



City of Dallas

**Cornerstone Community
Development Corporation**
The Crossing: Corner Store and Community Kitchen

Economic Development Committee
September 8, 2020

Courtney Pogue, Director
Office of Economic Development
City of Dallas

Presentation Overview



- Background
- Proposed Project
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Background



Project Developer: Cornerstone Community Development Corporation (CCDC) and/or a special purpose for profit entity.

Project Summary: The Crossing is a two-phase project for the redevelopment of a 5,000 SF building located at 2839 Ervay Street in Dallas, TX. Phase I, which entails approximately 2,000 SF, of the Crossing consisted of the first community laundromat in the area in a number of years. Phase 2 of the remaining 3,000SF will be for a community market and kitchen. The community market will provide access to food, drink, and essential household items at affordable prices and the community kitchen will be a shared space available for local entrepreneurs, small businesses, and culinary education programming. The estimated project costs for Phase 2 is \$793,865.

City Assistance: The development is seeking City Assistance in the amount of \$390,000 for the project.



Background



The **Equitable Development Plan** was completed in early 2020. TREC, Dallas College, LiftFund, and TMF with support from JPMorgan Chase, via \$6 million grant, have formed the **Dallas Collaborative for Equitable Development** which will foster community development in the Forest District, The Bottom, and West Dallas.

