

Memorandum



DATE November 1, 2024

CITY OF DALLAS

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: Forest Theater Redevelopment, a community development project in the Forest District at Martin Luther King, Jr Blvd and S.M. Wright (City Council District 7)**

On November 13, 2024, staff will seek City Council authorization of a Chapter 373 community development grant agreement with Forest Forward (“Grantee”) in an amount not to exceed \$8,000,000 sourced from the Infrastructure Investment Fund (\$7,000,000) and the Public Private Partnership Fund (\$1,000,000) to support the proposed Forest Theater Redevelopment (“Project”) located at 1918 Martin Luther King Blvd (“Property”) in accordance with the City’s Economic Development Incentive Policy. The Property is located in an Economic Development Target Area, and this Project would be the first to utilize funding from the Infrastructure Investment Fund.

With an estimated total cost of almost \$66 million, the Forest Theater Redevelopment will include: (1) rehabilitation of the historic Forest Theater complex (in accordance with the Secretary of the Interior’s Standards for Rehabilitation), (2) new ground-up construction of an approximately 28,000 square foot building addition, and (3) additional elements including a café, rooftop deck, lawn for special events, and a multi-use “festival street.”

The Project is led by Forest Forward, which was founded in 2020 to restore and expand the Forest Theater and works with the community to drive equitable development, economic mobility, and improve outcomes for children, residents, and families of the South Dallas community. The Project intends to start construction in Q1 2026.

Please see the attached **Exhibit A** for more detailed information regarding the Project and the proposed grant agreement. Should you have any questions, please contact Heather Lepaska, Assistant Director, in the Office of Economic Development at (214) 670-1222 or heather.lepeska@dallas.gov.

Service First, Now!

A handwritten signature in blue ink that reads "Robin Bentley".

Robin Bentley,
Assistant City Manager (I)

DATE November 1, 2024

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PAGE Page 2 of 2

C: Kimberly Bizer Tolbert
City Manager (I)
Tammy Palomino, City Attorney
Mark Swann, City Auditor
Biliera Johnson, City Secretary
Preston Robinson, Administrative Judge
Dominique Artis, Chief of Public Safety (I)

Dev Rastogi, Assistant City Manager
M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Alina Ciocan, Assistant City Manager
Donzell Gipson, Assistant City Manager (I)
Jack Ireland, Chief Financial Officer
Elizabeth Saab, Chief of Strategy, Engagement, and Alignment (I)
Directors and Assistant Directors

Exhibit A

Forest Theater Redevelopment

a community development project in the Forest District

**Economic Development
Committee**

November 4, 2024

Heather Lepaska
Assistant Director
Office of Economic Development



City of Dallas

Overview



- Background
- Proposed Project
- Staff Recommendation
- Next Step

- Appendix



Background: Community Development Program



- Created by City Council in 2023 as part of the Economic Development Incentive Policy
- Authorized by Chapter 373 of the Local Government Code
- As implemented, allows City to provide financial assistance to projects that are led by a non-profit or qualified developer that support:
 - High-quality jobs that provide opportunities for all
 - Investment in southern Dallas and other distressed or low-to-moderate income areas
 - Racially equitable participation in Dallas economy and wealth-building opportunities
- Projects must document a minimum capital investment of \$2 million and demonstrate that at least 75% of the total project funding is either in hand or has been pledged



Background: Equitable Development Plan



- Community Driven Growth Initiative funded by JPMorgan Chase Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods)
- Equitable Development Plan completed in 2020
- The Real Estate Council (TREC) Community Fund, Dallas College, LiftFund, and Texas Mezzanine Fund formed Dallas Collaborative for Equitable Development to foster community development in the Forest District

WHAT WE HEARD FROM FOREST DISTRICT OUTREACH

Residents let us know exactly what their community needed. The following reflect the Forest District's priorities for equity based on the input gained through several community outreach opportunities. This formed the foundation of the working group and the basis of the equitable development plan:



Historical Equity

- Equitable development would address historical injustices in the community, including disinvestment and property abandonment. Injustices could be corrected by addressing the community's current needs for employment, healthy food, and transportation, and by ensuring residents are well-positioned to benefit from any new investment in the Forest District.



Physical Equity

- All new development should primarily support current residents, but also attract new residents.
- Residents believe their neighborhood's proximity to Downtown Dallas, the Trinity River, and the Great Trinity Forest are strong assets to leverage with any future development.
- New retail is supported, particularly a grocery store that has fresh produce. New business would be a mix of small business and big box stores.



