



Thursday, March 01, 2007

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**Neighborhood Housing and Community
Development
RECOMMENDATION FOR COUNCIL ACTION**

ITEM No 6

Subject Approve the negotiation and execution of a loan to SGSS, LTD dba Primizie, Austin, Texas, in compliance with applied federal requirements, including Title 24 Code of Federal Regulations Section 85 40 performance goals, under the Neighborhood Commercial Management Program and the East 11th and 12th Street Redevelopment Program in an amount not to exceed \$200,000 to construct a restaurant and purchase equipment to be located at 1000 East 11th Street, Austin, TX

Amount and Source of Funding \$100,000 in funding is available in the Neighborhood Housing and Community Development Department Special Revenue Fund - Neighborhood Commercial Management Program Section 108, \$100,000 in funding is available in the East 11th and 12th Street Redevelopment Program Section 108, for a maximum loan investment of \$200,000 This loan is subject to completion of the federal environmental assessment and fund release process

**Additional Backup
Material**

(click to open)

No Attachments Available

For More Information Paul Hilgers, Director, Neighborhood Housing and Community Development, 974-3108

This action authorizes the negotiation and execution of a subordinate loan to SGSS, LTD dba Primizie's of Austin, Texas, in an amount not to exceed \$200,000 from Section 108 Loan funds under the Neighborhood Commercial Management Program (NCMP) and the East 11th and 12th Street Redevelopment Program for the purpose of constructing leasehold improvements and purchasing of equipment, furniture and fixtures to be located at 1000 E 11th Street, Suite 200, Austin, Texas 78702

The NCMP loan approval process includes a review and analysis by NHCD staff and by a loan advisory committee consisting of bankers, real estate professionals, and community representatives On November 30, 2006, the NCMP Loan Committee recommended approval of a \$200,000 loan The loan complies with programmatic and regulatory requirements of the City of Austin

SGSS, LTD has committed additional cash, real property, furniture, fixtures and equipment for an equity investment in excess of approximately \$72,000 (Lease and Security Deposit Expense-\$17,000, cash for working capital \$45,000, and pre-development cost- approximately \$10,000)

Mark and Lisa Spedale have operated Primizie since 2000 Currently, Primizie's is located at 1050 E 11th Street In an attempt to improve and expand operations, increase profitability and create jobs, the Spedale's are proposing to open a new restaurant in East Austin on East 11th Street The proposed grand opening date is scheduled for late spring (May-June) of 2007

The terms of the proposed loan will be as follows

Project cost approximately \$805,100

Maximum NCMP investment is \$100,000 and \$100,000 from East 11th & 12th Street. The loan will have a fixed interest rate of 3% for a term of 10 years. The approved fund uses are as follows: (NCMP)-\$100,000 for the purchase of furniture, fixtures and equipment costs, and, (E 11th&12th Street)-\$100,000 for hard costs associated with leasehold improvements. Each loan represents 12.4 percent of the total project cost for a total NHCD, City of Austin investment of 24.8%. The Austin Revitalization Authority (ARA) is contributing \$68,100 for Tenant Finish-Out Allowance. These funds have been allocated completely to reduce the amount of debt service to SGSS, LTD. The total combined borrower equity contribution including the Tenant Finish-Out Allowance is \$140,100 or 17.4% of the total project cost. Based on investment sources and amounts identified a 3 to 1 investment leverage ratio was obtained.

Security Service Federal Credit Union is providing a loan up to \$465,400 for a period of ten (10) years and four (4) months at 10.25% interest rate.

The City loan will be subordinate to the Security Service Federal Credit Union financing.

Primizie's Restaurant will add a total of eighteen (18) part-time employees (PTE), or the equivalent of 9 full-time employees (FTE).

At least 5 (FTE) positions or 10 (PTE) positions will be made available to low and moderate income persons (One [1] FTE position for every \$35,000 in NCMP loan funds).

The Staff recommends approval of this transaction based on the financial strength of the borrower, the strength of the owners/guarantors, the owner's commitment to this project and the positive impact on the community.

The purpose of the Neighborhood Commercial Management Loan Program (NCMP) is to assist in revitalizing blighted or depressed commercial districts by providing financial assistance to eligible small businesses within the City of Austin's city limits in exchange for job creation or retention for low and moderate income individuals.

Approval of this loan is consistent with NHCD's 2000-2005 Consolidated Plan. The Consolidated Plan states specifically that NHCD will provide flexible capital in the form of gap financing to businesses in blighted or depressed commercial districts to create or retain jobs for low-moderate income residents.