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

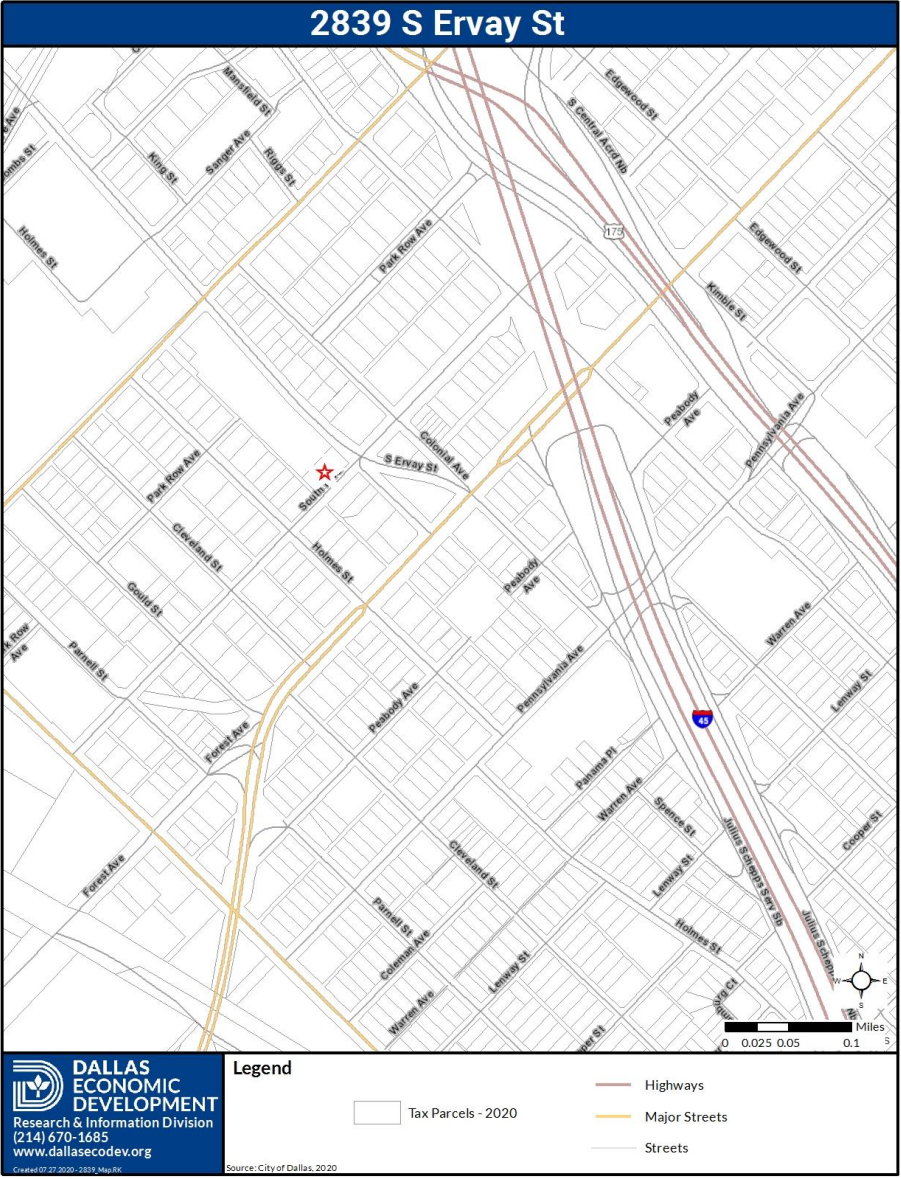
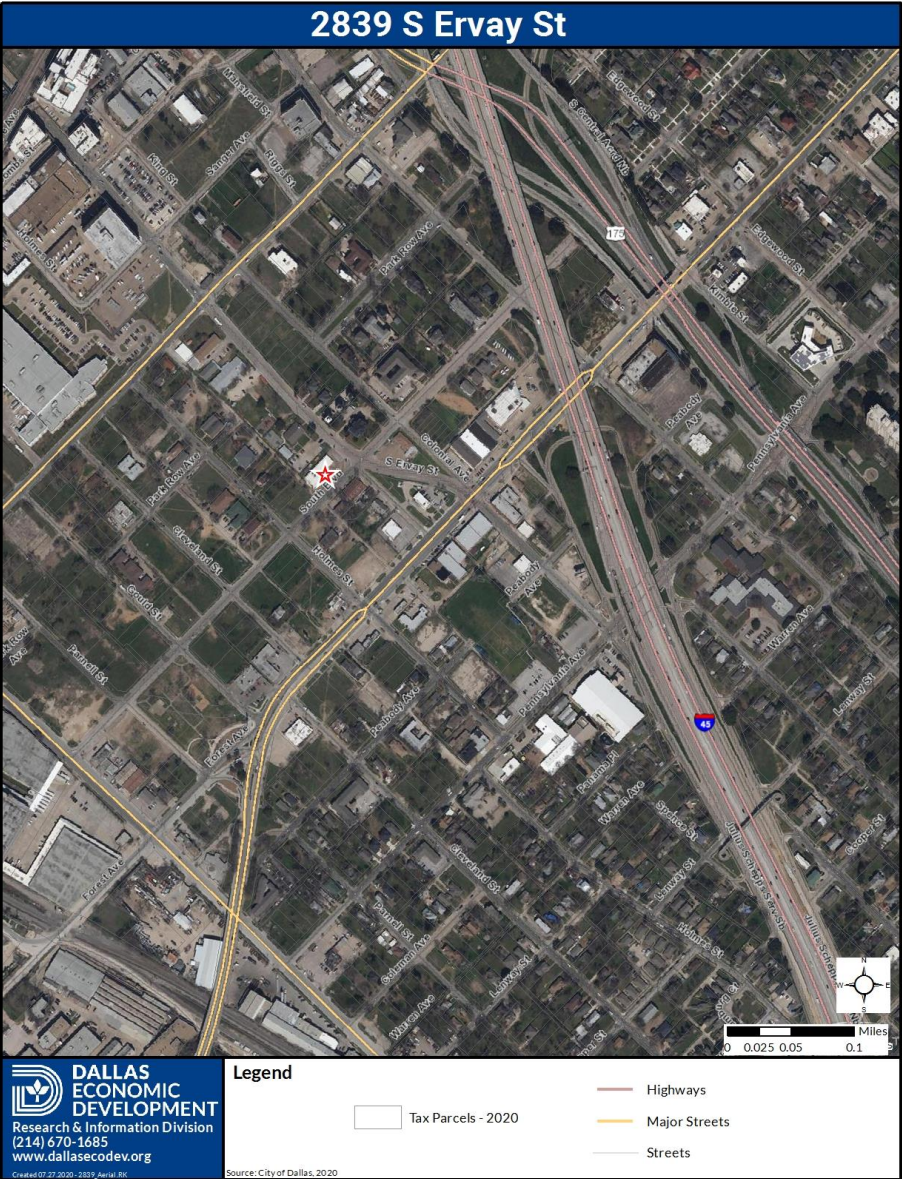
- New jobs should be available for current residents, and job training and recruitment should be tailored to match their skills.



