



**RCA
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION**

**AGENDA ITEM NO.: 9
AGENDA DATE: Thu 01/13/2005
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SUBJECT: Approve the negotiation and execution of a Neighborhood Commercial Management Loan Program (NCMP) loan to SOUTHWEST KEY PROGRAM, INCORPORATED, (Southwest Key) in an amount not to exceed \$624,000 and waive certain NCMP guideline requirements, subject to a written determination by the U.S. Department of Housing and Urban Development (HUD) of the maximum loan amount available under 24 CFR 570.209, for the construction of an approximately 32,000 square foot facility to house the corporate offices of Southwest Key, an alternative school, community computer lab, and business incubator.

AMOUNT & SOURCE OF FUNDING: Community Development Block Grant funding is available in the Neighborhood Housing and Community Development Department's Neighborhood Commercial Management Loan Program subject to a written determination of eligibility for Southwest Key and fund release from HUD.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REQUESTING Neighborhood Housing **DIRECTOR'S**
DEPARTMENT: and Community **AUTHORIZATION:** Paul Hilgers
Development

FOR MORE INFORMATION CONTACT: Paul Hilgers, Director, Neighborhood Housing and Community Development, 974-3108.

PRIOR COUNCIL ACTION: N/A

BOARD AND COMMISSION ACTION: N/A

PURCHASING: N/A

MBE / WBE: N/A

Subject to HUD's determination that loan amounts in excess of a proposed project's demonstrated financial need are not a mandatory federal criteria for a job creation program, approve the negotiation and execution of a Neighborhood Commercial Management Loan Program (NCMP) loan to Southwest Key Program, Incorporated (Southwest Key) in an amount not to exceed \$624,000 in CDBG funds and waive certain program guideline requirements. The funds will be used for the construction of an approximate 32,000 square foot facility to house the corporate offices of Southwest Key, an alternative school, community computer lab, and business incubator all of which will lead to the creation of 20 jobs primarily for low- to moderate-income individuals. If HUD determines that under 24 CFR 570.209, Southwest Key is not eligible to receive an NCMP loan because it is a non-profit entity, no funding will be available or released. Additionally, if HUD determines that the 24 CFR 570.209 financial need determination is a mandatory eligibility criteria, the funding available to Southwest Key may be limited to an amount not to exceed \$102,321.



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The purpose of the Neighborhood Commercial Management Loan Program (NCMP) is to assist in revitalizing blighted or depressed 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 NHCD staff and by a loan committee consisting of bankers, real estate professionals, and community representatives.

Southwest Key Loan Request:

A NCMP Loan for \$624,000 with zero interest (0%) for a term of twenty-five (25) years with no payments due in years 1-5 and monthly payments amortized over the remaining twenty (20) years. With waivers of the following program guidelines:

1. Requirement for the maximum loan value not to exceed \$250,000,
2. Requirement for the loan to be fully amortized with equal monthly principal and interest payments,
3. Requirement for personal guarantees,
4. Requirement for demonstrated need for the funding and validation that without the NCMP funding the project could not move forward (provided HUD regulations allow this waiver).

The total cost associated with the construction of this facility is estimated to be \$4.8 million of which the following commitments have already been secured by Southwest Key Program, Inc. as documented by the NCMP loan application submitted.

City of Austin	\$ 367,108	Grant
City of Austin	\$ 10,400	Fee Waivers
Southwest Key Employee Giving	\$ 500,000	Grant
Economic Development Administration	\$1,500,671	Grant
Topfer Foundation	\$ 100,000	Grant
JPMorgan Chase	\$ 22,500	Grant
Travis County Housing Finance Corporation	\$ 100,000	Grant
Economic Development Initiative (Omnibus)	\$ 97,000	Grant
JPMorgan Chase	\$2,000,000*	Loan
Total:	\$4,697,679	

*Line of credit that is available to Southwest Key that has not yet been accessed. If Southwest Key is able to receive NCMP loan for \$624,000 then the amount drawn from JPMorgan Chase will be reduced



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by the NCMP loan amount.

Loan Committee Recommendation:

The loan committee of the Neighborhood Commercial Management Loan Program met on December 16, 2004 and denied the loan request as requested with the following comments:

1. Waiving all the requested program guidelines looses the intent of the program,
2. The applicant can not demonstrate a need for the financing,
3. This loan should only be approved within the program guidelines and at market rates and terms.

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."