Memorandum

CITY OF DALLAS

DATE June 18, 2021

TO The Honorable Mayor and Members of the City Council

SUBJECT **Amendments for Red Bird Mall Redevelopment Project**

On June 23, 2021, City Council will consider authorizing a fourth amendment to the 2016 Chapter 380 Grant Agreement with WCWRD Inc and its affiliate or subsidiaries ("Developer") and a third amendment to the Tax Increment Development, Chapter 380 Grant, and Chapter 380 Loan Agreement ("2018 TIF/Chapter 380 Agreement") with Developer approved as to form by the City Attorney, related to the Red Bird Mall Redevelopment Project ("Project") generally located at the southeast corner of Camp Wisdom Road and Westmoreland Road in the Mall Area Redevelopment TIF District.

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.

Should you have any questions, please contact Robin Bentley, Director, Office of Economic Development, at (214) 671-9942.

Eric A. Johnson

Dr. Eric A. Johnson
Chief of Economic Development and Neighborhood Services

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Bilierae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizor Tolbert, Chief of Staff to the City Manager
Majed A. Al-Ghafry, Assistant City Manager
Jon Fortune, Assistant City Manager
Joey Zapata, Assistant City Manager
M. Elizabeth Reich, Chief Financial Officer
M. Elizabeth (Liz) Cedillo-Pereira, Chief of Equity and Inclusion
Directors and Assistant Directors

EXHIBIT A

Requested Amendments
Red Bird Mall Redevelopment Project

Mall Area Redevelopment TIF District
Board of Directors
Special Called Meeting
June 11, 2021

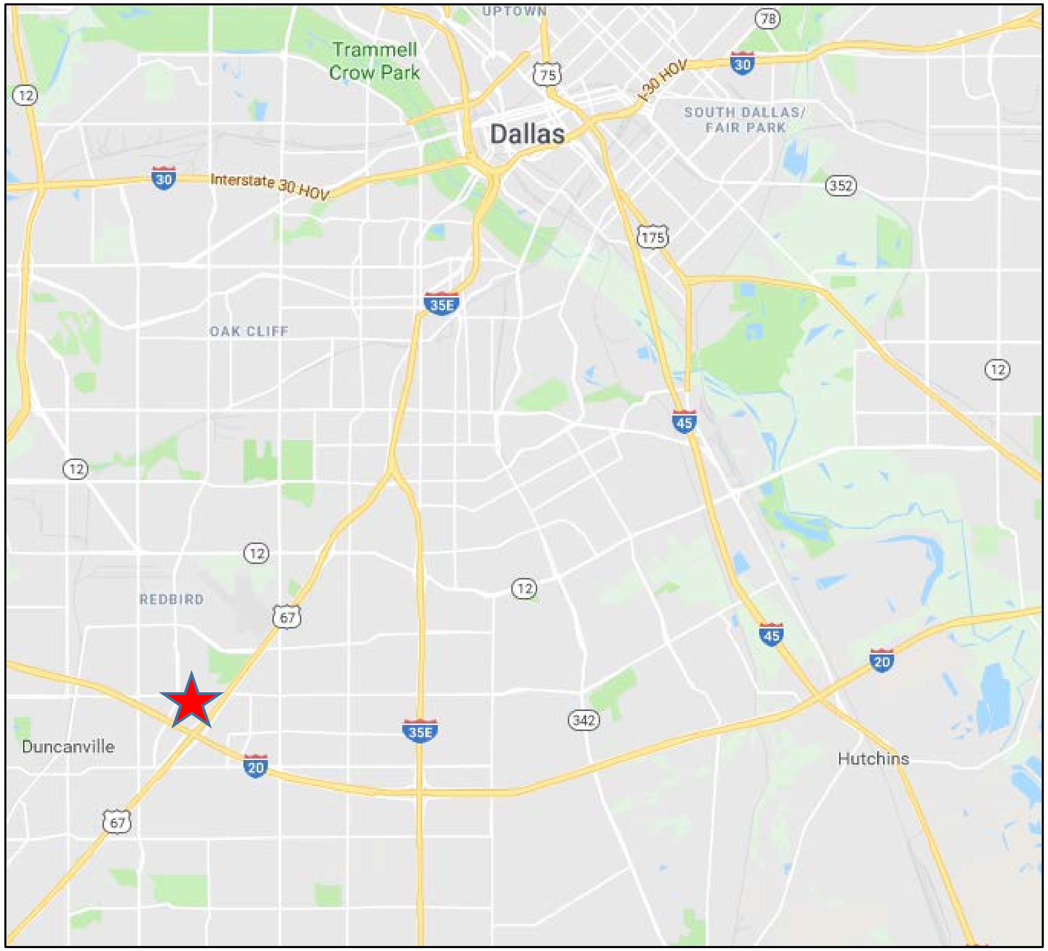
Kevin Spath, AICP, HDFP, EDFP
Assistant Director
Office of Economic Development

