

City of Sacramento

Legislation Text

File #: 2021-00306, Version: 1

Title:

Loan Agreement with 4401 Broadway Investors, LLC for 4401 Broadway - Rancho San Miguel Market [Published for 10-Day Review 03/25/2021]

File ID: 2020-00306

Location: 4401 Broadway, District 5

Recommendation:

Adopt a Resolution: 1) establishing the Oak Park Revolving Loan Fund Program (I02423100) project; 2) authorizing the City Manager or the City Manager's designee to realign project budgets to establish a \$1.1 million revolving loan fund program (I02423100); 3) authorizing the City Manager or City Manager's designee to enter into a Loan Agreement with 4401 Broadway Investors, LLC, affiliate of SKK Development, for \$1.1 million for the renovation of 4401 Broadway as a new Rancho San Miguel Market; and 4) authorizing the City Manager or the City Manager's designee to implement any necessary financial transactions for the administration of the City revolving loan fund programs authorized by the City Council beginning in FY2020/21.

Contact: Leslie Fritzsche, Economic Investment Manager, (916) 808-5450, Office of Innovation and Economic Development, Office of the City Manager

Presenter: None

Attachments:

1-Description/Analysis

2-Loan Agreement with 4401 Broadway Investors, LLC for 4401 Broadway

3-Resolution

Description/Analysis

Issue Detail: Beginning in 1996, the Redevelopment Agency assisted in the acquisition and consolidation of parcels at the northwest corner of Stockton Boulevard and Broadway to bring a needed grocery store to the Oak Park area. The project was successful with the development and opening of a 51,000 sq. ft. Food Source grocery store in 1999 which was later joined by a bank and other ancillary uses. That store operated until March 2020 and since then the location has been vacant, leaving a gap in food access and grocery options for the local residents. Oak Park and the surrounding area is a food desert and lacks any full-service grocery operations.

The owner of the site, 4401 Broadway Investors, LLC, an affiliate of SKK Development previously

known as Broadway/Stockton Food Source Investors LLC, has secured a Letter of Intent from an experienced grocery store operator, PAQ, Inc., to open its first Sacramento Rancho San Miguel Market at this location with a 20 year lease envisioned. Though the building was previous a grocery, its fixturing and equipment were antiquated and did not meet the standards of today's grocery store offerings. Given the needed building investment and the over \$6 million in investment needed for fixtures, equipment, inventory and beginning operations, the owner of the property has requested a loan from the City in order to undertake the renovation work needed to provide a lease rate that will be able to bring a grocery store operator to this location. A copy of the proposed Loan Agreement is included as Attachment 2.

Since this loan is for over \$1 million a 10-day posting was required and it was posted on March 25, 2021. This publication listed the BroadwayStockton Food Source Investors LLC name as the entity entering into the loan Agreement. This name has been changed to 4401 Broadway Investors, LLC. as reflected in this report and the attached agreements.

Policy Considerations: The 4401 Broadway Project is consistent with the 2030 General Plan as it will add to the vitality of the Stockton and Broadway commercial corridors and provide needed food access to the Oak Park and Tahoe Park areas.

The Sacramento City Code Section 4.04.020 and Council Rules of Procedure (Chapter 7, Section E.2.d) mandate that unless waived by a 2/3 vote of the City Council, all labor agreements and all agreements greater than \$1,000,000 shall be made available to the public at least ten (10) days prior to council action. This contract was published for 10-day review on March 25, 2021 as required.

Economic Impacts: The store will serve as an anchor for the Broadway/Stockton corridor and compliment the other commercial activities underway for the corridor. The multi-billion dollar Aggie Square project lies just a few blocks to the north of this site.

The economic impact estimates are calculated using a calculation tool developed by the Center for Strategic Economic Research (CSER). The total estimated cost of renovation for the Rancho San Miguel Market Project is \$3 million, which is projected to create 14.1 direct jobs and 8.1 indirect jobs. Additionally, according to the CSER calculation over \$1.877 million in direct output and over \$1 million in indirect or induced activities will be generated by the renovation of the building. Actual impacts could differ significantly from the estimates and neither the City of Sacramento nor CSER shall be held responsible for consequences resulting from such differences.

The total project cost will exceed \$ 6 million, including the building renovation, fixtures, equipment and inventory for the new location. The project will generate an estimated 75-100 jobs.

