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OFFICE OF THE CITY CLERK
OAKLAND

**REDEVELOPMENT AGENCY
OF THE CITY OF OAKLAND
AGENDA REPORT**

2009 DEC 22 PM 5: 53

TO: Office of the Agency Administrator
ATTN: Dan Lindheim
FROM: Community and Economic Development Agency
DATE: January 12, 2010

RE: **A Report and Agency Resolution Authorizing A Grant In An Amount Not to Exceed \$65,000, To Gazzali's Supermarket At 73rd and Bancroft Avenues in the Central City East Redevelopment Project Area to Pay Off An Economic Development Administration Working Capital Loan**

SUMMARY

Staff is recommending that City Council approve a resolution that authorizes a Central City East (CCE) Redevelopment Area grant in an amount not to exceed \$65,000 to assist the owners of Gazzali's Supermarket in paying off an Economic Development Administration (EDA) loan debt.

FISCAL IMPACT

- The funding source for the \$65,000 Central City East (CCE) Redevelopment Area is 9450 (Central City East Operations), Org. 88699 (Central City East Redevelopment Area), Project No. S233360 (Central City East Public/Private Development Fund).

Funds for this grant are included in the Agency's FY 2009-11 adopted budget, and approval and disbursement of the requested grant will reduce the Agency's Central City East Redevelopment Area Public/Private Development Fund by \$65,000.

The CCE Redevelopment grant will address the supermarket owner's current loan debt and offset operating income funds to sustain jobs and the future of this supermarket. Also, the grant funds will reinforce the supermarket's business productivity, and in so doing add revenue to the City through sales tax, business license, property tax revenue and increase local employment opportunities for Oakland residents.

BACKGROUND:

Gazzali's Supermarket, Inc. is a full service 30,000 square foot supermarket in Eastmont Mall located at the corner of Bancroft and 73rd Avenues. The store is in an ideal location in the corner position in the mall making it highly visible from both 73rd and Bancroft Avenues. The mall is easily accessible by car and provides ample parking for its customers, and it is also accessible by

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public transportation as four bus routes pass by the mall. In addition, Eastmont Mall houses a number of public service offices (i.e., Medical Services, Police, Head Start, Renal Care – Dialysis, etc.). The company opened in 2003. The Supermarket provides the broadest and deepest selection of ethnic foods focused on the Hispanic and African American markets in the area. In addition to providing grocery products, the supermarket also has a number of food service departments including an in-house bakery, a taqueria, a deli, and a floral shop. This ethnic product strategy along with competitive pricing fills an existing gap in the target market for a one-stop, full-service supermarket in this community.

The original EDA loan amount of \$65,000 was approved to the borrowers in December 2004, to provide adequate working capital to cover the business expenses through the startup phase, and to bring the deficit in operating expenses to a breakeven point. The terms of the EDA loan were re-negotiated the first part of this year in an effort to assist the borrower with a forbearance plan. This plan enabled the borrower to bring loan payments to a current status and initiate making monthly payments in a timely manner. The borrower has shown a "good faith" effort to make timely payments. Since the restructuring of the EDA loan (February 1, 2009) the borrower has conformed to the forbearance plan and has reduced the loan principal amount outstanding from \$72,374 to \$63,351. The maturity date of the loan is projected for January 1, 2014.

The owners of Gazzali's Supermarket are still experiencing cash-flow issues due to the downturn of the economy. Although over the years the store has experienced a gradual increase in shoppers, the cost of goods and services have doubled, leaving a minimum cushion of funds to pay their loan debt. The borrower's difficulty in meeting their many other obligations prevented the business from making their monthly debt service payments on the City's loan prior to the re-negotiation of the repayment terms. To maintain the only supermarket in this vicinity, and assist the borrowers in continuing to operate in a positive and progressive manner, staff proposes a grant of \$65,000 to address Gazzali's loan debt and allow Gazzali's management to focus on paying operating costs.

Staff presented the grant request of an amount not to exceed \$65,000 to the Central City East Project Area Committee (CCEPAC) on September 11, 2009. Several CCEPAC members articulated they lived in close proximity of the Gazzali's Supermarket and have seen improvements in the produce, products and customer services. It was also stated that the supermarket owners run a family business and have made an investment in the area that will provide potential growth and a capacity to hire Oakland residents. Overall, the CCEPAC was in favor of assisting the borrowers with reducing their loan debt by providing a grant not to exceed the \$65,000. The final motion of the CCEPAC to accept staff's recommendation of providing Gazzali's Supermarket up to \$65,000 in funds for assistance in paying down their City's loan debt was approved with a vote of 10 Ayes, 2 Noes, and 3 Abstentions.

Recommendations for Grant Proceeds:

Staff recommends the following actions as requirements for approval of a grant:

- Food merchandise and fresh produce should be from local food vendors and manufacturers;
- Every position is to be filled and at least three Oakland residents will be interviewed before hiring any candidate;
- Borrower will work directly with staff to participate in the Enterprise Tax Credit Zone Incentive Program which will allow the supermarket to reduce its state taxes by taking advantage of Enterprise Zone benefits; and
- Participate in the Created in Oakland Program, a small business technical assistance program designed to educate business owners about how to build their business capacity through growing their sales.

