RCA
CITY OF AUSTIN
RECOMMENDATION FOR COUNCIL ACTION

AGENDA ITEM NO.: 13
AGENDA DATE: Thu 09/29/2005

SUBJECT: Approve the negotiation and execution of a loan to Mack McKinley dba The Common Interest Karaoke Bar, Austin, TX, in compliance with applicable federal requirements, including Code of Federal Regulations Title 24 Section 85.40 performance goals, under the Neighborhood Commercial Management Loan Program in an amount not to exceed $75,000 to construct leasehold improvements and purchase fixtures necessary to outfit the business to be located at 8440 Burnet Road.

AMOUNT & SOURCE OF FUNDING: Funding is available in the Neighborhood Housing and Community Development Department Special Revenue Fund - Neighborhood Commercial Management Program Section 108.

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

REQUESTING DEPARTMENT: Neighborhood Housing and Community Development

DIRECTOR'S AUTHORIZATION: Paul Hilgers

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

This authorizes the negotiation and execution of a subordinate loan to Mack McKinley d.b.a. The Common Interest Karaoke Bar in an amount not to exceed $250,000 under the Neighborhood Commercial Management Loan Program (NCMP) to construct leasehold improvements, and purchase the equipment necessary to outfit the business at 8440 Burnet Road.

The purpose of the NCMP is to assist in revitalizing blighted or depressed commercial districts by providing financial assistance to eligible small businesses within the 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 Department staff and by a loan committee consisting of bankers, real estate professionals, and community representatives.

Mack McKinley has operated small businesses in Austin for nearly 30 years. Almost five months ago, The Common Interest Karaoke Bar was destroyed in a fire. In an attempt to continue operations, Mr. McKinley is proposing to rebuild and expand the business at the current location.

The terms of the proposed loan will be as follows:

Project cost approximately $625,000.

A maximum NCMP loan of $75,000 with a fixed interest rate of 3% for a term of 20 years.

First State Central TX Bank is providing a $150,000 loan.

The owner is providing $225,000 in equity.

The NCMP loan will be subordinate to the First State Central TX Bank financing.

The Common Interest Karaoke Bar will add a total of ten staff positions in addition to retaining eight positions.

At least eight jobs will be made available to low–moderate income residents. (One full-time equivalent position for every $35,000 in NCMP loan funds)

The Neighborhood Housing and Community Development Department staff recommends approval of this transaction based on the financial strength of the borrower, the strength of the owner/guarantor, the owner's commitment to this project and the positive impact on the community.

Approval of this loan is consistent with NHCD's 2000-2005 Consolidated Plan. The Consolidated Plan states specifically that NHCD will provide flexible capital in the form of gap financing to businesses in *blighted or depressed commercial districts to create or retain jobs for low-moderate income residents.*

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."