

January 8, 2020

**WHEREAS**, the city of Dallas (“City”) recognizes the importance of its role in local economic development; and

**WHEREAS**, it is in the interest of the City of Dallas to support and secure the establishments, expansions, and relocations of business operations within the city of Dallas and the economic vitality and employment opportunities that these business operations bring for Dallas residents; and

**WHEREAS**, P3 Holdings, LLC, or an affiliate (“P3”) currently owns and operates three Royal Blue Grocery stores in the city of Dallas; and

**WHEREAS**, P3 proposes to further expand its operations in the city of Dallas with plans to renovate an existing vacant building currently located at 634 West Davis Street to establish and operate a Royal Blue Grocery Store (RB), thereby stimulating economic development, job creation, and increased business activity in the city of Dallas; and

**WHEREAS**, the proposed project will not occur without an offer of financial assistance from the City; and

**WHEREAS**, on June 12, 2019, City Council authorized the re-adoption of the city of Dallas’ Public/Private Partnership Program Guidelines and Criteria for the period of June 30, 2019 through December 31, 2019, which established programs for making loans and grants of public money to promote local economic development and to stimulate business and commercial activity in the City of Dallas pursuant to the Economic Development Programs provisions under Chapter 380 of the Texas Local Government Code (“Economic Development Act”) by Resolution No. 19-0891; and

**WHEREAS**, the proposed project complies with the City’s Public/Private Partnership Program – Guidelines and Criteria for the Neighborhood Commercial Retail Development Grant Program; and

**WHEREAS**, consistent with the authority granted under the Economic Development Act and the City’s Public/Private Partnership Program - Guidelines and Criteria, staff recommends that the City enter into an economic development grant and loan agreement with P3 and provide this incentive as a part of the City’s ongoing program to promote local economic development and to stimulate business and commercial activity in the city of Dallas.

**Now, Therefore,**

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF DALLAS:**

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**SECTION 1.** That the City Manager is hereby authorized, upon approval as to form by the City Attorney, to execute a Chapter 380 economic development grant and loan agreement with P3 Holdings, LLC, or an affiliate in an amount not to exceed \$700,000.00 to provide a Chapter 380 conditional grant to reimburse eligible expenses associated with the renovation, occupancy and opening of a Royal Blue Grocery store at 634 West Davis Street (“Davis St. Store”) shown on **Exhibit A** (Map) and a working capital term loan to provide working capital needed to support all Royal Blue Grocery store locations in Dallas.

**SECTION 2.** That the City of Dallas shall pay a conditional economic development grant payable from 2017 general obligation bond funds in an amount not to exceed \$350,000.00 and provide a working capital term loan payable from the Public/Private Partnership Fund in the amount of \$350,000.00, for a total incentive not to exceed \$700,000.00.

**SECTION 3.** That the economic development conditional grant shall be paid when the following key conditions are satisfied:

- (a) P3 shall execute a minimum ten-year lease for the Davis St. Store by March 31, 2020 and continually occupy such space for the term of the lease.
- (b) P3 shall document a minimum private investment in the Davis St. Store and other Dallas, Texas stores of \$1.0 million including equipment, build-out, construction, and other hard costs and other construction-related soft costs such as design and engineering (excluding attorney’s fees, developer fees, leasing commissions, or other profit items). P3 shall incur these costs prior to March 31, 2021.
- (c) Funds expended on or after March 25, 2019 (the date of the City’s initial offer letter to P3 for the expansion of Royal Blue Grocery operations in Dallas) shall count towards the minimum private investment requirement established under this current offer.
- (d) The project shall include the 100% renovation and build-out of the Davis St. Store by March 31, 2021.
- (e) P3 shall obtain construction permit(s) for the Davis St. Store by March 31, 2020.
- (f) P3 shall complete the construction of the Davis St. Store and obtain the final Certificates of Occupancy (CO) or equivalent evidence of completion of the Davis St. Store by March 31, 2021.
- (g) A minimum of 50% of all new P3 employees hired on or after the date of the City Council authorization shall be residents of the City of Dallas (“Local Hiring Requirement”).

