

Memorandum



CITY OF DALLAS

DATE January 29, 2021

TO Honorable Members of the Economic Development Committee:

Tennell Atkins (Chair), David Blewett (Vice-Chair), Jennifer Staubach Gates, Adam McGough, Omar Narvaez, Jaime Resendez, Chad West

SUBJECT **Economic Development Grant Agreement with SWC Buckner and Peavy, LLC in an amount not to exceed \$1,300,000 to Support the Redevelopment of Grocery-Anchored Shopping Center at 3035 N. Buckner (City Council District 7)**

On March 24, 2021, City Council will be asked to consider an economic development grant agreement with SWC Buckner and Peavy, LLC ("Vista" or "Owner") in an amount not to exceed \$1.3 million to support the proposed redevelopment of the shopping center and the re-tenanting of the vacant anchor building with a quality and established grocery store operator at 3035 N. Buckner (southwest corner of Buckner Blvd and Peavy Rd).

According to the USDA Food Access Research Atlas, the subject property is located in an area characterized as a food desert (i.e. low-income census tract where more than 100 housing units do not have a vehicle and are more than ½ mile from the nearest supermarket).

The subject property is 5.2 acres of land with approximately 65,000 square feet of existing shopping center buildings. The shopping center consists of a free-standing anchor building of approximately 52,500 square feet and an outparcel building of approximately 12,500 square feet. The anchor building was originally developed as a Kroger grocery store in the late 1970s but was most recently occupied by the Gaston Bazaar for the past fifteen years. The Gaston Bazaar has closed, and the vacant and derelict building is currently subject to increased crime. The outparcel building has a mix of different retail tenants.

In 2019, Vista acquired the subject property with a vision to make significant improvements to the property and attract El Rio Grande Latin Market as an anchor tenant for the vacant building. El Rio Grande Latin Market is a locally owned grocery operator with eight existing locations and four current operating stores in Dallas.

The estimated cost of the proposed project improvements is approximately \$7.4 million and will generally include parking lot improvements (including new landscaped islands as well as paving re-surfacing/re-striping), building façade improvements (both buildings), landscaping, exterior lighting improvements (both buildings and parking lot), new electrical panels and switch gear, new glass storefronts on the outparcel building and a new storefront for the grocery store. The construction timeline is expected to be six months from the time a building permit is issued.

DATE January 29, 2021
SUBJECT **Economic Development Grant Agreement with SWC Buckner and Peavy, LLC in an amount not to exceed \$1,300,000 to Support the Redevelopment of Grocery-Anchored Shopping Center at 3035 N. Buckner (City Council District 7)**

For the past few months, City staff have been working with Vista to review the incentive application and negotiate an incentive offer of a \$1.3 million economic development grant as gap financing to facilitate this project. The grant payment shall be disbursed in one installment upon completion of the project improvements and upon satisfaction of all terms, conditions, and requirements contained in an executed grant agreement (the proposed terms, conditions, and requirements are included in the attached **Exhibit A**).

Financing

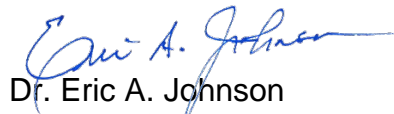
- \$650,000 from 2017 General Obligation Bond Program -- Economic Development Proposition I - District 7 Discretionary Allocation
- \$650,000 from City's Public/Private Partnership Fund

In the context of the City's Market Value Analysis ("MVA"), the project is located in a non-residential tract and is generally surrounded by residential market types D, E, F, and G. Market types D, E, F, and G reflect middle to lower-middle residential real estate markets. This project will result in a grocery store that is accessible by the surrounding residential market areas.

Pursuant to the City's Public/Private Partnership Program ("P/PPP") Guidelines and Criteria (effective for the period December 31, 2020 through June 30, 2021), this project is located in a Target Area. With the project investment totaling approximately \$7.4 million, this project exceeds the minimum eligibility criteria requirements of the P/PPP Guidelines and Criteria for a Target Area.

Should you have any questions, please contact Kevin Spath, Assistant Director in the Office of Economic Development, at (214) 670-1691.

