

REVISED INFORMATION -Las Manitas Loan RCA

Subject: Authorize the negotiation and execution of an economic development loan agreement and related documents providing for a loan with Las Manitas, Inc. in an amount not to exceed \$750,000, for the redevelopment of property located at 227 Congress Avenue, under the City's Business Retention and Enhancement (BRE) Program.

Amount and Source of Funding: Funding in the amount of \$750,000 is included in the Business Retention and Enhancement Fund.

Fiscal Note: There is no unanticipated fiscal impact.

For More Information: Sue Edwards, Director / 974-7820, Jim Williams, City Attorney / 974-2190

Prior Council Action: City Council created the BRE Program and program guidelines on February 15, 2007. This economic development program is designed to offer low-interest loans to retain or attract certain types of businesses to support re-establishing Congress Avenue and East 6th Street as retail destinations.

Narrative: This action authorizes the negotiation and execution of a low-interest loan under the BRE Program to Las Manitas, Inc. to finance tenant finish-out expenses for a building located at 227 Congress Avenue.

Las Manitas, Inc. has been in operation since September 1981 in a leased building located at 211 Congress Avenue. This building and most other buildings on this block are to be demolished and redeveloped into a hotel and conference center. Because Las Manitas, Inc. is an existing business within the BRE Program eligible area and it is required to relocate due to development, Las Manitas, Inc. qualifies for the "Special Circumstance" provision contained in the BRE Program Guidelines.

The "Special Circumstance" provision provides for a loan up to \$750,000 that may be forgiven after five (5) years of successful operation, compliance with all loan covenants, no defaults, and timely loan payments.

The BRE Program loan to Las Manitas, Inc. is recommended for approval based on the financial strength of the business, the City's first lien position on the building, the business owners' commitment to the project, and the positive impact to the community for relocating the business to ensure future development of the block.

The terms of the proposed loan will be as follows:

- The City of Austin will provide a loan of \$750,000 with a fixed interest rate of 6.0% for a term of 20 years.
- The City of Austin will forgive the outstanding principal balance of the loan after five (5) years of successful operation following the issuance of the certificate of occupancy, provided the borrower complies with all loan covenants and makes timely loan payments.
- Las Manitas, Inc. will provide a cash equity contribution of \$94,000 towards the building renovation.
- The BRE Program loan will be secured by a first lien position on the building at 227 Congress Avenue.
- Las Manitas, Inc. will pay interest-only payments on construction drawdowns through the date a certificate of occupancy for the renovated building is issued.
- Las Manitas, Inc. will commit to retaining at least 15 full-time employees for a minimum of five (5) years following completion of the improvements to the building.
- Las Manitas, Inc. will secure a City of Austin energy audit and make a good faith and commercially reasonable effort to comply with all recommendations included in the audit
- Las Manitas, Inc. will submit all proposed improvements to the Texas State Historical Commission for review