**SECTION 3.** (continued)

- (h) P3 shall make a good faith effort to comply with the 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 on the project and meet all reporting requirements.
- (i) The conditional grant shall be secured by a performance leasehold deed of trust recorded in the real property records of Dallas County against P3's interests in the W. Davis Store.
- (j) The City's lien shall have second lien priority behind a senior lender to be approved by the Director of the Office of Economic Development (OED).
- (k) Upon submission of a formal request by P3, project deadlines may be extended up to 6 months, subject to approval by the OED Director.
- (l) In the event the OED Director determines the project has been delayed as a result of force majeure, P3 shall have additional time to complete the project as may be required, if P3 is diligently and faithfully pursuing completion of the project as determined by the OED Director. Extension of project deadlines as a result of force majeure shall not require City Council approval. "Force majeure" shall mean any contingency or cause beyond the reasonable control of Developer including, without limitation, acts of nature or the public enemy, war, riot, civil commotion, insurrection, state, federal or municipal government, or de facto governmental action (unless caused by acts or omissions of P3), fires, explosions, floods, and strikes.
- (n) P3 shall serve as a mentor to individuals/companies seeking to operate grocery concepts/stores in southern and West Dallas.
- (o) P3 shall seek to establish partnerships with the Dallas Independent School District, [such as Skyline High School's Career Development Center in Culinary Arts](#) and Dallas County Community College District to provide opportunities for individuals interested in the food industry.
- (p) P3 shall also host a minimum of one (1) vendor day events in which Dallas based food entrepreneurs from southern and West Dallas will have the opportunity to pitch their food products.

**SECTION 3.** (continued)

- (q) P3 shall contribute 10% of the gross potential savings from \$700,000 of economic development incentives to a fund that shall be utilized to support Dallas food entrepreneurs based in southern and West Dallas. The contribution shall be paid to the City of Dallas at closing and the fund shall be administered by the City. Savings shall be calculated by taking the market rate cost of \$700,000.00 at 6% over five years vs. the cost of the City's incentives.

**SECTION 4.** That the terms of the working capital term loan are the following:

- (a) Interest Rate: 3% (flat simple interest)
- (b) Maturity: 60 months (five years)
- (c) Amortization: 60 months (five years)
- (d) Repayment: Monthly Principal and Interest Payment (\$6,289.04) beginning on the first day of the month after the grant and loan are paid.
- (e) The loan shall be payable after the Davis Street Store has received a final Certificate of Occupancy and is open to the public.
- (f) P3 shall maintain a minimum debt service coverage of 1.25 to 1.0 for all Dallas RBG stores.
- (g) The loan shall be secured by a deed of trust in the amount \$350,000.00 recorded in the real property records of Dallas County against all ownership and leasehold interests of P3 in the city of Dallas, including the West Davis store.
- (h) The loan shall also be secured by a UCC-1 Financing Statement recorded in the real property records of Dallas County and securing a lien against all personal property, including, but not limited to, any and all equipment, fixtures, inventory, accounts, chattel paper, documents, instruments, investment property, general intangibles, letter-of-credit rights and deposit accounts now owned and hereafter acquired by P3 in the city of Dallas.
- (i) The obligations secured by the loan's deed of trust and financing statement shall be additionally secured by a guaranty executed by the guarantors.
- (j) The City's lien and financing statement shall have second lien priority behind a senior lender to be approved by the Director of the Office of Economic Development.

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**SECTION 5.** That key provisions for compliance, default, and recapture shall include:

- (a) P3 shall maintain 100% occupancy of the Davis St. store and all other RBG stores existing in the city of Dallas as of the date of City Council approval of the incentives as Royal Blue grocery stores for no less than five years.
- (b) All employees of Royal Blue Grocery stores in Dallas hired on or after the date of the City Council authorization of the proposed incentive agreement shall be paid an average minimum starting hourly wage of \$15.00 per hour including tips (excluding overtime, bonuses, and benefits).
- (c) P3 shall meet all annual reporting requirements including:
  - Annual CPA prepared financial statements (Income Statement, Balance Sheet, Statement of Cash Flows)
  - Annual Sales Data and Performance (Annual Customer Counts) for the Davis St. Store.
  - Upon advanced request, permit staff from the Office of Economic Development access to review and document all records and related investment obligations contained herein and to monitor and confirm compliance with the Incentive agreement.
- (d) The Compliance Period shall commence upon the payment of the incentives and terminate upon the 5th anniversary thereof. During the compliance period, the City has the right to declare P3 in default, require immediate repayment of City loan assistance, terminate the agreement, and pursue other enforcement options if P3 fails to:
  - Operate a grocery store at 634 W. Davis St. during the Compliance Period.
  - Maintain the store throughout the Compliance Period.
  - Submit annual compliance reports that contain the information as listed above.
  - Obtain OED Director approval for the sale, lease, sublease, or other transfer of any component of the project occurring prior to the end of the Compliance Period.
  - Otherwise fulfill the obligations of the Incentive agreement.
- (e) Failure to maintain and operate a grocery store during the Compliance Period shall be a default of the Conditional Grant and the Working Capital Loan, and an uncured default shall require repayment of the Working Capital Term Loan and may result in enforcement of the City's security interests, enforcement of the guaranty, or any other action allowed by law.

