

Memorandum



CITY OF DALLAS

DATE January 31, 2025

TO Honorable Members of the City Council Economic Development Committee: Tennell Atkins (Chair), Omar Narvaez (Vice Chair), Carolyn King Arnold, Chad West, Adam Bazaldua, Paul Ridley, and Kathy Stewart

SUBJECT **Upcoming Agenda Item: Amendment and Restatement of Chapter 380 economic development loan agreement and Chapter 380 economic development grant agreement with Shekinah Legacy Holdings, LLC regarding the 1708 MLK Redevelopment Project at 1708 Martin Luther King, Jr. Boulevard**

On February 12, 2025, staff will seek City Council authorization for amendment and restatement of the Chapter 380 economic development loan agreement and the Chapter 380 economic development grant agreement (collectively, the “Agreement”) with Shekinah Legacy Holdings, LLC (“Borrower/Grantee”) previously authorized by City Council on April 12, 2023 by Resolution No. 23-0499 related to the 1708 MLK Redevelopment Project (“Project”) proposed for the property addressed as 1708 Martin Luther King, Jr. Boulevard, including the following: (1) amend the Project completion deadlines; (2) clarify the minimum investment requirement; (3) clarify the Project scope; (4) clarify the requirements for grant payment; (5) amend the date by which the facility is opened to the public; (6) remove the job creation requirement from the loan agreement and add a job creation requirement of 10 jobs to the grant agreement; (7) amend the loan payment schedule to reflect forbearance of certain loan payments; (8) replace all references to “Small Business Center” with “Office of Economic Development;” and in consideration, (9) reduce the term of the loan from 15 years to 2 years, in accordance with the Economic Development Incentive Policy.

The South Dallas/Fair Park Opportunity Fund (“Opportunity Fund”) was established by City Council in 1989 to support projects within the Opportunity Fund service area. Under the current Program Statement, the Opportunity Fund may provide loans and grants to promote economic development projects that create new jobs, retain existing jobs, or increase the service area tax base as well as provide grants that support human development initiatives in the neighborhoods surrounding Fair Park.

On April 12, 2023, by Resolution No. 23-0499, the City authorized the Agreement with Borrower/Grantee, including (1) a Chapter 380 economic development grant in an amount not to exceed \$200,000.00 and (2) a Chapter 380 economic development loan in an amount not to exceed \$450,000.00 in consideration of the 1708 MLK Redevelopment Project proposed for the property addressed as 1708 Martin Luther King, Jr. Boulevard.

The Agreement was conditioned upon Borrower/Grantee’s redevelopment and improvement of a vacant and dilapidated 1,085 square foot one-story building (circa 1970) into an approximately 5,000 square foot two-story building that will include business

offices and a coffee shop. The loan agreement was subsequently executed by all parties on August 2, 2023, and the grant agreement was executed by all parties on August 4, 2023.

The Agreement was authorized with the following key terms and conditions: (1) construction completion of the Project improvements, including obtaining final certificates of occupancy (or equivalent evidence of completion issued by the City) by December 31, 2023; (2) the retail and office space must be open for business to the public by December 31, 2023; and (3) creation of 23 jobs prior to the termination date of the loan compliance period.

Due to financing delays, construction delays, and other changes, Borrower/Grantee submitted a request to City staff to amend the Agreement as follows: (1) amend the Project completion deadlines; (2) clarify the minimum investment requirement; (3) clarify the Project scope; (4) clarify the requirements for grant payment; (5) amend the date by which the facility is opened to the public; (6) remove the job creation requirement from the loan agreement and add a job creation requirement of 10 jobs to the grant agreement; (7) amend the loan payment schedule to reflect forbearance of certain loan payments; (8) replace all references to "Small Business Center" with "Office of Economic Development."

Because of uncertainty related to financing and construction, Borrower/Grantee is behind on monthly loan payments (totaling approximately \$28,959.00); however, Borrower/Grantee has made the last three-monthly payments on time. Borrower/Grantee has requested that the loan payment schedule be amended to reflect forbearance for the missed loan payments but with those loan payments being due at loan maturity. The City will not subordinate its loan until completion of the improvements and occupancy of the building has been met to the satisfaction of the City.

The additional consideration to the City for the amendments requested by the Borrower/Grantee is a reduction in the loan term from a 15-year period to a 2-year period that commences upon execution of the amended and restated Agreement. The loan amortization period will remain unchanged.

On January 27, 2025, the Board of Directors of the South Dallas/Fair Park Opportunity Fund was briefed regarding the proposed amendment and restatement of the Agreement and unanimously recommended City Council approval.

Should you have any questions, please contact Heather Lepaske, Assistant Director, Office of Economic Development, at heather.lepeska@dallas.gov or (214) 670-1222.

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