Background – Location of Project



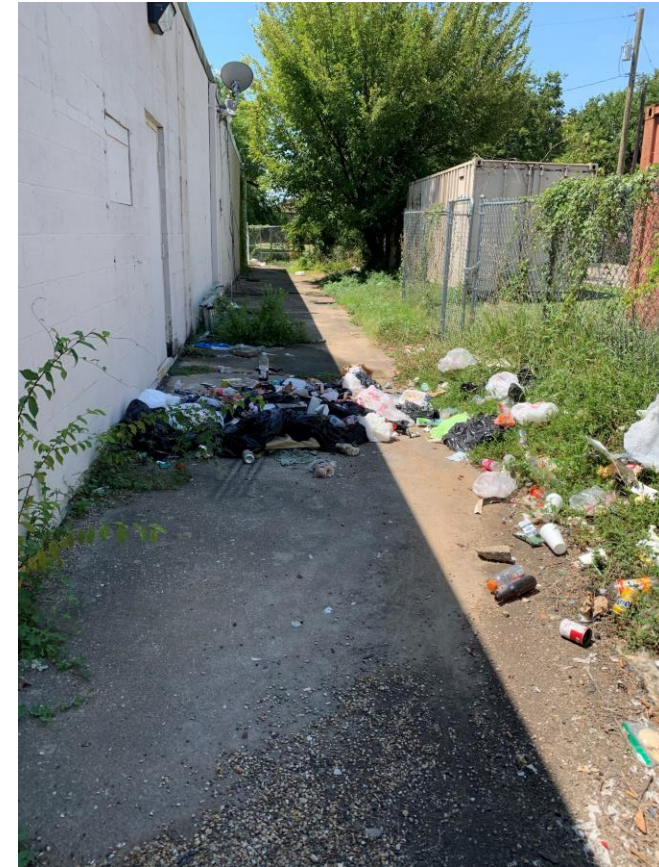
Aerial and Map



Background – Previous Conditions



- CCDC acquired the property in 2017 from George Reeves III, Ltd. The former owner was motivated to sale the property due to a history of nuisance activity occurring on and around the property.



Background



Address	2839 South Ervay Street Dallas, TX 75215
Parcel Identification Number	00000141520500000
Year Built	1968
Description	1-story masonry retail building
Building SF	Approximately 5,000 SF
Land SF	18,400 SF (0.42 Acres)
Tenancy	Laundromat, Community Kitchen, and Corner Store
Business Plan for Asset Reposition	Cornerstone Community Development Corporation (CCDC) will renovate the building into a laundromat (completed) and community kitchen and corner store (2020-21)
Back Story	Vacant retail building