Presentation Overview

- Background
- Project History
- Requested Amendments
- Next Steps

- Appendix

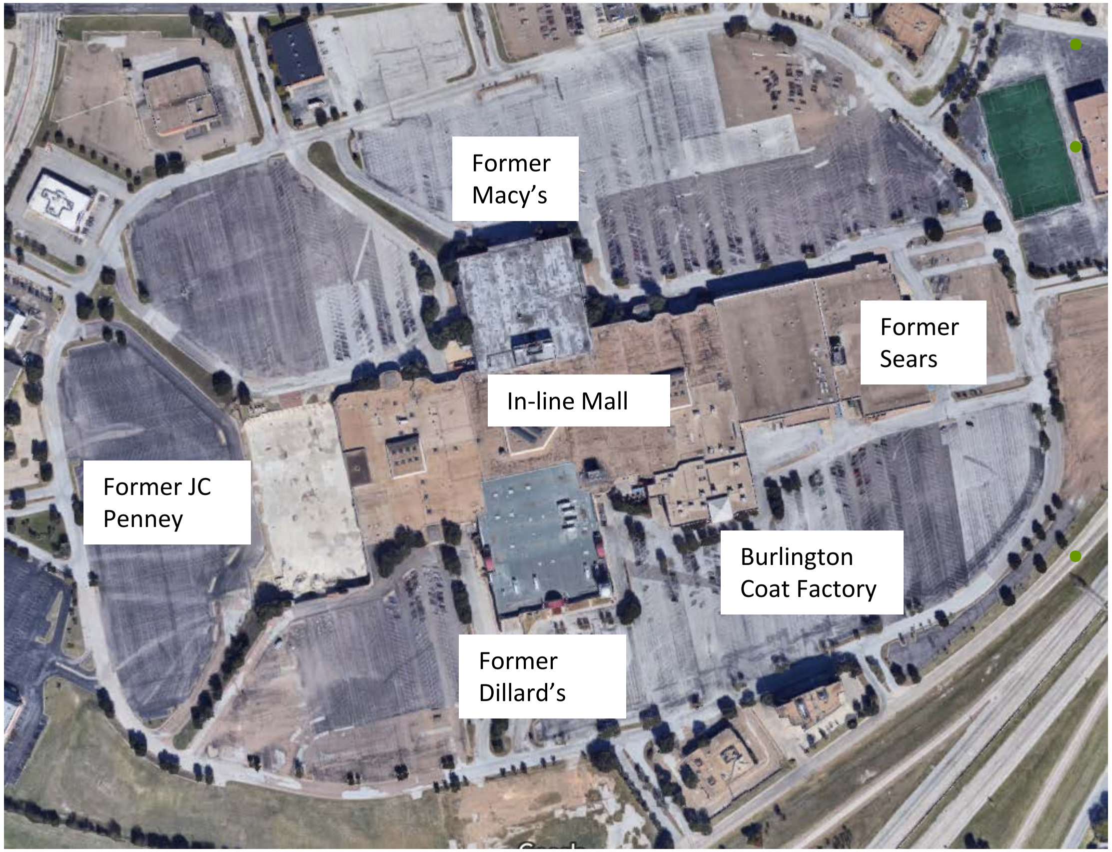
Background



- Located at the northwest corner of US Highway 67 and Interstate 20
- Built in 1975 by DeBartolo Company as Redbird Mall
- Approximately 950,000 SF buildings on 90 acres
- Renamed Southwest Center Mall in 2001 in effort to rebrand facility

Background

Mall comprised of the in-line mall building and five anchors



Occupied anchors:
- Burlington Coat Factory

Vacant anchors:
- Sears (vacated 2019)
- Former JC Penney (vacated 2001; demolished 2012)
- Former Dillard's (vacated 2006)
- Former Macy's (vacated 2017)

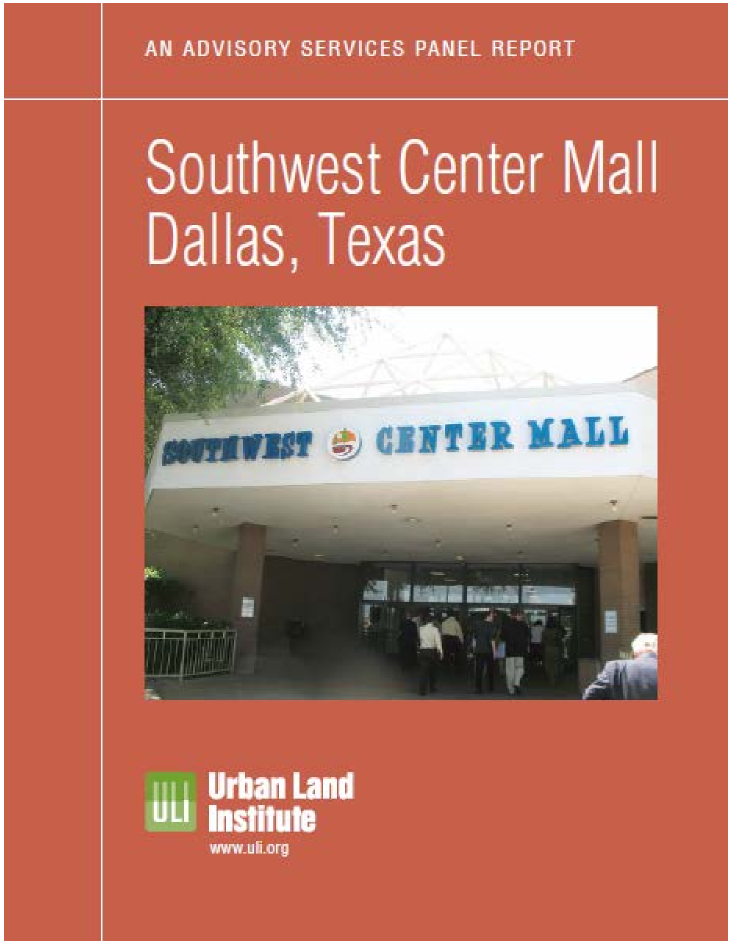
In-line portion of mall:
- 341,251 building square feet
- Approximately 65% occupied in 2018

Background

Existing conditions in the recent past:

- Vacant land and buildings
- Deteriorated site and structures
- Lack of green space
- Inadequate sidewalk & street layout

Background



- In 2009 the Mayor’s Southern Dallas Task Force (Southwest Oak Cliff Work Team) identified redevelopment of the mall as their top priority.
- An Advisory Services Panel from Urban Land Institute (ULI) spent five days in Dallas examining the mall, and issued in a written report in October 2009 finding three main issues:
    - **WEAK MARKET**: The market is too weak to justify private investment without public investment.
    - **DIVIDED OWNERSHIP**: Fragmented site ownership makes redevelopment challenging.
    - **LACK OF VISION**: There is no clear vision or comprehensive redevelopment plan for the area.

Background

- The ULI Panel recommended that the City take the following actions:

  1. Play an active role in recruitment of investors/ developers.
  2. Play an active role in land assembly to consolidate ownership and gain control of the site.
  3. Assure existing anchors of City's interest in site redevelopment.
  4. Establish a TIF district to support public investment in site redevelopment.
  5. Articulate a community-based vision and redevelopment plan.

Background

In the years following the ULI study, the City took a number of actions, including:

- City negotiated an option to purchase former JCPenney building to avoid undesirable “flea market” use.
- Mayor Rawlings launched GrowSouth Initiative in 2012, representing a comprehensive strategy for economic development in southern Dallas, with the RedBird Mall area identified as a core investment area.
- City created Mall Area Redevelopment TIF District in 2014, which signaled a critical step in the process of attracting viable development partners, stimulating private investment, and leveraging other capital sources.
- City took an active role in recruitment of investors/developers.
- City took an active role in land assembly to consolidate ownership and gain control of the site.

Project History

- In late 2015, there was an opportunity to begin to consolidate the fragmented property ownership when a portion of the mall was put up for auction by the previous owner, and the City began negotiating a possible public/private partnership with Peter Brodsky as the prospective bidder.

- Peter Brodsky won the bid, risking significant personal capital to purchase a substantial portion of the mall.

