

AGENDA



Recommendation for Council Action

| | | | | |
|---------------------|----------------|-------|----------------------|-----|
| Austin City Council | Item ID | 62974 | Agenda Number | 10. |
|---------------------|----------------|-------|----------------------|-----|

| | | | |
|----------------------|-----------|--------------------|----------------------|
| Meeting Date: | 9/22/2016 | Department: | Economic Development |
|----------------------|-----------|--------------------|----------------------|

Subject

Authorize negotiation and execution of a Family Business Loan Program loan in an amount not to exceed \$477,760, funded with proceeds of a U.S. Department of Housing and Urban Development Section 108 loan to the City, to JOSE LUIS SALON DOMAIN LLC to finance machinery, working capital, and soft costs associated with the lease space located at 3100 Esperanza Crossing, Suite 124, Austin, Texas.

Amount and Source of Funding

Funding in the amount of \$477,760 is available in the FY 2015-2016 Economic Development, Family Business Loan Program Special Revenue Fund.

Fiscal Note

There is no unanticipated fiscal impact. A fiscal note is not required.

| | |
|-----------------------------|--|
| Purchasing Language: | |
|-----------------------------|--|

| | |
|------------------------------|--|
| Prior Council Action: | <p>May 24, 2012- Council approved Resolution 20120524-015 creating the Family Business Loan Program.</p> <p>August 29, 2013- Council approved Resolution 20130829-027 authorizing the acceptance of \$8,000,000 in loan funds from the U.S. Department of Housing and Urban Development (HUD) Section 108 for the Family Business Loan Program.</p> <p>February 25, 2016- Council approved Resolution No. 20160225-013 authorizing issuance of a note and contract with HUD in an amount equal to \$3,000,000 to fund the program.</p> |
|------------------------------|--|

| | |
|------------------------------|--|
| For More Information: | Kevin Johns, Director of the Economic Development Department, 974-7802 |
|------------------------------|--|

| | |
|---|--|
| Council Committee, Boards and Commission Action: | |
|---|--|

| | |
|-------------------|--|
| MBE / WBE: | |
|-------------------|--|

| | |
|-----------------------|--|
| Related Items: | |
|-----------------------|--|

Additional Backup Information

Jose Luis Salon Domain LLC (Borrower), an Austin headquartered company, is expanding its existing operations to a third location at 3100 Esperanza Crossing, Suite 124, Austin, Texas, in order to better serve its customers and the local community.

Since 1988, the Borrower has provided its customers with salon, spa and retail beauty products at an affordable price point. The Borrower's commitment to the Borrower's clients and workforce have contributed to increased demand and a need to hire more employees to staff a third location.

The Borrower is requesting that the City provide a federally-financed loan totaling \$477,760 through the Family Business Loan Program (FBLP) to fund inventory, equipment, working capital, and non-construction related project soft costs. The total project cost is estimated at \$1,386,800.

The project will create sixteen full-time jobs within five years, equivalent to approximately one job for every \$29,860 in FBLP loan funds, exceeding HUD standards. In accordance with 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 the Borrower based on the Borrower's history of creating a successful business enterprise, financial strength of the transaction and the Borrower's commitment to job creation benefiting low-to-moderate income individuals as defined by HUD. This project is consistent with the Family Business Loan Program mission as approved by Council Resolution 20120524-015 to fund small business expansion that will create jobs, and complies with HUD Section 108 guidelines.