

Memorandum



CITY OF DALLAS

DATE December 4, 2009

TO Housing Committee Members: Steve Salazar, Chair, Carolyn R. Davis, Vice-Chair, Tennell Atkins, Dwaine Caraway, Angela Hunt, Ann Margolin, Pauline Medrano

SUBJECT Kaminski Holdings & Hai -Tak Inc. Loans for Bexar Street Redevelopment

On Monday, December 7, 2009, you will be briefed on Kaminski Holdings & Hai -Tak Inc. Loans for Bexar Street Redevelopment. A copy of the briefing is attached.

Please let me know if you have any questions.

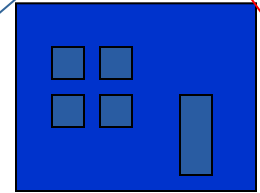
A handwritten signature in black ink, appearing to be 'A.C. Gonzalez'.

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 P. Perkins, Jr., City Attorney
Craig Kinton, City Auditor
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
Dave Cook, Chief Financial Officer
Jerry Killingsworth, Housing/Community Services Director
Jeanne Chipperfield, Director, Financial Services
Helena Stevens-Thompson, Assistant to the City Manager

Kaminski Holdings & Hai-Tak Inc. Loans for Bexar Street Redevelopment

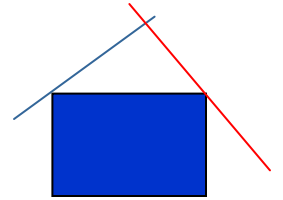
A Briefing to the Housing Committee



December 7, 2009

Housing/Community Services Department





Purpose

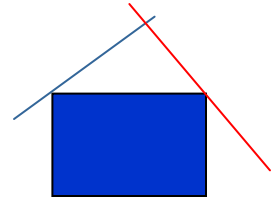
Seek recommendation of the Committee regarding the use of CDBG & HOME funds for loans totaling \$1.822M to facilitate the construction of two mixed-use buildings on Bexar Street.

- Hai-Tak, Inc. – 5203 Bexar Street
 - \$872,000 (3 loans)
- Kaminski Holdings, Inc. – 5208 Bexar Street
 - \$950,000 (2 loans)

Rationale for Funding

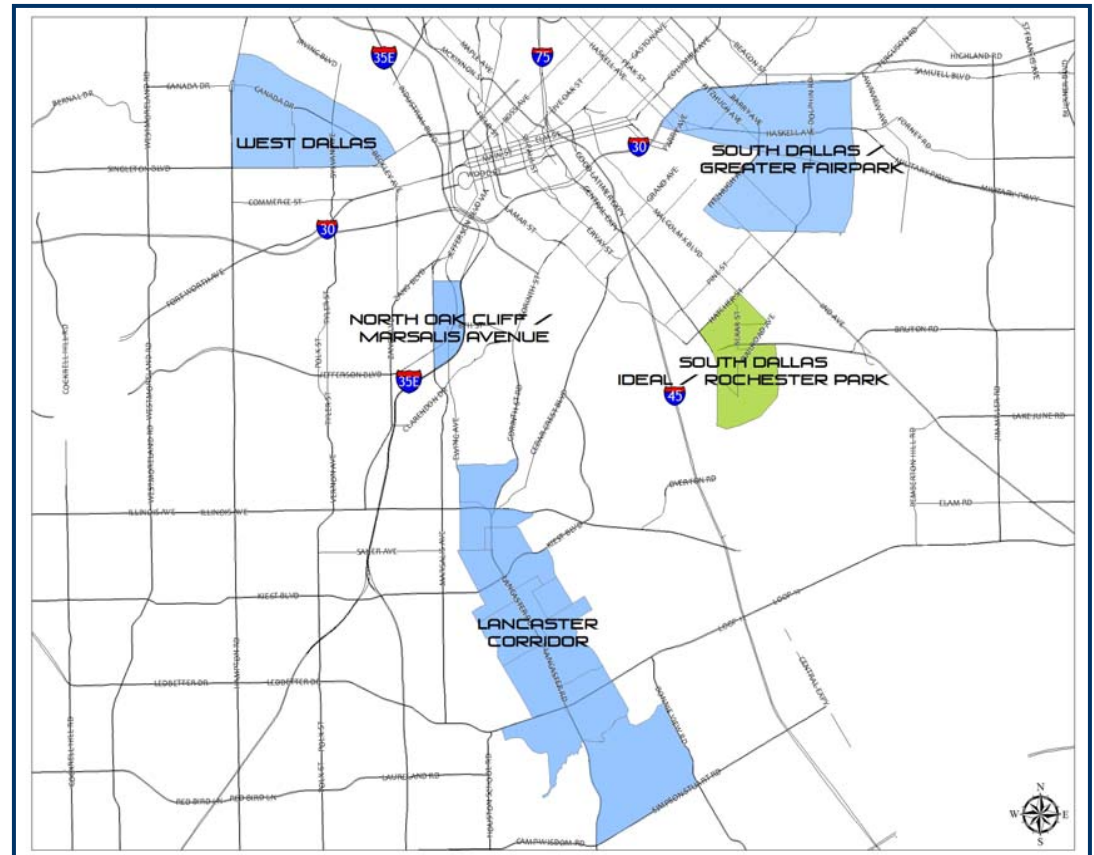
- Due to the current market conditions, traditional bank financing is not available
- If the City doesn't fund these catalyst projects in South Dallas, they will not be completed in the near future
- These projects are part of the City's Bexar Street Redevelopment – Phase I.