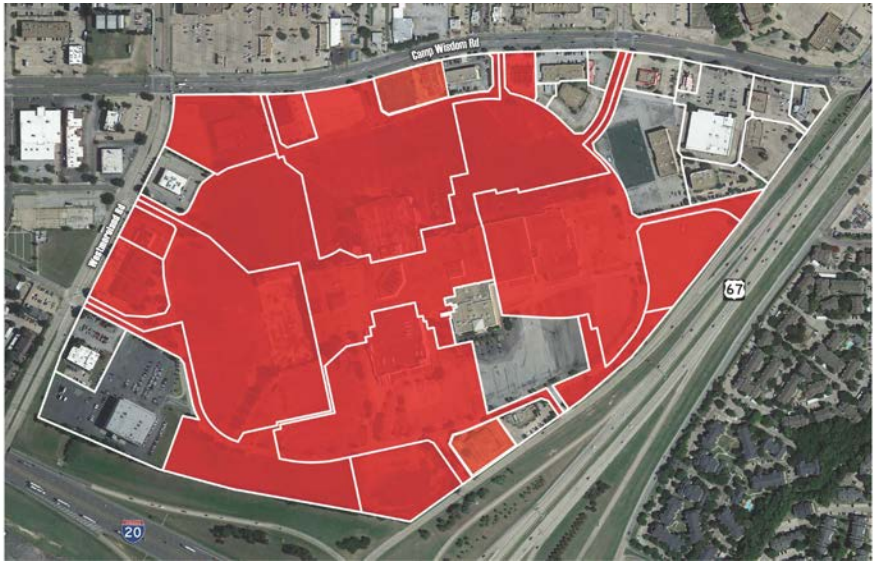
- In January 2016, City Council authorized a Chapter 380 grant agreement in the amount of $2.4 million to assist with property assembly/acquisition and to jumpstart redevelopment of the mall (in exchange for $15 million private investment and secured by a performance deed of trust on collateral property--the former Dillard's and former JC Penney properties).

Project History

Prior to 2015

Ownership fragmentation

Since 2015



Ownership consolidation

Project History

Between 2016-2018, the Developer:

- acquired and assembled more properties
- analyzed market feasibility
- explored preliminary redevelopment concepts and configurations
- conducted extensive community engagement
- assembled an experienced development team
- completed engineering studies and cost estimates
- negotiated with existing anchors and tenants and marketed the development to prospective new tenants (grocers, hotels, apartment developers, office users, retailers, restaurants)
- rebranded the mall as Red Bird

November 2017 groundbreaking for the development of a new Starbucks Community Cafe

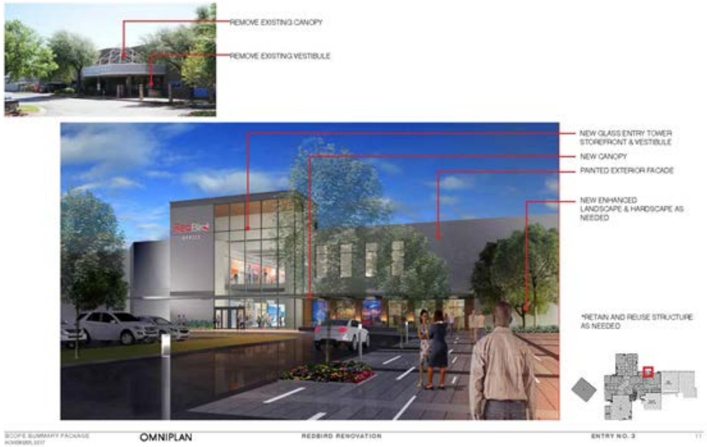
Project History

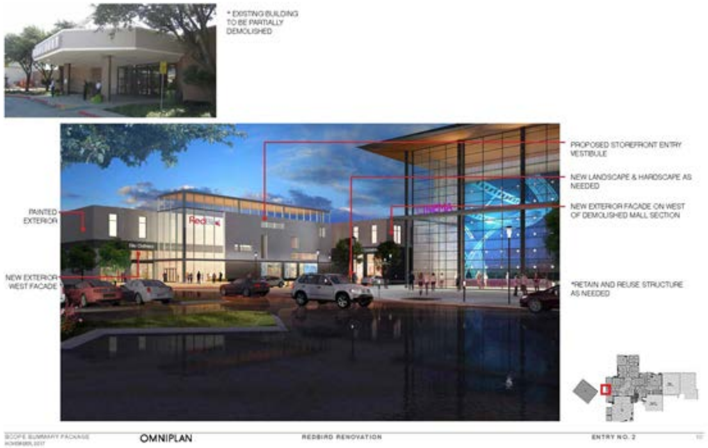
- In late 2017, the Developer came forward with a proposed project (Reimagine RedBird) to update the mall into a more contemporary and relevant mixed-use development with high-quality options for shopping, dining, living, and entertainment for southern Dallas citizens.

- Plans included renovations and repurposing some of the existing mall structure into:
    - Class A office space
    - medical offices
    - retail

- Plans also included:
    - new construction of new retail, restaurant, and entertainment options
    - establishment of a new 1-acre green space
    - preparation of sites for sale to apartment and hotel developers

Project History





Project History

In June 2018, City Council authorized the following to support the Project:

1) conditional grant agreement for $10 million (2006; 2012; 2017 GO bond funds)

2) 15-year interest-only loan agreement for $12 million (Public/Private Partnership Fund)

3) development agreement for $15.6 million in tax increment funding from the Mall Area Redevelopment TIF District

4) an assignment of all tax increment payable under the development agreement back to the City of Dallas

5) an amendment to the 2016 Chapter 380 grant agreement to extend all dates in the agreement by 18 months

6) a loan payment guarantee agreement from the parent company controlled by Brodsky family

Project History

- In February 2019, all of the agreements were executed
- In March 2019, the City and the community celebrated a groundbreaking event for Reimagine RedBird

Project History

In **January 2020**, City Council authorized:

1) a New Markets Tax Credit transaction between the Dallas Development Fund, Capital One, and Developer for improvements within the Red Bird Mall Redevelopment Project (to generate approximately $2.8 million in outside equity)

2) a second amendment to the 2016 Chapter 380 Grant Agreement, a first amendment to the 2018 TIF/Chapter 380 Agreement, and amendments 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 from $115,000,000 to $116,000,000 as consideration for (A) and (B); and
   (D) make such other modifications which may be necessary to effectuate the foregoing amendments.