KEY ISSUES AND IMPACTS

The \$65,000 will be issued from the CCE Public/Private Development Funding Account. These funds will payoff the existing EDA loan and eliminate the supermarket's debt service to the City. By eliminating the scheduled monthly loan repayments on the City's existing EDA loan debt, the borrower will have a projected \$16,000 annually towards the supermarket's operating overall liabilities.

This will maintain the only supermarket in this vicinity, allow the borrowers to continue to operate the supermarket in a positive and progressive manner, and will support the supermarket as an established and expanding business with a strong probability of successfully creating and retaining jobs in Oakland.

PROJECT DESCRIPTION

The CCE Redevelopment grant will assist the owners with reduction of monthly loan debt, thereby offsetting cash flow to sustain overhead operational expenses and potentially maintain the existence and future growth of the business. This grant will also provide significant public benefits and will enable this business to hire local Oakland residents and provide a major sustainable community impact in East Oakland.

SUSTAINABLE OPPORTUNITIES

Economic: The \$65,000 grant will address the store owner's current loan debt and offset operating income funds to sustain the future of this supermarket.

Environmental: Environmental considerations are applied where applicable.

Social Equity: Loan and grant programs target traditionally underserved communities to provide services and jobs to residents in those communities. Also, this business supports living wage job growth in Oakland and provides the only supermarket in this vicinity.

DISABILITY AND SENIOR CITIZEN ACCESS

All of the City's commercial loan programs and technical assistance services will continue to be available to all Oakland citizens regardless of age or disability.

RECOMMENDATION(S) AND RATIONALE

Staff recommends City Council adoption of the resolution authorizing the Agency Administrator to approve a grant in an amount not to exceed \$65,000 to Gazzali's Supermarket.

This recommendation is being made because:

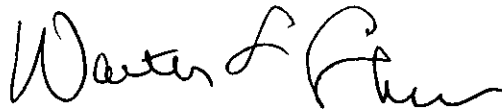
1. The supermarket currently provides employment to 25 Oakland residents, especially targeted in the Central City East and Coliseum Redevelopment Areas.
2. The grant will sustain the only full service supermarket in this vicinity providing food products and grocery retail services.
3. The grant will allow Gazzali's management team to focus on paying operating costs.

ACTION REQUESTED OF THE CITY COUNCIL AND REDEVELOPMENT AGENCY

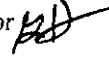
It is staff's recommendation that the City Council approve the attached Agency resolution that authorizes:

- The funding of a Grant not to exceed \$65,000 from Central City East Redevelopment District funds according to the staff recommendations listed in the resolution to assist the owners with the liquidation of existing City's EDA loan debt to allow an increase of adequate cash flow to cover increasing business expenses in a manner to sustain the only full service supermarket in the CCE Redevelopment Area.

Respectfully submitted,

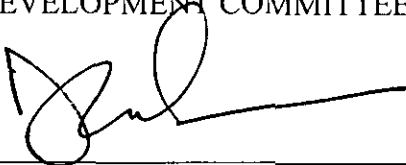


Walter S. Cohen, Director
Community and Economic Development Agency

Reviewed by: Gregory D. Hunter, Deputy Director 
Economic Development and Redevelopment

Prepared by: Lisa D. Brown, Commercial Loan
Administrator/Redevelopment Division

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC
DEVELOPMENT COMMITTEE:



Office of the Agency Administrator

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FILED
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OAKLAND

DRAFT

Agency Counsel

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**REDEVELOPMENT AGENCY OF
OF THE CITY OF OAKLAND**

RESOLUTION No. _____ C.M.S.

A RESOLUTION AUTHORIZING A GRANT IN AN AMOUNT NOT TO EXCEED \$65,000, TO GAZZALI'S SUPERMARKET AT 73RD AND BANCROFT AVENUES IN THE CENTRAL CITY EAST REDEVELOPMENT PROJECT AREA TO PAY OFF AN ECONOMIC DEVELOPMENT ADMINISTRATION WORKING CAPITAL LOAN

WHEREAS, the Redevelopment Agency of the City of Oakland (the "Agency") is a catalyst through which a successful commercial, retail and industrial revitalization strategy can emerge in a redevelopment Project Area; and

WHEREAS, a key strategy and major goal of the Redevelopment Plan for the Central City East ("CCE") Redevelopment Project Area is to strengthen business function in the Project Area, and

WHEREAS, the Central City East Redevelopment Operating Expenditure account was established to utilize funds to strengthen retail and other commercial functions in the Project Area; and

WHEREAS, Gazzali's Supermarket Corporation ("Borrower") is in the Eastmont Mall located at the corner of Bancroft and 73rd Avenues, an ideal location in the corner position in the mall, making it highly visible from both 73rd and Bancroft Avenues and within the Central City East (CCE) Redevelopment Project Area, and

WHEREAS, in December 2004, the Borrower applied for and received from the City of Oakland, an Economic Development Administration ("EDA") loan in the amount of \$65,000 to provide adequate working capital to cover business expenses through the startup phase, and to attempt to reduce the deficit in operating expenses to a breakeven point, and