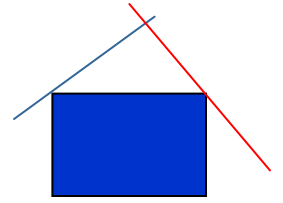
Background



Bexar Street Redevelopment

- The redevelopment of the Bexar Street corridor is being implemented under the Housing Department's Neighborhood Investment Program (NIP)
- The project is located within the South Dallas Ideal / Rochester Park NIP target area

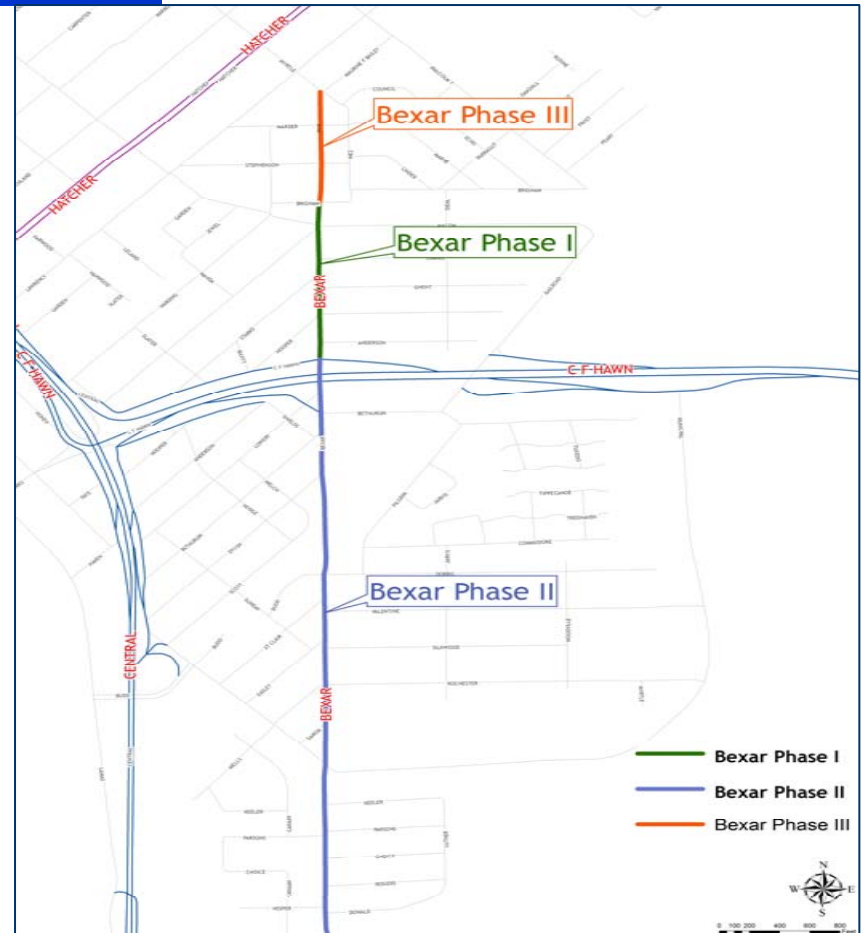




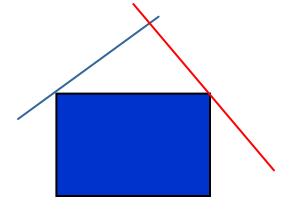
Background – Con't

Bexar Street Redevelopment - Phases

- **Phase I** - Brigham to CF Hawn Freeway
- **Phase II** - CF Hawn Freeway to Trinity Park (dead end)
- **Phase III** - Brigham to Hatcher