Social Equity

- Residents are skeptical of new residential and commercial development in the district, with many residents explaining that new development may not benefit existing residents, and could cause displacement and loss.



Planning / Policy Equity

- Community members want to work toward common goals and bring different stakeholders to discussions about the district's future. There is frustration that current and past neighborhood development efforts have failed to gather significant community participation.



Economic Equity

- New jobs should be available for current residents, and job training and recruitment should be tailored to match their skills.



Background: Property Location

- Location: 1918 Martin Luther King Jr Blvd
- Project properties are addressed as:
 - 1904 Martin Luther King Jr Blvd, Dallas TX 75215 (DCAD parcel 00000142174000100)
 - 1902 Martin Luther King Jr Blvd (vacant land) (DCAD parcel 00000142171000000)
 - 3000 S. Harwood St (vacant land) (DCAD parcel 0000142174000000)
- Southwest corner of Martin Luther King Jr Blvd and S.M. Wright
- City Council District 7
- In Target Area per City's Economic Development Incentive Policy
- Zoning: PD 595 (South Dallas/Fair Park Special Purpose District) (amended by City Council on May 22, 2024 to accommodate this proposed Project)



Background: Property History



- Designed by H. F. Pettigrew of Pettigrew and Worley and built in 1949 by developer Karl Hoblitzelle
- Known for its towering marquee and beckoning lights, the Forest Theater is on the National Register of Historic Places (listing number 100004752)
 - City of Dallas Landmark designation process initiated by the Landmark Commission in November of 2015
- In 1956, the theater changed its patron focus to that of the middle-class African American families moving into the area
- In 1965, due to sagging ticket sales, the theater closed but was used for special events and performances
- Over the years, the theater hosted performances from world-renowned artists such as Prince, Gladys Knight, Nat King Cole, B.B. King, Ike and Tina Turner, and Redd Foxx
- Theater has been closed since 2008
- In 2017, property was acquired by CitySquare
- In 2021, Forest Forward acquired CitySquare entity that owned the property and later renamed the entity to Forest Theater LLC



Grand re-opening in 1956 and in 2018



Background: Existing Property Conditions



Background: Project Sponsor



- Forest Forward (501c3)
 - Elizabeth Wattlely, President & CEO
- Founded in 2020 to restore and expand the Forest Theater, Forest Forward works with the community to drive equitable development, economic mobility, and improve outcomes for children, residents, and families of the South Dallas community
- One of 27 Purpose Built Communities that uses a three-legged approach of economic vitality; high-quality, cradle-to-career education; and accessible, mixed-income housing to support the stabilization, revitalization, and growth of the community, helping to disrupt intergenerational and geographically concentrated poverty



