

A G E N D A



Recommendation for Council Action

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| Austin City Council | Item ID | 24478 | Agenda Number | 20. |
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| Meeting Date: | 5/23/2013 | Department: | Economic Growth and Redevelopment |
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Subject

Approve a resolution repealing Council action taken on agenda item # 8 on February 28, 2013 which authorized the negotiation and execution of a Family Business Loan Program Section 108 loan to Shady Springs Enterprises, Inc. to refinance a building at 1103 East 6th Street; and authorizing the negotiation and execution of a Family Business Loan Program Section 108 loan to Rosa E. Santis, to refinance a building at 1103 East 6th Street property in an amount not to exceed \$199,284.

Amount and Source of Funding

Funding in the amount of \$199,284 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.

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| Purchasing Language: | |
| Prior Council Action: | May 24, 2012 - Council approved Resolution 20120524-015 creating the Family Business Loan Program. February 28, 2013 - Council authorized negotiation and execution of a Family Business Loan Program loan to Shady Spring Enterprises, Inc. |
| For More Information: | Kevin Johns, Director / EGRSO, 974-7802; Jim Williams, Attorney / LAW, 974-2190 |
| Boards and Commission Action: | |
| MBE / WBE: | |
| Related Items: | |

Additional Backup Information

On February 28, 2013, Council authorized the negotiation and execution of a \$199,284 Family Business Loan Program (FBLP) Section 108 loan to Shady Spring Enterprises, Inc., to refinance a building located at 1103 East 6th Street that provides restaurant space in the Saltillo neighborhood.

ABC Bank, the City's lending partner on this project, subsequently determined that the deed designates the company's owner, Rosa E. Santis, as the building's legal owner. ABC Bank has requested that the City's FBLP loan be made to Rosa E. Santis to align with their loan. This change will also provide the proper legal security for the FBLP Loan. The financial aspects of the loan are not affected by this change.

This action will repeal the previous action and authorize the City of Austin to provide a federally-funded HUD Section 108 loan through the Family Business Loan Program (FBLP) to refinance the purchase of the building. As before, ABC Bank will provide additional funds for furniture, fixtures, and equipment through conventional financing.

FBLP loans provide lower interest rates that are necessary to the success of the project, which will create jobs in the Saltillo neighborhood. The FBLP loan will have a 20-year term and an interest rate of 1.46%. Financing for this small business project's estimated cost of \$498,210 is being provided as follows:

| <u>Finance Provider</u> | <u>Financing Source</u> | <u>Amount</u> |
|-------------------------|------------------------------|------------------|
| City of Austin | Family Business Loan Program | \$199,284 |
| ABC Bank | Conventional Financing | \$228,873 |
| Rosa E. Santis | Borrower Equity | <u>\$70,053</u> |
| Total Project Cost | | <u>\$498,210</u> |

The FBLP loan will be secured by: personal guarantee of Rosa E. Santis; First Lien against a property located at 1509 E. 3rd St. that is owned by Ms. Santis; a corporate guarantee of a company owned by Ms. Santis; and by subordinated liens against furniture, fixtures, and equipment.

This project will create 12 full time jobs in the Saltillo neighborhood within five years, equivalent to one full-time job for every \$16,607 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.

The FBLP Loan Review Committee recommended approval of this loan based on the owner's history of creating successful business ventures and financial strength, the projected financial strength of this venture, 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 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 thus provides borrowers with access to additional funds from other private and public sources. The City's portion of the funding is provided by a U.S. Department of Housing and Urban Development (HUD) Section 108 loan guarantee.