Background – Con't



Bexar Street Redevelopment Strategy

- Comprehensive community development approach, with emphasis on:
 - Mixed use redevelopment of neighborhood commercial spine (Bexar Street)
- Stabilization of existing residential neighborhood through targeted:
 - Home repair
 - Land banking/infill development
 - Street/sidewalk/infrastructure improvements
 - Code enforcement
 - Quality of life initiatives

Hai-Tak Enterprises, Inc.

Proposed Project – Bexar St. Phase I
5203 Bexar Street (Bldg. A)

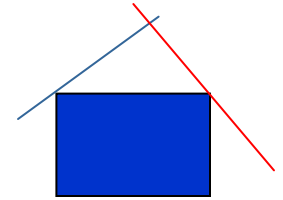


Hai-Tak Enterprises, Inc.

– Proposed Project at 5203 Bexar Street

- Proposed Project Plans (14,000 sq ft):
 - Commercial Space – Ground Floor
 - Suite A (4,500 sf) – People Helping People Program
 - Suite B (1,500 sf) – Neighborhood Retail (TBD)
 - Apartments – Second Floor
 - One Bedroom Units – 4 (Annex)
 - Two Bedroom Units – 4
 - Three Bedroom Unit - 1

Developer



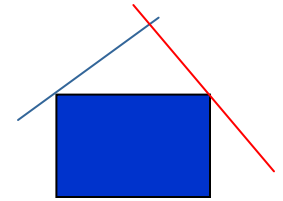
Hai-Tak Enterprises, Inc. (Hailu Ejigu)

- Existing Bexar Street business owner with approximately \$8.1M in residential & commercial real estate Property & Investments
 - Commodity Description: General merchandising /contracting
 - Year Started: 1985
 - Employees: 6
 - Dun & Bradstreet: Good Standing – No Negative Reporting
 - Principal: Hailu Ejigu
- Public/Private Partnership with existing property owner who is contributing \$215K in equity
- City prepaying 5 year lease for PHP – directly for hard construction cost (2nd City loan & 3rd City loan)
- Funding to include cost of Construction Manager (General Contractor) to ensure timely completion of project

Hai-Tak Enterprises, Inc.

Proposed Project - 5203 Bexar Street

Sources and Uses



SOURCES

1 st City Loan (CDBG 5yr burn-off)	\$ 455,000
2 nd City Loan (CDBG 5yr burn-off)	75,800
3 rd City Loan (HOME 5yr burn-off)	174,200
4 th City Loan (HOME 20yr @3%)	622,000
Developer Equity	<u>215,000</u>
TOTAL SOURCES	\$ 1,542,000

USES

Pre-Development & Soft Cost	\$ 270,000
Hard Costs	<u>1,272,000</u>
TOTAL USES	\$1,542,000

***Detailed Financials are attached as Exhibit 1**

Kaminski Holdings, Inc.

Proposed Project – Bexar St. Phase I

5208 Bexar Street (Bldg. B)



Kaminski Holdings, Inc.

– Proposed Project at 5208 Bexar Street, Con't.

Proposed Project Plans (13,400):

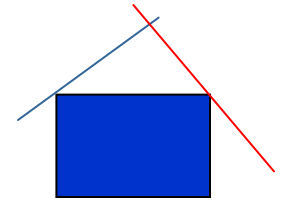
■ “Shops At Bexar” Commercial Space – Ground Floor

- Suite A (1,675 sf) – Owens Ice Cream Parlor
- Suite B (1,675 sf) – Quick Step Beauty Supply
- Suite C (1,675 sf) – Prestige Health Care Staffing
- Suite D (1,675 sf) - Available

■ Apartments – Second Floor

- Two Bedroom Units – 6

Developer



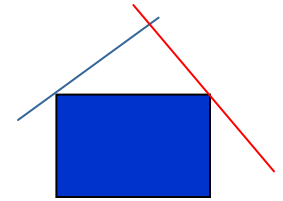
Kaminski Holdings, Inc.

