

Memorandum



DATE April 15, 2011

TO Members of the Economic Development Committee:
Ron Natinsky (Chair), Tennell Atkins (Vice-Chair), Jerry R. Allen,
Sheffie Kadane, Linda Koop, Ann Margolin, Steve Salazar

SUBJECT **Lakewest Senior Assisted Living**

On Monday, April 18, 2011 Economic Development Meeting, you will be briefed on the Lakewest Senior Assisted Living. A copy of the briefing is attached.

Should you have any questions, please contact me at (214) 670-3314.



A.C. Gonzalez
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Administrative Judge Municipal Court
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

Lakewest

Senior Assisted Living

Economic Development Committee
April 18, 2011



Introduction

- Discuss new low income assisted senior living facility in West Dallas
- Present proposed City of Dallas bridge loan for the project

Background

- Stonegate Company is a senior housing and healthcare company that operates 32 senior care properties in Texas, Oklahoma, and Missouri that have resident capacity of more than 4000 residents.
 - 3500 employees across their facilities
- Headquarters – Lewisville, TX
 - Founded-2001
 - Approximately 35 employees at HQ

Background

- Company has been negotiating with the City of Dallas Regional Center (CDRC) to open 4 Low Income Senior Assisted Living Facilities in Dallas. It has secured financing in the amount of \$15 million through the EB-5 visa program.
- Due to timelines established by the US Citizenship and Immigration Service, it takes about 9-12 months for the CDRC to close on the financing thus creating a significant delay in the project, if no bridge financing is provided.
- City Council is being asked to authorize a \$1,500,000 loan that will serve as a bridge until the CDRC financing closes

Project Description

- Stonegate (Lakewest) wants to build the first of four Low Income Senior Assisted Living Facility in West Dallas.
- Project Site
 - Name: Lakewest
 - Address: 2696 Bickers
 - Facility will have 65-apartment units, each with two bedrooms and one bath with a living/dining room kitchen
 - Approximately 71,000 square feet (45,500 net rentable space)

Project Description



Project Description

- This facility will complete an existing senior healthcare campus in West Dallas.
- The campus currently includes 360 units of independent senior apartments and a 118 bed skilled nursing facility.
- The total private investment by Stonegate (Lakewest) will be approximately \$9,400,000, excluding land.
- In addition, Stonegate plans to build 3 additional facilities throughout the city bringing the total investment to \$37,600,000 and 300 jobs

The Village at Lakewest Campus



Project Description

- Stonegate (Lakewest) has secured financing from the CDRC but due to timelines established by the US Citizenship and Immigration Service, it takes about 9-12 months to close on the financing. The project is in need of bridge financing to avoid a lengthy delay and complete the facility by June 2012.

Proposed Loan Terms

- Proposed Terms
 - 1) Interest only at 6.5% for 12 months;
 - 2) Borrower will make quarterly payments;
 - 3) No prepayment penalties or changes in the interest rate for pre-payments;
 - 4) In the event that Stonegate (Lakewest) is late on a payment, they will have a cure period of 5 days;
 - 5) In the event Stonegate (Lakewest) does not make its quarterly payment within the cure period, they will be declared in default and the interest rate would increase to 13%;
 - 6) If in default, City has Corporate Guaranty, CEO Guaranty and Assignment of CDRC commitments to repay.

Benefits

- Development of Lakewest facility can begin sooner, benefiting West Dallas
- Bridge financing will provide the City an opportunity to earn market rate return on its capital with very low risk
 - Guarantors of the bridge loan will have a net worth of approximately \$15mm
 - Economic Development receives \$187,500 in loan origination fees
 - Economic Development receives up to \$97,500 in interest
- Provide the “last piece” of capital to unlock a larger \$15M source of financing and \$37.6M in total development.

Recommendation

- Staff recommends approval of the proposed \$1,500,000 economic development loan.

Next Steps

- On April 27, 2011, City Council will consider authorizing bridge loan in the amount of \$1,500,000M

Questions?

