

AGENDA



Thursday, December 11, 2008

Economic Growth & Redevelopment Services
RECOMMENDATION FOR COUNCIL ACTION

Item No. 27

Subject: Authorize negotiation and execution of an economic development loan agreement, and related documents, providing for a loan to EL SOL Y LA LUNA in an amount not to exceed \$250,000, for the redevelopment of property located at 600 East 6th Street, under the City's Business Retention and Enhancement Program.

Amount and Source of Funding: Funding in the amount of \$250,000 is included in the Business Retention and Enhancement Fund.

Fiscal Note: There is no unanticipated fiscal impact. A fiscal note is not required.

For More Information: Rodney Gonzales, Acting Director, EGRSO / 974-2313; Gregory Miller, Assistant City Attorney / 974-6032

Prior Council Action: Council created the BRE Program and program guidelines on February 15, 2007; Council approved an ordinance to fund the BRE Program on March 1, 2007.

El Sol Y La Luna has operated its restaurant on South Congress since 1995. El Sol Y La Luna has made a strategic business decision to expand its operations into a larger facility on the first floor of 600 East 6th Street. El Sol Y La Luna will expand its current operations from 110 seats to 150 seats and have extended evening hours. The expanding operations will result in the creation of new jobs. El Sol Y La Luna will add a total of 8 permanent full-time jobs over the term of the loan.

El Sol Y La Luna is requesting that the City of Austin provide a loan of \$250,000 for facade and interior finish-out through the Business Retention and Enhancement Program (BRE Program). The BRE Program loan will be for a maximum of \$250,000 with a fixed interest rate of 4.5% for a term of 54 months. The loan will be secured by a leasehold deed of trust, by a business guaranty, and by a personal guaranty. The terms of the proposed loan term letter and economic development loan agreement, attached to this Request for Council Action as Exhibit A and Exhibit B, meet the guidelines of the City's BRE Program.

El Sol Y La Luna will submit all proposed facade improvements to the City for review. El Sol Y La Luna 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.

The BRE Program loan to El Sol Y La Luna is recommended for approval based on the financial strength of the business, the business owner's commitment to the project, and the positive impact to the community. The loan will advance the City's public purposes of promoting economic development and stimulating commercial activity in the downtown area.

Approval of this loan is consistent with Chapter 380 of the Texas Local Government Code and the BRE Program guidelines. The BRE Program was created by the City Council's adoption of Ordinance No. 20070215-003. The program furthers the City's public purpose of promoting local economic development and stimulating commercial activity on Congress Avenue and East 6th Street. The BRE guidelines state specifically that the BRE program will provide loans to attract new businesses to Congress Avenue and East Sixth Street.