- Kaminski Holdings, Inc. was founded in 2003
- Extensive development experience, including:
 - 18 unit Town Home project near downtown Dallas (Completed 2006)
 - Richland Chambers Lake Timeshare Project - 36 Units (Underway)
 - Richland Chambers Lake Homes – 2 Homes (Underway)
 - Gulf Coast Infill Development - 8 energy efficient disaster relief homes (Underway)
 - Port Arthur
 - Houston
 - Odessa

Kaminski Holdings

Proposed Project at 5208 Bexar Street

Sources and Uses



SOURCES

1 st City Loan (CDBG 5yr burn-off)	\$ 150,000
2 nd City Loan (CDBG 20yr @ 3%)	400,000
3 rd City Loan (HOME 20yr @3%)	550,000
Developer Equity	<u>145,000</u>
TOTAL SOURCES	\$ 1,245,000

USES

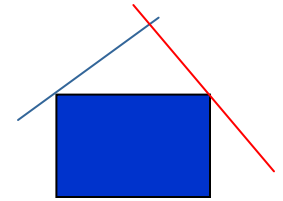
Pre-Development & Soft Cost	\$ 100,000
Hard Costs	<u>1,145,000</u>
TOTAL USES	\$ 1,245,000

***Detailed Financials are attached as Exhibit 2**

Funding Sources

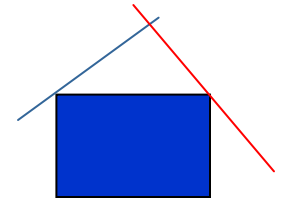
- Currently, federal sources are budgeted for other programs
- Need:
 - HOME Funds of \$1,346,200
 - CDBG Funds of \$475,800
- Recommended Budget Changes:
 - 2009-10 HOME Funds to be transferred from Reconstruction/SHARE Program to Bexar Street Mixed Use Program in the amount of \$1,346,200
 - 2006-07 CDBG Funds budgeted for Downtown Mortgage Assistance Program to be transferred to Bexar Street Mixed Use Program \$475,800 and to Reconstruction/SHARE Program \$1,474,200
 - There have been no loans made under the Downtown MAP
 - Inquiries have been minimal, with most calls from individuals whose annual incomes exceed 80% AMFI
 - Downtown TIF funds are still available for the funding of affordable housing in Downtown area - \$1M

Recommendation



- City loans \$1.822M to Hai-Tak Enterprises & Kaminski Holdings using CDBG & HOME funds to facilitate the construction of two mixed-use buildings at 5203 & 5208 Bexar Street, consisting of 12,400 sf of retail space and 15 apartments.
 - Hai-Tak, Inc.
 - \$872,000
 - Kaminski Holdings, Inc.
 - \$950,000

Next Steps



□ January 13, 2010

■ Call for Public Hearing to reprogram:

□ \$1,346,200 of HOME Funds

□ \$1,950,000 of CDBG Funds

□ February 24, 2010

■ City Council Public Hearing/Council Action for reprogramming these funds

■ City Council Action on the proposed loans with Hai-Tak, Inc. and Kaminski Holdings, Inc.

Hai-Tak, Enterprises Development on Bexar Street - Phase I

Projected Income and Expenses - Year's 1-5

SALIENT FACTS

Total Loan Amount	\$622,000
D.S.C. at 3%	1.21
Total Loan to Value	41%

Assumption(s):	
Developer:	Hailu Invest Additional \$100K (\$215K Total)
City Loan 1:	\$300,000 CDBG Loan (5yr burn-off) Existing
City Loan 2:	\$250,000 CDBG & HOME Loan (5yr burn-off)
City Loan 3:	\$622,000 20yr @ 2% (HOME Funds)

As of November 19, 2009

INCOME PROJECTIONS (November 2009)

