Subject: Approve the negotiation and execution of a loan to Apple Annies, Inc., Austin, Texas, in an amount not to exceed $250,000 under the Neighborhood Commercial Management Loan Program, in compliance with applicable federal requirements and performance goals, to purchase furniture, fixtures, equipment and machinery for a restaurant located at 319 Congress, Austin, Texas.

Amount and Source of Funding: Funding in the amount of $250,000 is available from the Neighborhood Commercial Management Program Section 108 Loan Fund which is a portion of the Fiscal Year 2007 – 2008 Neighborhood Housing and Community Development Department Special Revenue Fund. This loan is subject to completion of the federal environmental assessment and fund release process.

For More Information: Margaret Shaw, Director, Neighborhood Housing and Community Development, 974-3184

This authorizes the negotiation and execution of a subordinate loan to Apple Annies, Inc. in an amount not to exceed $250,000 under the Neighborhood Commercial Management Loan Program (NCMP). Apple Annies, Inc. owns and operates Apple Annies which currently is temporarily located at 7950 Anderson Square, Suite 105 in Austin. The loan will enable Apple Annies, Inc. to purchase furniture, fixtures, equipment, and machinery necessary to support its business operations at a permanent downtown location.

The purpose of the NCMP is to assist in revitalizing 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. The NCMP loan approval process includes a review and analysis by Neighborhood Housing and Community Development (NHCD) staff and by a Loan Advisory Committee consisting of bankers, real estate professionals, and community representatives. The NHCD staff and the NCMP Loan Advisory Committee approved the Apple Annies, Inc. loan in the amount of $250,000 on April 10, 2008.

Apple Annies, a cafe, bakery and catering business, had been in operation at 221 W. Sixth Street from 1984 until it lost its lease in April 2008.

Apple Annies, Inc. will purchase a permanent site for its operations located at 319 Congress Avenue. It will expand its business operations from its previous operations and will add the equivalent of 19 full-time equivalent employees and 4 part-time equivalent employees. Apple Annies will exceed the minimum NCMP job creation requirements by making the equivalent of 17 full-time positions and 4 part-time positions available to low-and moderate-income persons.

Apple Annies, Inc. must construct property improvements and acquire new furniture, fixtures, equipment, and machinery to support its business operations at the new location. Apple Annies, Inc. expects to be open for business in the new location in December 2008.

The terms of the proposed loan are as follows:

The Project will cost approximately $3,250,000.00.
The NCMP loan will be for a maximum of $250,000.00 with a fixed interest rate of 6.0% for a term of 10 years. Apple Annies, Inc. will use the loan to purchase furniture, fixtures, equipment and machinery. The NCMP loan will be secured by a first lien on the new furniture, fixtures, equipment, and machinery to be purchased and by a second lien on unit 319 Congress Avenue, Suite 201-A. NCMP funding represents 7.7% of the total project cost.

Apple Annies, Inc., in partnership with an equity investor, is contributing $1,750,000.00 for acquisition, predevelopment and start-up costs.

Frost Bank is lending $1,000,000.00 for interior construction, improvements and start-up costs. The Frost Bank loan is for 15 years with an interest rate of 6.49%.

The City of Austin, through the Business Retention and Enhancement Program, is providing a loan of $250,000.00 for facade and interior construction improvements.

The staff of Neighborhood Housing and Community Development Office recommends approval of this transaction based on the financial strength of the borrower, the strength of the business, the management commitment to this project and the positive impact on the community.

Approval of this loan is consistent with NHCD’s 2005-2009 Consolidated Plan. The Consolidated Plan states specifically that NHCD will provide direct financial assistance to for-profit organizations in exchange for job creation or retention for low and moderate income persons.

Approving this loan will also further the Department’s Mission: "... to provide housing, community, and small business development services to benefit eligible residents so they can have access to livable neighborhoods and increase their opportunities for self-sufficiency.”