



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

**AGENDA ITEM NO.: 17
AGENDA DATE: Thu 01/26/2006
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SUBJECT: Approve the negotiation and execution of a loan to Angie's Mexican Restaurant, Inc., Austin, TX, under the Neighborhood Commercial Management Loan Program in an amount not to exceed \$190,000 to construct a restaurant to be located at the 1305 and 1307 East 7th Street in compliance with applicable federal requirements, including Code of Federal Regulations Title 24 Section 85.40 performance goals.

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 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

This action authorizes the negotiation and execution of a subordinate loan to Angie's Mexican Restaurant, Inc., owned by Marco and Angie Quintero, in an amount not to exceed \$190,000 in Section 108 Loan funds under the Neighborhood Commercial Management Loan Program (NCMP) for the construction of a restaurant to be located at 1305 and 1307 East 7th Street. Neighborhood Housing and Community Development Department (NHCD) recommends approval of this transaction based on the financial strength of the borrowers, the strength of the owners/guarantors, the owner's commitment to this project and the positive impact on the community.

The NCMP loan approval process includes a review and analysis by NHCD staff and by a loan advisory committee consisting of bankers, real estate professionals, and community representatives. On December 15, 2005, the NCMP Loan Advisory Committee approved the Quintero's loan in the amount of \$176,400. The additional funds of \$13,600 are recommended by program staff to cover soft costs associated with professional fees and closing costs. Combined, the total amount requested for approval is \$190,000.

The terms of the proposed loan are as follows:

Project cost approximately \$650,000.



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A maximum NCMP loan of \$190,000 with a fixed interest rate of 3% for a term of 15 years. The fund use is as follows: \$176,400 for hard costs associated with construction (92.29%); and, \$13,600 for soft costs associated with the project such as closing costs and professional fees (7.71%). NCMP funding represents 29% of the total project cost.

Laredo National Bank is providing a \$250,000 loan for a period of twenty (20) years at 8.75% interest rate.

The owner is providing \$75,000 in cash equity; and, according to Travis Central Appraisal District records, the owner is providing approximately \$135,000 in collateral through the two parcels of land located at 1305 and 1307 E. 7th Street, Austin, Texas 78702, which is the proposed business location. Fair Market Value for these two parcels is estimated at approximately \$175,000.

The City loan will be subordinate to the Laredo National Bank financing.

Angie's Mexican Restaurant will add a total of fourteen (14) part-time employees (PTE), or the equivalent of 7 full-time employees (FTE).

At least 4 FTE positions or 8 PTE positions will be made available to low and moderate income persons. (One [1] FTE position for every \$35,000 in NCMP loan funds).

The Quintero's have operated Angie's Mexican Restaurant since 1992 later incorporating on May 21, 1993, as filed with Office of the Secretary of State. Currently, Angie's Mexican Restaurant is located at 900 E. 7th Street. To improve and expand operations, increase profitability and create jobs, the Quintero's are proposing to open this new restaurant in East Austin.

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

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. Approval of 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."