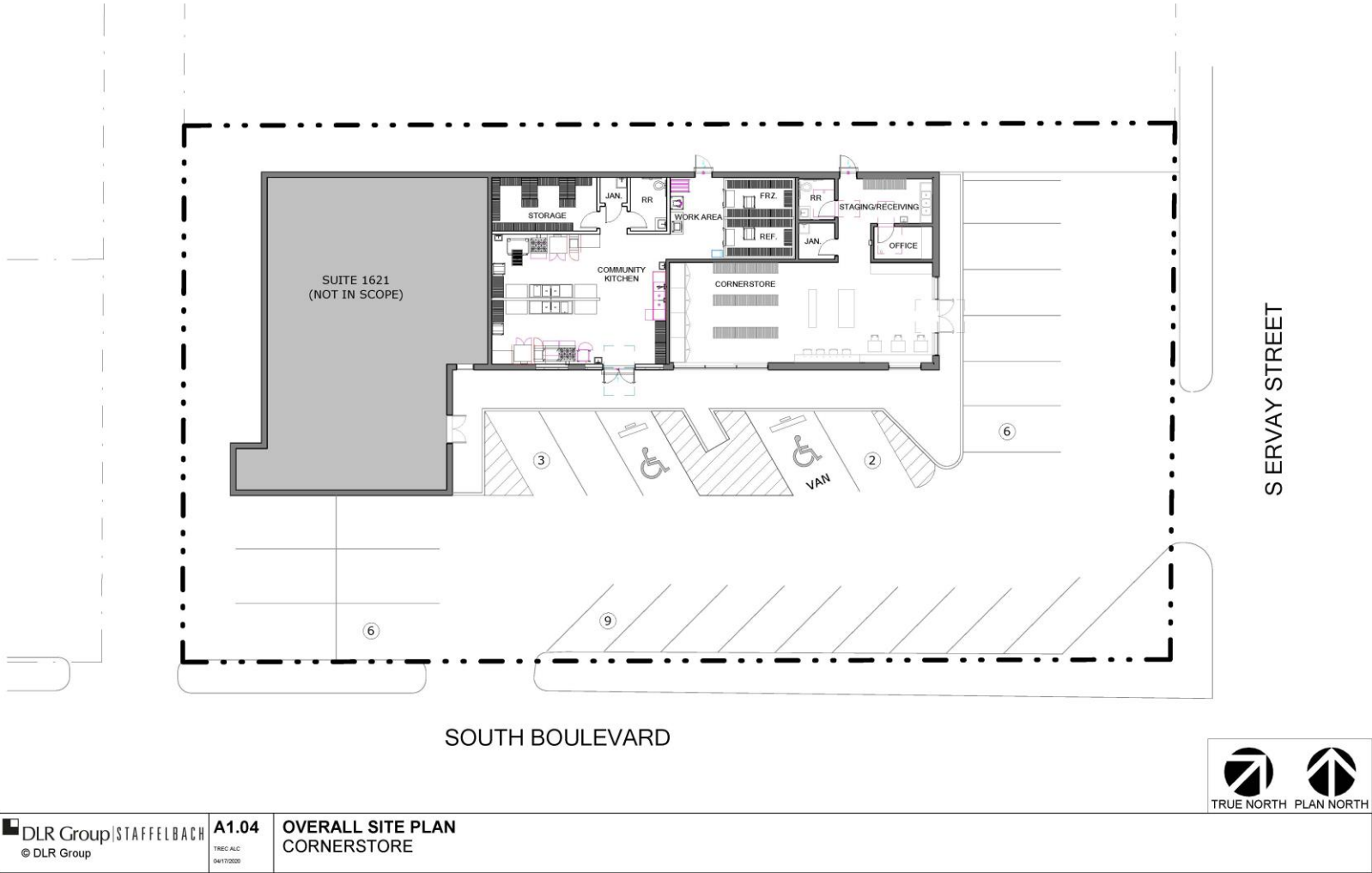
Proposed Project - Renderings



Source: DLR



Proposed Project – Site Plan



Source: DLR Group



Proposed Project – Budget



Item	Cost	% of Total
General and Existing Conditions	\$73,000	9.2%
Exterior Improvements	\$21,383	2.7%
Hard Construction Costs	\$128,035	16.1%
Equipment	\$245,485	30.9%
Furnishings	\$39,400	5.0%
Plumbing	\$54,537	6.9%
HVAC	\$92,500	11.7%
Electrical	\$43,813	5.5%
Electronic Safety and Security	\$2,600	0.2%
Professional Services	\$31,500	4.0%
Contingencies	\$61,613	7.8%
TOTAL	\$793,865	100.0%



