



Legislation Text

File #: 24-0528, Version: 1

TO: Mayor and City Council

FROM: David Dibo
Executive Director, Division of Economic Development

DATE: July 9th, 2024

SUBJECT:

The granting of a forgivable loan to Carniceria El Paso Grande Corp and the Rodriguez Family, to assist in the opening of the long shuttered former Aldi's store located at 2134 West Galena Boulevard.

PURPOSE:

To approve a resolution allowing the city to make a \$325,000 loan that will be repaid to the city from 50% of new sales taxes generated from the new grocery store. This will assure that recent unforeseen setbacks, including supply chain issues that started with the pandemic, a fire at the east side store that disrupted daily operations, uninsured hail damage, and the failure of a contracted vendor, paid in advance, to deliver key equipment (litigation pending) does not further delay the opening of the west Galena store. The city's opportunity cost of not having the store open is about \$10,000 per month.

BACKGROUND:

Polo and Celia Rodriguez were able to use Polo's experience working at the Aurora Meat packing company in the 1970's to open a meat market/small grocery store out of the house where the family lived (El Paso Chico) and grow that into the popular grocery stores and tortillas production facility (El Paso Grande Supermercado, 634 E, New York St, El Paso Chico Mercado, 508 Grove St. and El Valle Florido, 275 Beach St,) for which they are know well known and admired throughout the Aurora community and the region. Their generosity both in supporting numerous social and community causes is inherent in the fabric of the family as is the support they have given through their business to countless individuals and families who have needed assistance.

During the pandemic the family contracted to purchase the former Aldi grocery store on the west side hoping to have it opened almost 2 years ago. Over the last couple years there was a fire at the east side location, causing the kitchen to be shut down and requiring substantial resources to make these repairs. Currently they are still preparing food in the other location, and taking it over daily to Grove St location. In April of 2023, the roof of the Galena property was damaged costing \$115,000. Trying to stay ahead of the well-known supply chain problems caused by the pandemic and using an intermediary/expediter, the family advanced/borrowed \$500,000, but the equipment was never delivered causing the family to have to repurchase the equipment and then retrofit certain interior spaces to accommodate the replaced equipment. This combined with the time delays and the cost of servicing loans that were taken out anticipating the earlier opening have cost many hundreds of

thousands of additional dollars. A lawsuit is about to be filed to seek recovery of these funds.

Fortunately, the established businesses have carried these losses but have caused a liquidity challenge. It is in the best interest of the city and El Paso to get the west side location open as soon as possible and assure the long-term viability of this now second-generation business. Currently the company employs over 60 Aurora residents, and the new store is anticipating employing a similar amount. To achieve the revenues that are being collected on the east side and are projected on the west side requires hundreds of thousands of visits by customers to these locations.

DISCUSSION:

The city has been working with Jaime Rodriguez, who runs the day-to-day operations of the company, as well as their accounting firm, banker, and attorney. In 2023, the company paid about \$110,000 in total sales and food and beverage taxes to the city. It is anticipated that the new store will generate at least this amount in total sales and food and beverage taxes to the city. If this resolution is approved, it is estimated that the new store will open by the beginning of August. It is difficult to anticipate when the store will open if this financing is not approved because it will be dependent upon residual cash flow from the existing businesses after the payment of debt service for the loans that have been taken out to purchase and construct the delayed west side location.

The proposal is for the city to advance the Rodriguez family \$325,000 which will enable them to stock the west side store, provide working capital, pay off the remainder balance of the roof repairs and install a needed new hood. The city would structure this as a forgivable loan, meaning that if the projections for revenues and related sales and food and beverage taxes to the city are met, (through an escrow account monitored by the city) and the city does in fact receive approximately \$110,000 annually in new/incremental taxes that would not be forth coming if the west side store did not open, then 50% of these taxes will be characterized as a debt service payments to amortize the \$325,000 and the other 50% would go into the general fund.

Based on these estimates, this \$325,000 loan will be paid back within 6 years. We have included language in the agreement (should the litigation/ settlement discussions result in a cash payment to the Rodriguez family for the undelivered but paid for equipment then the borrower will pay down the city's loan from all or part of these proceeds, subject to the first and second lenders rights.

