

Downtown Grocery Project



**FULL COMMISSION
AUGUST 30, 2018**



Process

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Commission Process

▪ **Tonight's Consent Agenda:**

- *Resolution No. 1:* Authorize the execution of the Management Agreement with MERC
- *Resolution No. 2:* Authorize CAO to expend up to \$6 million for planning, design and construction of a downtown grocery facility
- *Resolution No. 3:* Set the public hearing date to establish the Downtown Grocery TIF District

- Resolutions advanced unanimously from ED&F on August 20th.

▪ Public Process Update:

- Planning Commission (Sept 10th)

▪ Internal Process Update:

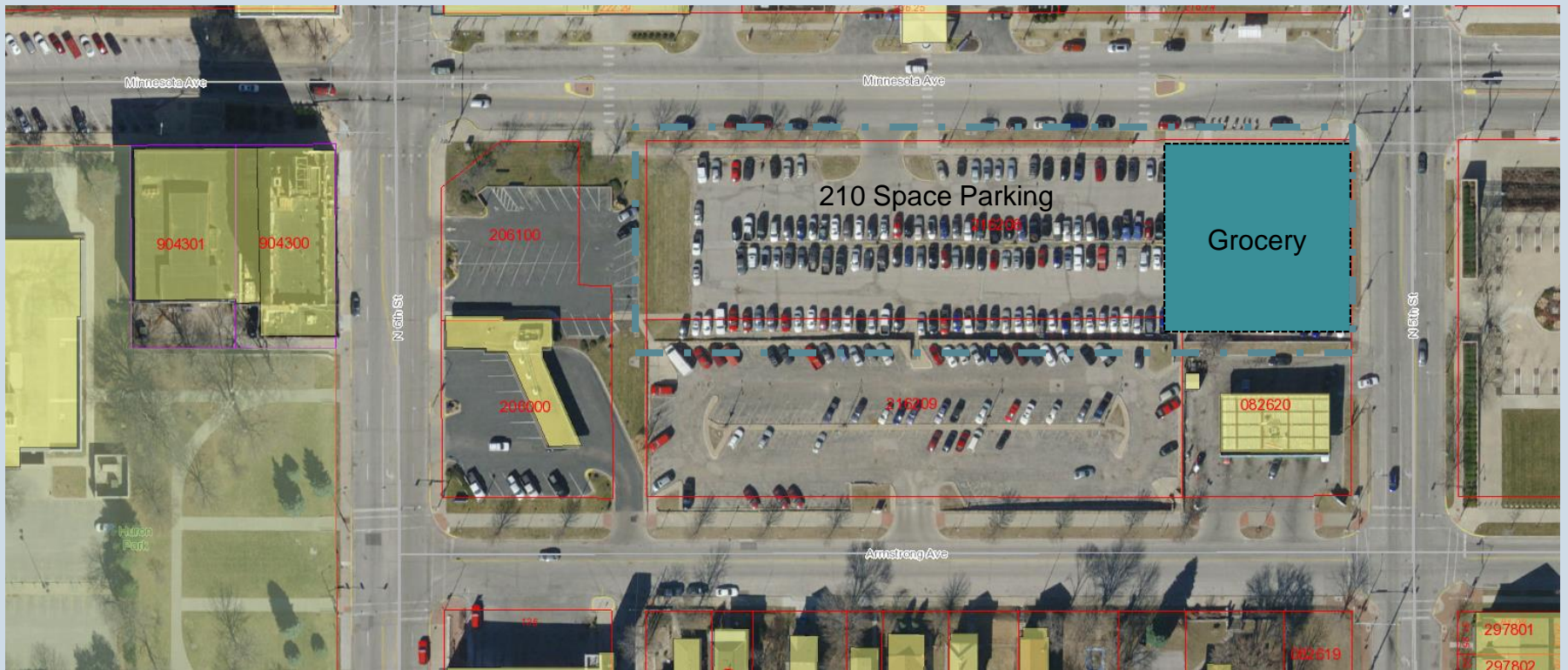
- Architect begin work
 - Engineering, traffic et al
- RFP: General Contractor
- Public Works, BPU