Project History

In **May 2020**, City Council authorized:

1) a third amendment to the 2016 Chapter 380 Agreement and a second amendment to the 2018 TIF/Chapter 380 Agreement to:
   - (a) increase the amount of the 2018 Chapter 380 conditional grant by $3,000,000 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;

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 the Mall Area Redevelopment TIF District;

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

Project History

In **April 2021**, City of Dallas Office of Economic Development:

- facilitated a Property Assessed Clean Energy (PACE) financing transaction through the City of Dallas PACE Program for the Developer to secure a $3,350,000 loan from Twain Community Partners for lighting, plumbing, and HVAC improvements needed to modernize the in-line portion of the Mall.

In **May 2021**, at the request of the Developer, the Director of the Office of Economic Development:

- administratively approved (pursuant to City Council Resolution No. 20-0734) 12-month extensions of all material dates and deadlines in the 2016 Chapter 380 Agreement and 2018 TIF/Chapter 380 Agreement as a result of the impact of COVID-19 on the development, construction, tenanting, and financing of the Project.

Project History – Progress

Capital Sources (as of May 1, 2021)

Private Equity

- approximately $30.5 million from Peter Brodsky family and other investors

Private Debt (mezzanine and senior)

- approximately $63.2 million

Public

- $2.4 million City grant in 2016
- $10 million City grant in 2018
- $12 million City loan in 2018
- $3 million City grant in 2020

Capital Uses (as of May 1, 2021)

- approximately $30 million in property acquisitions
- approximately $85 million in soft costs and hard construction costs associated with the Infrastructure Work as well as tenant improvement allowances on construction projects associated with the leases described on slides 23-25

Project History – Progress

Development Milestones

1) Re-grading the overall site to remove multi-level mall elevations and promote walkability by December 31, 2021. ***Regrading for Palladium apartment site was completed in 2020. Regarding is underway near the former Macy's and is expected to be completed by December 2021. Regrading is also underway for UTSW medical center (former Sears property) and is expected to be completed by March 2022.***

2) Upgrading and rerouting utilities to accommodate increased density and create commercial pad sites within the development, all to be completed by December 31, 2021. ***New utilities to serve Palladium apartments, Parkland medical clinic (former Dillard's property) and Foot Locker were completed in 2020. Construction of new utilities for UTSW medical center is underway and expected to be completed by March 2022.***

3) Demolishing approximately 100,000 square feet of the existing mall structure on the western edge of the property and build in place of that structure one of the vehicular access roads referenced in (4) below, a new mall enclosure and entrance, as well as any public spaces contemplated between the road and the entrance by December 31, 2021. ***To date, approximately 70,000 square feet has been demolished, with the remaining demolition expected to be completed by December 2021. Construction on the new West Wing entrance and façade improvements is expected to begin in early 2022.***

4) Constructing two new private vehicular access roads by December 31, 2021. ***Construction of the north/south road is underway and is expected to be completed in early 2022. Construction of the east/west road will begin in July 2021 and is expected to be completed in early 2022.***

5) Establishing a one-acre green space to be privately owned, privately maintained, and publicly accessible for programming and community gathering by December 31, 2021. ***A green space has been established in front of the new Foot Locker building. Construction of The Lawn improvements is expected to be completed by March 2022.***

Project History – Progress

Development Milestones

6) Enhancing landscape, hardscape, and outdoor lighting by December 31, 2021. ***Landscape, hardscape and outdoor lighting are completed for Foot Locker site and are currently underway for the South Wing (former Dillard's) site. Expected completion: October 2021.***

7) Renovating and modernizing existing mechanical, electrical and structural systems including lighting, HVAC, flooring, and ceilings to create an office environment on the second floor of the in-line portion of the Mall, and in the former Macy's building and the former Dillard's building…by December 31, 2023. ***As part of renovating the suite for Chime Solutions, the existing mechanical, electrical and structure systems (lighting, HVAC, flooring and ceilings) were modernized. Additional renovations will soon begin for the Chime expansion suite and are expected to be completed by January 2022. A new chiller for the in-line portion of the Mall has been ordered and is expected to be installed by August 2021.***

8) Redesigning and remodeling existing entryways by December 31, 2023. ***For the Workforce Solutions office, the entry of the South Wing (former Dillard's) was renovated. Construction of a redesigned entryway for the Parkland Clinic in the former Dillard's is also underway and expected to be completed by August 2021. Construction of the redesigned entryway for the UT Southwestern Medical Center (former Sears) is underway and expected to be completed by December 2021. Redesign of the entryways on the north façade are anticipated to be completed by June 2022.***

9) Adding windows and skylights to the second-floor mall space to create office space by December 31, 2023. ***As part of the Chime Solutions finish out, skylights were added to the second floor mall space. The South Wing (former Dillard's) is currently under renovation to add windows. Upcoming redesign of the north façade will also add windows to the second floor. Expected completion: December 2023.***

Project History – Progress

Development Milestones

10) Constructing a minimum of 100,000 gross square feet of new retail, restaurant, and entertainment buildings by the December 31, 2024. ***To date, approximately 23,000 square feet of new construction has been completed. Additional buildings will be constructed as leases require.***

11) Preparing and conveying properties within the Project site to a hotel user reasonably approved by the Director for the construction of a minimum 125-room hotel and conference center, and to a residential developer reasonably approved by the Director for the construction of a minimum 250-unit multi-family development by December 31, 2023. ***Developer prepared and conveyed a site to a residential developer in October 2019. Developer is in the process of preparing a site for a hotel user. Developer has executed a purchase and sale agreement with a hotel developer; agreement is conditioned upon the hotel developer securing equity and debt financing by March 2022.***

12) Constructing the infrastructure improvements (e.g. new roads, utilities, and streetscape) necessary to support the required minimum of new vertical improvements. ***Expected completion: December 31, 2022.***

Project History – Progress

Retail (as of May 1, 2021)

- Starbucks
  - Lease: 10 years; signed in May 2017
  - Premises: 2,500 sf
  - Construction: New construction of free standing building at 3650 W. Camp Wisdom Road
  - Opening: December 2018

- Foot Locker Concepts
  - Lease: 10 years; signed in March 2019
  - Premises: 20,493 sf
  - Construction: New construction of free standing building at 3450 W. Camp Wisdom Road
  - Opening: May 2020

- Frost Bank
  - Lease: 10 years; signed in June 2019
  - Premises: 3,000 sf
  - Construction: Renovation of end cap of a 12,000 sf free standing building 3704 W. Camp Wisdom Road
  - Opening: March 2021

- Miscellaneous
  - New leases/lease renewals inside main mail with small, locally owned retail businesses
  - Working active LOIs with dentist, restaurants, gym/fitness center