Proposed Project: Financing Sources



Sources	Amount	% of Total
TREC Grant	78,550	9.9%
In-Kind Contributions	\$275,651	34.7%
TREC Loan	\$49,664	6.3%
Economic Development Grant*	\$390,000	49.1%
TOTAL	\$793,865	100.0%

*TREC will provide a bridge loan for the economic development grant until the project is stabilized.



Proposed Project – NOI Analysis



	Proforma Information
Effective Gross Income (Corner Store and Kitchen)	\$42,240 (\$15 PSF COSTAR)
Expenses	(\$8,026) (PSF per appraisal)
Net Operating Income	\$34,214
Cap Rate	8.75% - Appraisal
Estimated Stabilized Value	\$391,017



Proposed Project – Gap Analysis



Project Costs to Project Value Assessment

A financial gap does exist using the income capitalization approach to value and the total project costs without the incentive.

	Without the Incentive	With the Incentive
Stabilized Project Value	\$391,017	\$391,017
Total Project Costs	\$793,865	\$403,865 (Adjusted based on incentive)
(GAP)	(\$402,848)	(\$12,848)
NOI	\$34,214	\$34,214
Return on Costs	4.3% (NOI/TPC)	8.5% (NOI/Adj. TPC)

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The Project achieves an acceptable ROC (8.5%) for Class B Retail Property in DFW with the incentive. CBRE's 2H 2019 Cap Rate Survey Class B retail should be between 7.5% to 9%.



Proposed Project – Grocery Gap



- The proposed Corner Store and Kitchen fills a grocery gap area.
- 2,816 square feet includes 1,327 SF for grocery and 1,489 SF for a community kitchen.

Grocery Gap Assessment	1 Mile Radius	3 Mile Radius	5 Mile Radius
Grocery Store Potential Sales (Leakage) Source: ESRI	\$923,460	\$24,143,306	\$39,049,040
Avg. Sales Per SF (Industry Standard)	\$350	\$350	\$350
Demand in Market	2,639 SF	68,980 SF	111,569 SF
Corner Store and Kitchen SF (Includes Community Kitchen Space)	2,816 SF	2,816 SF	2,816 SF



Proposed Project



Severely Distressed Census Tract

Census Tract: 48113003400

NMTC Qualified, Severely Distressed
(ACS 2011-2015)

