



Legislation Text

File #: 21-1188, Version: 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality

AGENDA DATE: June 23, 2021

COUNCIL DISTRICT(S): 8

DEPARTMENT: Office of Economic Development

EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize a fourth amendment to the 2016 Chapter 380 Grant Agreement (“2016 Chapter 380 Agreement”) with WCWRD Inc and its affiliate or subsidiaries (“Developer”), a third amendment to the Tax Increment Development, Chapter 380 Grant, and Chapter 380 Loan Agreement (“2018 TIF/Chapter 380 Agreement”) with Developer, and any amendments to any other documents, including but not limited to deeds of trust and promissory notes, necessary to accommodate the Red Bird Mall Redevelopment Project (“Project”) in accordance with the City Council-approved terms, approved as to form by the City Attorney, related to the Project generally located at the southeast corner of Camp Wisdom Road and Westmoreland Road in the Mall Area Redevelopment TIF District to: **(a)** modify Programmatic Requirements in the 2018 TIF/Chapter 380 Agreement to (i) reduce by 60,000 gross square feet (from a minimum of 100,000 gross square feet to a minimum of 40,000 gross square feet) the Developer’s requirement to construct new retail, restaurant, and entertainment buildings and (ii) authorize the Developer to use reasonable efforts to prepare and convey property within the Project site to a hotel developer; **(b)** clarify authorization for the Developer to obtain mezzanine and preferred equity financing and authorization for the City to enter into intercreditor agreements and/or recognition agreements, as applicable; **(c)** extend the maturity date on the loan (“Loan”) authorized by the 2018 TIF/Chapter 380 Agreement by five years until June 2038; **(d)** authorize the release of a portion of the property within the Project site (“Sears Property”) to a third-party purchaser upon completion of the initial phase of tenant improvements and prior to the Loan’s maturity date; and **(e)** modify the Developer’s ability to sell the Project prior to maturity of the Loan, subject to the Loan and assignment of the 2018 TIF/Chapter 380 Agreement; and as consideration for the amendments: **(i)** increase the Developer’s Minimum Investment Requirement by \$5,000,000.00 for the Project from \$130,000,000.00 to \$135,000,000.00, **(ii)** add a requirement to the Programmatic Requirements that the Developer make reasonable efforts to prepare and convey property within the Project site for a grocery store or renovate and lease space within an existing building within the Project site for a grocery store, **(iii)** require that the Developer pay interest current on the Loan to the extent that the TIF Subsidy does not fully repay the Loan during the extended term, and **(iv)** prohibit the Developer from distributing any net proceeds of the sale of the Sears Property to equity shareholders and require the Developer to use the net proceeds to either repay debt that is senior to the City’s lien in payment priority, pay for remaining Infrastructure Work, invest

in additional building improvements on property secured by the City's lien, or acquire additional properties in the Project area to be added to the City's collateral - Financing: No cost consideration to the City

BACKGROUND

Since the 2018 TIF/Chapter 380 Agreement was authorized by City Council in June 2018, the Developer has continued to make substantial progress on the Project. In April 2021, the Developer submitted a request for five amendments to the existing agreements to address several issues arising over the past year mostly due to the COVID-19 pandemic and its impact on both development timelines and market demand for certain Project elements that had been contemplated in 2018. The amendments are also associated with the Developer's need for greater flexibility to complete private financing transactions necessary to navigate the impacts of the pandemic and continue development of the Project without additional City funding.

The attached **Exhibit A** was briefed to Mall Area Redevelopment TIF District Board of Directors on June 11, 2021. Slides 3 through 26 contain detailed information about the background, history, and progress to-date of the Project. Slides 27 through 33 contain specific information about the five amendments requested by the Developer and recommended by staff.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On May 14, 2014, City Council authorized the designation of the Mall Area Redevelopment TIF District by Resolution No. 14-0783; Ordinance No. 29340.

On June 17, 2015, City Council authorized the Mall Area Redevelopment TIF District Project Plan and Reinvestment Zone Financing Plan by Resolution No. 15-1145; Ordinance No. 29771.

On January 13, 2016, City Council authorized a Chapter 380 grant agreement with 3662 W Camp Wisdom LLC and/or its affiliates or parent in an amount not to exceed \$2,400,000.00 in consideration of the Developer's causing a minimum investment of \$15,000,000.00 at Red Bird Mall (formerly known as Southwest Center Mall) by Resolution No. 16-0103.