Exhibit

1

Revenue Stream	Price Per Square	Monthly Sales	Annual
Main Floor - People Helping People	\$0.00	\$0.00	\$0.00
Main Floor - Other Retail	\$9.00	\$1,125.00	\$13,500.00
Second Floor - Residential Unit #1 - 2 bedroom (950sf)	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #2 - 2 bedroom (950sf)	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #3 - 2 bedroom (950sf)	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #4 - 2 bedroom (950sf)	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #5 - 3 bedroom (1100sf)	\$850.00	\$850.00	\$10,200.00
Annex Unit #1 - 1 bedroom (700sf)	\$600.00	\$600.00	\$7,200.00
Annex Unit #2 - 1 bedroom (700sf)	\$600.00	\$600.00	\$7,200.00
Annex Unit #3 - 1 bedroom (700sf)	\$600.00	\$600.00	\$7,200.00
Annex Unit #4 - 1 bedroom (700sf)	\$600.00	\$600.00	\$7,200.00
TOTALS		\$7,175.00	\$86,100.00
Gross Potential Income		\$7,175.00	\$86,100.00
Less: Residential Vacancy (10%)	10%	(\$605.00)	(\$7,260.00)
Less: Repairs (2%)	2%	(\$143.50)	(\$1,722.00)
EFFECTIVE GROSS INCOME		\$6,426.50	\$77,118.00
Less: Expenses			
Facilities Maintenance		(\$500.00)	(\$6,000.00)
Insurance		(\$400.00)	(\$4,800.00)
Utilities - Common Area		(\$250.00)	(\$3,000.00)
Taxes (Property)		(\$900.00)	(\$10,800.00)
Major Repair/Maintenance Escrow Account - 3%		(\$215.25)	(\$2,583.00)
TOTAL EXPENSES (% of EGI)		(\$2,265.25)	(\$27,183.00)
NET OPERATING INCOME		\$4,161.25	\$49,935.00

Derivation of Capitalization Rate

	Interest Rate	Years	%	Mortgage Constant	
Mortgage Constant	3.00%	20	0.75	0.0666	0.0499
Return on Equity			0.25	0.0800	0.0200
					0.069914

SAY

7.0%

Hai-Tak, Enterprises Development on Bexar Street - Phase I

Projected Income and Expenses - Year's 6-20

SALIENT FACTS

Total Loan Amount	\$622,000
D.S.C. at 2%	1.86
Total Loan to Value	41%

Assumption(s):	
Developer:	Hailu Invest Add \$100K (\$215K Total)
City Loan 1:	\$300,000 CDBG Loan (5yr burn-off) Existing
City Loan 2:	\$250,000 CDBG & HOME Loan (5yr Burn Off)
City Loan 3:	\$622,000 20yr @ 2% (HOME Funds)

As of November 19, 2009

INCOME PROJECTIONS (November 2009)

Revenue Stream	Price Per Square	Monthly Sales	Annual
Main Floor - People Helping People	\$9.00	\$3,000.00	\$36,000.00
Main Floor - Other Retail	\$9.00	\$1,125.00	\$13,500.00
Second Floor - Residential Unit #1 - 2 bedroom (950sf)	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #2 - 2 bedroom (950sf)	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #3 - 2 bedroom (950sf)	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #4 - 2 bedroom (950sf)	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #5 - 3 bedroom (1100sf)	\$850.00	\$850.00	\$10,200.00
Annex Unit #1 - 1 bedroom (700sf)	\$600.00	\$600.00	\$7,200.00
Annex Unit #2 - 1 bedroom (700sf)	\$600.00	\$600.00	\$7,200.00
Annex Unit #3 - 1 bedroom (700sf)	\$600.00	\$600.00	\$7,200.00
Annex Unit #4 - 1 bedroom (700sf)	\$600.00	\$600.00	\$7,200.00
TOTALS		\$10,175.00	\$122,100.00
Gross Potential Income		\$10,175.00	\$122,100.00
Less: Residential Vacancy (10%)	10%	(\$605.00)	(\$7,260.00)
Less: Repairs (2%)	2%	(\$203.50)	(\$2,442.00)
EFFECTIVE GROSS INCOME		\$9,366.50	\$112,398.00
Less: Expenses			
Facilities Maintenance		(\$500.00)	(\$6,000.00)
Insurance		(\$450.00)	(\$5,400.00)
Utilities - Common Area		(\$300.00)	(\$3,600.00)
Taxes (Property)		(\$1,200.00)	(\$14,400.00)
Major Repair/Maintenance Escrow Deposit		(\$508.75)	(\$6,105.00)
TOTAL EXPENSES (% of EGI)		(\$2,958.75)	(\$35,505.00)
NET OPERATING INCOME		\$6,407.75	\$76,893.00

Derivation of Capitalization Rate

	Interest Rate	Years	%	Mortgage Constant	
Mortgage Constant	2.00%	20	0.75	0.0607	0.0455
Return on Equity			0.25	0.0800	0.0200
					0.065530
				SAY	6.6%

Exhibit
1
(cont.)