WHEREAS, the terms of the EDA loan were re-negotiated in early 2009 in an effort to assist the Borrower with a monthly payment schedule to repay the EDA loan, but the business has continued to experience cash-flow problems due to the downturn of the general economy; and

WHEREAS, staff recommends the funding of a grant in an amount not to exceed \$65,000 to the owners of the Gazzali's Supermarket to pay-down existing loan debt; and

WHEREAS, staff presented the proposed grant request to the Central City East Project Area Committee (the "PAC") on September 11, 2009 and the PAC approved a motion to accept staff's recommendation to provide Gazzali's Supermarket an amount of up to \$65,000; and

WHEREAS, the Agency's grant to Borrower will be used to sustain the only supermarket in this vicinity by reducing loan debt to the City of Oakland, thereby increasing the amount of Borrower's income available for operating expenses, which will assist the Borrower in continuing to operate this grocery store in a positive and progressive manner; and

WHEREAS, financial assistance from the Agency is necessary for the business' financial stability, and the assistance cannot be obtained on economically feasible terms in the private market; and

WHEREAS, the principals of Borrower are family members that are capable and experienced business owners who have made an investment in the area, with a commitment to hire Oakland residents and provide a full service supermarket in the CCE community; and

WHEREAS, for a period of at least one year from the date the grant is disbursed, the business will be required to remain in operation and to retain or create a total of at least 25 permanent jobs which shall be filled primarily by low- and moderate- income Oakland residents; and

WHEREAS, sufficient Central City East Redevelopment Project Area funds are available to fund the proposed grant not to exceed \$65,000, from the Central East Oakland Operations (9450), Central City East Redevelopment Area, (88699), Project No. S233360 (Central City East Public/Private Development Fund); and

WHEREAS, the requirements of CEQA, the CEQA Guidelines as prescribed by the Secretary for Resources, and the provisions of the Environmental Review Regulations of the City of Oakland have been satisfied; now, therefore, be it

RESOLVED: That the Agency hereby authorizes a grant from Central City East Redevelopment Project Area funds to Gazzali's Supermarket Corporation in amount not to exceed \$65,000, to pay off an existing City Economic Development Administration loan, thereby increasing the amount of business cash flow available for operations; and be it

FURTHER RESOLVED: That sufficient Redevelopment Agency CCE Redevelopment Funds are available and funds for the grant will be allocated from the Central East Oakland Operations (9450), Central City East Redevelopment Area (88699), Project No. S233360 (Central City East Public/Private Development Fund); and be it

FURTHER RESOLVED: That the Agency finds and determines the following:

1. That the use of tax increment funds from the Central City East Redevelopment Project Area for this grant is consistent with the redevelopment plan goal of retaining businesses in the Project Area;
2. That the funding of this grant to Borrower will benefit the Central City East Redevelopment Project Area by facilitating the continued operation of one of the few supermarkets in the area, thereby providing essential goods to area residents; and be it

FURTHER RESOLVED: That the making of an Agency grant shall be contingent upon and subject to such appropriate terms and conditions as the City Administrator, or his designee, may determine, which shall include, but not be limited to, the following:

1. Food, merchandise and fresh produce should be from local food vendors and manufacturers;

2. Every position is to be filled and at least three Oakland residents will be interviewed before hiring any candidate;
3. Borrower will work directly with staff to participate in the Enterprise Tax Credit Zone Incentives Program which will allow the supermarket to reduce its state taxes by taking advantage of Enterprise Zone benefits; and
4. Participate in Created in Oakland Program, a small business technical assistance program designed to educate business owners about how to build their business capacity through growing their sales; and be it

FURTHER RESOLVED: That the Agency has independently reviewed and considered this environmental determination, and the Agency finds and determines that this action complies with CEQA because this action on the part of the Agency is exempt from CEQA under Section 15061(b)(3) (activity covered by the general rule, no significant effect on the environment) and Section 15301 (existing facilities), of the CEQA Guidelines, and directs the Agency Administrator to file a Notice of Exemption and an Environmental Declaration (under California Fish and Game Code section 711.4) with the County of Alameda; and be it

FURTHER RESOLVED: That the Agency Administrator, or his designee, is authorized to conduct negotiations, execute documents, administer the contract and make amendments thereto, modify or extend the agreement, and take any other action necessary with respect to the agreements and their amendments, consistent with this Resolution and its basic purpose; and be it

FURTHER RESOLVED: That all agreements shall be approved as to form and legality by Agency Counsel and shall be placed on file in the Office of the Secretary of the Redevelopment Agency.

IN AGENCY, OAKLAND, CALIFORNIA, _____ 2009

PASSED BY THE FOLLOWING VOTE:

AYES - KERNIGHAN, NADEL, QUAN, DE LA FUENTE BROOKS, REID, KAPLAN AND
CHAIRPERSON BRUNNER

NOES -

ABSENT -

ABSTENTION -

ATTEST:

LATONDA SIMMONS
Secretary of the Redevelopment Agency
of the City of Oakland, California