The Project

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Location of the new downtown grocery store -- 5th Street & Minnesota Avenue



The Project

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The proposed operator of a new downtown grocery

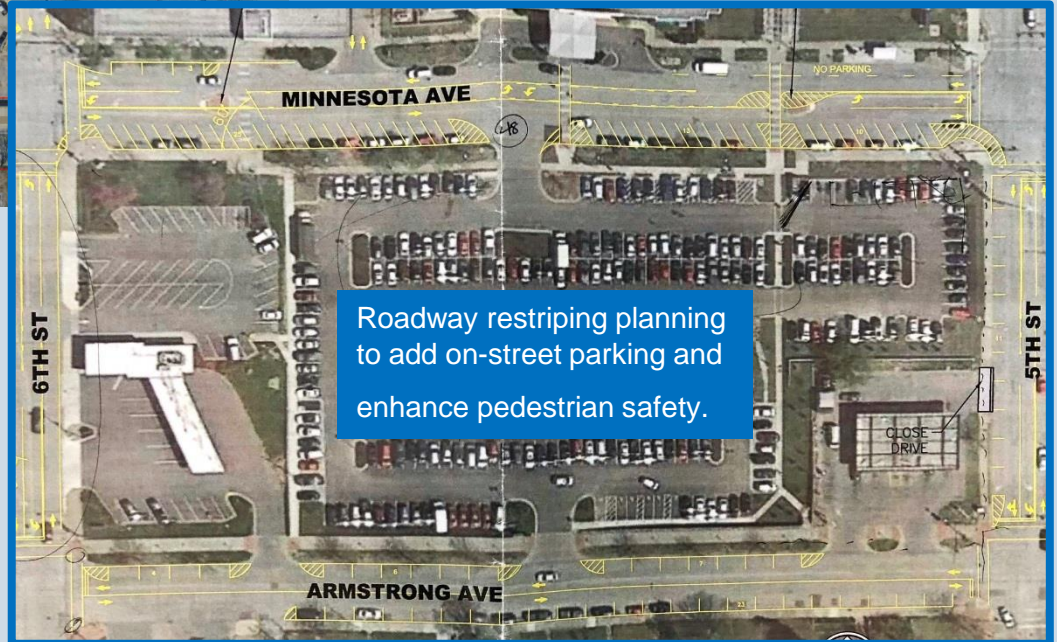
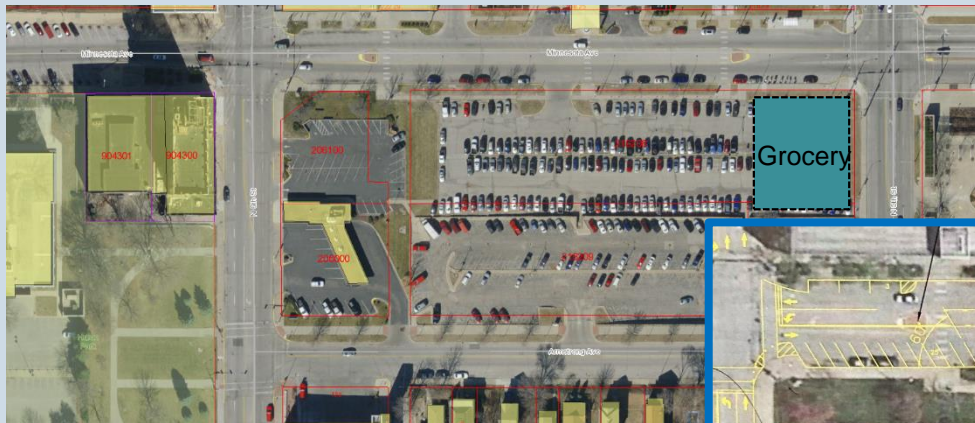
The Merc Co+op will provide our community a place to shop, gather, eat and learn by offering real food and sustainable products at reasonable prices through cooperative ownership and responsible commerce.



