

AGENDA



Recommendation for Council Action

Austin City Council	Item ID	25937	Agenda Number	16.
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Meeting Date:	8/8/2013	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 Eastern Diner, LLC to refinance a building at 4827 East Cesar Chavez, Austin, Texas, 78702, to provide restaurant space, inventory and working capital in an amount not to exceed \$519,000.

Amount and Source of Funding

Funding in the amount of \$519,000 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 20120524-015 creating the Family Business Loan Program.
For More Information:	Kevin Johns, Director, EGRSO / 974-7802
Boards and Commission Action:	
MBE / WBE:	
Related Items:	

Additional Backup Information

Eastern Diner, LLC, will refinance and renovate a building located at 4827 East Cesar Chavez formerly, Arkie's Grill, to create restaurant space.

Eastern Dinner, LLC, is requesting that the City of Austin provide a federally-funded HUD Section 108 loan totaling \$519,000 through the Family Business Loan Program (FBLP) to refinance a building, inventory and working capital. ABC Bank will provide additional funds for construction, furniture, fixtures, and equipment through conventional financing. These loans provide lower interest rates that are necessary to the success of the project.

The FBLP loan will have a 20-year term and an interest rate of 1.50%. Total financing for this small business project's estimated cost of \$1,310,606.00.

<u>Finance Provider</u>	<u>Financing Source</u>	<u>Amount</u>
City of Austin	Family Business Loan Program	\$519,000
ABC Bank	Conventional Financing	\$635,161
Eastern Diner, LLC, Owner	Borrower Equity	<u>\$156,445</u>
	Total Project Cost	<u>\$1,310,606</u>

The FBLP loan will be secured by:

1. Personal guarantees of the owners of Eastern Diner, LLC;
2. Cross-corporate guarantees of four affiliated companies;
3. A first lien on all receivables and inventory;
4. A first lien on all machinery and equipment of two affiliated companies;
5. A second lien on all property, machinery and equipment located at 4827 East Cesar Chavez, Austin, Texas; and
6. A second lien on a personal residence, releasable per terms of a loan covenant.

This project will create 19 full time jobs in the Saltillo neighborhood within five years. This project will create one full-time job for every \$27,316 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 Eastern Diner, LLC, 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 of Housing and Urban Development (HUD) Section 108 loan guarantee.