

Memorandum



DATE November 26, 2014

TO Members of the Economic Development Committee: Tennell Atkins (Chair),
Rick Callahan (Vice Chair) Scott Griggs, Adam Medrano, Jerry R. Allen, Lee Kleinman

SUBJECT **KRR Construction LTD, Simpson Stuart/Bonnie View Grocery Store Project**

On Monday, December 1, 2014, the Economic Development Committee will be briefed on proposed the KRR Construction LTD, Simpson Stuart/Bonnie View Grocery Store Project. Briefing material is attached.

Should you have any questions, please contact me at (214) 670-3296.



Ryan S. Evans
First Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Craig D. Kinton, City Auditor
Rosa A. Rios, City Secretary
Daniel F. Solis, Administrative Judge
Eric D. Campbell, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Mark McDaniel, Assistant City Manager
Joey Zapata, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Karl Zavitkovsky, Director, Office of Economic Development
J. Hammond Perot, Assistant Director, Office of Economic Development
Elsa Cantu, Assistant to the City Manager – Mayor & Council

KRR Construction, LTD Simpson Stuart / Bonnie View Grocery Store Project

Economic Development Committee
December 1, 2014



Purpose

- Authorize an increase in funding of \$1,300,000 to the Chapter 380 Economic Development Grant agreement with KRR Construction, LTD (KRR) to support the purchase/installation of business personal property, required equipment and tenant finish pursuant to lease agreement with Moran Foods (Save-A-Lot) re: Simpson Stuart/Bonnieview grocery anchored retail center

Prior Action

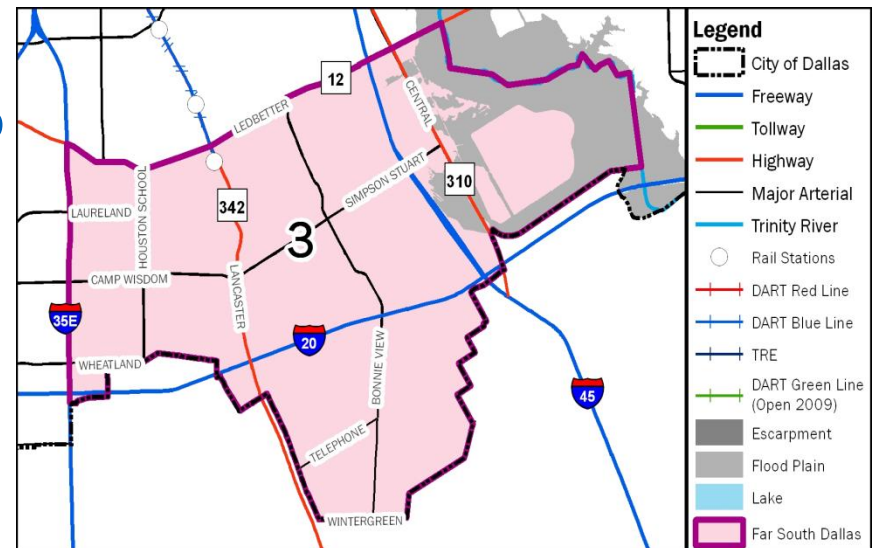
- By CR 13-1864, October 23, 2013 Council approved an Economic Development Grant to KRR Construction Ltd. In the amount of \$1,500,000 for land assemblage, and pre-development costs related to a full-service grocery anchored retail site located at 3540 Simpson Stuart Rd in Dallas
- Funding was contingent on a 10 year lease with a national or regional grocer operating a store at the site
- Lease discussions over the past several months culminated in a lease agreement between KRR Construction Ltd. And Moran Foods, LLC (Save-A-Lot) that increased the project cost by \$1,300,000