Project History – Progress

Office (as of May 1, 2021)

- Dallas Entrepreneur Center
  - Lease: 5 years; signed in 2018
  - Premises: 7,130 sf
  - Construction: Renovation of second floor of 3662 W. Camp Wisdom Road (main mall)
  - Opening: September 2018
- Jarvis Christian College
  - Lease: 3 years; signed 2018
  - Premises: 6,018 sf
  - Construction: Renovation of second floor of 3662 W. Camp Wisdom Road (main mall)
  - Opening: July 2019
- Workforce Solutions
  - Lease: 10 years; signed May 2019
  - Premises: 30,000 sf
  - Construction: Renovation of first floor of 3560 W. Camp Wisdom Road (former Dillard's)
  - Opening: February 2020
- Chime Solutions
  - Lease: 7 years; signed June 2019 (3.5 years added to lease January 2021)
  - Premises: 52,856 sf
  - Construction: Renovation of second floor of 3662 W. Camp Wisdom Road (main mall)
  - Opening: October 2019

  - Lease for Expansion: 10.5 years; signed January 2021
  - Expansion Premises: 33,831 sf
  - Construction: Renovation of second floor of 3662 W. Camp Wisdom (main mall)
  - Opening: Expected January 2022

JARVIS CHRISTIAN COLLEGE

WORKFORCESOLUTIONS GREATER DALLAS

chime solutions

Project History – Progress

Medical (as of May 1, 2021)

- Parkland Hospital Clinic
  - Lease: 15 years; signed September 2019
  - Premises: 43,000 sf
  - Construction: Renovation of first floor of 3560 W. Camp Wisdom Road (former Dillard’s)
  - Opening: Expected August 2021

- UT Southwestern Medical Center
  - Lease: 15 years; signed December 2019
  - Premises: 150,000 sf
  - Construction: Renovation of 3450 W. Camp Wisdom Road (former Sears)
  - UT Southwestern Medical Center will be on the first floor
  - Children’s Health Center will be on the second floor
  - Opening: Expected May 2022

Project History – Progress

Residential (as of May 1, 2021)

- Palladium Red Bird Apartments
  - Developer made horizontal improvements necessary to get the 6.1 acre site shovel-ready for the vertical developer (Palladium Redbird LP)
  - Developer executed Purchase and Sale Agreement (PSA) with Palladium Redbird LP
  - At closing, Palladium Redbird LP assigned the PSA to the Dallas Housing Finance Corp (DHFC)
  - DHFC purchased the land for $1.25 million and ground leased it back to Palladium Redbird LP to build/operate the apartments
  - New construction of 300 units of Class A apartments
  - 70% (210 units) affordable (at/below 60% area median income) and 30% (90 units) market rate
  - Opening: April 2021

Requested Amendments

- In April 2021, Developer requested 5 amendments to the existing agreements.
- The next 5 slides contain detailed information about these amendments:
  - Modification to Programmatic Requirements
  - Clarification regarding mezzanine and preferred equity financing
  - Extension of the maturity date on the Chapter 380 Loan by 5 years
  - Release of the “Sears Property” to a third-party purchaser prior to maturity of the Chapter 380 Loan and upon completion of the initial phase of tenant improvements
  - Ability to sell Project prior to maturity of the Chapter 380 Loan (subject to the Chapter 380 Loan and assignment of the TIF/Chapter 380 Agreement)

Requested Amendments

Modification to Programmatic Requirements

Current Requirement: Section 2.C of the TIF/Chapter 380 Agreement requires Developer to construct a minimum of 100,000 gross square feet of new retail, restaurant, and entertainment buildings by December 31, 2025.

Developer's Requested Modification: In 2018, the conceptual development plan for the Project was designed based on an assumption that the Developer would attract a movie theater (approximately 40,000 – 50,000 square feet). However, market demand for new construction of "retail, restaurant, and entertainment" buildings has declined significantly due to COVID-19. Based on current market trends, Developer requests that the 100,000 gross square feet be reduced to 40,000 gross square feet (such amount includes the 20,000 gross square feet of the Foot Locker and 2,500 gross square feet of the Starbucks which have been completed). Therefore, Developer would still be required to construct an additional 17,500 gross square feet of new buildings for retail, restaurant, or entertainment).

Current Requirement: Section 2.C of the TIF/Chapter 380 Agreement requires Developer to prepare and convey property within the Project site to a hotel user reasonably approved by Director for the construction of a minimum 125-room hotel and conference center by December 31, 2024.

Developer's Requested Modification: COVID-19 has hit the hospitality market the hardest. Developer continues to coordinate with an affiliate of Atlantic Hotels Group on a 150-room dual branded Courtyard/Residence Inn by Marriott hotel, but Developer's conveyance of the property to the hotel developer will be contingent upon the hotel developer's ability to secure sufficient financing. Since Developer cannot control whether a hotel developer can secure financing necessary to build a hotel, Developer would like its obligation to convey property to a hotel developer based on its "reasonable efforts" rather than an obligation. Reasonable efforts means *either* of the following:

- Executing a letter of intent or purchase and sale agreement with a hotel user, or
- Preparing land (e.g. rough grading; roadway and utility improvements at the perimeter of the site) of sufficient size to support a hotel user and providing written quarterly reporting on the status of Developer's pursuit of a hotel user

Requested Amendments

Clarification regarding Mezzanine and Preferred Equity Financing

Current Requirement

Section 5.D of the TIF/Chapter 380 Agreement gives the City Manager the authority to execute a lien subordination agreement for any “Senior Secured Instrument” as well as for any Property Assessed Clean Energy (PACE) assessment lien. However, the TIF/Chapter 380 Agreement does not give the City Manager the explicit authority to execute an intercreditor agreement or recognition agreement with a mezzanine lender or preferred equity provider, as applicable. Intercreditor agreements and recognition agreements are considered ordinary course of business in complex commercial/mixed-use development financing transactions involving mezzanine lenders and preferred equity investors.

Developer’s Requested Modification

Developer requests that Section 5.D of the TIF/Chapter 380 Agreement be amended to explicitly add that the City will enter into either an intercreditor agreement and/or recognition agreement, as applicable, with a mezzanine lender or preferred equity investor on terms and conditions reasonably acceptable to the Director within forty-five (45) days of a written request for the same.

Requested Amendments

Extension of the maturity date on the Chapter 380 Loan by 5 years

<u>Current Requirement</u>
The $12,000,000 Chapter 380 Loan matures on June 13, 2033.

