



DATE: December 28, 2011

TO: Thomas J. Bonfield, City Manager
THROUGH: Keith Chadwell, Deputy City Manager
FROM: Kevin Dick, Director, Office of Economic and Workforce Development
Christopher Dickey, Senior Manager - Economic Development
SUBJECT: Public Hearing for Economic Development Incentive with Contract Moran Foods, Inc. d/b/a Save-A-Lot

Executive Summary

This item describes the economic development project proposed by Moran Foods, Inc. d/b/a Save-A-Lot (Save-A-Lot) within the Community Development Area in the City of Durham (CDA) outside the downtown development tier. It also describes a proposed economic development incentive contract between Save-A-Lot and the City of Durham.

Recommendation

The Office of Economic and Workforce Development (OEWD) recommends that the City Council:

- 1) authorize a public hearing on the proposed economic development incentive agreement per G.S. 158-7.1, and;
- 2) authorize the City Manager to execute an economic development incentive agreement with Moran Foods, Inc. d/b/a Save-A-Lot in an amount not to exceed \$150,000.00 for a building renovation project at 812 Liberty Street, Durham NC to operate a neighborhood grocery store.

Background

On April 4, 2011 the City Council approved an economic incentive policy amending the earlier policy approved on May 17, 2010, which included, the Neighborhood Revitalization Grant Incentive Program. Projects to be funded through this program are intended:

- to stimulate economic revitalization by leveraging private investment
- to create and retain permanent full-time livable wage jobs

- to make permanent jobs accessible to lower income neighborhood residents including persons who are unemployed
- to engage community involvement and support
- to strongly encourage local partnerships
- to complement other neighborhood initiatives, projects and programs
- to leverage other funding resources

In order to be eligible for an incentive payment under the “Neighborhood Revitalization Grant Incentive Program,” the capital investments must be made within the (CDA) outside the downtown development tier. The project should have a substantial impact on the physical economic vitality of the affected neighborhood which will strengthen the City of Durham tax base in that area. The maximum incentive award may be up to 50% of the total capital investment made for a total incentive payment but not exceed \$ 500,000.00. The policy is “performance-based.” No incentives will be paid to the company until after the company has achieved the terms of the economic incentive agreement.

Save-A-Lot has applied to OEWD for a Neighborhood Revitalization Grant Incentive, in support of its proposed expansion within the CDA outside the downtown development tier. Save-A-Lot is a discount supermarket chain headquartered in Earth City, Missouri, near St. Louis and is a wholly owned subsidiary of the affiliated parent company SUPERVALU. The company is a community-minded grocery chain with approximately 1,300 locations in urban and rural communities spanning 40 states.

Save-A-Lot is proposing the renovation of a blighted vacant building (the Old Winn Dixie) at the corner of Liberty Street and Alston Avenue to operate a 12,202 square foot corporate owned grocery store. The company expects to create 13 new jobs by the end of 2012. Save-A-Lot has committed to utilizing the Durham Job Link Career Center as its primary resource for hiring a qualified and diverse workforce. Positions would have a range of salaries from \$8.00 per hour to \$62,000 per year. The total development cost of the project is estimated to be \$2,106,660.00 and capital investment expenditures portion of the project is \$1,584,010.00.

A Neighborhood Revitalization Grant Incentive to Save-A-Lot would revitalize a vacant, dilapidated piece of property and would be a catalyst project to attract additional businesses, retailers, services and home ownership opportunities to this area. By funding of the project, the City would be undergoing a vital activity in community capacity building outlined in the Neighborhood Assessment Plan of 2006 and NECD Livability Initiative. Capital expenditures on items that are non-removable real property or personal property will add to tax values in the City. Visible improvements to this business property also will act as catalysts for additional investment, and added tax base, by others. The Neighborhood Revitalization Grant Incentive program was created to serve and encourage this type of private investment.

Issues and Analysis

A major priority of the City of Durham is to increase and strengthen the economic stability of the City. The proposed project will produce \$1,971,284.00 in private investment producing a 1:13 ratio of private to public funding for this project.

Payments for Qualified Capital Expenditures The City agrees to pay Moran Foods, Inc. d/b/a Save-A-Lot up to \$150,000.00 to renovate the 812 Liberty Street for use as a retail grocery store comprising approximately 12,202 square feet of retail space.

Other requirements in order to be eligible for the incentives. These requirements include, but are not limited to the following:

- A Workforce Development Agreement to ensure that Durham residents get an opportunity to apply for positions through Job Link;
- The company must provide the City with evidence of capital investment expenditures for space to be occupied at relevant timeframes; and
- A Durham Based Business Plan to ensure that Durham-based businesses (including those certified by the City and other governing agencies as small and disadvantaged businesses) get opportunities to bid on work associated with the redevelopment project.

Alternatives

The City Council may reject the recommendation to approve the funding or may choose to award a grant for a different amount. Not funding the project would be inconsistent with the Neighborhood Revitalization Grant Incentive program in the CDA outside the downtown development tier. The proposed project will have positive effects on the appearance and business climate along the Alston Avenue corridor.

Financial Impact

Funding for this project will come from the FY 2012 Neighborhood Revitalization Fund allocation.

SDBE Summary

An SDBE summary is inapplicable because no project-specific goals have been set and no SDBEs are involved in this item

Attachments: Economic Development Incentive Agreement between the City of Durham & Moran Foods, Inc. d/b/a Save-A-Lot for Neighborhood Revitalization