Qualified Opportunity Zone: NO

Census Tract: 48113003400

Per Capita Income: \$16,267

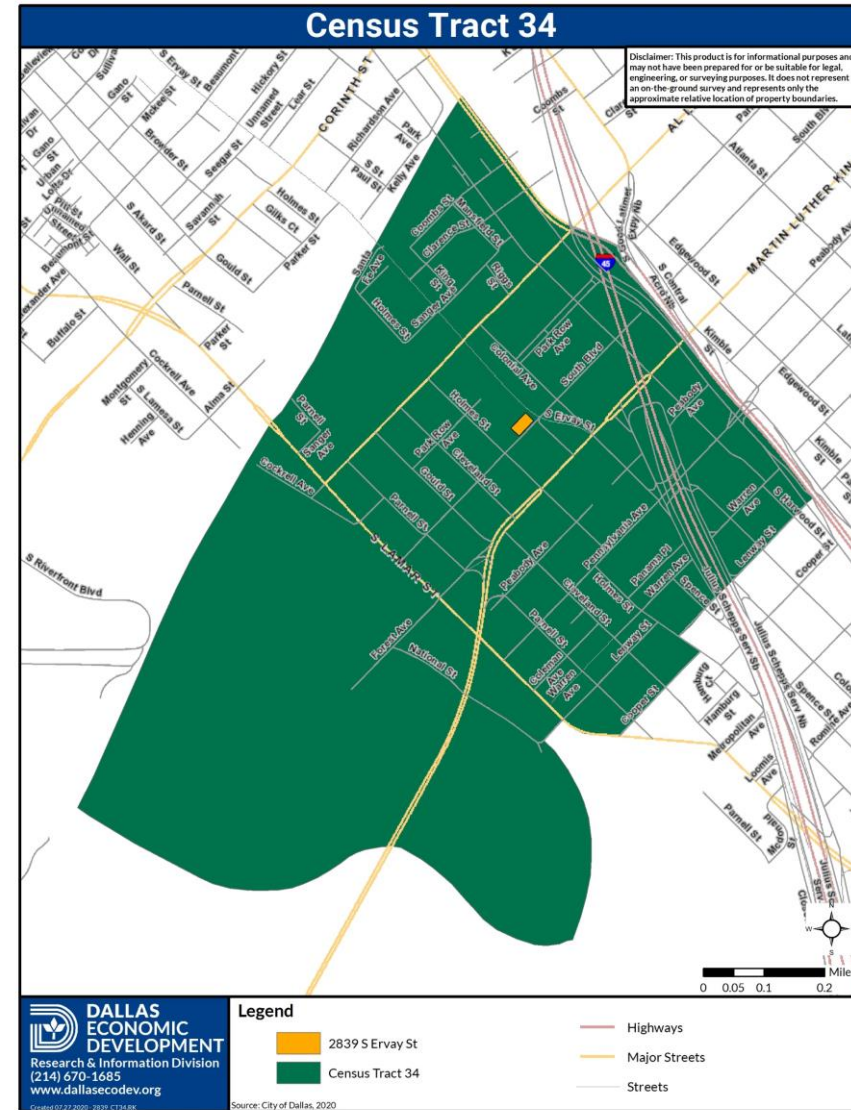
Median Family Income: \$32,804

Unemployment Rate: 13.55%

Source: 2018 ACS Data

Opportunities:

- The census tract is NMTC and CDBG eligible.
- The area is also a USDA low food access tract
 - Tracts in which at least 500 people or 33% of the population lives farther than 1 mile (urban)
- The Census tract is also a focus area for the Chase Bank's Pro Neighborhood Initiative



Staff Recommendation – Grant Funding



- Authorize a grant agreement with Cornerstone Community Development Corporation, (“Developer”) and/or its affiliates in an amount not to exceed **\$390,000** for redevelopment of the property located at 2839 Ervay Street Dallas, TX into a community kitchen and corner store. The City’s obligation shall be secured by a performance deed of trust.

CCDC – City Funding Sources	Amount
2017 Bonds – Proposition I: Economic Development	\$390,000
TOTAL CITY FUNDING – amount not to exceed	\$390,000



Staff Recommendation



Pursuant to the P/PPP Guidelines and Criteria (effective for the period January 1, 2020 through December 31, 2020), the proposed development is located in a Target Area. **A simple majority vote of the Dallas City Council is required.**

The proposed project meets the minimum eligibility criteria of the Neighborhood Commercial Retail Redevelopment Grant Program of the City's Public/Private Partnership Program (P/PPP) as it will involve a private investment exceeding \$250,000. Total private investment for the subject project is \$793,865.