<u>Developer's Requested Modification</u>
COVID-19 has had the impact of reducing the anticipated absorption and slowing the development velocity for the Project and the Mall Area Redevelopment TIF District generally. This has had a depressing effect on property taxes and the tax increment available to repay the Chapter 380 Loan. In addition, extended timelines in the City of Dallas permitting process are causing delays to the completion of construction that would generate tax increment. Further, since the City's loan is subordinate and may mature with a significant financial obligation to the Project, the Project will have difficulty finding senior indebtedness to continue to finance further development and stabilize the Project. As such, Developer is requesting that the maturity date on the Chapter 380 Loan be extended by 5 years until June 13, 2038.

Requested Amendments

Release of the "Sears Property" to a third-party purchaser prior to maturity of the Chapter 380 Loan and upon completion of the initial phase of tenant improvements

Current Requirement

The "Sears Property," which is currently being redeveloped for use by UT Southwestern (UTSW) Medical Center and Children's Health Center, was added to the Project in May 2020 as a part of the City's collateral in the Second Amendment to the TIF/Chapter 380 Agreement and was designated as a "Main Mall Property" under Section 2.C(7) of the TIF/Chapter 380 Agreement. Per Section 5.E of the TIF/Chapter 380 Agreement, while the City's Chapter 380 Loan is outstanding, buildings defined as Main Mall Properties cannot be sold (and collateral cannot be released from the Deed of Trust) unless it remains under the direct control of 3662 Investors LP (the Loan Guarantor).

Developer's Requested Modification

Developer has determined that the increased cost of the Infrastructure Work for the Project over the estimate contained in the TIF/Chapter 380 Agreement, combined with the unavailability of certain anticipated sources of funds because of the COVID-19 pandemic, will cause Developer to need to contribute $13 million of additional private capital to complete the Infrastructure Work. Developer has secured equity and debt financing for $8 million and is now in the process of securing a subordinate lien against the Sears Property for the purposes of funding the remaining shortfall. The nature of the funding, however, could create a situation in which it would be necessary to sell the Sears Property earlier than originally anticipated.

Developer is now requesting the flexibility to be able to sell the Sears Property to an unaffiliated third-party upon completion of the initial phase of the tenant improvements for UTSW Medical Center and Children's Health Center. This will permit Developer with the financial flexibility required to complete the remainder of the Infrastructure Work for the Project.

The lease agreement dated as of December 2, 2019 by and between UTSW and Developer contains a purchase option and right-of-first refusal (ROFR) in favor of UTSW. Any sale of the Sears building by Developer to an unaffiliated third-party will still be subject to the rights of UTSW to exercise the purchase option and ROFR. Any proposed sale of the Sears Property will be subject to the prior written approval of the Director, which may not be unreasonably withheld so long as UTSW's rights (purchase option and ROFR) are preserved.

Requested Amendments

Ability to sell Project prior to maturity of the Chapter 380 Loan (subject to the Chapter 380 Loan and assignment of the TIF/Chapter 380 Agreement)

Current Requirement
Section 5.E of the TIF/Chapter 380 Agreement permits a partial transfer and partial release of the City's lien solely for the purpose of permitting an unaffiliated third-party to develop multi-family, hotel, and other commercial, residential, or mixed-use developments. No other transfer of the Project are permitted.

Section 6.N of the TIF/Chapter 380 Agreement requires that, until the Chapter 380 Loan is repaid in full, the Brodsky Family Trust or Peter Brodsky must control the general partner and the general partner must control the Loan Guarantor (3662 Investors LP).

Section 23.C of the TIF/Chapter 380 Agreement permits assignment of the obligations, in whole or in part, after the Project is completed, subject to the written approval of the Director after review of the financial and management background of the proposed Assignee.

Developer's Requested Modification
Developer is now requesting the ability to sell the Project to an unaffiliated third-party subject to the Chapter 380 Loan concurrently with an assignment of the TIF/Chapter 380 Agreement upon completion of the Initial Project. Developer defines the "Initial Project" as completion of the requirements in Section 2.C of the TIF/Chapter 380 Agreement including all Infrastructure Work and Programmatic Requirements, except for:

- Section 2.C(7): renovation of the former Macy's building; and
- Section 2.C(10): construction of a minimum of 40,000 (original requirement is 100,000) gross square feet of new retail, restaurant, and entertainment buildings

Developer will be required to provide at least 60 days prior written notice to the City. The notice shall identify the proposed purchaser (including principal parties and loan guarantor) and shall include a copy of the purchase and sale agreement, sufficient information about proposed purchaser's financial responsibility, experience, and general fitness, and any other information reasonably requested by the Chief of Economic Development and Neighborhood Services for the Chief to ascertain the qualifications to complete the Project and assume the obligations pursuant to the TIF/Chapter 380 Agreement. Any proposed sale of the Project will not require City Council approval but will be subject to the prior written approval of the Chief of Economic Development and Neighborhood Services, which may be granted or withheld in the Chief's sole discretion.

Requested Amendments

As consideration for the requested amendments, the Developer has agreed to the following:

- Increase the Developer's Minimum Investment Requirement by $5 million for the Project from $130 million to $135 million.

- Add a requirement to the Programmatic Requirements in Section 2.C for Developer to make reasonable efforts to (a) prepare and convey property within the Project site to a grocery store user reasonably approved by the Director for the construction of a minimum 20,000 square foot free-standing grocery store, or (b) renovate and lease a minimum of 20,000 square feet within an existing building within the Project site for a grocery store user reasonably approved by the Director by December 31, 2024. Reasonable efforts means *either* of the following:
  - Executing a letter of intent with a grocery store user, or
  - Preparing land (e.g. rough grading; roadway and utility improvements at the perimeter of the site) or a space within an existing building (e.g. cold dark shell) of sufficient size to support a grocery store user and providing written quarterly reporting on the status of Developer's pursuit of a grocery store user for said site(s) and/or space(s)

- Developer will pay interest current on the Chapter 380 Loan to the extent that TIF Subsidy does not fully repay the Loan during the extended term.

- Developer will not distribute any of the net proceeds of any sale of the Sears Property to equity shareholders. Rather, Developer will be required to use the net proceeds to either: (a) repay debt that is senior to the City's lien in payment priority (including loan made by GrowSouth Red Bird, LLC to RB Holdco, LLC and any other mezzanine loan, preferred equity investment, or PACE loan); (b) pay for remaining Infrastructure Work, (c) invest in additional building improvements on property secured by the City's lien; or (d) acquire additional properties on the RedBird site, which would then be added to the City's collateral. In all cases, the value of the City's collateral position with respect to the Project will be improved.