If for whatever reason, these funds are not recovered by the city within this time frame, then Carniceria El Paso Grade Corp as well as the Rodriguez family will be responsible to pay the city the difference between what has been received and the \$325,000. In addition, the redevelopment/ forgivable loan agreement obligates the Rodriguez family to be fully insured for a business of this magnitude and have the City of Aurora as a named additional insured.

This deal structure creates a win/win outcome whereby the Rodriguez family can open their long-anticipated store and the city can start to receive net sales taxes and the city can start to receive new sales and food and beverage taxes.

Funding for this project will be expensed from account 101-1830-465.55-99.

IMPACT STATEMENT:

The adoption of the resolution will assure the opening of a new store, anticipated to draw customers

not only from Aurora but Montgomery, Sugar Grove and Yorkville as well and will give a boost to the shopping center that has not seen an operating store here for more than 8 years. The city will see benefits from new sales and food and beverage taxes and will get paid 100% of the advanced funds. The community will continue to benefit for the largesse of the Rodriguez family honoring the legacy of Polo and Celia.

RECOMMENDATIONS:

That the resolution be adopted

cc: Finance Committee



CITY OF AURORA, ILLINOIS

RESOLUTION NO. _____

DATE OF PASSAGE _____

A Resolution Approving a forgivable loan to Carniceria El Paso Grande Corp and the Rodriguez Family, to assist in the opening their facility at 2134 West Galena Boulevard.

WHEREAS, the City of Aurora has a population of more than 25,000 persons and is, therefore, a home rule unit under subsection (a) of Section 6 of Article VII of the Illinois Constitution of 1970; and

WHEREAS, subject to said Section, a home rule unit may exercise any power and perform any function pertaining to its government and affairs for the protection of the public health, safety, morals, and welfare; and

WHEREAS, the City of Aurora has a population of more than 25,000 persons and is, therefore, a home rule unit under subsection (a) of Section 6 of Article VII of the Illinois Constitution of 1970; and

WHEREAS, the City of Aurora (the "City") is a home rule unit of local government which may exercise any power and perform any function pertaining to its government and affairs pursuant to Article VII, Section 6, of the Illinois Constitution of 1970; and

WHEREAS, El Paso Inc., is the owner of real properties ("Subject Properties") located at 508 Grove St. (El Paso Chico), 634 E. New York St. (El Paso Grande) ; and

WHEREAS El Paso (the "Company") is the owner of property located in the City that is depicted in Exhibit A attached hereto and incorporated herein (the "Property"); and

WHEREAS, El Paso, Inc. has significantly invested in the Subject Properties; and

WHEREAS, El Paso, Inc. and the City acknowledge that El Paso Inc. requires economic assistance from the City in order to complete the Project, given the Total Investment Cost, and that the Project

would not be economically feasible, but for the economic assistance promised by the City in this Agreement.

WHEREAS, El Paso Inc. owns and operates grocery stores on the Properties and desires to remodel and improve the existing facilities (the “Development Project”); and

WHEREAS, the Company represents and warrants that the Development Project will likely result in increased property and sales tax revenue for the City, and but for the economic incentive provided by the forgivable loan agreement attached hereto and incorporated herein as Exhibit B (the “Forgivable Loan Agreement”), the Company would not undertake the Development Project; and

WHEREAS, the City is authorized to contract or otherwise associate with individuals in any manner not prohibited by law pursuant to Article VII, Section 10 of the Illinois Constitution of 1970, the State of Illinois; and

WHEREAS, the Company is the owner of property located in the City depicted in Exhibit A attached hereto and incorporated herein (the “Property”); and

WHEREAS, the Company’s Business generates property and sales tax revenue for the City; and

WHEREAS, after due and careful consideration, the City has determined that it is in the best interests of the City to provide economic assistance to El Paso, Inc. in the amount of \$325,000 for the Project pursuant to its authority as a home rule unit of local government and the authority conferred by law; and

WHEREAS, Funding for this project will be expensed from account 101-1830-465.55-99.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Aurora, Illinois, as follows: that the forgivable loan agreement attached to this resolution as Exhibit A shall be and hereby is approved; and further

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Aurora, Illinois, as follows: that the forgivable loan agreement attached to this resolution as Exhibit A shall be and hereby is approved.