



Applicant: Castle Retail Group, dba Cash Saver
Address: 1977 South Third Street (Store Address in Southgate Shopping Center)
Parcel Numbers: 050056 00002 (Southgate Shopping Center, 1897 South Third)
Recommendation: \$100,000 Loan
Date: July 11, 2018

Richard K. James on behalf of Castle Retail Group (Applicant), dba Cash Saver, is seeking a \$100,000 Loan to complete equipment financing for a new supermarket at 1977 South Third Street in Southgate Shopping Center.

Mr. James has more than 40 years in the grocery business. His first job at 15 years old was a bagger at an independent grocery in Missouri. Upon graduation from Morehead State with a degree in accounting, he became a store manager with Kroger. Mr. James came to the Memphis area to join Malone & Hyde as a retail and advertising consultant for independent grocers. In 1992 he became President of Sewell-Allen, operator of 15 Piggly-Wiggly locations. In 2004, he and his wife (Cathy James) formed Castle Retail Group and purchased four stores, which they continue to operate today.

In 2011, Mr. James began converting his locations into Cash Saver Cost-Plus Food Outlets. Through a collaboration with Associated Wholesale Grocers (AWG), the concept was designed to offer deep discounts while still offering a large assortment of high quality products, U.S. Number 1 Grade produce and premium meats. The concept focuses on low rent locations, simple store design and reduced advertising costs. Word of mouth drives the majority of the store traffic.

This loan will help Mr. James complete financing for a 31,000 square foot supermarket in space formerly occupied by Kroger. There are 55,000 people within a 3-mile radius with median household incomes of \$34,600. The project is in a severely distressed New Markets Tax Credit Eligible Census Tract with 52% poverty and 32% unemployment. There are no national retailers within a 5-mile radius. Limited food options are available at a nearby Sav-A-Lot.

This store will create approximately 50 full-time equivalent positions at an average of \$12.00 per hour. Filling this space with a grocery is also critical to creating foot traffic necessary to sustain retailers remaining in approximately 125,000 square feet of the building and attract new retailers to approximately 50,000 square feet of vacant space.

Southgate Shopping Center has been approved for a PILOT, reducing property taxes passed through to the grocery. The landlord has secured refrigeration cases and storage equipment, in addition to agreeing to tenant finish work. The Works CDC is financing \$460,000 for working capital and inventory. Applicant is requesting a \$100,000 EDGE loan to fill a gap between these sources and private financing, making this project financially feasible.

The project is supported by the South Memphis Alliance.

Staff recommends approval of a seven-year loan fully amortized at 2% interest to Castle Retail Group, dba Castle Retail Group, not to exceed \$100,000 for the purchase of equipment to be located at 1897 South Third Street per the schedule attached.

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LOAN DATA	DETAILS
Term	7 years Fully Amortizing
Interest Rate	2%
Loan Amount	\$100,000
Guarantee	Personally Guaranteed by Richard K. James
Collateral	Equipment Financed in Use of Funds

USE OF FUNDS	
Point-of-Sale Equipment (Cash Registers)	Receiving Computers
Meat Department Scales	Front Office Computers
Deli Department Scales	Security Cameras