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**SECTION 6.** That the City Manager is hereby authorized to do the following:

Pursuant to Section 2, Section 3, Section 4 and Section 5 of this resolution, increase appropriation in the Public Private Partnership (“PPP”) Fund, Fund 0352, Department ECO, Unit VI11, Activity PPPF, Object 3015 in an amount not to exceed \$350,000.00 subject to annual appropriation.

**SECTION 7.** That pursuant to Section 2, Section 3, Section 4 and Section 5 of this resolution, the Chief Financial Officer is hereby authorized to encumber and disburse funds to P3 Holdings, LLC, or an affiliate, Vendor VC20859 a total amount not to exceed \$700,000.00 from the funding sources listed and described below:

2017 Bond Fund

Fund 1V52, Department ECO, Unit VI11, Object 3016

Activity INFS, Program EC17VI11

Encumbrance/Contract No. CX ECO-2020-00012101-1                      \$350,000.00

Public Private Partnership Fund

Fund 0352, Department ECO, Unit VI11, Object 3015

Activity PPPF, Program EC17VI11

Encumbrance/Contract No. CX ECO-2020-00012101-2                      \$350,000.00

Total amount not to exceed                      \$700,000.00

**SECTION 8.** Pursuant to Section 4 and Section 7 of this resolution detailing the working capital term loan and after loan documents are signed and loan funds are disbursed, the Chief Financial Officer is hereby authorized to set up a notes receivable in the principal amount of loan disbursement not to exceed \$350,000.00 for the working capital term loan in the Public Private Partnership Fund, Fund 0352, Department ECO, Balance Sheet Account 023D notes receivable and deferred revenue Balance Sheet Account 0898.

**SECTION 9.** Pursuant to Section 4 and Section 7 of this resolution detailing the working capital term loan funded from the Public Private Partnership Fund, the Chief Financial Officer is hereby authorized to reverse the notes receivable set up for the repayment of the principal loan in an amount not to exceed \$350,000.00 in the Public Private Partnership Fund, Fund 0352, Department ECO, Balance Sheet Account 023D notes receivable and deferred revenue Balance Sheet Account 0898.

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**SECTION 10.** Pursuant to Section 4 and Section 7 of this resolution detailing the working capital term loan funded from the Public Private Partnership Fund and after loan documents are signed and loan funds are disbursed, the Chief Financial Officer is hereby authorized to set up an interest receivable annually in the amount of the interest for that corresponding year in the Public Private Partnership Fund, Fund 0352, Department ECO, Balance Sheet Account 028E interest receivable and deferred revenue Balance Sheet Account 0898. The total interest is \$27,342.50 over the 5-year term of the loan. The total principal and interest due from P3 Holdings, LLC, or an affiliate is \$6,289.04 monthly over the five-year term, in accordance with the working capital term loan agreement.

**SECTION 11.** Pursuant to Section 4 and Section 7 of this resolution detailing the working capital term loan funded from the Public Private Partnership Fund and after loan documents are signed and loan funds are disbursed, the Chief Financial Officer hereby authorized to reverse the interest receivable set up for the repayment of interest on the loan in the Public Private Partnership Fund, Fund 0352, Department ECO, Balance Sheet Account 028E interest receivable and deferred revenue Balance Sheet Account 0898.

**SECTION 12.** That this resolution shall take effect immediately from and after its passage in accordance with the provisions of the Charter of the City of Dallas, and it is accordingly so resolved.