On June 13, 2018, City Council authorized (1) a conditional grant agreement with 3662 Investors LP or an affiliate thereof in an amount not to exceed \$10,000,000.00; (2) a 15-year interest only loan in an amount not to exceed \$12,000,000.00 with 3662 Investors LP or an affiliate thereof; (3) a development agreement awarding an amount not to exceed \$15,600,000.00 in tax increment funding from the Mall Area Redevelopment TIF District with 3662 Investors LP or an affiliate thereof; (4) an assignment of all increment payable under the development agreement to the City of Dallas; (5) an amendment to the existing Chapter 380 grant agreement with WCWRD Inc. to extend all dates in the agreement by 18 months; (6) a loan payment guarantee agreement with 3662 Investors LP; and (7) an increase in appropriations in an amount not to exceed \$8,012,200.00 in ECO (I) Fund by Resolution No. 18-0850.

On January 8, 2020, City Council authorized (1) a New Markets Tax Credit transaction between the Dallas Development Fund and its subsidiaries, Capital One N.A. and its subsidiaries, and 3662 Investors, LP and/or its affiliates or subsidiaries for improvements within the Red Bird Mall Redevelopment Project located at 3662 West Camp Wisdom Road; and (2) a second amendment

to the 2016 Chapter 380 Grant Agreement with Developer, a first amendment to the 2018 Tax Increment Development, Chapter 380 Grant, and Chapter 380 Loan Agreement with Developer, and amendment or execution of any other documents necessary to (A) release the property owned by OMRB LLC (being the Foot Locker) and the property owned by OMRB II LLC (being the Lawn) from the lien Deed of Trust and the indebtedness evidenced by the City's 15-year interest only loan; (B) specifically remove the condition of the disbursement of the second loan installment that all 2017 General Obligation Bond Funds be fully disbursed and expended by Developer and allow the second loan installment to be disbursed on or before January 31, 2020; (C) increase the Developer's required total minimum investment for the Project by \$1,000,000.00 from \$115,000,000.00 to \$116,000,000.00 as consideration for (A) and (B); and (D) make such other modifications which may be necessary to effectuate the foregoing amendments by Resolution No. 20-0118.

On May 13, 2020, City Council authorized (1) a third amendment to the 2016 Chapter 380 Grant Agreement with Developer and a second amendment to the 2018 Tax Increment Development, Chapter 380 Grant, and Chapter 380 Loan Agreement with Developer, approved as to form by the City Attorney, related to the Red Bird Mall Redevelopment Project to: (a) increase the amount of the 2018 Chapter 380 conditional grant by \$3,000,000.00 in bond funds; (b) remove the requirement that the Developer make any Distributable Cash Payments to the City pari passu with distributions of cash flow to the Project's equity investors; and (c) increase the minimum Investment Requirement for the Project by \$14,000,000.00; (2) placement of a deed of trust in favor of the City on the former Sears Property and, at the request of the Developer, any other future properties acquired by the Developer within the Westmoreland-IH 20 Sub-District of Tax Increment Reinvestment Zone Number Twenty; and (3) the City Manager to negotiate and execute any other documents, including but not limited to Subordination, Non-Disturbance, and Attornment agreements necessary to accommodate the Project in accordance with City Council approved terms, approved as to form by the City Attorney by Resolution No. 20-0763.

The Economic Development Committee was briefed regarding this matter on June 7, 2021.

On June 11, 2021, the Mall Area Redevelopment TIF District Board of Directors reviewed this matter and approved a favorable recommendation to be forwarded to City Council for approval.

[City Council was briefed by memorandum regarding this matter on June 18, 2021.](#)

https://gcc02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fdallascityhall.com%2Fgovernment%2Fcitymanager%2FDocuments%2FFY%252020-21%2520Memos%2FRed-Bird-Mall-Redevelopment-Project-Amendments_Memo_061821.pdf&data=04%7C01%7Ccouncilagenda%40dallascityhall.com%7C8ae082c2a3c14177e1c808d93293303d%7C2935709ec10c4809a302852d369f8700%7C0%7C0%7C637596430005659599%7CUnknown%7CTWFpbGZsb3d8eyJWlloiMC4wLjAwMDAiLCJQIjoiV2luMzliLCJBTiI6IjEhaWwiLCJXVCi6Mn0%3D%7C1000&sdata=MA02ebIZmSk1J2%2B%2Bd0r9qJ9CS15wMcekRhb0M9XUG5w%3D&reserved=0

FISCAL INFORMATION

No cost consideration to the City.

DEVELOPER ENTITIES

3662 Investors, LP

Peter Brodsky, Manager of General Partner

WCWRD Inc

Peter Brodsky, President and Director

MAP

Attached