



Legislation Text

File #: 23-1498, Version: 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: June 14, 2023
COUNCIL DISTRICT(S): 6
DEPARTMENT: Office of Economic Development
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize **(1)** designating approximately 7.6 acres of property currently addressed as 2534 Royal Lane as City of Dallas Neighborhood Empowerment Zone No. 22 (“NEZ No. 22”), pursuant to Chapter 378 of the Texas Local Government Code, to promote an increase in economic development in the zone, establish boundaries for the zone, and provide for an effective date for the zone; and **(2)** an economic development incentive agreement with IYK Texas Corporation or an affiliate thereof (“Developer”) to include: **(a)** a real property tax abatement for a period of ten years in an amount equal to the City taxes assessed on ninety percent (90%) of the added taxable value of the Property; **(b)** a Chapter 380 economic development grant in an amount not to exceed \$2,500,000.00; and **(c)** a Chapter 380 sales tax grant in an amount not to exceed \$1,000,000.00 over ten years, all in consideration of the H MART Redevelopment and Supermarket Project (“Project”) to be situated on approximately 7.6 acres at 2534 Royal Lane (“Property”) in NEZ No. 22, in accordance with the City’s Economic Development Incentive Policy - Total not to exceed \$3,500,000.00 - Financing: Public/Private Partnership Fund (\$2,500,000.00) and Project Sales Tax Agreement Fund (\$1,000,000.00); Estimated Revenue Foregone: \$510,128.00 over a ten-year period

BACKGROUND

Over the past year, Office of Economic Development staff, along with the City’s independent outside underwriter, have been extensively reviewing the proposed Project and an associated incentive application submitted by H MART Inc. In consultation with the City’s independent outside underwriter, staff structured the proposed incentive as gap financing to make the Project financially feasible and negotiated a detailed Letter of Intent (“LOI”) with representatives of H MART Inc. On May 3, 2023, representatives of H MART Inc. accepted staff’s proposed incentive and executed the LOI. The Resolution accompanying this agenda item contains the detailed terms and conditions of the negotiated economic development incentive agreement.

H MART is the largest Asian supermarket chain in America. H MART specializes in Asian and American groceries, meats, seafood, produce, housewares, and ready-made meals.

Since the opening of the first H MART supermarket in 1982 in Woodside, New York, the company has grown to over 72 stores across 14 states with over 4,500 employees. H MART currently operates six stores in the state of Texas but none in the city of Dallas. Currently, the only H MART supermarkets in the Dallas-Fort Worth region are in Carrollton and Plano.

An affiliate of H MART Inc., IYK Texas Corporation (“Developer”), will perform or cause to be performed all site and building improvements for this Project and will own the real property. The Project has an estimated total cost of \$28 million (excluding acquisition and carrying costs) and is planned to include:

- interior environmental remediation, selective interior demolition, substantial renovation, and finish-out of the existing 143,200 square foot vacant building (e.g. roof; façade; structural; mechanical; electrical; plumbing; lighting; heating/ventilation/air-conditioning; fire alarm/sprinkler), including:
 - approximately 74,300 square foot H MART supermarket (“Store”) on the first floor (H MART Harry Hines, LLC, another affiliate of H MART Inc., will lease and operate the Store);
 - approximately 47,300 square feet of retail space on the first floor; and
 - approximately 16,500 square feet of office space on the second floor
- site improvements (e.g. utilities; parking lot, site lighting, landscaping; signage)
- furniture, fixtures, equipment, machinery, inventory, security system for the Store

The economic development incentive negotiated by City staff and accepted by the Developer includes the following three components:

1. Chapter 380 economic development grant (“Grant”) in an amount not to exceed \$2,500,000.00 and payable in three installments. The City funding source for the Grant is the Public/Private Partnership Fund.
2. Chapter 380 sales tax grant (“Sales Tax Grant”) in an amount not to exceed \$1,000,000.00 over ten (10) years. Developer shall be eligible for up to ten (10) annual sales tax grant payments, each being in an amount equal to the lesser of: (a) 75% of the sales tax receipts consummated at the Store and received by the City from the Texas Comptroller’s Office for a given year; or (b) \$100,000.00. Each annual sales tax grant payment shall not exceed \$100,000 per year. The cumulative total of all annual sales tax grant payments over the 10-year period shall not exceed \$1,000,000.00.
3. A real property tax abatement (“RP Tax Abatement”) for a period of ten (10) years in an amount equal to the City’s taxes assessed on 90% of the added taxable value of the Property resulting from Developer’s (or affiliate’s) real property investment in the Project.

