

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	22264	Agenda Number	8.
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Meeting Date:	2/28/2013	Department:	Economic Growth and Redevelopment
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Subject

Authorize the negotiation and execution of a Family Business Loan Program Section 108 loan to Shady Spring Enterprises, Inc., Austin, Texas, to refinance a building at 1103 East 6th Street that provides restaurant space, for a maximum loan amount not to exceed \$199,284.

Amount and Source of Funding

Funding in the amount of \$199,284 is available in the Fiscal Year 2012 – 2013 Economic Growth and Redevelopment Services Office Special Revenue Fund. This loan is subject to completion of the federal environmental review and HUD fund release process.

Fiscal Note

A fiscal note is not required.

Purchasing Language:	
Prior Council Action:	May 24, 2012: Council approved Resolution No. 20120524-015 creating the Family Business Loan Program
For More Information:	Kevin Johns, EGRSO Director / 974-7802
Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

Shady Spring Enterprises, Inc. has purchased and renovated a burned-out building located at 1103 East 6th Street to create restaurant space in the Saltillo neighborhood.

Shady Spring Enterprises is requesting that the City of Austin provide a Federally-funded HUD Section 108 loan totaling \$199,284 through the Family Business Loan Program (FBLP) to refinance the purchase of the building. ABC Bank will provide additional funds for furniture, fixtures, and equipment through conventional financing. These loans provide lower interest rates that are necessary to the success of the project, which will create jobs in the Saltillo Neighborhood.

The FBLP loan will have a 20-year term and an interest rate of 1.46%. Financing for this small business project's estimated cost of \$498,210 is being provided as follows:

Finance Provider	Financing Source	Amount
City of Austin	Family Business Loan Program	\$ 199,284
ABC Bank	Conventional Financing	\$ 228,873
Shady Spring Enterprises Owner	Borrower Equity	\$ 70,053
Total Project Cost		\$ 498,210

The FBLP loan will be secured by: personal guarantee of the owner of Shady Spring Enterprises, Inc.; First Lien against a property located at 1509 E. 3rd St. that is owned by the owner of Shady Spring Enterprises, Inc.; a cross-corporate guarantee of one affiliated company; and by subordinated liens against furniture, fixtures and equipment.

This project will create 12 full-time jobs in the Saltillo neighborhood within five years. This project will create one full-time job for every \$16,607 in loan funds, exceeding HUD standards. Per HUD requirements, FBLP borrowers are required to create at least one full-time job for every \$35,000 in loan funds borrowed.

The FBLP Loan Review Committee recommended approval of this loan to Shady Spring Enterprises, Inc. based on the owner's history of creating successful business ventures and financial strength, the projected financial strength of this venture, and the project's job creation potential. The project is consistent with the FBLP program's mission to fund small business expansions that will create jobs, and with all HUD Section 108 program guidelines.

The Family Business Loan Program (FBLP) makes low-interest fixed asset and working capital loans to qualified Austin small business owners who are ready to expand their business and create jobs. The FBLP is a public-private partnership between the City of Austin, U.S. Small Business Administration approved Community Advantage lenders and Section 504 certified community lenders and private banks. FBLP thus provides borrowers with access to additional funds from other private and public sources. The City's portion of the funding is provided by a U.S. Department Housing and Urban Development (HUD) Section 108 loan guarantee.