Kaminski Holdings Development (Lot B) on Bexar Street - Phase I

Projected Income and Expenses - Interest Only Year's 1-5

SALIENT FACTS

Total Loan Amount	\$950,000
D.S.C. at 3%	0.37
Total Loan to Value	63%

Assumption(s):	Kaminski Invest \$145,000
City Loan 1:	\$400,000 CDBG Loan (5yr burn-off)
City Loan 2:	\$550,000 20yr @ 3% (HOME Funds)

As of November 19, 2009

INCOME PROJECTIONS (November 2009)

Revenue Stream	Price Per Square	Monthly Sales	Annual
Main Floor - Retail (A)	\$10.00	\$1,458.33	\$17,500.00
Main Floor - Retail (B)	\$10.00	\$1,458.33	\$17,500.00
Main Floor - Retail (C)	\$10.00	\$1,458.33	\$17,500.00
Main Floor - Retail (D)	\$0.00	\$0.00	\$0.00
Second Floor - Residential Unit #1 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #2 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #3 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #4 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #5 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #6 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
TOTALS		\$8,575.00	\$102,900.00
Gross Potential Income		\$8,575.00	\$102,900.00
Less: Residential Vacancy (10%)	10%	(\$420.00)	(\$5,040.00)
Less: Repairs (2%)	2%	(\$171.50)	(\$2,058.00)
EFFECTIVE GROSS INCOME		\$7,983.50	\$95,802.00
Less: Expenses			
Facilities Maintenance		(\$500.00)	(\$6,000.00)
Repair/Maintenance Escrow Account		(\$500.00)	(\$6,000.00)
Interest Only Payment - 3% (simple)		(\$2,375.00)	(\$28,500.00)
Insurance		(\$400.00)	(\$4,800.00)
Utilities - Common Area		(\$500.00)	(\$6,000.00)
Taxes (Property)		(\$1,050.00)	(\$16,000.00)
Contingency 5%		(\$428.75)	(\$5,145.00)
TOTAL EXPENSES (% of EGI)		(\$5,753.75)	(\$72,445.00)
NET OPERATING INCOME		\$2,229.75	\$23,357.00

Exhibit
2

Kaminski Holdings Development (Lot B) on Bexar Street - Phase I

Projected Income and Expenses - Year's 6-20

SALIENT FACTS

Total Loan Amount	\$800,000
D.S.C. at 3%	1.37
Total Loan to Value	53%

Assumption(s):	Kaminski Invest \$145,000
City Loan 1:	\$250,000 CDBG Loan @ 3%
City Loan 2:	\$550,000 20yr @ 3% (HOME Funds)

As of November 19, 2009

INCOME PROJECTIONS (November 2009)

Revenue Stream	Price Per Square	Monthly Sales	Annual
Main Floor - Retail (A)	\$11.00	\$1,604.17	\$19,250.00
Main Floor - Retail (B)	\$11.00	\$1,604.17	\$19,250.00
Main Floor - Retail (C)	\$11.00	\$1,604.17	\$19,250.00
Main Floor - Retail (D)	\$10.00	\$1,458.33	\$17,500.00
Second Floor - Residential Unit #1 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #2 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #3 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #4 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #5 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
Second Floor - Residential Unit #6 - 2 bedroom	\$700.00	\$700.00	\$8,400.00
TOTALS		\$10,470.83	\$125,650.00
Gross Potential Income		\$10,470.83	\$125,650.00
Less: Residential Vacancy (10%)	10%	(\$420.00)	(\$5,040.00)
Less: Repairs (2%)	2%	(\$209.42)	(\$2,513.00)
EFFECTIVE GROSS INCOME		\$9,841.42	\$118,097.00
Less: Expenses			
Facilities Maintenance		(\$500.00)	(\$6,000.00)
Repair/Maintenance Escrow Account		(\$500.00)	(\$6,000.00)
Insurance		(\$400.00)	(\$4,800.00)
Utilities - Common Area		(\$500.00)	(\$6,000.00)
Taxes (Property)		(\$1,050.00)	(\$16,000.00)
Contingency 5%		(\$523.54)	(\$6,282.50)
TOTAL EXPENSES (% of EGI)		(\$3,473.54)	(\$45,082.50)
NET OPERATING INCOME		\$6,367.88	\$73,014.50

Derivation of Capitalization Rate

	Interest Rate	Years	%	Mortgage Constant	
Mortgage Constant	3.00%	20	0.75	0.0666	0.0499
Return on Equity			0.25	0.0800	0.0200
					0.069914
				SAY	7.0%

MARKET DEBT SERVICE ANALYSIS

Exhibit
2
(cont.)