

A G E N D A



Recommendation for Council Action

Austin City Council		Item ID	30499	Agenda Number	10.
Meeting Date:	2/13/2014		Department:	Economic Development Department	
Subject					
Authorize negotiation and execution of a Family Business Loan Program loan to 11E5 LLC consisting of a building renovation loan not to exceed \$167,345 and a working capital loan not to exceed \$166,484, for a total loan amount not to exceed \$333,829, for redevelopment of property at 1100 East Fifth Street to create a multi-purpose facility for use as a community gathering space, farmer’s market, event space, office and café.					
Amount and Source of Funding					
Federal HUD Section 108 loan proceeds in the amount of \$333,829 are available in the Fiscal Year 2013 - 2014 Economic Development Family Business Loan Program 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 / Economic Development, (512) 974-7802; Vicky Valdez, Small Business Development Program Manager / Economic Development, (512) 974-7620				
Boards and Commission Action:					
MBE / WBE:					
Related Items:					
Additional Backup Information					

11E5 LLC is renovating a building located at 1100 East Fifth Street, in the Saltillo neighborhood, to create a multi-purpose facility for use as a community gathering space, farmer's market, event space, office and cafe. 11E5 has leased a 16,600 sq. ft. building and land for 20 years. The plans call for the preservation of a large open space within the building, with the construction of restrooms and a non-conditioned air circulation and misting facility to make the space comfortable and usable at an affordable energy cost. The building will also include a small café and six small offices constructed to be leased to businesses engaged in activities that will support and extend local agriculture, arts and creative industries. This project will create 14 full time jobs in the Saltillo neighborhood within five years.

11E5, LLC, is requesting that the City of Austin provide a loan totaling \$333,829 through the Family Business Loan Program (FBLP) and funded with HUD Section 108 loan proceeds. The loan will consist of two components: (1) a fifteen-year, \$167,345 component for building renovations, and (2) a seven-year, \$166,484 component to provide working capital. The FBLP loan will have a variable interest rate initially set at approximately 1.50%.

Financing for this small business expansion project's estimated cost of \$864,753 is being provided as follows:

<u>Finance Provider</u>	<u>Financing Source</u>	<u>Amount</u>
City of Austin	Family Business Loan Program	\$333,829
First State Bank Central Texas	Conventional financing	\$325,000
11E5, LLC Owner	Borrower Equity	<u>\$205,924</u>
Total Project Cost		<u>\$864,753</u>

The FBLP loan will be secured by:

1. Cross Corporate Guarantees of: 1] Third Coast Studios, LLC; 2] Kooris GP LLC; 3] Ten to One, LC; 4] Pegalo Properties, a Texas Limited Partnership; 5] Pegalo Properties, Inc.; and 6] Mr. Kooris' or his ownership entities' interests in Braided River LLC, Pegalo Properties LLC, and Urban Infill Partnership, L.P.
2. Lien against the interests of Richard Kooris and partners in the Ten-to-One in an amount not to exceed \$600,000.
3. Second lien on the improvements to the building subordinate to the bank lender in an amount not to exceed \$325,000 from the bank lender.
4. Second lien on all rental receivables and other receivables from the project, second only to the bank loan in an amount not to exceed \$325,000.
5. First lien on all machinery, equipment, items of personality, and fixtures

As a result of this expansion project, 11E5's new farmer's market will create 14 full time jobs, or one full-time job created for every \$23,845 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 11E5 LLC, based on the owner's history of creating successful business ventures, the projected financial strength of the business, 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 to the City.