the mall in Exhibit 1.

The call center will be operated by Chime Solutions. Chime Solutions was founded in 2015 and provides U.S.-based customer contact services for its clients in a wide range of industries, including financial services, insurance, health care, and telecommunications. The RedBird call center, modeled off Chime’s successful call center at a redeveloping Atlanta-area mall, will convert vacant inline retail space into a major job generator for the community. The company prioritizes employee development through its innovative online Chime University training program and “10K by 2020” initiative to create 10,000 jobs in 10 cities by 2020.

The Lawn will be the centerpiece of the project. Flanked by a Power Store Foot Locker and several restaurants, the Lawn will incorporate a mix of active and passive spaces including a children's park, games area, urban dog park, garden, and flexible performance stage. These spaces will allow for both informal neighborhood gatherings and free daily community programming like yoga classes, lecture series, outdoor concerts, and movie screenings.

The project site is located at 3662 W Camp Wisdom Road in Southern Dallas' Red Bird community. The site qualifies as severely distressed based on a median family income of 35.6% of the metro median and a poverty rate of 34.6%. Project renderings are included in Exhibit 1.

Related/Sponsoring Entities

The Leverage Lender and NMTC Borrower are expected to be special purpose entities affiliated with 3662 Investors, LP. The NMTC Borrower will meet the requirements of a Qualified Active Low-income Community Business ("QALICB").

Financing Terms

NMTC Allocation

Up to \$10 million in allocation from DDF and up to \$3 million in allocation from Capital One Community Renewal Fund ("COCRF").

NMTC Investor

Capital One, N.A. ("Capital One")

Anticipated Closing Costs and Fees

DDF will charge upfront fees totaling 4% of the Qualified Equity Investment ("QEI") (estimated at \$400,000). In addition, DDF will charge an annual Asset Management Fee of \$35,000 per year.

DDF will separately secure reimbursement for costs associated with closing this transaction, as well as audit and tax return preparation costs associated with maintaining the financing structure during the 7-year NMTC compliance period.

Financing Structure

As NMTC Equity investor, Capital One is anticipated to provide a total of approximately \$4.1 million in NMTC Equity (\$0.81 pricing) to support the \$13 million in total allocation from DDF and Capital One. RB Leverage Lender is expected to provide approximately \$9.1 million in the form of a "Leverage Loan" for the transaction. The underlying sources for the Leverage Loan are eligible expenditures incurred by sponsor within the prior 24 months, along with cash equity and potentially City funds.

Capital One will form a special purpose investment fund entity and will be responsible for management of this fund. The equity and leverage debt will be combined to capitalize the investment fund (a subsidiary of Capital One), which in turn will make a QEI of up to \$10 million into a subsidiary of Dallas Development Fund ("DDF Sub-CDE") and pay a 2% CDE Fee to DDF. This fund is also anticipated to make a QEI of up to \$3 million into a subsidiary of COCRF.

DDF, through the aforementioned Sub-CDE, will make a Qualified Low-Income Community Investment (QLICI) loan to the QALICB. Pursuant to DDF's Allocation Agreement, DDF will take a fee of 2% of the QEI to finance its activities. The total QLICI loans to the QALICB will be up to approximately \$12.8 million. Please refer to Exhibit 3 and Exhibit 4 for budget and structure chart.

Closing Timeline

This project financing is expected to close by December 2019.

Community Benefits and Need for Assistance

Community Benefits

Quality Accessible Jobs. Chime's call center is expected to create 625 full-time jobs, at least 90% of which will be accessible to individuals with less than a 4-year degree. The minimum starting wage will be \$14/hour, and all employees are eligible for benefits including health, vision, life, and disability insurance. Chime will partner with Workforce Solutions of Greater Dallas to ensure local residents can access these jobs. The City of Dallas has offered up to \$2 million in PPP Program funding to support job creation and workforce training, comprised of 4-6 weeks of paid employee training. To receive the \$2 M, Chime must create 1000 jobs, with 35% being filled by Dallas residents. In addition to this City-supported job training, all employees will have access to Chime University, a 17-course training program that encourages advancement through topics such as "Building Leadership" and "Supervisory Skills".

