



Legislation Text

File #: 20-2026, **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 Cornerstone Community Enterprises, Inc. or an affiliate thereof for the redevelopment of a commercial building (Phase 2 of The Crossing) located at 2839 South Ervay Street, Dallas, Texas 75215 - Not to exceed \$390,000.00 - Financing: ECO (I) Fund (2017 General Obligation Bond Fund)

BACKGROUND

For many months, City staff has been in discussions with Cornerstone Community Development Corporation (CCDC) for the redevelopment of a commercial building to be known as Phase 2 of The Crossing: Corner Store and Community Kitchen at 2839 South Ervay Street ("Project"). A separate affiliated for-profit entity, Cornerstone Community Enterprises, Inc. ("Developer"), has been established for the Project.

The Crossing is a two-phase project for the redevelopment of a 5,000 square foot building located at 2839 South Ervay Street. Phase 1 has been recently completed. Phase 1 included the renovation of approximately 2,000 square feet of the building into the first community laundromat in the area in many years.

Phase 2 of the remaining 3,000 square feet 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 \$793,865.00.

The Real Estate Council (TREC), Dallas College, LiftFund, and Texas Mezzanine Fund with support from JPMorgan Chase, via a \$6 million grant, have formed the Dallas Collaborative for Equitable Development and recently completed The Equitable Development Plan to foster community development in the Forest District, The Bottom, and West Dallas. This Project supports and further leverages the Equitable Development Plan.

The Project's total budget (Phase 2 only) is approximately \$793,865.00. A financial gap does exist using the income capitalization approach to value and the total project costs without the incentive.

In the context of the City's Market Value Analysis, the Project is in a market type E residential real estate market which represents a middle residential real estate market. The Project will provide much needed redevelopment to the area and provide synergy for the ongoing revitalization efforts in the community. The community kitchen and the corner store are sorely needed additions to the Forest District.

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 proposed development is located in a Target Area. The Project meets the minimum eligibility criteria of the Neighborhood Commercial/Retail Redevelopment Grant Program in the P/PPP Guidelines and Criteria as it will involve a total project investment exceeding \$250,000.00.

The recommended incentive is \$390,000.00, to be deployed as a Chapter 380 conditional grant, in 2017 General Obligation Bond Funds (Economic Development/Housing Proposition I - District #7 allocation). The grant will be payable upon the completion of the Project, which shall be defined as having a final certificate of occupancy and being open to the public.

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 an operational facility 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 investment in the Project of \$450,000.00 including equipment, build-out, construction, and other hard costs (excluding attorney's fees, developer fees, leasing commissions, or other profit items) by December 31, 2022. Developer shall provide a capitalized cost affidavit for a minimum of \$390,000.00 in cost incurred on or after October 28, 2020.
- (b) The Developer shall ensure that no less than eight (8) slots are available annually which may be in the form of a reservation system, during the five-year compliance period, in The Crossing for food entrepreneurs/small business/food vendors from the South Dallas Community (as defined by the South Dallas Fair Park Opportunity Fund boundaries).
- (c) The Developer shall host a minimum of one (1) hiring event by December 31, 2022 in the South Dallas Community.
- (d) Developer 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.

- (e) The Developer 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.
- (f) The Developer shall 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 requirement.
- (g) The Developer 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.
- (h) The Developer 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.
- (i) The Developer 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.
- (j) All permanent Full-Time Equivalents (35 hours 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 a minimum of 1 FTE by December 31, 2022.
- (k) A minimum of 50% of all new Full-Time Equivalents (FTEs) 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.
- (l) 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 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.
- (m) City shall provide 2017 General Obligation Bond Funds in an amount not to exceed \$390,000.00 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.

- (n) The Developer shall provide written annual reports including but not limited to job creation and vendor information to the Office of Economic Development on the progress in satisfying the conditions of the agreement.
- (o) 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)	\$390,000.00	\$0.00	\$0.00

OWNER/DEVELOPER

**Cornerstone Community Enterprises, Inc. or an affiliate thereof,
a Texas limited liability company**

Donald E.H. Wesson, Program Director

MAP

Attached