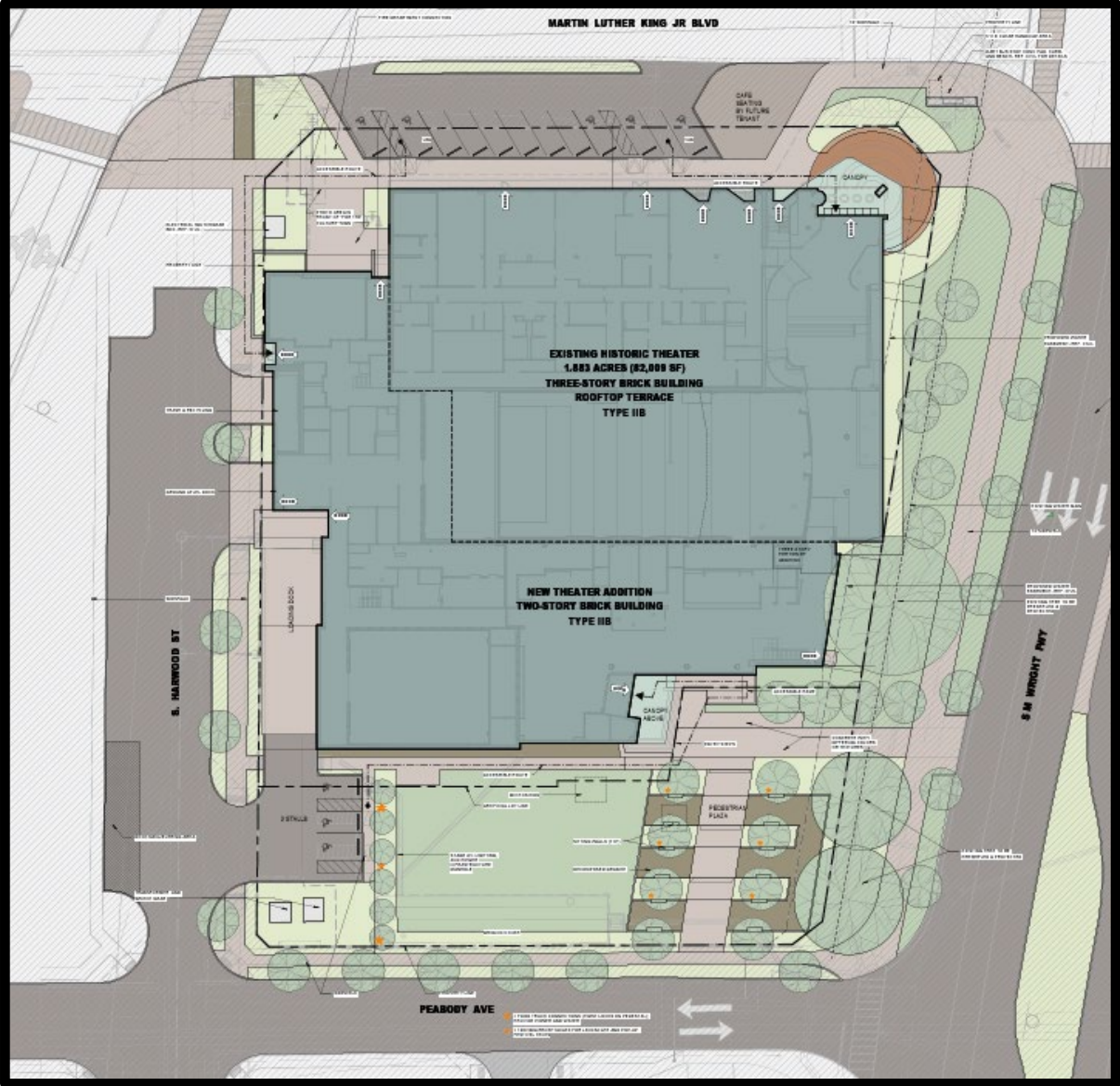
Proposed Project: Summary



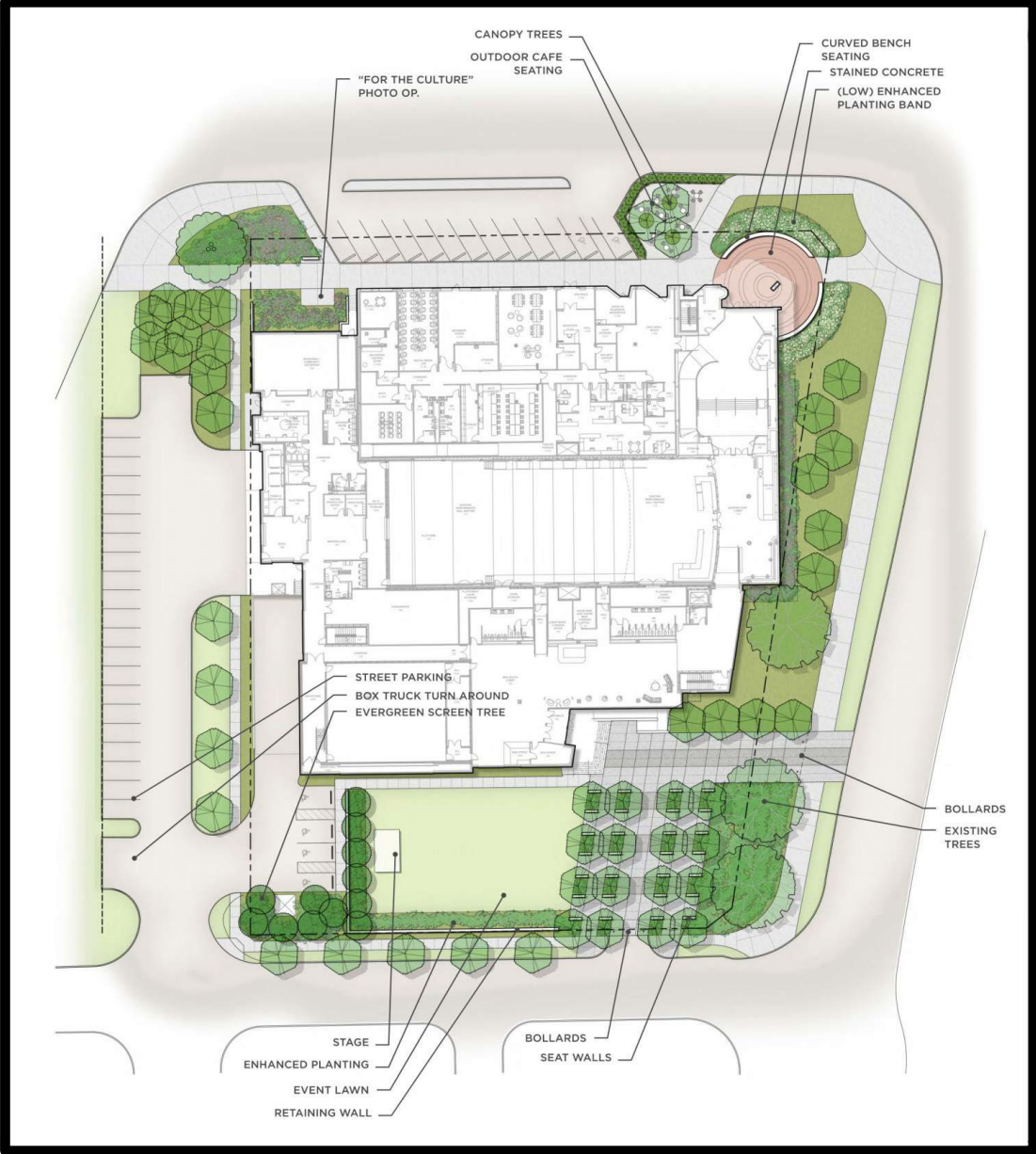
- 1) **Rehabilitation of the historic Forest Theater complex (in accordance with the Secretary of the Interior's Standards for Rehabilitation)**
 - approximately 35,630 square feet of auditorium, lobby, and retail space
 - renovation of the 500-seat Main State Theater and creation of an education center that is expected to include a technology lab, maker space, and film and video production space
 - 2) **New ground-up construction of a building addition (approximately 28,000 square feet)**
 - additional lobby space, a smaller 175-seat Black Box/White Box theater, and other back-of-house elements
 - 3) **Additional elements: a café, a rooftop deck, lawn for special events, and a multi-use “festival street”**
- Together, the two theater spaces are anticipated to host over 140 curated performances or events per year (approximately 3 per week) providing a balance of local, regional, and national touring artists
 - **Total Project cost: estimated \$65.95 million** (additional expenses already incurred for asbestos removal and other environmental remediation)
 - Construction to commence Q1 2025



Proposed Project: Site Plan



Proposed Project: Landscape Plan



Proposed Project: Renderings



Elevation along Martin Luther King, Jr Blvd



S. Harwood Street – festival space



Proposed Project: Renderings



Elevation along Peabody



S. Harwood Street



Proposed Project: Urban Design Peer Review Panel



On September 27, 2024, the City's Urban Design Peer Review Panel ("UDPRP") reviewed the Project. The following summarizes the design recommendations:

- Explore a more seamless integration between the Harwood festival street and the adjacent public gathering plaza space. Design for an enhanced plaza experience with an emphasis on shared connections and transitions between the festival street and plaza. Emphasize shade throughout the site including at the south facade addition, roof terrace, and along the edges of the triangle green space property and the proposed lawn.
 - The Panel suggests using the bulb-out near the corner of MLK and the Harwood festival street as a green infrastructure testing site that could be designed as a rain garden or bioswale.
- Give the community room at the corner a more prominent entrance visible from the street and make distinct from the loading dock area.
- Embrace the highway as integral to the development by revisioning it for art practice spaces, lighting, public art installations, special events, and enhanced safety underneath I-45. Landscaping along the edge of the highway should be purposeful and coordinated with TXDOT. Enhance the street crossing from the off-site parking to the theater property and plan for additional lighting and crosswalk paint to maximize safety for pedestrians.
- Prioritize two entries to the theater instead of four. Design these entries in prominent ways with monument signage.
- Panel advises continued study at the neighborhood scale. Increase efforts to include properties on the west side of I-45 by incorporating St. Philip's School and Cornerstone Church into future connections and planning efforts. Plan for restoring street grid to many of the surrounding dead-end streets. Weave all the neighborhood components into the Forest Theater campus design. Share the vision plan with stakeholders and continue to expand on the social and economic possibilities for Forest Theater and the surrounding neighborhood.



