City of Laredo – Briefing Report
Subject: Mercadito Azteca Feasibility Study Review
Prepared for: Mayor and City Council
September 19, 2025

1. Background

The Azteca neighborhood has been identified in community discussions as an area with limited access to grocery retail and as a priority for neighborhood revitalization. A feasibility study was prepared by GROW North Texas in partnership with community residents and nonprofit representatives to evaluate the establishment of *Mercadito Azteca*, a micro-grocery and garden.

The study proposes locating the mercadito at **14 Iturbide Street** and presents a concept for a nonprofit-managed store offering culturally appropriate fresh foods, limited household goods, and community education through a garden.

2. Clarification of City Role

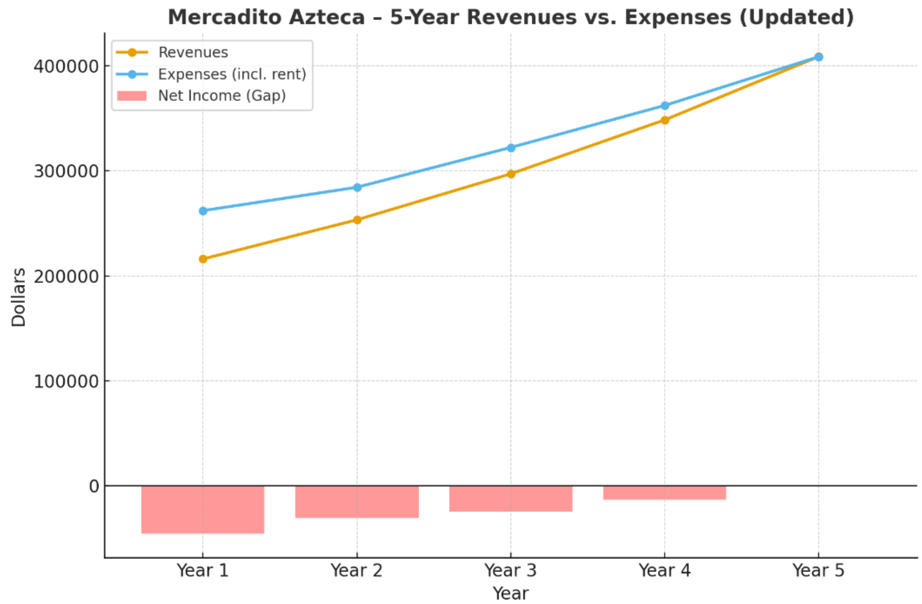
The feasibility study references certain City actions; staff provides the following context:

- **14 Iturbide**: The study identifies this property as a potential location. Further clarification is needed from Council on whether this site should be designated for the project.
- **Renovations**: The study describes the possibility of building improvements being provided. Clarification is required regarding the extent, scope, and source of such improvements. Any proposed renovations should be compared against the assessment already completed by the Engineering Department.
- **Regulatory flexibility**: The study suggests the option of parking waivers or similar accommodations. These elements would require Council guidance and formal review.

At this stage, these items remain **conceptual considerations**. Council direction is necessary to define the City's role and responsibilities in relation to the project.

3. Five-Year Operating Budget (Feasibility + Adjustments)

To evaluate the scale of the project, staff reviewed the feasibility study's financials and incorporated **missing expenses** (utilities, ongoing insurance, and rent value).



Category	5-Year Total
Operating Cost (incl. rent)	$1,640,021
Expected Revenues	$1,524,112
Funding Gap	$115,909

Notes:

- Operating costs include salaries, cost of goods, utilities, insurance, depreciation, marketing, and an in-kind rent value for the building.
- The rent line reflects the **market value of occupancy** (~$12,000 annually, ≈ $12/sf for 1,000 sf space). If the City provides the facility at no charge, this value represents an in-kind contribution.
- This figure represents the **full budget necessary to operate for five years**.
- For planning purposes, the City must assume that the total operating cost would need to be allocated to sustain the project. The goal would be to add nonprofit, foundation, and community partners to offset these costs over time.
- There is a concern regarding whether the projected revenues can be met, given the assumptions made in the feasibility study.

4. Start-Up and Capital Costs

In addition to operating costs, the study estimates:

- **Startup Equipment, Inventory, Salaries (per study): ≈ $132,935**
- **Building Renovations (if 14 Iturbide were to be used): ≈ $200,000** (budgetary estimate only, subject to Engineering Department confirmation)

Total Initial Investment Requirement: ≈ $332,935

5. Observations

- With rent factored in, the project operates at a deficit in Years 1–4 and only narrowly breaks even in Year 5.
- If revenues fall short of projections, outside support will be essential to sustain the project.
- The community has expressed strong interest in this concept, and nonprofit partners are positioned to manage daily operations. Clarification is needed regarding which organization would be engaged to work with this property.
- **Past experience** with projects such as the Sola Center and Canseco House shows that City-funded renovations without strong nonprofit follow-through can leave buildings underutilized. Clear agreements and accountability mechanisms will be critical to avoid repeating this outcome.

6. Risk Mitigation

To avoid challenges encountered in past projects, Council may wish to consider the following safeguards if the project is advanced:

- **Performance-Based Agreements:** Require the nonprofit operator to meet specific benchmarks (e.g., sales targets, community engagement, program delivery) as a condition of continued occupancy.
- **Cost-Sharing Requirements:** Ensure that the nonprofit or partner organizations provide matching funds or in-kind contributions to demonstrate commitment.
- **Reversion Clause:** Include a provision that the building reverts to City use if the operator fails to perform, ensuring the facility can be repurposed rather than remain unused.
- **Third-Party Oversight:** Require annual financial and operational reporting from the nonprofit, reviewed by an independent auditor or oversight committee.
- **Alternative Use Plan:** Identify secondary uses for 14 Iturbide (e.g., community center, cultural or educational hub) in case the mercadito model is unsuccessful.

7. Next Steps

Staff recommends placing this item on a future Council agenda to determine whether the City should advance further with this project. Until such direction is provided, staff should not expend additional time or resources.

Draft Agenda Language:
"Discussion with possible action to consider the Mercadito Azteca feasibility study, including potential designation of 14 Iturbide as the project site, comparison of renovation needs identified in the feasibility study with the assessment prepared by the Engineering Department, identification of which organization would be engaged to work with this property, and identification of funding sources for building renovations, startup costs, and operational support."

Funding Source Identification:
If Council wishes to proceed, a funding source must be designated for:

- Building renovations (estimated at $200,000, subject to Engineering Department assessment).
- Startup allocation ($132,935).
- Any share of operating support tied to the projected funding gap ($115,909 over five years).

Possible sources include:

- General Fund (capital allocation).
- Public-private partnership contributions.
- Foundation or nonprofit match commitments.

Governance Consideration:
LCUAS may request the placement of this item through the Community Development Committee LCUAS committee, or a Councilmember may choose to place the item directly on the Council agenda for consideration.

This report is presented for discussion only. No funding allocations are recommended at this stage.