



Legislation Text

File #: 22-2030, Version: 1

STRATEGIC PRIORITY: Economic Development
AGENDA DATE: September 28, 2022
COUNCIL DISTRICT(S): 8
DEPARTMENT: Office of Economic Development
EXECUTIVE: Majed Al-Ghafry

SUBJECT

Authorize **(1)** assignment of the Chapter 380 Economic Development Grant Agreement ("grant agreement") between KRR Construction LTD. and City of Dallas for the property located at 3540 Simpson Stuart Road to A&S Supermarkets LLC or an affiliate or subsidiary thereof (Cash Saver or Buyer); **(2)** execution of an assignment, amendment, and restatement of the grant agreement, as applicable, and any ancillary documents, approved as to form by the City Attorney; **(3)** execution of an assignment and amendment of the deed of trust, as applicable, and any ancillary documents, approved as to form by the City Attorney; and **(4)** the subordination of the Chapter 380 grant to American Continental Bank - Financing: No cost consideration to the City

BACKGROUND

On October 23, 2013, Dallas City Council authorized a \$1.5 million grant agreement between the City of Dallas and KRR Construction, LTD. for the acquisition and redevelopment of the property at 3540 Simpson Stuart Road ("Property") and unimproved property located at 3546 Simpson Stuart Road in Dallas, Texas. 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 the Property by Moran Foods, LLC ("Save A Lot").

in March 2015, the City and KRR Construction, LTD. executed 1) a Chapter 380 Economic Development Grant Agreement ("the grant agreement"), requiring KRR Construction LTD. to acquire and redevelop the Property located at 3540 Simpson Stuart Road and to operate a grocery store on the Property for a ten-year period in consideration for the \$2,800,000.00 grant funds ("the grant") and providing that after ten years of operations as a grocery store, KRR Construction, LTD. shall be released from liability to repay the grant, 2) a Deed of Trust securing performance under the grant agreement ("the deed of trust"), and 3) deed restrictions ("the deed restrictions") restricting Property use and preventing Property sale or transfer of ownership without consent and approval of the City, as authorized by Resolution Nos. 13-1864 and 14-2140.

KRR Construction LTD. acquired and redeveloped the Property and opened a Save-A-Lot grocery

store on or about October 28, 2016. 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. Therefore, KRR Construction LTD. ceased operating a grocery store on the Property five years and nine months before the applicable ten-year period ended.

A & S Supermarkets, LLC (Buyer) intends to purchase the Property for \$1,900,000.00 and reopen the location as a Cash Saver grocery store. The 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 remaining term for continued grocery store operations to qualify for forgiveness of the City’s grant is five years and nine months. 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. Additionally, the City must provide its consent to the sale of the Property from KRR Construction, LTD. to the Buyer, upon approval of senior financing.

To proceed with the closing, an assignment of the grant agreement to the Buyer, an amendment of the grant agreement, an assignment of the deed of trust to the Buyer, and amendment of the deed restrictions are necessary. The amendments to the grant agreement and deed restrictions will clarify the applicable terms, including that the remaining term of operations for the grocery store is five years and nine months and that the use of the property shall to be restricted to a grocery store use for this remaining term.

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

1. An appraisal showing that the as-is value of the property exceeds \$1.9 million
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

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

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On October 23, 2013, City Council authorized a Chapter 380 Economic Development Grant pursuant to the Texas Local Government Code in the amount of \$1,500,000 to KRR Construction, LTD. for the acquisition and redevelopment of improved property located at 3540 Simpson Stuart Road and unimproved property located at 3546 Simpson Stuart Road in Dallas, including associated closing costs, pre-development, relocation, environmental, and demolition costs by Resolution No. 13-1864.

On December 10, 2014, City Council authorized a contract amendment to increase the funding by \$1,300,000.00 for the Chapter 380 Economic Development Grant Agreement with KRR Construction, LTD. thereby increasing the contract from \$1,500,000.00 to a total amount not to exceed \$2,800,000.00 for the purchase and installation of business personal property and equipment

required pursuant to the terms of the lease agreement with Moran Foods, LLC (Save A Lot) for the Simpson Stuart/Bonnie View Grocery Store Project by Resolution No. 14-2140.

On December 14, 2016, City Council authorized an increase to the Chapter 380 grant agreement amount by \$20,000.00 to partially offset the \$40,000.00 cost of enhanced security fencing for the Save A Lot grocery store project located at 3540 Simpson Stuart Road by Resolution No. 16-1952.

[The Economic Development Committee was briefed by memorandum regarding this matter on September 6, 2022. <https://cityofdallas.legistar.com/View.ashx?M=F&ID=11200657&GUID=EBF24DF5-1A88-40D9-ACF8-D18173BE821B>](https://cityofdallas.legistar.com/View.ashx?M=F&ID=11200657&GUID=EBF24DF5-1A88-40D9-ACF8-D18173BE821B)

FISCAL INFORMATION

No cost consideration to the City.

OWNER

A&S Supermarkets LLC

Ali Saleh, Owner