Next Steps

- An agenda item will be placed on the City Council voting agenda on June 23, 2021

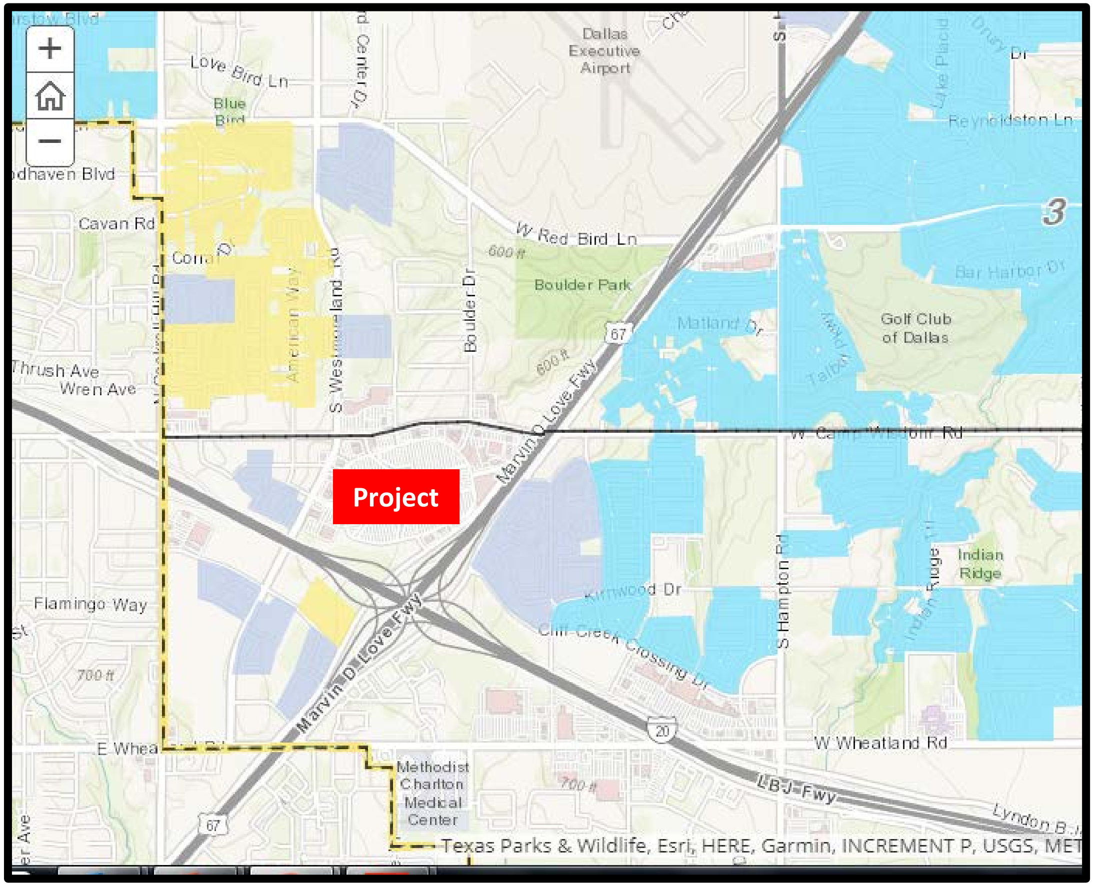
Appendix

Appendix - Amended Project Budget

	Estimated 2018		2020		Now	
Category	Cost	% of Total Budget	Cost	% of Total Budget	Cost	% of Total Budget
Land Acquisition	$21,770,664	13.9%	$28,270,664	16.0%	$30,395,664	17.3%
Site Development/Infrastructure	$23,235,998	14.8%	$29,349,291	16.6%	$33,430,354	19.0%
New Construction of Buildings	$20,591,824	13.1%	$20,666,320	11.7%	$12,716,320	7.2%
Rehabilitation/Adaptive Reuse of Buildings	$47,441,803	30.2%	$53,925,000	30.5%	$53,925,000	30.7%
Tenant Improvement Allowances	$14,514,800	9.2%	$14,514,800	8.2%	$14,514,800	8.3%
Soft Costs	$16,302,786	10.4%	$17,232,110	9.8%	$18,205,679	10.4%
Hard and Soft Cost Contingency	$10,481,286	6.7%	$9,450,957	5.4%	$8,560,557	4.9%
Developer Fee	$2,834,735	1.8%	$3,228,282	1.8%	$4,002,867	2.3%
Total	$157,173,896	100.0%	$176,637,424	100.0%	$175,751,241	100.0%

Appendix - Market Value Analysis

Project is located adjacent to MVA Categories E, F, and G



The Market Value Analysis (MVA) is a tool to assist residents and policy-makers to more precisely target intervention strategies in/near weak markets and support sustainable growth in/near stronger markets.