Lease Conditions

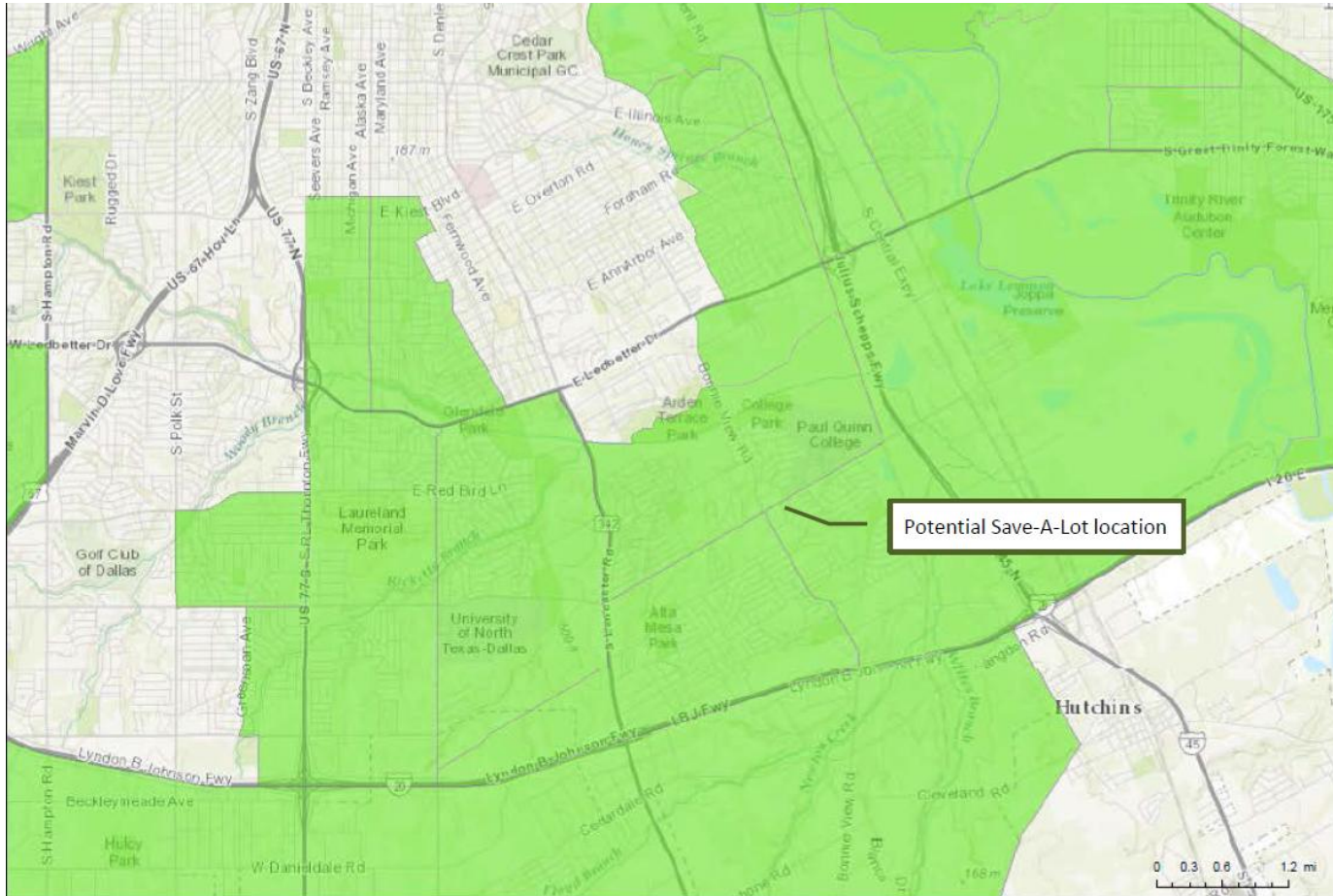
- Save-A-Lot lease in place for 10 years with the following conditions:
 1. Lessee “opt-out” after 5 years if sales don’t average \$70K weekly over 5 year period
 2. Developer/Lessor has first right of refusal to become Save-A-Lot franchisee for remaining five (5) years, if lessee opts out
 3. No investment from lessee in development of store
 4. Developer must provide turn key operation to include store reconstruction, finish out and all equipment (Developer retains ownership of equipment)

The Coverage Area

- 22.5 square miles from Loop 12 on the North to I-20 on the south bounded on the east by I-45 and on the west by I-35
- The area is defined as **Food Desert** by USDA
- Population totals over 27,500 residents
- Home to:
 - University of North Texas at Dallas
 - Paul Quinn College
 - The Dallas Logistics Hub
 - Kathlyn Joy Gilliam
 - Collegiate Academy



