



Legislation Text

File #: 20-2013, **Version:** 1

STRATEGIC PRIORITY: Economic and Neighborhood Vitality

AGENDA DATE: October 28, 2020

COUNCIL DISTRICT(S): 7

DEPARTMENT: Office of Economic Development

EXECUTIVE: Dr. Eric A. Johnson

SUBJECT

Authorize a Chapter 380 conditional grant agreement and all other necessary documents with 1632 MLK LLC or an affiliate thereof for the redevelopment of a commercial building located at 1632 Martin Luther King Boulevard, Dallas, Texas 75215 - Not to exceed \$1,000,000.00 - Financing: ECO (I) Fund (2017 General Obligation Bond Fund)

BACKGROUND

For more than a year, City staff has been in discussions with St. Philip's School and Community Center ("St. Philip's") for the redevelopment of a vacant commercial building at 1632 Martin Luther King, Jr. Boulevard ("Project"). A separate affiliated for-profit entity, 1632 MLK LLC ("Developer"), has been established for the Project.

For seven decades, St. Philip's has served as an anchor institution and resource for the South Dallas community. Now known as the Forest District, this area is deeply rooted in poverty, with a median income of \$24,702.00 compared to the city of Dallas which has a median income of \$45,215.00. Revitalization of the South Dallas community depends on successful economic development initiatives and projects along its major commercial corridors.

The Project entails the complete renovation of the existing 12,000 square foot historic commercial building (originally built in 1913) into 5 leasable spaces. The Developer has already pre-leased 50% of the space to a sit-down restaurant and a dentist. The Project is intended to provide increased neighborhood services to the community and bring hope to the area by stimulating investment on the Martin Luther King Jr. Boulevard Corridor. The Project also supports and further leverages the 2019 Chase Pro Neighborhoods Initiative along with their 2019 Community Master Plan to revitalize the Forest District.

The Project's total budget is approximately \$3,054,846.00. Given the project's maximum debt capacity of just over \$787,000.00 and equity and other contributions, the Project has a financial gap of approximately \$1,000,000.00.

In the context of the City's Market Value Analysis, the Project is located in residential market type I. Market type I reflects a weak residential real estate market in Dallas. Market type E is also nearby, representing a middle residential real estate market. The Project will provide quality retail/restaurant, jobs, and entrepreneurship/small business opportunities in a transitioning neighborhood.

Pursuant to the City's Public/Private Partnership Program (P/PPP) Guidelines and Criteria (effective for the period January 1, 2020 through December 31, 2020), the Project is located in a Non-Target Area. Minimum eligibility criteria for projects in Non-Target Areas include creating and/or retaining 100 jobs or providing \$5 million investment. With a total Project cost of \$3.054 million, the Project does not meet the minimum eligibility criteria for a Non-Target Area. However, pursuant to the P/PPP Guidelines and Criteria, a project that does not meet the minimum eligibility criteria but significantly advances the public purpose of economic development can be considered as a Non-Confirming Project on a case-by-case basis. This Project will significantly advance the public purpose of economic development for the South Dallas community; therefore, staff recommends that this Project be considered as a Non-Confirming Project. **Pursuant to the P/PPP Guidelines and Criteria, an incentive for a Non-Confirming Project requires authorization by a three-quarter vote of the City Council.**

The recommended incentive is \$1,000,000.00, to be deployed as a Chapter 380 conditional grant, in 2017 General Obligation Bond Funds (Economic Development/Housing Proposition I - District 7 allocation) to be deployed as a conditional grant. The grant will be payable upon the completion of the Project, which shall be defined as having a final certificate of occupancy and more than 50% of the space leased and occupied.

The Grant shall be payable for capital eligible expenses actually incurred during the construction and shall only be paid after construction is complete, a final certificate of occupancy has been obtained, and the building is open. The Developer shall be required to maintain at least 50% occupancy for a period of no less than five years.

City Council approval of this item will authorize the City Manager to execute the conditional grant agreement and related documents with the Developer.

Key terms of the conditional grant agreement include the following:

- (a) The Developer shall document a minimum private investment in the Project of \$1,500,000.00 prior to December 31, 2022. Developer shall provide a capitalized cost affidavit for a minimum of \$1,000,000.00 in cost incurred on or after October 28, 2020.
- (b) The Developer shall obtain building permit(s) for the Project by December 31, 2021. Demolition permits and/or foundation permits shall not fulfill this requirement.
- (c) The Developer shall complete the construction of the Project and obtain the final Certificate of Occupancy ("CO") or equivalent evidence of completion of the building renovation by December 31, 2022.
- (d) The Developer shall secure 40% pre-leasing (letters of intent) prior to the City executing the agreement.

- (e) Upon the stabilization of the Project as determined by the City, in its sole discretion, the Developer shall maintain at least 50% occupancy for a period of no less than five (5) years.
- (f) The Developer shall make a good faith effort to attach a rider to the leases with the tenants requiring the tenants to pay hourly wages no less than \$15.00 per hour and ensure the tenant's workforce is comprised of no less than 25% city of Dallas residents.
- (g) The Project shall create a minimum of fifteen (15) full-time equivalents ("FTE") during the five (5) year Compliance Period. FTE jobs shall be greater than 35 hours per week. Jobs created by the tenants may be included in the 15 FTE requirement. The jobs shall be created no later than December 31, 2027.
- (h) The Developer shall make a good faith effort to comply with the 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 on the Project and meet all reporting requirements.
- (i) The conditional grant shall be secured by a performance deed of trust recorded in the real property records of Dallas County against the owner's interests in the 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 and an uncured default may result in enforcement of the City's interests or any other action allowed by law.
- (j) City shall provide 2017 General Obligation Bond Funds in an amount not to exceed \$1,000,000.00 for capital expenditures from Proposition I (Economic Development and Housing) for gap financing to support the development of the Project. The general obligation bond funds shall be awarded and deployed in the form of a conditional grant secured by a performance lien deed of trust. City's lien shall be subordinate only to the senior construction/permanent lender. Developer shall provide a title policy to the City prior to the execution of the conditional grant agreement. Developer shall also obtain and maintain insurance on the property, as required by the Office of Risk Management. All-risk insurance policies shall have loss made payable to the City as mortgagee (and to the City as loss payee named co-insured) together with a standard mortgagee clause.
- (k) Developer shall provide written annual reports to the Office of Economic Development on the progress in satisfying the conditions of the agreement.
- (l) The Director of the Office of Economic Development may, at his/her sole discretion, extend any date specified herein for a period up to twelve (12) months.

ESTIMATED SCHEDULE OF PROJECT

Begin Construction	December 2021
Complete Construction	December 2022

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

The Economic Development Committee was briefed regarding this matter on September 8, 2020.

FISCAL INFORMATION

Fund	FY 2021	FY 2022	Future Years
ECO (I) Fund (2017 General Obligation Bond Fund)	\$1,000,000.00	\$0.00	\$0.00

OWNER/DEVELOPER

**1632 MLK LLC or an affiliate thereof,
a Texas limited liability company**

Julie Saqueton, Chief Community Advancement Officer

MAP

Attached