

**CITY COUNCIL
COMMUNICATION:**

ITEM _____

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

02-426

SYNOPSIS -

AGENDA:

AUGUST 5, 2002

SUBJECT:

PRELIMINARY
APPROVAL OF
SUBORDINATION
AGREEMENT FOR
GROCERY STORE
DEVELOPMENT AT
SEVENTH AND
UNIVERSITY

On the August 5, 2002 Council agenda is a roll call approving a subordination agreement between the City and Neighborhood Finance Corporation (NFC) relating to equipment financing for the Top Value Foods grocery store being developed near the intersection of Seventh and University Avenues in the City of Des Moines Enterprise Community. The subordination agreement will provide NFC a collateral position on the project site that is junior to the City's Section 108 Loan and senior to the City's forgivable loans.

FISCAL IMPACT -

Approval of the subordination agreement does not change the financial obligations as approved in the development agreement.

RECOMMENDATION -

Approval.

TYPE:

**RESOLUTION
ORDINANCE
RECEIVE/FILE**

BACKGROUND -

SUBMITTED BY:

RICHARD CLARK
DEPUTY CITY
MANAGER

The NFC and The Corporation for Economic Development in Des Moines have been working with the grocery store developers/operators to arrange about \$1.3 million in equipment financing. NFC has approved a loan to the grocery store for \$791,870 to finance the purchase of equipment, subject to obtaining a second mortgage on the project site as collateral. In addition, The Corporation for Economic Development in Des Moines has obtained approval for a \$554,000 Small Business Administration (SBA) 504 Loan as part of the equipment financing.

By Roll Call No. 01-1750, dated June 4, 2001, Council approved a development agreement by and between the City and SNAG, LLC to develop and operate the grocery store. The store will be operated

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

Pursuant to the development agreement, the City has provided a \$2,000,000 Section 108 Loan secured by a first real estate mortgage on the project site, as well as an Economic Development Forgivable Loan in the amount of \$400,000 and an Enterprise Community Forgivable Loan in the amount of \$1,450,740, both secured by a second real estate mortgage on the project site.

The subordination agreement will provide NFC a collateral position on the project site junior to the City's Section 108 Loan and senior to the City's forgivable loans.