The Project

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Location of the new downtown grocery store - Enhancements



The Merc

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The Merc Co+op

The UG will develop a proposed 12,000-14,000 sq/ft full-service grocery store. The Merc will operate under a Management Agreement. The project is proposed as a \$6 million development.

- If budget allows up to 3,000 sq/ft of additional retail space might be constructed for other needed services.
- 100% renewable energy will power the grocery store.

Why the Merc?

- They've been interested in KCK from the beginning.
- They have experience operating a high quality full-service grocery.
- As a co-op they are focused on local relationships, local neighborhood needs and building community benefits.
- They are committed to being responsive and stocking what the community wants.
- They buy local and partner with local food growers.
- The Merc provides food education; Including cooking classes and healthy eating programs.
- Their ideal store size is one that is financially viable for us to construct, and we believe it will be financially successful to operate.



The Merc

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99¢



The Merc has already engaged the Northeast and Downtown communities to determine the desired mix of products, prices, and programs.

JULY 4-10, 2018



Save \$3
True Story Uncured
Beef Hot Dogs
antibiotic, hormone, nitrate free
10 oz. all varieties
LOCATED IN OUR FREEZER SECTION



Save \$2 lb
Vesecky Family
Farms Chicken
Leg Quarters
antibiotic free



2/\$5
Pretzella Hot Dog
& Hamburger Buns
10.4-12.8 oz. all varieties
Save \$1.58 on two



\$3.99
Garret Valley Sugar
Free Paleo Bacon
antibiotic free, hormone free
8 oz. Save \$2



Save \$3 lb
Wild Caught
Pacific Cod
sustainable, ocean friendly



2/\$4
Barbara's
Cheese Puffs
5.5-7 oz. all varieties
Save \$1.98 on two



2/\$5
Late July
Crackers
6 oz. all varieties
Save \$2.38 on two

Join us for a class!



**Let's Explore Cell Salts,
The Everyday Medicine**
with Renee Duggan
Monday, July 16
6:00-7:00 p.m.
\$5 per person



All About Keto
with Angie Schoenherz MNT
Tuesday, July 24
7:00-9:00 p.m.
\$22 per person



**Corn & Zucchini-Recipes
for Summer's Abundance**
with Chef Inga Koudelitz
Wednesday, July 25
7:00-9:00 p.m.
\$25 per person

Details and full class calendar online at www.TheMerc.Coop

Pick up our Co+op Deals flyer to find more great ways to save!



Project Financials

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The Merc Co+op Project Financials

- The project is envisioned as a \$6 million project
- The cost includes all construction costs, FF&E, grand opening and stabilization fund.
- The project will be funding through:
 - Direct UG use of the Hotel Revenue Fund
 - Sales Tax & Property Tax TIF will also be used to recoup expenditure.
- No CID will be utilized to ensure sales tax on food is not increased
- Project is designed to provide for a long-term stable and successful grocery downtown.
- Project is designed so that the building can be sold to a private entity in the future and the revenue redeployed to future UG development needs.



Project Financials*

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- **Funding Sources****
 - UG Cash Contribution (Hotel Revenue Fund): \$3.2 million
 - Sales Tax & Property Tax TIF: \$1.6 million
- **Project Costs**
 - Estimated construction costs: \$2.5 million
 - Furniture, fixtures & equipment: \$1.5 million
 - Professional services: \$500,000
 - Project contingency: \$500,000
 - Potential stabilization guarantee: \$540,000

* All financials are based on conservative performance via two feasibility studies

** Extensive conversations with alternative sources of funding to provide up to \$2 million with very favorable terms

Project Financials

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- **OPERATING STABILIZATION GUARANTEE**

- The Merc and the UG share the risk and reward
 - If loss, then 50/50 split for first three (3) years
 - If profit, then Merc pays a portion of revenues to the UG