Proposed Project: Sources and Uses



Sources

Awards/Pledges

Restricted Capital*	\$10,586,087
Anticipated Awards	\$14,070,000

Public Funding

Community Project Funding (Congressional Earmark)	\$4,000,000
Offsite Improvements (RTC NCTCOG)	\$4,753,000

Tax Credit Net Benefit

New Markets Tax Credit	\$6,957,600
State Historic Tax Credit	\$7,325,345
Federal Historic Tax Credit	\$4,930,594

Subtotal **\$52,622,626**

Gap **\$13,330,381**

Proposed City Assistance **\$8,000,000**

Remaining Gap (additional fundraising) **\$5,330,381**

Total Sources	\$65,953,007
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* Does not include remediation costs (already expended) **\$15,315,284**

Uses

Hard Costs

Forest Theater/EDU Lab/Studio Theater	\$ 40,068,180
Owner's Buyout Escalation Allowance	\$ 715,452
F.F.&E. Allowance	\$ 2,861,808
Art Allowance	\$ 400,000
Construction Materials Testing/Inspection	\$ 559,478
Early Demolition and FF Admin Offices	\$ 79,927
Owner's Hard Cost Contingency	\$ 2,103,409
North Parking (Private - FF Owned)	\$ 1,494,000

Subtotal **\$ 48,282,254**

Public Infrastructure Improvements

West Parking under I-45	\$3,573,300
ROW Public Site Work - Outside Property Line	\$999,700
ROW Public Site Work - 3-Way Contract Underground Infrastructure	\$3,994,624
ROW Public Site Work - Harwood	\$2,160,372
ROW Public Site Work - Peabody	\$334,206
Burying Electrical Lines	\$1,000,000

Subtotal **\$12,062,202**

Soft Costs & Other Costs

Soft Costs	\$1,604,214
Other Costs	\$4,004,337

Subtotal **\$5,608,551**

Total Project Costs	\$65,953,007
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Remediation Costs (already expended) **\$ 15,315,284**



Staff Recommendation: Community Development Grant



- On October 16, 2024, based on analysis and consultation with the City's independent outside underwriter, staff executed a Letter of Intent (LOI) for a **grant agreement with Forest Forward or affiliate (Grantee) which includes a conditional community development grant ("Grant") in a total amount not to exceed \$8,000,000** as gap funding to make the proposed Project financially feasible.
- **Sources of Grant**
 - **\$7,000,000 from Infrastructure Investment Fund**
 - **\$1,000,000 from Public Private Partnership Fund**
- **Grant may be payable in two installments** and upon review of actual and eligible expenses, with the final payment made upon completion of the Project
- Funds shall be used only for construction of Forest Theater/EDU Lab/Studio Theater, and furniture, fixtures & equipment, or public infrastructure improvements as detailed in the Project budget



Staff Recommendation: Grant Agreement Conditions



- **Minimum Investment:** \$60 million in capitalized costs for real property and furniture, fixtures and equipment (FF&E) improvements that occur after the date of City Council approval of Grant Agreement
- **Completion Deadline:** December 31, 2027
- **Quarterly Reporting:** Until the Project has passed final building inspection and all required paperwork documenting Project completion has been submitted to the Office of Economic Development, Owner shall submit to the Office of Economic Development quarterly status reports for ongoing work on the Project. Such status reports shall be due within 30 calendar days following the end of each calendar quarter
- **Annual Reporting:** During the Compliance Period, Grantee shall meet all annual reporting requirements including:
 - Annual Audited financial statements (Income Statement, Balance Sheet, Statement of Cash Flows)
 - Programmatic outcomes and impacts, including dates of events/services, numbers of participants and other relevant information as noted above to reflect the restoration of the Forest Theater as a performance, education, and community space
 - Employment and wage data for any jobs created as a direct result of the Project. Please note that any jobs hired directly by Grantee related to operations of the Project receiving the grant must pay a Living Wage



