



CITY OF HOUSTON - CITY COUNCIL

Meeting Date: 3/4/2025

District D

Item Creation Date: 2/14/2025

HCD25-28 HEB MacGregor Way Amendment

Agenda Item#: 19.

Summary:

NOT A REAL CAPTION

ORDINANCE authorizing a modification to convert the loan repayment requirement to the terms and conditions of a performance-based forgivable loan between the City of Houston, Texas and **MacGREGOR GROCERY, LLC - DISTRICT D - EVANS-SHABAZZ**

Background:

The Housing and Community Development Department (HCD) recommends Council approval of an ordinance authorizing a modification to the loan between the City of Houston ("City") and MacGregor Grocery, LLC ("MacGregor") in the original sum of \$6,888,000.00 ("Loan"). The modification will convert the loan repayment requirement to the terms and conditions of a performance-based forgivable loan. No additional funds will be appropriated with this modification.

The Loan documents anticipated that the property would be designated as tax exempt and the property tax savings coupled with retail profits would be in an amount sufficient to service the monthly loan payments because the Houston Housing Finance Corporation ("HHFC") owns the land and is a partner with MacGregor. The Development Agreement stipulated that HHFC partnership proceeds would be pledged to pay the Loan. However, the Property was not designated as tax exempt by the Harris County Appraisal District and, thus, the project could not afford to pay both property taxes and partnership proceeds to the HHFC and therefore, repay the Loan.

This loan modification will eliminate the monthly principal and interest payment for the life of the Loan, so long as no default occurs that remains uncured. MacGregor's monthly overhead will be reduced through this loan modification since it was unable to obtain a property tax exemption. HEB will continue serving the surrounding low to moderate income neighborhood through the term of the Loan which matures January 19, 2039. The City has confirmed that MacGregor will continue to pay full property taxes and management district fees.

HISTORY and PROJECT INFO:

Pursuant to Ordinance 2017-168 executed on March 8, 2017, City Council authorized the submission of applications to HUD for the use of a Section 108 loan in the amount of \$5,062,000.00 and Economic Development Initiative (EDI) Funds in the amount of \$8,800,000.00 to purchase certain real property located near the intersection of N. MacGregor Way and SH288 (Property) and approved a Purchase and Sale Agreement between the City and Houston Community College.

Pursuant to Ordinance 2017-809 executed on October 18, 2017, City Council approved a Lease and Development Agreement between the City and HHFC which granted HHFC a leasehold interest in the Property and included a purchase option. HHFC assigned its purchase option to MacGregor who purchased the Property from the City and entered into a sub-lease with HEB.

The MacGregor project is located at 6055 South Freeway near the intersection of N. MacGregor Way and SH288. The project consisted of making improvements to the Property by constructing a 90,000 sf HEB grocery store and associated parking in Council District D.

The grocery store is located within the Enhanced Enterprise Community. HEB is one of the largest independent food retailers in the nation. Their stores are designed with the community in mind, and they provide quality products, low prices, and exceptional customer service. The company entered the Houston region in 1988 and now has over 80 stores in the greater Houston area. MacGregor HEB continues to provide over 250 jobs to the City of Houston.

The Housing and Affordability Committee Chair was briefed on this item on June 12, 2024, and again on March 3, 2025.

No Fiscal Note is required on grant items.

DocuSigned by:

Michael Nichols

Michael Nichols, Director

Prior Council Action:

2095-349 (O) 3/29/95; 2010-372 (O) 5/12/10; 2012-699 (O) 8/8/12; 2015-055 (R) 12/22/15; 2017-168 (O) 3/8/17; 2017-809 (O) 10/18/17

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ATTACHMENTS:

Attachment

Description

2017-809 (O) 10/18/17
2017-168 (O) 3/8/17
2015-055 (R) 12/22/15
2012-699 (O) 8/8/12
2010-372 (O) 5/12/10
1995-349 (O) 3/29/95

Type

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