Regards,



Dr. Eric A. Johnson

Chief of Economic Development & Neighborhood Services

c: Honorable Mayor and City Council
T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizzor Tolbert, Chief of Staff to the City Manager

Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

EXHIBIT A

Redevelopment of Grocery- Anchored Shopping Center at 3035 N. Buckner

Economic Development
Committee
February 1, 2021

The logo of the City of Dallas, featuring a stylized white 'D' on a dark blue background. Inside the 'D' is a white three-leaf plant. To the left of the 'D' are three horizontal white lines.

City of Dallas

Robin Bentley, Interim Director
Kevin Spath, Assistant Director
Office of Economic Development

Overview

EXHIBIT A



- Background
 - Proposed Project
 - Staff Recommendation
 - Next Steps
-
- Appendix



Background

EXHIBIT A



Site Address

3035 N. Buckner
Blvd/3100 Peavy
(City Council
District 7)



Background

EXHIBIT A



Existing Conditions



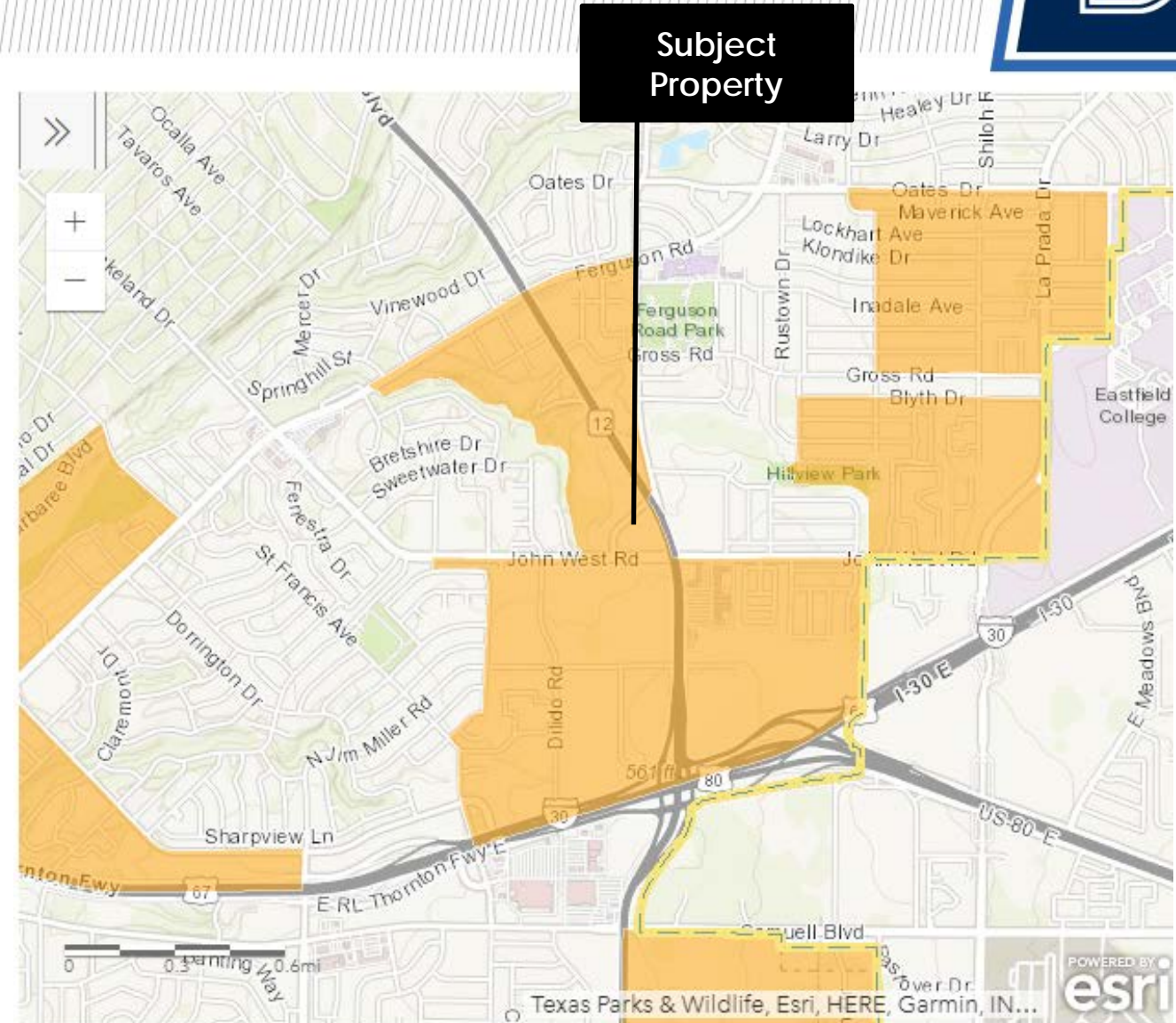
Background

EXHIBIT A



Public/Private Partnership Program

- pursuant to the City's Public/Private Partnership Program ("P/PPP") Guidelines and Criteria (effective for the period December 31, 2020 through June 30, 2021), the subject property is located in a Target Area
- with the project investment totaling approximately \$7.4 million, this project exceeds the minimum eligibility criteria requirements of the P/PPP Guidelines and Criteria for a Target Area





Food Desert

According to the USDA Food Access Research Atlas, the subject property is located in an area characterized as a food desert (i.e. low-income census tract where more than 100 housing units do not have a vehicle and are more than ½ mile from the nearest supermarket)



Proposed Project

EXHIBIT A



Project Owner/Developer

SWC Buckner and Peavy, LLC (Vista Property Company—Syd Hurley, Founder and CEO)

Project Summary

Redevelopment of the shopping center and re-tenanting of the vacant anchor building with an established grocery store operator



Proposed Project

EXHIBIT A