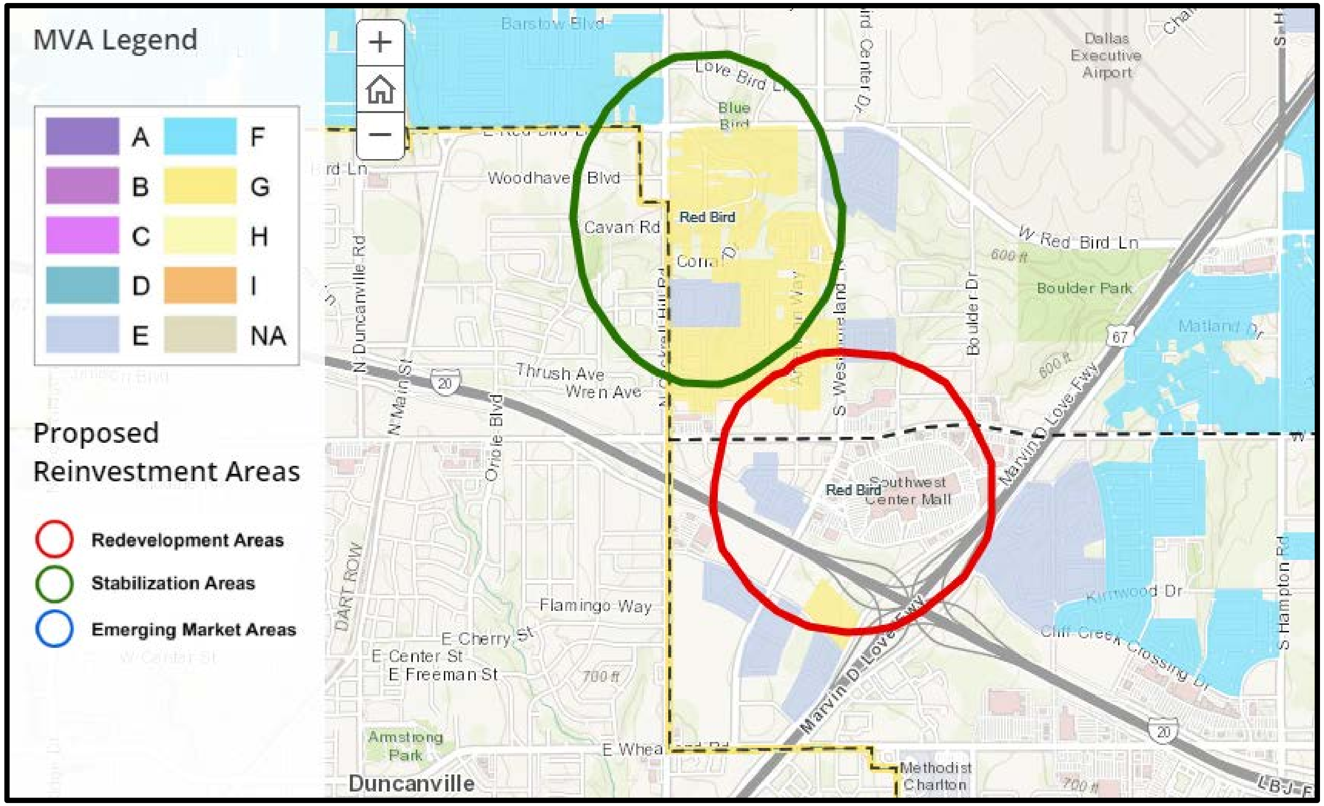
Market types E, F, and G reflect middle to lower-middle residential real estate markets within Dallas.

MVA Market Types/Categories

A	F
B	G
C	H
D	I
E	NA

Appendix- Housing Policy

Project is located in a Redevelopment Area as designated in the Comprehensive Housing Policy adopted by City Council on May 9, 2018



Appendix - Development Team

(updated as of May 1, 2021)

Majority Owner and Developer
- Peter S. Brodsky

Co-Developer
- Russell Glen (Terrence Maiden)

Development Finance and Accounting
- Jon Cochran
- Markeysha Wilson
- Catherine Lee

Property Management Team
- Lisa Powell Long, General Manager
- Stephanie White
- Nettie Richardson

Architects
- OmniPlan
- Perkins + Will
- KAI

Civil Engineering
- Kimley-Horn and Associates

Community Relations and M/WBE Diversity Program Management
- JBJ Management (Willis Johnson; Noa Dowl)

Marketing, Events and PR: Alpha Business Images
- Alpha Business Images (Sophia Johnson; Marchella Simon)

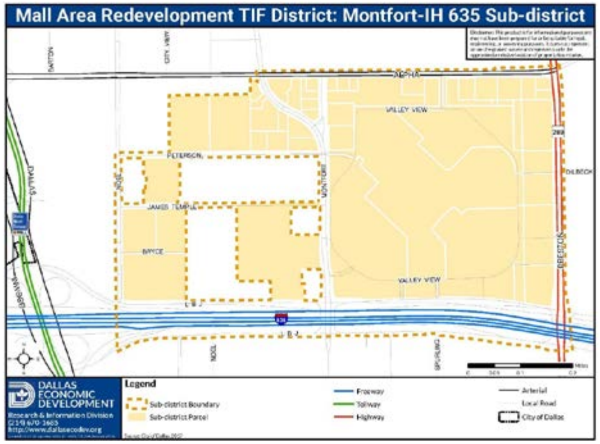
Construction Management Team
- Cat Alexander
- Phil Blanchard
- Desiree Mingo
- Brandon Demings

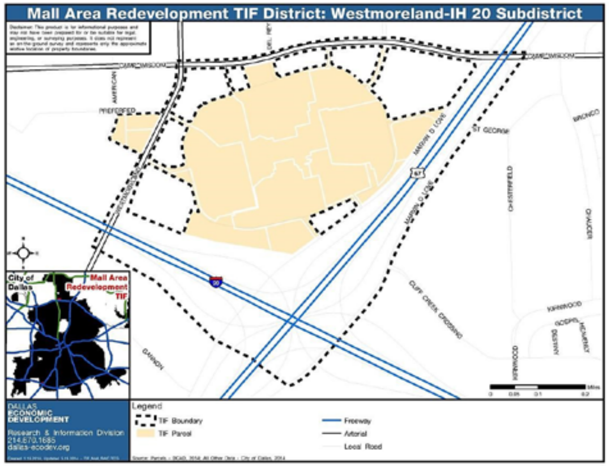
Legal
- Munsch Hardt Kopf & Harr

General Contractors
- VCC/Con-Real joint venture
- Whiting-Turner/Source Building Group
- Source Building Group
- Novel Builders
- DIG Construction

Appendix - Mall Area Redevelopment TIF District

- Created in 2014 to stimulate private investment and sustain the orderly redevelopment of the Valley View Center Mall area and the Red Bird Mall area, two commercial core assets of the City of Dallas.
- TIF District comprises 2 non-contiguous sub-districts:
  - Montfort-IH 635 Sub-District
  - Westmoreland-IH 20 Sub-District
- City participation: 0% in 2015; 90% from 2016 through 2042; 75% in 2043; and 55% in 2044.
- County participation: 55% from 2020 through 2039 (however, County's participation did not commence in 2020 because conditions of County's participation were not fully met).
- The TIF District expires on December 31, 2044 or when budget has been collected.





Appendix - Mall Area Redevelopment TIF District

Increment Sharing Between Sub-Districts

- When the Mall Area Redevelopment TIF District was created by City Council in 2014, it was set up to facilitate tax increment revenue sharing from the Montfort-IH 635 Sub-District in order to help jump start redevelopment activity in the Westmoreland-IH 20 Sub-District.

- Per the District's Plan, ten percent (10%) of the annual tax increment generated by the Montfort-IH 635 Sub-District (less payment of annual administrative expenses) will be transferred to the Westmoreland-IH 20 Sub-District to help facilitate the revitalization and redevelopment of the Red Bird Mall area.

Requested Amendments
Red Bird Mall Redevelopment Project

Mall Area Redevelopment TIF District
Board of Directors
Special Called Meeting
June 11, 2021

Kevin Spath, AICP, HDFP, EDFP
Assistant Director
Office of Economic Development