- UG max contribution over 3 years = \$540,000

Schedule of Quarterly Sales Stabilization Benchmarks			Contribution %	Quarterly Cap
1st Year	Q3	\$ 700,000	50%	\$ 100,000
	Q4	\$ 728,000	50%	\$ 100,000
2nd Year	Q1	\$ 764,000	25%	\$ 50,000
	Q2	\$ 803,000	25%	\$ 50,000
	Q3	\$ 771,000	25%	\$ 50,000
	Q4	\$ 802,000	25%	\$ 50,000
3rd Year	Q1	\$ 837,000	15%	\$ 35,000
	Q2	\$ 875,000	15%	\$ 35,000
	Q3	\$ 845,000	15%	\$ 35,000
	Q4	\$ 875,000	15%	\$ 35,000

- MERC commitment to operate for 3 years

Management Agreement

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The Merc Co+op Project Status

- The Management Agreement terms was unanimously approved by the Merc Board of Directors on August 6th.
- The agreement includes:
 - Hours of operation
 - Services
 - Community benefits
 - Financial structure
- The UG has vetted the location and has assembled cost projections.
- The UG team has architects and engineers ready to begin work.

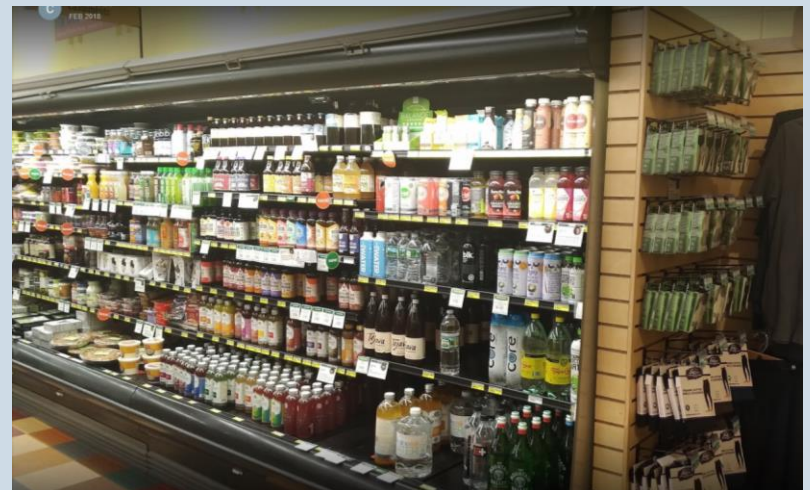


Management Agreement

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Options & Opportunities

- The grocery project allows for the UG to proceed with design/construction of the grocery store while also continuing to work with possible master – developers for other portions of the project area.
- Project may include more retail and residential in future phases (through a private developer).
- We are working with neighborhood stakeholders to determine what other services are needed in the area. Discussions have included a Farmers Market and a pharmacy.



Next Steps

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Next Steps & Timing

- September:
 - Begin architectural design
 - Begin design and construction bid process
 - Continue discussions with development partners additional retail
 - Continue work on alternative funding sources to further leverage UG investment.
- October:
 - Reach final cost estimate and design program
 - Determine groundbreaking and construction timeline
 - **Update Standing Committee (ongoing)**



Commission Consent Agenda

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- **Item No. 1 – RESOLUTION: MANAGEMENT AGREEMENT FOR DOWNTOWN GROCERY STORE**
 - Authorize the execution of the Management Agreement with MERC

- **Item No. 2 – RESOLUTION: PLANNING, DESIGN CONSTRUCTION AND STABILIZATION FUND FOR A DOWNTOWN GROCERY STORE**
 - Authorize CAO to expend up to \$6 million for planning, design and construction of a downtown grocery facility

- **Item No. 3 – RESOLUTION: SET PUBLIC HEARING DATE FOR DOWNTOWN GROCERY REDEVELOPMENT DISTRICT**
 - Set the public hearing date to establish the Downtown Grocery TIF District

The Project

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Questions & Answers