- subject property is 5.2 acres with a 65,000 square foot shopping center consisting of a free-standing anchor building of 52,500 square feet and an outparcel building of 12,500 square feet located at the southwest corner of Buckner Blvd & Peavy Rd
- the anchor building was originally developed as a Kroger grocery store in the late 1970s but was most recently occupied by the Gaston Bazaar for the past fifteen years
- Gaston Bazaar has closed, and the vacant and derelict building is currently subject to increased crime
- the outparcel building has a mix of different retail tenants



Proposed Project

EXHIBIT A



- SWC Buckner and Peavy, LLC (“Vista”) purchased the property in June 2019 for \$2,850,000
- Vista plans to renovate the shopping center and re-tenant the vacant anchor building with El Rio Grande Latin Market pursuant to a 15 year lease
- El Rio Grande Latin Market is a locally owned grocery operator with eight existing locations and four current operating stores in Dallas
- Vista plans to re-tenant the outparcel building with a dentist, restaurant, and soft goods users



Proposed Project

EXHIBIT A



- estimated cost of the proposed project improvements is approximately \$7.4 million
- project improvements will generally include parking lot improvements (including new landscaped islands as well as paving re-surfacing/re-striping), building façade improvements (both buildings), landscaping, exterior lighting improvements (both buildings and parking lot), new electrical panels and switch gear, new glass storefronts on the outparcel building and a new storefront for the grocery store
- construction timeline is expected to be six months from the time a building permit is issued



Proposed Project

EXHIBIT A



Sources			Uses		
Equity	\$1,287,676	17.4%	Acquisition	\$2,850,000	38.5%
Bank Loan	\$4,811,694	65.0%	Property Improvements (hard costs)	\$3,627,475	49.0%
City Grant	\$1,300,000	17.6%	Soft costs (A/E, fees, misc)	\$656,901	8.9%
			Closing cost (legal, title, fin fees, acquisition fees)	\$139,994	1.9%
			Finance cost (lease up)	\$125,000	1.7%
TOTAL	\$7,399,370	100.0%	TOTAL	\$7,399,370	100.0%



