



**CITY COUNCIL  
COMMUNICATION:**

**ITEM \_\_\_\_\_**

**02-113**

**OFFICE OF THE CITY MANAGER  
CITY OF DES MOINES, IOWA**

**AGENDA:**

**SYNOPSIS -**

MARCH 4, 2002

On the March 4, 2002 Council agenda is a roll call approving and authorizing execution of documents for a \$2,000,000 United State Department of Housing and Urban Development (HUD) Section 108 Loan and a \$1,000,000 HUD Economic Development Initiative (EDI) Grant, and approving the related loan and security documents for SNAG LLC (hereinafter referred to as developer) for the development of a 35,000 square foot full service grocery store near the intersection of 7th and University Avenues in the City of Des Moines Enterprise Community.

**SUBJECT:**

SECTION 108 LOAN  
AND EDI GRANT  
DOCUMENTS FOR  
GROCERY STORE  
DEVELOPMENT AT  
SEVENTH AND  
UNIVERSITY

By Roll Call No. 01-1750, dated June 4, 2001, Council approved a development agreement with SNAG, LLC for this project. The \$2,000,000 HUD Section 108 Loan and the \$1,000,000 EDI Grant are part of the financing package approved in the development agreement.

**TYPE:**

**FISCAL IMPACT -**

**RESOLUTION**  
ORDINANCE  
RECEIVE/FILE

The HUD Section 108 Loan does not constitute a general debt obligation upon the City. The \$2,000,000 HUD Section 108 Guaranteed Loan is secured by a first real estate mortgage on the project and will be repaid by the developer over a term of 20 years.

**SUBMITTED BY:**

RICHARD CLARK  
DEPUTY MANAGER

The land and building for the grocery store project have been appraised at \$3,000,000. Of the EDI Grant proceeds, \$300,000 shall be retained in a reserve fund and pledged as collateral for the Section 108 Loan.

If the developer defaults on the payment of the Section 108 Loan, the City will be responsible for the payments, which will be made from the \$300,000 reserve fund and foreclosure and sale of the improved project property. If a balance on the Section 108 Loan remains after applying proceeds from liquidating the collateral, future HUD Community Development Block Grant (CDBG) payments to the City must be used to repay the remaining balance on the Section 108 Loan.

**RECOMMENDATION -**

**Approve the roll call which authorizes the Mayor and City Clerk to execute the related documents.**

**BACKGROUND -**

The developer/operator is a group comprised of Greg Stewart, Nick Nichols, Marvin Alexander, and Franklin Green (incorporated under the name SNAG, LLC).

The developer has purchased the necessary project land and has begun construction of the project near the intersection of 7th and University Avenues in the City of Des Moines Enterprise Community. The project will create an estimated 100 employment opportunities and provide needed retail services to Enterprise Community residents. It will also act as a catalyst for further commercial redevelopment along the Sixth Avenue corridor in the Enterprise Community.

The developer, working with SuperValu-the nation's largest wholesale distributor to the grocery store industry, estimates the costs to construct and open the store at about \$7.4 million. Following is a proposed uses and sources table based on known land and site construction costs:

Use	Cost	Source
Land Acquisition	\$1,832,500	\$1,450,740 EC Funds 400,000 City ED Loan
Site Prep	451,000	
Architecture and Engineering Fees	312,000	755,000 Developer Cash
Building Construction	2,298,000	2,000,000 Section 108 Loan
Equipment	1,790,000	1,000,000 EDI Grant 1,227,500 Bank Financing
Inventory	630,000	150,000 SuperValu
Pre-Opening Expense	60,000	390,260 Trade Payables
Total	\$7,373,500	\$7,373,500