Staff Recommendation: Agreement Conditions



- **M/WBE Inclusion in Construction:** Grantee shall make a good faith effort to comply with the City's Business Inclusion and Development ("BID") goal of 32% participation by certified Minority/Women-owned Business Enterprises ("M/WBE") for all hard construction expenditures on the Project and meet all reporting requirements.
- **Operating Reserve Requirement:** Grantee shall maintain an operating reserve for the operations and maintenance of the building of \$100,000 in year one and increasing 3% annually during the Compliance Period.
- **Replacement Reserve Requirement:** Grantee shall maintain a replacement reserve of \$50,000 in year one of operations and continue to fund the replacement reserves at \$50,000 plus a 3% annual increase during the Compliance Period unless/until the fund balance of the replacement reserve exceeds \$500,000.
- **Access to Information for Compliance:** Grantee shall, upon advanced request, allow City staff to review files and documents related to the Grant Agreement and to monitor and confirm compliance with the terms and conditions of the Grant Agreement.



Staff Recommendation: Agreement Conditions



- **Deadline Modifications:** Upon submission of a formal request by Grantee, the OED Director may, at his/her sole discretion, extend any date or deadline specified herein for a period of up to twelve (12) months.
- **Operating and Maintenance Agreement:** If applicable and prior to Project completion, Grantee shall execute an Operating and Maintenance Agreement (defined below) for any Non-Standard Public Improvements (defined below) associated with the Project that will be owned by the City but maintained by the Grantee (the “Operating and Maintenance Agreement”). If necessary, Grantee shall obtain a license from City for the purpose of maintaining any improvements in the public right-of-way. “Non-Standard Public Improvements” shall be defined as those public infrastructure improvements which exceed the City’s standard design requirements, as determined by the City, and shall include specially designed street/pedestrian lighting, brick pavers, bollards, sidewalks, public art, fountains, landscaping and irrigation. With the exception of specially designed street/pedestrian lighting, public artwork and fountains, City shall retain ownership of such public improvements and may at its sole option, if Grantee fails to maintain such public improvements after notice from City, perform such maintenance and invoice Grantee for the costs, which costs Grantee shall pay within thirty (30) days of notice. Grantee shall submit documentation evidencing that an executed Notice of Operating and Maintenance Agreement specifying the existence of an executed Operating and Maintenance Agreement for the Non-Standard Public Improvements was recorded with the Dallas County Clerk’s Office. The term for the Operating and Maintenance Agreement shall be twenty (20) years. The terms and conditions of the Operating and Maintenance Agreement are binding upon the successors and assigns of all parties hereto and may be assignable, subject to OED Director approval, in whole or in part, to a new owner of all or a portion of the Project. Grantee shall remain responsible for the maintenance of the Non-Standard Public Improvements for a term of twenty (20) years even if Grantee chooses to forgo the Grant or is not paid the Grant as a result of uncured default.



Staff Recommendation: Agreement Conditions



- **Public Access to Infrastructure Not Owned by City:** Prior to City's payment of any portion of the Grant and at no cost to City, Grantee shall provide reasonable public access easements, deed restrictions, or other instruments reasonably acceptable to the OED Director if any street, utility, or open space improvements associated with the Project remain in non-City ownership but require public access.
- **Urban Design Peer Review Panel:** The Urban Design Peer Review Panel ("UDPRP") is an independent group of professional designers selected by the City Manager with expertise in architecture, landscape architecture, engineering, and urban planning. Grantee presented the Project to the City's Urban Design Peer Review Panel on September 27, 2024 and shall incorporate the Panel's comments into the final design of the Project. Grantee shall submit a set of construction drawings to the Preservation and Urban Design staff of PDD and OED Director for a final staff review to ensure that the Project (public and private improvements) will be constructed in substantial conformance with the final approved conceptual drawings and renderings attached to the Grant Agreement. PDD and OED staff shall complete the final staff review within ten (10) business days of submission.

Allowable minor modifications to the Project's design may include those required to comply with development regulations administered by the City's PDD or other City departments, federal, state and local laws, codes and regulations. Prior to making any Project design changes that would be considered minor in nature, Grantee shall notify the OED Director and submit proposed changes to the OED Director for review and approval. OED staff shall complete the final review to ensure compliance with concept plan of any much minor design changes within ten (10) business days of submission by the Grantee.