Proposed Project

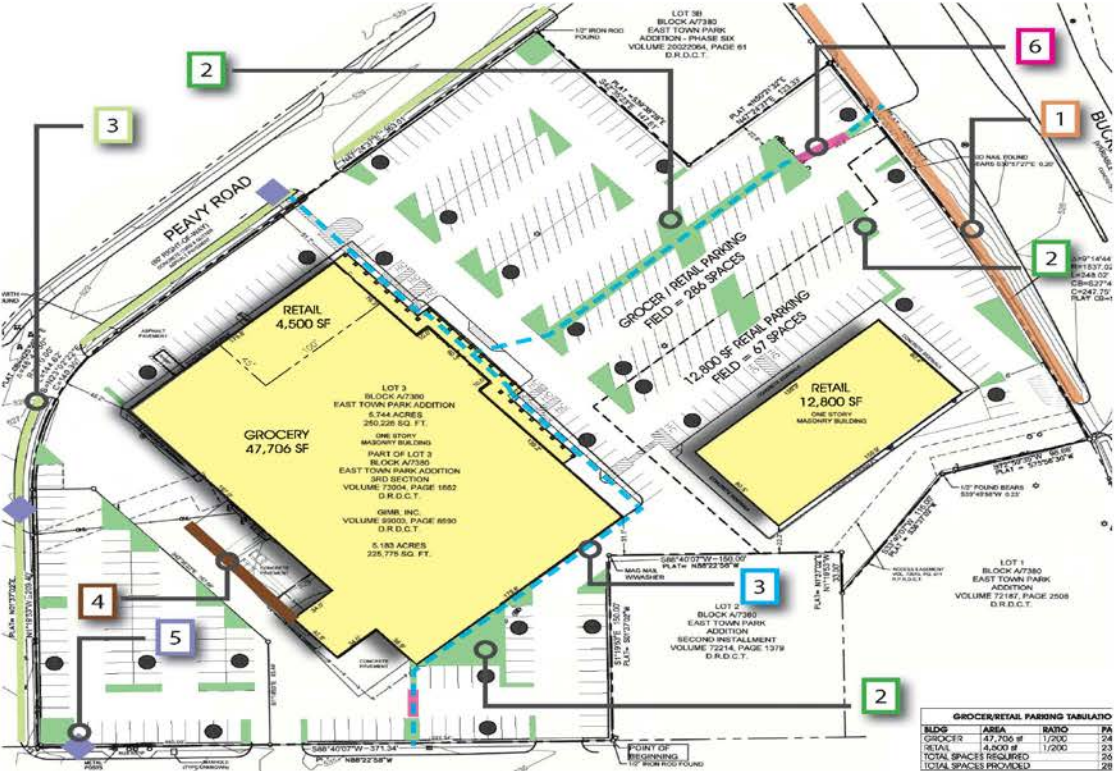
EXHIBIT A



Exterior Elevations
Buckner Blvd. & John West Rd. - Dallas, Texas



Proposed Project



Primary Design Considerations

- 1. The City, through the Sidewalk Master Plan Process, will evaluate the possibility of extending a sidewalk in the future along Buckner with TXDOT
- 2. Provide planting strips and open green areas to reduce surface water runoff and surface temperatures for pedestrians. Tree wells islands to be curbless or within slotted curbs to allow for natural irrigation. Planting should be achieved with native plants and trees to reduce / eliminate need for irrigation.
- 3. Provide street trees along Peavy Road ROW within green buffer.
- 4. Screen delivery ramp with landscaping, fencing and/or public art.
- 5. Coordinate with DART to ensure bus stop shelters are provided, if warranted, and where needed.
- 6. Provide crosswalks and pedestrian markings that connect and create a continuous safe pedestrian path on the site.
- 7. Replicate Peavy Road pedestrian path stemming from John West Road and Buckner Blvd that provides a pedestrian path to the Grocery Store.



Alta Vista Grocery

urban design comments 10.30.20



Staff Recommendation

EXHIBIT A



- for the past few months, City staff have been working with Vista to review the incentive application and negotiate an economic development grant as gap financing to facilitate this project
- staff is recommending (and Vista has accepted) an economic development grant in an amount not to exceed \$1.3 million
- grant payment shall be disbursed in one installment upon completion of the project improvements and satisfaction of all terms and conditions in an executed grant agreement



Staff Recommendation

EXHIBIT A



Source of City Grant

- \$650,000 from 2017 General Obligation Bond Program - Economic Development Proposition I - District 7 Discretionary Allocation
- \$650,000 from City's Public/Private Partnership Fund