Environmental Considerations: The proposed action includes providing financing for the rehabilitation of an existing commercial space. There would be negligible or no expansion of use at

the site, and no significant exterior changes would be made to the building. Environmental Planning Services has reviewed the project and has determined it is exempt from review under the California Environmental Quality Act (CEQA) pursuant to section 15301 of the CEQA Guidelines (Cal. Code Regs., tit. 14, §15000 et seq.), which covers the repair and minor alteration of existing structures. No unusual circumstances are present that could result in a significant effect, and there are no significant cumulative effects from the action.

Sustainability: The 4401 Broadway is an infill project and comports with the City's sustainable infill goals.

Commission/Committee Action: None.

Rationale for Recommendation: Recent years have seen sustained efforts to bring additional resources, stability and increased prosperity to the Oak Park area. Critical to that vibrancy of the neighborhood is access to a full-service grocery store. With the closure of the Food Source store, there is not a full-service grocery store in this area of Oak Park. The proposed loan with the property owner, 4401 Broadway Investors, LLC, an affiliate of SKK Development, would provide resources to rehabilitate the site and bring needed improvements to the building so it can be utilized as a new Rancho San Miguel Market.

PAQ, Inc., a food service provider, is an employee-owned company that has been in operation and headquartered in the Central Valley since 1995. Currently PAQ has 14 stores throughout the Central Valley. They are new to the Sacramento market, with the Rancho San Miguel Market on the Stockton Blvd corridor being their first location in the region. They anticipate hiring approximately 70 employees for the store and have agreed to enter into a local hiring agreement to focus their recruitment on the residents within the surrounding zip codes (95817, 95829, 95824, and 95828). It is currently envisioned that approximately 75% of the jobs will come from the local area. They will utilize SETA and local employment training providers and community-based organizations to assist them with the recruitment, hiring and training of the store's employees.

The store will be a full-service grocery store and include full groceries, fresh fruits and vegetables, a Carniceria with a full array of meats and cheeses, an on-site bakery and prepared food for dining in or take-out.

If the funding is approved, the developer and store operator would begin work immediately with a target opening date of fall 2021.

Financial Considerations: Previously, the Oak Park Redevelopment bond funds which are leveraged for this loan were pledged for the Oak Park Project with the Sierra Health Foundation. That project contemplated acquisition of buildings in Oak Park. One building

on Alhambra was purchased and retained, but there was no other progress on the project. Therefore, the Oak Park Redevelopment Bond funds can be reallocated to other projects in the Oak Park redevelopment project area. Since these tax-exempt bond funds can't be used as a loan with repayment, it is necessary to transfer the bond funds to City projects listed below funded by Measure U and General Fund resources. These funding transfers will free up the resources to fund the loan as shown below. There is no change in status on the Measure U and General Fund projects and they will be implemented as planned. This recommended fund transfer merely changes the funding source for those projects.

Project Name (Project No.)	Fund Name (Fund No.)	Expenditure Budget
Oak Park Broadway (I02180300)	2005 TAB Oak Park CIP TE (Fund 3817)	(1,100,00)
Subtotal I02180300		1,100,00
Stockton Boulevard Specific Plan (I22000100)	2005 TAB Oak Park CIP TE (Fund 3817)	1,100,00
	Measure U Fund (Fund 2401)	(1,100,00)
Subtotal I22000100		-
Sacramento River Parkway Bike Trail (K15185000)	Measure U Fund (Fund 2401)	1,100,00
	General Fund (Fund 1001)	(1,100,00)
Subtotal K15185000		-
Oak Park Revolving Loan Fund (I02423100)	General Fund (Fund 1001)	1,100,00
	General Fund (Fund 1001)	(1,100,00)
	Revolving Loan Fund (Fund 2029)	1,100,00
Subtotal I02423100		1,100,00
Net Change		\$ -

The total project cost for the building renovations, and the tenant's fixtures, equipment, inventory and initial operating costs is \$6 million. The property owner will utilize the \$1.1 million loan proceeds toward the cost of building renovations. The 18-year loan will bear a 4% interest rate with payments beginning in the 11th year from loan disbursement. A copy of the loan agreement is included as Exhibit A.

In the City's effort to increase in investment in our underserved communities, opportunities to establish revolving loan fund programs have increased necessitating the need for additional financial authority. The following financial authority is included in the Resolution and will be included in the Budget Resolution beginning in FY2021/22.

- The City Manager or the City Manager's designee is authorized to implement any necessary financial transactions for the administration of the City revolving loan fund programs authorized by the City Council beginning in FY2020/21.

Since the original source for this loan was Oak Park redevelopment bond funds, it is recommended that the funds from the repayment of this loan be used for improvements within the Oak Park and

Stockton Blvd redevelopment project areas.

Local Business Enterprise (LBE): None at this time.