Staff Recommendation: Agreement Conditions



- **Grant Security:** Grant shall be payable to support payment of approved expenses as detailed in the Project Budget and/or upon completion of the Project. The Grant of up to \$8,000,000 shall be paid to support the construction costs and public infrastructure costs of the Project, and shall not include leasing commissions, developer fees, or attorney fees.
- **Compliance Period:** Grantee shall be required to operate the facility for no less than seven (7) years following City's disbursement of the Final Payment ("Compliance Period").
- The Grant shall be secured by a performance deed of trust (or other security instrument approved by the City Attorney) in favor of the City and recorded in the real property records of Dallas County against Grantee's interests in the Property within fourteen (14) business days of execution of the Grant Agreement.
- Failure to maintain and operate the facility during the Compliance Period shall be an event of default, and an uncured default may result in enforcement of the City's interests or any other action allowed by law.
- City's Grant Security may be subordinated only to the liens of Grantee's senior lenders (construction and/or permanent) on the Project, including any liens required to facilitate Property Assessed Clean Energy (PACE) financing, New Markets Tax Credit (NMTC) financing, or Historic Tax Credit (HTC) financing for all or a portion of the Project. In the event subordination agreements are required, the City agrees to provide in a form acceptable to the City Attorney, so long as such senior lender's subordination documents are acceptable to City in City's sole discretion.
- **Grant Recapture Liability:** Grantee's obligation to repay the Grant due to uncured default will be reduced by 1/7 (\$1,142,857.14) annually for the successful completion of the required performance obligations during the Compliance Period.



Staff Recommendation: Agreement Conditions



- **Assignment:** Until completion of the Project, an assignment of the Grant Agreement shall only be allowed to a direct affiliate of Grantee with the prior written approval of the Director, not to be unreasonably withheld.

After completion of the Project, Grantee may assign its rights or obligations under the Grant Agreement to any entity with the prior written approval of the Director.

Any receivables due under the Grant Agreement may be assigned by Grantee or assignee upon providing the OED Director with written notice within thirty (30) calendar days of such assignment. Grantee and assignee have the right, from time to time, to collaterally assign, pledge, grant a lien or security interest in, or otherwise encumber any of their respective rights, title, interest under the Grant Agreement for the benefit of their respective lenders without the consent of, but with written notice to, the Director. The collateral assignment, pledge, grant of lien or security interest, or other encumbrance shall not, however, obligate the lender to perform any obligations or incur any liability under the Grant Agreement unless the lender agrees in writing to perform such obligations or incur such liability.



Next Step



- City Council: November 13, 2024





Appendix



Appendix: Project Development Team



Role	Party Name
Grantee/Primary Contact	Forest Forward, Elizabeth Wattley, President & CEO
Architect & Interior Design	HKS
Civil Engineering	Kimley-Horn and Associates
Theater Planning & Acoustics	Schuler Shook
MEP	Purdy-McGuire
Structural Engineering	Walter P. Moore
Landscape	Studio Outside
Owners Representative	The Projects Group
Contractor	Linbeck Group, LLC



Appendix: Underwriting



- Grow America, formerly National Development Council (NDC), under contract with the City, conducted independent underwriting of the incentive application
- Grantee's incentive application initially requested approximately \$16-17 million
- Conclusions of independent underwriting:
 - Verified existence of funding gap that is substantially lower than the \$16-17 million initially requested through the Applicant's initial numbers. Confirmed that several factors can impact this gap in ways that decrease or increase it
 - Suggested that a flexible cash-flow loan, where debt service payments cannot exceed available net income, may be an option for project; however, project's first priority needs to be to maintain cash flow to ensure operations.



Appendix: Regional Transportation Council (RTC)



- \$5 million (Regional Toll Revenue funds) conditionally awarded by RTC in February 2024 to:
 - construct public parking under IH 45, including lighting and electric vehicle charging stations;
 - construct intersection improvements at Martin Luther King Jr Blvd and South Harwood Street (enhanced crosswalks, closure of right turn "slip" lane);
 - construct landscaping/streetscaping enhancements in public right-of-way along S.M Wright frontage road
- construction anticipated to commence in 2026
- no local match required as project is in an Environmental Justice community; facilitates first land use/transportation revitalization effort after S.M. Wright reconstruction completion



Appendix: FY 2023 Community Project Funding



- Awarded \$4 million in FY23 in the Consolidated Appropriations Act, 2023
 - Project awarded under U.S. Department of Housing and Urban Development (HUD), Economic Development Initiatives, Community Project Funding
- Funds may be used for the following:
 - \$3,250,000 Construction
 - \$500,000 Developer Fee
 - \$250,000 Contingency
- Period of Performance/Budget Period End Date: August 31, 2031





City of Dallas

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Heather Lepaska
Assistant Director
Office of Economic Development