Next Steps

EXHIBIT A



- An agenda item will be placed on March 24, 2021 City Council voting agenda



Appendix

EXHIBIT A



City Grant Requirements

EXHIBIT A



- Vista shall obtain a building permit for the Project improvements by December 31, 2021
- Vista shall complete construction of the Project improvements and obtain final certificates of occupancy (or equivalent evidence of completion issued by the City) by September 30, 2022
- Vista shall incur (or cause to be incurred) and provide documentation evidencing a minimum investment of \$3,000,000 in capitalized hard construction costs and construction-related soft costs (e.g. architect, engineer, landscape architect, interior designer, environmental consultant, etc.). The minimum investment requirement shall not be satisfied by site acquisition costs, leasing commissions, marketing costs, developer profit/fees, financing fees, reserves, operating deficits through stabilization, carrying costs, or legal fees. The minimum investment requirement shall be satisfied only by those eligible costs incurred after January 15, 2021 (the date of execution of the incentive offer)



City Grant Requirements

EXHIBIT A



- Prior to City's execution of the economic development grant agreement, Vista shall execute a lease with El Rio Grande Latin Market for a minimum 15 year term.
- Prior to City's execution of the economic development grant agreement, Vista shall execute a lease with a sit-down restaurant (i.e. not fast food) acceptable to the Director of the Office of Economic Development in any portion of the 12,500 square foot outparcel building.
- Vista has submitted Project plans for design review by the PUDD. Prior to City's execution of the economic development grant agreement, Vista shall submit a set of revised plans to PUDD for final review by to ensure that the Project improvements will be constructed in conformance with PUDD's design recommendations dated October 30, 2020. The revised plans shall be attached as exhibits to the grant agreement.
- Vista shall execute the economic development grant agreement with the City no later than March 31, 2022.



City Grant Requirements

EXHIBIT A



- Vista 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 improvements and meet all reporting requirements.
- For all employment opportunities created by operation of the El Rio Grande Latin Market grocery store and prior to payment of the grant, Vista shall submit to the Office of Economic Development a written plan (Local Hiring Plan) describing how Vista shall cause El Rio Grande Latin Market to use and document best efforts to recruit and hire residents of the city of Dallas. At a minimum, the written plan shall describe how Vista shall cause El Rio Grande Latin Market to target recruitment best efforts in zip codes 75217, 75226, 75227, 75150, 75149, and 75228 through local advertisement, community outreach, local engagement, participation in job fairs, and coordination with local hiring sources. The written plan shall be subject to approval by the Director of the Office of Economic Development to ensure that employment opportunities are targeted to local Dallas residents and that best efforts are made to promote the hiring of neighborhood residents for the new jobs created. Compliance with the written plan shall be a material obligation of the economic development grant agreement.



City Grant Requirements

EXHIBIT A



- Until the Project has passed final building inspection and all required paperwork documenting Project completion has been submitted to the Office of Economic Development, Vista 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.
- Vista shall, upon advanced request, allow City staff to review files and documents related to grant requirements contained herein and to monitor and confirm compliance with the terms and conditions of the grant agreement.
- Upon submission of a formal request by Vista, the Director of the Office of Economic Development may, at his/her sole discretion, extend any date or deadline specified herein for a period of up to nine (9) months.
- In the event the OED Director determines the Project has been delayed as a result of force majeure, Vista shall have additional time to complete the Project as may be required if SWC Buckner and Peavy is diligently and faithfully pursuing completion of the Project as determined by the OED Director. Extension of Project deadlines as a result of force majeure shall not require City Council approval. "Force majeure" shall mean any contingency or cause beyond the reasonable control of Developer including, without limitation, acts of nature or the public enemy, war, riot, civil commotion, insurrection, state, federal or municipal government, or de facto governmental action (unless caused by acts or omissions of Vista), fires, explosions, and floods.