Catalytic Redevelopment. The conversion of vacant retail space into a call center with 625 full-time jobs will help bring "critical mass" and purchasing power to the site to attract additional investment. After Phase 1, plans call for approximately 360,000 SF of new restaurant, retail, office, and medical office space. Additionally, as the site's superblock is divided into smaller, pedestrian-scale blocks that will be sold to third-party developers, plans call for 300 units of mixed-income housing, a 40,000 SF grocery store, and a 124-room hotel and conference center.

Community Programming. The Lawn component is designed to be a new year-round, outdoor public space that will be the anchor for the entire project. Reimagine RedBird will manage The Lawn and will offer daily free programming for the public ranging from yoga to lecture series to outdoor concerts and films.

Need For NMTC Assistance

NMTC is a key funding source to ensure the viability of the entire redevelopment. DDF's funding is for the initial phases of Redbird to stabilize the project and attract new tenants and private development that can support market rate financing sources. In particular, the subsidy generated from DDF's NMTC is linked to The Lawn component, which is a vital part of the overall project vision, but challenging to finance given the limited cash flows that will be generated.

Exhibit 1: Site Plan

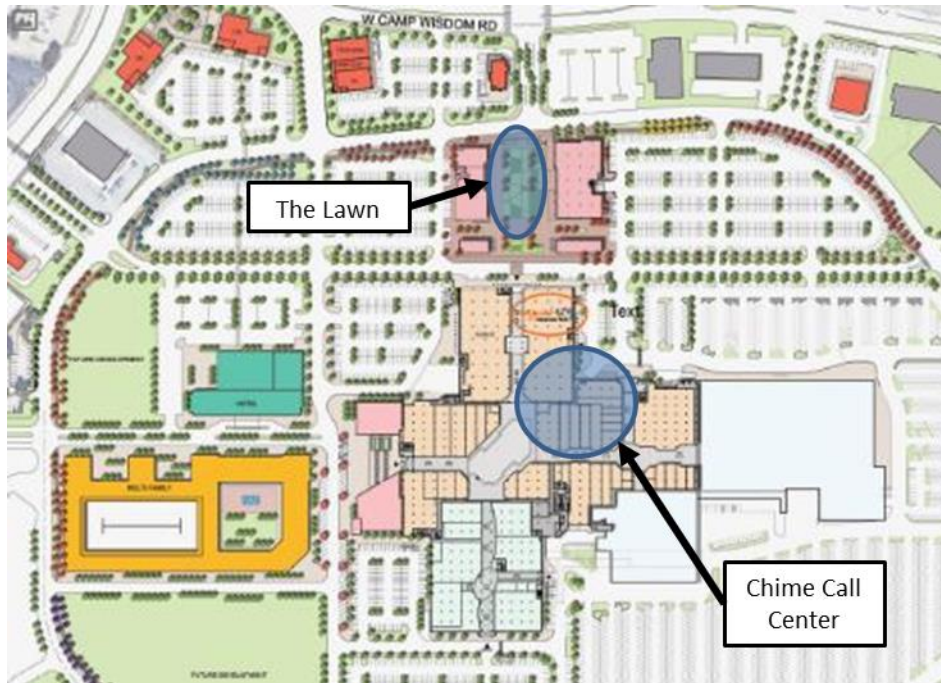


Exhibit 2: Project Images



Aerial rendering of the redeveloped Redbird mall complex



Rendering of the 1.1-acre public lawn



Rendering of potential building facades

Exhibit 3: Preliminary Sources and Uses

Overall Sources	
DDF B Note ("NMTC Gross Subsidy")	\$2,759,000
Capital One B Note ("NMTC Gross Subsidy")	\$947,700
Texas Capital - Foot Locker Loan	\$5,120,000
Sponsor Equity - Cash and Prior Spend (includes City funding)	\$10,861,556
Total Sources	\$19,688,256
Overall Uses	
Foot Locker Acquisition	\$888,624
Foot Locker Hard Costs	\$4,179,866
Foot Locker Soft Costs	\$1,149,875
Foot Locker Infrastructure	\$985,423
Lawn Acquisition	\$252,615
Lawn Hard Costs	\$2,921,598
Lawn Soft Costs	\$423,953
Lawn Infrastructure	\$547,946
Chime Hard Costs	\$7,240,883
Chime Soft Costs	\$152,153
Chime CM Fee	\$54,320
<u>Estimated Base Project Costs</u>	<u>\$18,797,256</u>
Estimated Total Closing Costs	\$550,000
Reserve for DDF Ongoing Fees	\$341,000
Total Uses	\$19,688,256