



Legislation Details (With Text)

**File #:** 66044      **Version:** 1      **Name:** Authorizing a Grant Commitment to Luna's Grocery and an Amendment to the Economic Development Division Budget

**Type:** Resolution      **Status:** Passed

**File created:** 6/15/2021      **In control:** Attorney's Office

**On agenda:** 7/6/2021      **Final action:** 7/6/2021

**Enactment date:** 7/12/2021      **Enactment #:** RES-21-00485

**Title:** Authorizing a Grant Commitment to Luna's Grocery and amending the 2021 Adopted Capital Budget to transfer six hundred and ten thousand dollars (\$610,000) from the Economic Development Division's Small Business Equity and Recovery Program to the Healthy Retail Access Program and to establish an additional one hundred seventy thousand dollars (\$170,000) of budget authority from the Madison Capital Revolving Loan Fund to the Healthy Retail Access Program to fund the total seven hundred and eighty thousand dollar (\$780,000) Grant Commitment.

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**Indexes:**

**Code sections:**

**Attachments:** 1. Luna's Groceries Grant Memo - Legistar 66044 - 6-21-21.pdf, 2. 6-21-21 Written Public Comment 66044.pdf, 3. 2107096\_Common Council Registrants Report.pdf

Date	Ver.	Action By	Action	Result
7/6/2021	1	COMMON COUNCIL	Adopt - 15 Votes Required	Pass
6/21/2021	1	FINANCE COMMITTEE	RECOMMEND TO COUNCIL TO ADOPT (15 VOTES REQUIRED) - REPORT OF OFFICER	Pass
6/15/2021	1	COMMON COUNCIL	Refer	Pass
6/15/2021	1	Attorney's Office	Referred for Introduction	

**Fiscal Note**

The proposed resolution authorizes a \$780,000 grant to Luna's Grocery to assist with the owner's financing for a grocery store at the redevelopment of 1402 South Park Street, pursuant to the development agreement adopted by RES-19-00819 (File 58251). The proposed grant will be funded by transferring \$610,000 from the Small Business Equity and Recovery (SBER) capital program to the Healthy Retail Access Program and by establishing an additional \$170,000 of budget authority to the Healthy Retail Access Program from available fund balance in the Madison Capital Revolving Loan Fund. The SBER capital program has \$1.1 million in remaining budget authority and the Madison Capital Revolving Loan Fund ended fiscal year 2020 with \$344,000 in unassigned fund balance.

**Title**

Authorizing a Grant Commitment to Luna's Grocery and amending the 2021 Adopted Capital Budget to transfer six hundred and ten thousand dollars (\$610,000) from the Economic Development Division's Small Business Equity and Recovery Program to the Healthy Retail Access Program and to establish an additional one hundred seventy thousand dollars (\$170,000) of budget authority from the Madison Capital Revolving Loan Fund to the Healthy Retail Access Program to fund the total seven hundred and eighty thousand dollar (\$780,000) Grant Commitment.

## Body

WHEREAS on December 3, 2019, the City of Madison as authorized by Legistar #58251 selected Rule Enterprises, LLC and Movin' Out, Inc (collectively, the "Developer") to undertake the redevelopment of the Property; and

WHEREAS as directed by Legistar #58251 City Staff negotiated a Development Agreement (the "Development Agreement") with the Developer to undertake said redevelopment of the Property and was subsequently executed on May 12, 2021; and

WHEREAS, the Development Agreement authorizes the sale of the Property by the City to the Developer, provided that the Developer has secured all Municipal development and zoning approvals and secured all necessary financing to construct a private development (the "Development") that consists, in part, of a grocery store of no less than twenty-four thousand (24,000) square feet (the "Grocery"); and

WHEREAS, the owner and operator of the Grocery is the undersigned Mariam Maldonado (the "Owner"); and

WHEREAS, the Owner is required by her lender to provide evidence of equity in the amount of ten-percent (10%) of Owner's total loan amount of Eight Million Nine Hundred Thousand Dollars (\$8,900,000) (the "Loan"), which equity totals Eight Hundred and Ninety Thousand Dollars (\$890,000) (the "Equity"); and

WHEREAS, Owner has not been able to secure the full amount of the Equity, and needs Seven Hundred and Eighty Thousand Dollars (\$780,000) (the "Grant"); and

WHEREAS, the Developer risks losing financing necessary to fund the construction of the Development or being charged financial penalties if the Owner is unable to secure the full Equity in July; and

WHEREAS, the Common Council of the City of Madison is committed to addressing food insecurity in the neighborhood surrounding the Property, and the Grocery is a fundamental aspect of that goal and has already authorized Healthy Retail Access Program funds to the Grocery; and

WHEREAS, the Owner has previously volunteered to Madison's Living Wage to the employees of the Grocery given that the market requires the same; and

WHEREAS, the City has agreed to provide the Grant as a pledge to help secure the Loan in 2021, with the understanding that the Grant shall not be drawn until 2022 subject to the conditions contained herein; and

WHEREAS, the City previously operated a Madison Capital Revolving Loan Fund that continues to receive loan repayments, creating a current available balance of approximately \$170,000; and

WHEREAS, the City still has budget capacity through the adopted 2021 Capital Budget for the Small Business Equity and Recovery (SBER) program.

NOW THEREFORE BE IT RESOLVED, that the Common Council hereby agrees to provide the Grant materially, though not exclusively, on the following terms and conditions:

1. The City shall provide a funding commitment of Seven Hundred and Eighty Thousand Dollars (\$780,000) (the "Grant") in support of the Grocery.

2. The Grant shall be drawn no sooner than one year from the closing date of the Project as described in the Development Agreement. Notwithstanding the foregoing, a portion of the Grant, up to ten percent (10%) of Owner's real estate acquisition loan (approximately \$4,600,000), shall be available at the closing on the Property, in order to finance the cost of white box construction (the "White Box Payment").

3. It is agreed and understood that Owner shall continue to use all commercially reasonable efforts to secure the Equity without use of the Grant.

4. The Grant (except the White Box Payment) shall be disbursed to the Grocery upon completion

of the following terms and conditions:

a. Providing evidence of financial commitments to complete the build out of the tenant improvements for the Grocery. The City shall have the right to review the finances, in a manner satisfactory to the City, with the lender providing such commitment.

d. Evidence, including a pro forma, showing the Grocery's ability to support twenty (20) full time equivalent jobs created by the Grocery voluntarily paying a Living Wage as defined by the City of Madison Finance Department (\$13.86/hour for 2021) per hour, and maintaining those jobs for five years.

5. Repayment. The Grant shall not be subject to repayment unless a default occurs.

BE IT FURTHER RESOLVED that the 2021 Economic Development Division Capital Budget is amended by transferring \$780,000 into the Healthy Retail Access Program (Project #63009) from available cash balance in the Madison Capital Revolving Loan Fund (\$170,000) and from unencumbered funds in the Small Business Equity and Recovery Program (\$610,000; Project #13072), to be encumbered for this Grant as described more fully above; and,

BE IT FINALLY RESOLVED that the Mayor and City Clerk are authorized to execute a financial commitment letter and any other documents necessary to accomplish the goals of this resolution in a form to be approved by the City Attorney.