City Grant Requirements

EXHIBIT A



- The conditional economic development grant shall be payable: (1) after construction of the Project improvements is completed, (2) after the Project has obtained final certificates of occupancy (or equivalent evidence of completion issued by the City) for both buildings, (3) the grocery store is open to the public, (4) a minimum of 50% of the 12,500 square foot outparcel building is leased and occupied, and (5) upon satisfaction of all terms and conditions in the executed grant agreement.
- The conditional economic development grant shall be secured by a deed of trust in favor of the City and recorded in the real property records of Dallas County against Vista's interests in the subject property.
- The \$700,000 in funding from the 2017 General Obligation Bond Program (Economic Development Proposition I) will be a grant. The \$700,000 in funding from the City's Public/Private Partnership Fund will be a conditional grant, and the repayment obligation of the \$700,000 conditional grant will be forgiven at the end of the Compliance Period.
- The deed of trust shall be subordinate to the senior construction/permanent lender.



City Grant Requirements

EXHIBIT A



- The Compliance Period for the Project shall commence on the date of grant payment and shall terminate upon the 5th anniversary of the grant payment.
- Failure to maintain and operate the anchor building as a grocery store for five (5) years after the date of the grant payment ("Compliance Period") shall be a default of the economic development grant agreement.
- Failure to maintain a minimum of 50% of the 12,500 square foot outparcel building as leased and occupied for the duration of the Compliance Period shall be a default of the economic development grant agreement.
- Pawn shops, bars, nightclubs, sexually oriented businesses, payday lenders, and indoor commercial amusement/recreation uses shall not be permitted in the Project at any time during the Compliance Period.
- Prior to the end of the Compliance Period, Vista may not sell or otherwise directly or indirectly transfer the property subject to the City's lien without prior written approval by OED Director; OED Director approval is predicated on the new ownership entity's ability to demonstrate financial capacity and experience to operate and manage the property.



City Grant Requirements

EXHIBIT A



Uncured default may result in enforcement of the City's interests or any other action allowed by law. During the Compliance Period, the City has the right to declare Vista in default, enforce the deed of trust, and/or terminate the agreement if Vista fails to:

- Maintain the property in compliance with all federal, state, and local laws and codes.
- Submit annual compliance reports to the OED by April 15 each year of the Compliance Period.
- Obtain OED Director approval for the sale of the Project occurring prior to the end of the Compliance Period.



Gap Analysis

EXHIBIT A



Project Costs to Project Value Assessment

A financial gap does exist using the income capitalization approach to value and the total project cost without the grant

	Without the Grant	With the Grant
Stabilized Project Value (8% cap rate)	\$ 6,252,963	\$ 6,252,963
Total Project Cost	\$ 7,399,370	\$ 6,099,370 (Adjusted based on \$1,300,000 grant)
(GAP)	\$ 1,146,408	(\$ 153,593)
Return on Cost (ROC)	6.8% (NOI/TPC)	8.2% (NOI/Adj. TPC)

The Project achieves an acceptable ROC (8.2%) for Class B retail in DFW with the grant. Per CBRE's 2H 2019 Cap Rate Survey, Class B retail should range between 7.5% to 9%.



Operational Impact

EXHIBIT A



Incentives



**Economic Development
Grant**
\$1,300,000

Investment



**Capital
Improvements**
\$3,627,475
(Hard Costs)

Jobs



Jobs
235 jobs created by
grocery store alone

Revenue



**Projected
20-year property
tax revenue**
\$1,122,980



Developer Experience

EXHIBIT A



Vista has an established and proven track record of redeveloping vacant and dilapidated shopping centers in DFW and economic development partnerships with the City of Dallas

2005: Sierra Vista Shopping Center (southwest corner of Illinois and Westmoreland)

- Tax abatement and infrastructure cost participation agreement to support redevelopment of the shopping center and establishment of Minyard supermarket

2008: Torre Vista Shopping Center (northeast corner of Lake June and Masters)

- Grant agreement to support redevelopment of the shopping center and establishment of Rio Grande Latin Market supermarket



EXHIBIT A

Redevelopment of Grocery- Anchored Shopping Center at 3035 N. Buckner

Economic Development
Committee
February 1, 2021

The logo of the City of Dallas, featuring a stylized white 'D' on a dark blue background. Inside the 'D' is a white three-leaf plant. To the left of the 'D' are three horizontal white lines.

City of Dallas

Robin Bentley, Interim Director
Kevin Spath, Assistant Director
Office of Economic Development