

Memorandum



DATE September 2, 2022

CITY OF DALLAS

Honorable Members of the City Council Economic Development Committee: Tennell
TO Atkins, (Chair), Carolyn King Arnold, (Vice Chair), Adam McGough, Omar Narvaez,
Jaime Resendez, Chad West, Gay Donnell Willis

SUBJECT **Upcoming Agenda Item: Authorize amendment and assignment of incentive agreement to permit the developer's sale of 3540 Simpson Stuart Road (Save-U-More food store)**

At the September 28, 2022 agenda meeting, City Council will be asked to consider an item to authorize an amendment and assignment to the grant agreement between the City of Dallas and KRR Construction LTD, consent of sale, and a conditional loan subordination for the property located at 3540 Simpson Stuart Road. The proposed new buyer is A&S Supermarkets LLC or an affiliate or subsidiary thereof (Cash Saver or Buyer).

On October 23, 2013, the Dallas City Council authorized a \$1.5 million grant agreement between the City of Dallas and KRR Construction LTD for the development of the property at 3540 Simpson Stuart Road, Dallas, Texas as a grocery store. On December 10, 2014, City Council approved an increase to the grant agreement to a total of \$2.8 million for the development of a full-service grocery store at this location by Moran Foods, LLC ("Save A Lot"). The Save A Lot grocery store opened on October 28, 2016. The deed of trust required 10-year operations as a grocery store and performance for the grant was secured by a lien against the property. After ten years of operations as a grocery store, the obligation to repay the grant would be lifted.

After originally operating as a Save A Lot grocery store, the store brand was converted to a Save-U-More store. In January 2021, Save-U-More closed and the property is currently for sale. Buyer intends to purchase the building for \$1,900,000.00 and reopen the location as a Cash Saver grocery store. Buyer signed a letter of intent for a \$1,560,000.00 senior loan with American Continental Bank (the "senior lien") and intends to continue operations in accordance with the requirements of the City's grant agreement. The required term for continued grocery store operations to qualify for forgiveness of the City's grant is five years and nine months. In order for the sale and reopening to move forward, the City's lien must be subordinated to the senior lien as a condition of the senior lender's financing.

The September 28, 2022 agenda item will authorize an amendment to the contract between KRR Construction LTD and the City of Dallas to clarify that the remaining term of operations for the grocery store is five years and nine months, and to assign the contract to Buyer. Additionally, it authorizes the consent of the sale of the property located at 3540 Simpson Stuart from KRR Construction LTD to Buyer upon approval of senior financing, and authorize the subordination the City's lien to the senior lien.

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The letter of intent from American Continental Bank (ACB) identifies the following conditions that must be met before the final approval and funding of the loan including:

1. An appraisal showing that the as-is value of the property exceeds \$1.9M
2. A satisfactory environmental report
3. Tax forms, financial statements, credit histories, business plan, profit and loss projections, and other financial information from the company provided to the bank
4. Executed subordination agreement from the City of Dallas in favor of American Continental Bank

It is a condition of the City's consent that Buyer satisfy American Continental Bank's requirements (1-3 above) and close on the loan. If that does not occur, the City will not provide the consent or subordination. The City will also require that the store open by January 1, 2023.

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



Majed A. Al-Ghafry, P.E.
Assistant City Manager

c: T.C. Broadnax, City Manager
Chris Caso, City Attorney
Mark Swann, City Auditor
Billerae Johnson, City Secretary
Preston Robinson, Administrative Judge
Kimberly Bizer Tolbert, Deputy City Manager
Jon Fortune, Deputy City Manager

M. Elizabeth (Liz) Cedillo-Pereira, Assistant City Manager
Dr. Robert Perez, Assistant City Manager
Carl Simpson, Assistant City Manager
Jack Ireland, Chief Financial Officer
Genesis D. Gavino, Chief of Staff to the City Manager
Directors and Assistant Directors