Food Desert Map



Food Desert | Bonnie View and Simpson Stuart

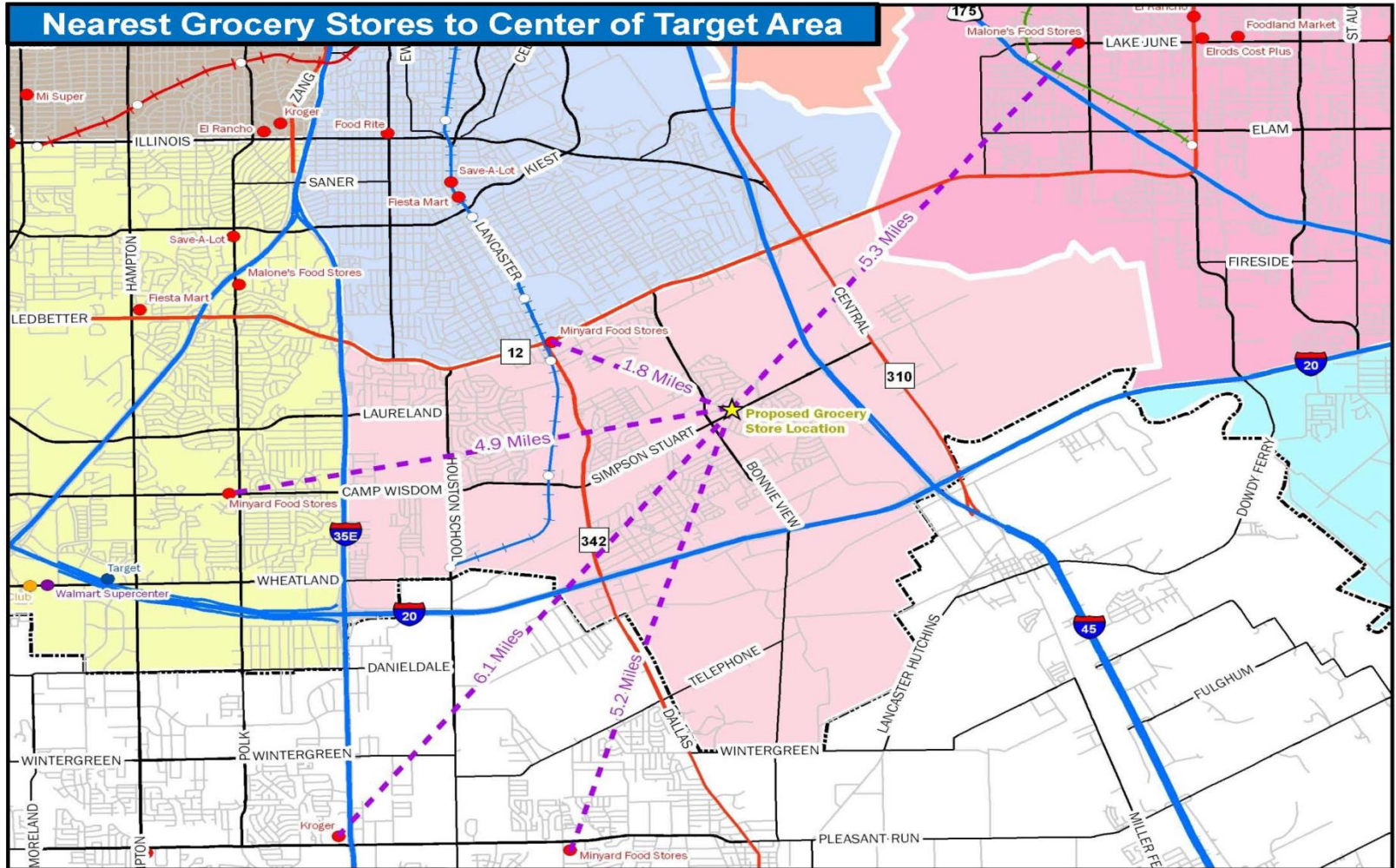
■ LILA at 1 and 10

Date: 11/11/2014 Source: USDA Economic Research Service, ESRI. For more information <http://www.ers.usda.gov/data-products/food-access-research-atlas/documentation.asp>

Issues

- Only one (1) full service grocery store south of Loop 12 to the southern city limits and east of I-35 to Highway 310
- Density of just over 1,200 people per square mile is an impediment to attracting established grocers
- Over the past eight (8) years, Economic Development Department efforts to attract national or regional chains have been unsuccessful
- A grocery store and other amenities are needed to attract greater density of mixed income residents who work at Inland Port locations and education institutions in the area

