



Local Grocer Continues to Supply Fresh, Healthy Foods to Cleveland

MARK O'MEARA, SENIOR WRITER, NOVOGRADAC & COMPANY LLP

Dave's Supermarket, which has been serving the greater Cleveland area since the 1930s, is in the midst of building a grocery store to replace its flagship location.

"My family is excited and proud of the store to come in Midtown," said Dave's Supermarket treasurer Aaron Saltzman, a fifth-generation family member in the business. "This move puts our company in the best position to provide healthy food access to neighborhoods on the east side of Cleveland that are currently underserved, for many years to come." Saltzman's family owns and operates 14 full-service grocery stores in the greater Cleveland area.

This development was made possible thanks to equity from the new markets tax credit (NMTC).

The new location in Midtown Cleveland will be a 55,000-square-foot supermarket 1 mile east of the old store. "They are out of grocery space at the current flagship store," said Michael Panzica, principal at Hemingway Development, which developed the store in partnership with Dave's Supermarket. "Dave's is the only grocer in the Cleveland area actively investing in the city's neighborhoods."

Jim Doyle, principal at Hemingway Development, called the development of the new flagship store "long overdue."

The supermarket will have frozen foods, fresh produce, a deli, a bakery, fine meats and seafood in addition to wine, beer and liquor, and a drive-thru pharmacy.

But that's not all.

"We are creating an eatery style concept within the store," said Saltzman. "We want this site to be a hub and gathering place for the community."

With that in mind, Dave's is collaborating with a couple of restaurateurs to provide different meal options for patrons to eat on-site. Saltzman said this will be a very convenient place for Midtown's growing workforce to enjoy lunch and dinner. There will be a sushi chef on-site daily, Dave's own prepared foods



continued from page 1

and made-to-order sandwich shop, a full-service salad bar and other offerings.

The grocery store will also have a number of additional community benefits. Dave's Supermarket is collaborating with the University Hospitals Rainbow Center for Women and Children, which is adjacent to the grocery store. There will be a teaching kitchen on-site, which will be used by nutritionists from the hospital and other organizations in the community to teach classes focusing on the importance of education around proper nutrition and eating habits, said Saltzman. Bert Holland, senior vice president, tax credit finance at Capital One, which provided a NMTC equity investment and allocation, said the hospital may work with Dave's and provide patients with healthy food prescriptions and refer them to Dave's Supermarket.

Image: Courtesy of Hemingway Development
Dave's Supermarket's new location in Midtown Cleveland will be a 55,000-square-foot supermarket 1 mile east of its old flagship store.

Construction of the new flagship store began in December 2017 and will be complete in February 2019.

Part of a Larger Development

Dave's Supermarket is located in a larger development called Link59, also developed by Hemingway Development.

Link59 is a 61,000-square-foot development with office and research and development (R&D) space located on an 11-acre site—4 acres of which are occupied by the University Hospitals Rainbow Center for Women and Children. "We have been actively focused on developing traditional R&D space," said Doyle. "Link59 is a good example of that."

Financing

Cleveland Development Advisors (CDA) provided a \$10 million NMTC allocation and a \$2 million leverage loan that was funded in part with a Cleveland Foundation program-related investment for construction of the supermarket.

"We are proud to partner with Dave's Supermarket on this new location, which builds on the four other stores within Cleveland's neighborhoods in which we also

continued on page 3

continued from page 2

invested,” said Yvette Ittu, president of CDA. “Dave’s Supermarket brings access to healthy food to this food desert.”

The supermarket is being built adjacent to the University Hospitals Rainbow Center for Women and Children—CDA provided a \$10 million NMTC allocation to the hospital as a previous investment. “Located along public transportation lines, these projects create an anchor to the neighborhood with accessible health care and healthy food,” Ittu said.

Northeast Ohio Development Fund provided a \$5 million NMTC allocation. “This is a very high-impact project in Cuyahoga County,” said Northeast Ohio Development Fund president Radhika Reddy, who added that the county is very supportive of the project. Reddy likes that Dave’s provides access to healthy, fresh and affordable food, that the supermarket is collaborating with the local hospital, and that the supermarket is creating a central community gather space. Northeast Ohio Development Fund also provided \$6 million of NMTC allocation to the construction of the hospital facility.

“As in any urban project, costs far exceed the value, which necessitates the new markets tax credit,” Panzica.

Capital One provided a \$5.8 million NMTC equity investment and a \$2 million NMTC allocation. “Any time we provide an allocation to a development, Capital One would also act as tax credit investor,” said Holland. “This development received significant attention and local support from the city and county. The local community development entities stepped up with large allocations, which collectively demonstrates how important this development is to the community.” Holland liked the developer and all of the activity going on in Cleveland’s Midtown market.

“The New Markets Tax Credit program is one that helps support investment in low-income neighborhoods,” said Saltzman. “The NMTCs played a role in the viability of this development.”

Development financing also included \$8.2 million from Tri-State Capital Bank, a \$2.2 million U.S. Department of Housing and Urban Development (HUD) Section 108 loan from the city of Cleveland, a \$1 million low-interest loan from Cuyahoga County, a \$616,500 alternative stormwater infrastructure loan from the Ohio Development Services Agency, a \$600,000 Health and Human Services grant from Ohio and a \$180,000 vacant property initiative loan from the city of Cleveland.

“I am very impressed with the teamwork among the various professionals working together on this development,” said Ruth Sparrow, shareholder at Future Unlimited Law, which acted as tax counsel to Northeast Ohio Development Fund. “There was a lot of cooperation needed to address the complex issues of the various financial tools, including the NMTCs and HUD funding. ... The community impact made this a great fit for the NMTCs.”

“Dave’s Supermarket’s new flagship location is providing jobs, creating access to fresh foods and teaching the community about the importance of healthy eating habits,” said Annette Stevenson, partner in the Cleveland office of Novogradac & Company LLP, which provided transaction consulting and forecast services related to the multi-layered financing. “For all those reasons and countless others, this development is well deserving of new markets tax credit financing.” ❖

continued on page 4

continued from page 3

Dave's Supermarket

FINANCING

- ◆ \$17 million in new markets tax credit (NMTC) allocations
 - \$10 million NMTC allocation from Cleveland Development Advisors (CDA)
 - \$5 million NMTC allocation from Northeast Ohio Development Fund
 - \$2 million NMTC allocation from Capital One
- ◆ \$8.2 million from Tri-State Capital Bank
- ◆ \$5.8 million NMTC equity investment from Capital One
- ◆ \$2.2 million U.S. Department of Housing and Urban Development Section 108 loan from the city of Cleveland
- ◆ \$2 million leverage loan from CDA that was funded in part with a Cleveland Foundation program-related investment
- ◆ \$1 million low-interest loan from Cuyahoga County
- ◆ \$616,500 alternative stormwater infrastructure loan from the Ohio Development Services Agency
- ◆ \$600,000 Health and Human Services grant from Ohio
- ◆ \$180,000 vacant property initiative loan from the city of Cleveland

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