### Recommendation for Council Action

**Austin City Council**  
**Item ID** 20293  
**Agenda Number** 16.

**Meeting Date:** 12/6/2012  
**Department:** Economic Growth and Redevelopment

#### Subject

Authorize the negotiation and execution of a furniture, fixtures, equipment and working capital loan to 11E5, LLC in an amount not to exceed $1,081,101 under the Family Business Loan Program, for redevelopment of the property at 1100 East 5th Street as a multi-purpose event venue.

#### Amount and Source of Funding

Funding in the amount of $1,081,101 is available in the Fiscal Year 2012 – 2013 Economic Growth and Redevelopment Services Office Special Revenue Fund. This loan is subject to completion of the federal environmental review and HUD fund release process.

#### Fiscal Note

A fiscal note is not required.

#### Purchasing Language:

May 24, 2012: Council approved Resolution 20120524-015 creating the Family Business Loan Program

#### Prior Council Action:

May 24, 2012: Council approved Resolution 20120524-015 creating the Family Business Loan Program

#### For More Information:

Kevin Johns, Director / EGRSO / 974-7802

#### Boards and Commission Action:

MBE / WBE:

#### Related Items:

Additional Backup Information

11E5, LLC, is renovating a building located at 1100 East Fifth Street, in the Saltillo neighborhood, to create a new multi-purpose event facility. The renovated facility will include a restaurant at street level, an outdoor deck and patio available for special events, and a 1,500-person capacity multi-purpose events venue that will host music concerts, dance performances, film screenings, business meeting and conventions, weddings, community meetings, small trade shows and interactive film and music events.

11E5, LLC, is requesting that the City of Austin provide a loan totaling $1,081,101 under the Family Business Loan Program (FBLP) using proceeds from a HUD Section 108 loan to the City. The loan will consist of two components: (1) $930,051 for acquisition of furniture, fixtures and equipment over a ten-year term, and (2) $151,050 for working capital over a seven-year term. The FBLP loan will have an interest rate of 1.58%. Additional financing will be provided by Prosperity Bank through an SBA 7(a) loan and by AmPac Tri-State CDC through an SBA Community Advantage Program loan.
Financing for this small business expansion project’s $4,905,754 total cost is being provided as follows:

<table>
<thead>
<tr>
<th>Finance Provider</th>
<th>Financing Source</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>City of Austin</td>
<td>Family Business Loan Program</td>
<td>$1,081,101</td>
</tr>
<tr>
<td>Prosperity Bank</td>
<td>SBA 7(a) Loan</td>
<td>$2,835,153</td>
</tr>
<tr>
<td>11E5 Owner</td>
<td>Borrower Equity</td>
<td>$739,500</td>
</tr>
<tr>
<td>AmPac TriState CDC</td>
<td>SBA Community Advantage</td>
<td>$250,000</td>
</tr>
<tr>
<td></td>
<td>Total Project Cost</td>
<td>$4,905,754</td>
</tr>
</tbody>
</table>

The FBLP loan will be secured by: personal guarantee of the owner of 11E5, LLC; cross-corporate guarantees of five affiliate companies; subordinated liens against furniture, fixtures, and equipment; and, a co-first lien on receivables and inventory.

As a result of this expansion project, 11E5, LLC’s new entertainment facility will create 33 full-time jobs in the Saltillo neighborhood within five years, of which 17 will be offered to low to moderate income persons. This project will create one full-time job for every $33,102 in loan funds, exceeding HUD standards. Per HUD requirements, FBLP borrowers are required to create at least one full-time job for every $35,000 in loan funds borrowed, and HUD regulations require that 51% of jobs created must be offered to Austin citizens deemed low to moderate income.

The FBLP Loan Review Committee recommended approval of this loan to 11E5, LLC, based on the owner’s history of creating successful business ventures, the projected financial strength of the business, and the project’s job creation potential. The project is consistent with the FBLP program’s mission to fund small business expansions that will create jobs, and the loan will be in compliance with all HUD Section 108 program guidelines.

The Family Business Loan Program makes low-interest fixed asset and working capital loans to qualified Austin small business owners who are ready to expand their business and create jobs. The FBLP is a public-private partnership between the City of Austin, U.S. Small Business Administration approved Community Advantage lenders and Section 504 certified community lenders, and private banks. FBLP provides borrowers with access to additional funds from other private and public sources. The City’s portion of the funding is provided from loan proceeds the City received from a U.S. Department of Housing and Urban Development (HUD) Section 108 loan guarantee.