Nearest Grocery Stores



Area Development and Progress

- DART Blue Line extension to UNT - Dallas is scheduled to be completed in 2016
- Two (2) new warehouses in the Dallas portion of the Inland Port will add 1.2 million sq. ft of space expandable up to 2 million and ultimately bring over 400 jobs (part of 18M+ sq. ft. of warehouse/distribution centers built or under construction)
- New Highland Hills library opened just south of Simpson Stuart on Bonnie View Road
- New Singing Hills Recreation Center has been approved
- Crime is down significantly

Proposed Redevelopment Plan

- Redevelop the southeast quadrant at Simpson Stuart and Bonnie View Roads, south to Pinebrook and east to Highland Hill Blvd
 - 15,000 sq. ft. full service grocery store
 - 6,000 sq. ft. retail shops for three tenant spaces
 - New Multi Family housing replacing blighted units south of the site
 - Major upgrade to Highland Hills Dr. to compliment library and multifamily units (2012 Bond Funds designated)

Existing and Future Development Sites



Item A – Grocery Retail Facility / 21,000 SF / 3540 Simpson Stuart Rd

Item B – Proposed future development / 22,000 SF / 3546 Simpson Stuart Rd

Item C – Old Highland Hills Branch Library / 3624 Simpson Stuart Rd

Item D – Future Senior Development / 220 Units / 6271 Highland Hills Drive

Item E – New Highland Hills Branch Library / 6200 Bonnie Vie Rd

Item F – New Exxon Mobile Gas Station / 3502 Simpson Stuart Rd

Grocery Store/Retail Project Time Line

- Acquire site of former neighborhood grocery (January 2015)
- Secure bank financing and gap financing (January 2015)
- Enter Lease Agreement with national or regional full service grocery (November 2015)
- Begin Redevelopment (First quarter 2015)

Sources & Uses of Funds

Sources of Funds:	Amount			
City of Dallas				
City of Dallas Participation - Approved 10-23-13	1,500,000.00			
City of Dallas Participation - Additional Amount	1,300,000.00			
Bank Financing				
Construction Financing	1,100,000.00			
Owner Participation	150,000.00			
Total Sources of Funds	4,050,000.00			
Distribution of Funds	City of Dallas	City of Dallas	JP Morgan Chase	Owner Contribution
	(1st Resolution)	(2nd Resolution)	(Construction Loan)	(Owner Equity)
Land Acquisition	750,000.00			
Construction				
Construction - Grocery Store Equip & Fixtures		759,130.00	866,660.00	
Construction - Retail Stores			233,340.00	150,000.00
Construction - Interior Build-Out & Operations		540,870.00		
Design Fees				
Architectural Fee - Design	78,200.00			
Engineering	32,600.00			
Study and Agency Fees	79,126.00			
Construction Loan Fees	71,182.00			
Permanent Loan Fees	62,886.00			
Demolition & Environmental	195,240.00			
Developer Fee & Overhead	177,266.00			
Marketing & Equipment	25,100.00			
Site Security & Mobilization	28,400.00			
	1,500,000.00	1,300,000.00	1,100,000.00	150,000.00

Proposed Grant Terms

- 1st Lien Deed of Trust on property being purchased with grant funds (will be subordinated to bank lender)
- Grant funds expended for real property will not exceed appraised value as determined by independent City approved appraiser
- Uniform Commercial Code (UCC) filing on FFE (subordinated to bank if needed)
- Minimum 10 year lease with national/regional full service grocer
- Commitment for bank financing of at least \$1.1M
- Permitted uses only for leased space
- Demolition complete within 1 year from 1st draw
- Construction complete within 18 months from 1st draw
- Extensions can be approved by Department Director
- Deed Restrictions to prevent property sale or transfer of ownership without consent and approval of the City

Grantee/Developer

- KRR Construction, LTD (Joseph Kemp, Principal) has 35 years experience in the construction industry
- Concentration is multi family development; with over 2,000 units developed
- Partnered on numerous commercial developments
- Development projects throughout the southwest

Next Steps

- Economic Development Committee recommendation for consideration by Council on 12/10/14 of the following:
 - Authorization of \$1,300,000 increase to Economic Development Grant Agreement with KRR Construction LTD for purchase, installation of business personal property, required equipment and tenant finish, pursuant to lease agreement with Moran Foods (Save-A-Lot) re: Simpson Stuart/Bonnieview Grocery-Anchored Retail Project
 - Total grant amount not to exceed \$2,800,000, reflecting previously approved \$1,500,000 contract for land assemblage, demolition and pre-development costs

Questions?