Operational Impact



Incentives



**Economic Development
Grant**
\$390,000

Investment



Improvements
\$793,865

Jobs



Jobs
1 FTE and 2 PTE created

Revenue



**Projected
20 Yr. Property Tax
Revenue**
\$308,633

**Projected
20 Yr. Sales Tax
Revenue**
\$170,870



Staff Recommendation – Conditions



- CCDC shall document a minimum investment in the Project of \$450,000 including equipment, build-out, construction, and other hard costs (excluding attorney's fees, developer fees, leasing commissions, or other profit items). CCDC shall incur these costs prior to December 31, 2022.
- The Developer shall ensure that no less than eight (8) slots are available annually, during the five year compliance period, in The Crossing for food entrepreneurs/small business/food vendors from the South Dallas Community.
- CCDC shall host a minimum of one (1) hiring event by December 31, 2022 in the South Dallas community.
- CCDC shall also host a minimum of one (1) vendor day event by December 31, 2022 in which food entrepreneurs/small businesses in the South Dallas Community will have the opportunity to pitch their food products to be sold at The Crossing.
- CCDC shall host one (1) information session annually at the Project to educate aspiring food entrepreneurs and local small businesses about opportunities within the shared kitchen space at The Crossing.



Staff Recommendation – Conditions



- Developer will make a good faith effort to comply with City's Business Inclusion and Development ("BID") **goal of 25% participation by certified Minority/Women-owned Business Enterprises** ("M/WBE") for **all hard construction expenditures** of the Project and meet all reporting requirements
- CCDC shall partner with Dallas College and/or business educational provider to offer a minimum of one (1) business financial literacy/small business workshop annually during the compliance period to educate food entrepreneurs regarding business and financial management. The workshops must be held in the South Dallas Community, as defined by the South Dallas Fair Park Opportunity Fund boundaries.
- CCDC shall seek to establish partnerships with the Dallas Independent School District, such as DISD Career Development Center in Culinary Arts and/or Dallas College to provide educational opportunities for individuals interested in a career in the culinary arts or the food industry.
- CCDC shall annually offer a minimum of one (1) healthy food/preparation and cooking demonstration at The Crossing each year during the five (5) year compliance period.



Staff Recommendation – Conditions



- All permanent Full-Time Equivalents (FTE- 35hrs or more per week) hired in relation to this Project on or after the date of the City Council authorization of the proposed incentive agreement shall be paid a minimum starting hourly wage of \$15.00 per hour including tips (excluding overtime, bonuses, and benefits). The project shall create 1 FTE prior to December 31, 2022.
- A minimum of 50% of all new FTE hired related to this Project on or after the date of the City Council authorization shall be residents of the South Dallas Community, as defined by the South Dallas Fair Park Opportunity Fund boundaries, ("Local Hiring Requirement") at time of hiring.
- The Conditional Grant will be secured by a performance deed of trust recorded in the real property records of Dallas County against the owner's interests in the subject property. Failure to maintain and operate the building for five (5) years after the date of the Grant payment (the "Compliance Period") shall be a default of the Conditional Grant and an uncured default may result in enforcement of the City's interests or any other action allowed by law.



Next Steps



- An agenda item will be placed on the Dallas City Council voting agenda no later than October 28, 2020



Appendix: Development Team



Role	Party Name
Owner	Cornerstone Community Development Corporation
Owner's Representative	TREC
Project Management	TREC Foundation
Development Advisor	Caddis
Financial Advisor	CBRE
Contractor	The Whiting-Turner Contracting Company
Architect	DLR Group/Staffelbach
MEP Engineer	Telios
Civil Engineer	Winkleman & Associates
Financial Consultant	Bank of America



Appendix: Underwriting



- Recommended incentive: \$390,000 Economic Development Grant
- Conclusions of independent underwriting:
 - **Development team:** Experienced development team led by TREC. Strong operational partners.
 - **Contributed Capital:** TREC will provide a \$475,000 grant and a \$1,000,000 bridge loan for the ED grant in conjunction with lender.
 - **Permanent debt capacity of Project:** Based on the traditional underwriting (LTV and DSCR) the project can only support a limited amount of conventional debt.
 - **Appraisal and Market Assessment:** The project assumptions are line with the market conditions.
 - **Cost estimates of Project:** The project costs reasonable.
 - **Rational for economic development assistance based on Returns:** 8.5% yield on the adjusted total projects costs with the incentive within reasonable range for an entrepreneurial return for retail redevelopment project.





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