

A U S T I N C I T Y C O U N C I L

AGENDA



Thursday, December 07, 2006

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Neighborhood Housing and Community Development RECOMMENDATION FOR COUNCIL ACTION

ITEM No 6

Subject Approve the negotiation and execution of a loan to Angie's Mexican Restaurant, Inc , Austin, TX, in compliance with applicable federal requirements including Title 24 Code of Federal Regulations Section 85 40 performance goals, under the Neighborhood Commercial Management Loan Program in an amount not to exceed \$60,000 to provide additional financing to construct a restaurant to be located at 1305 & 1307 East 7th Street, Austin, TX

Amount and Source of Funding Funding is available in the Neighborhood Housing and Community Development Department Special Revenue Fund - Neighborhood Commercial Management Program Section 108 This loan is subject to completion of the federal environmental assessment and fund release process

Additional Backup Material

(click to open)

No Attachments Available

For More Information Paul Hilgers, Director, Neighborhood Housing and Community Development, 974-3108

Prior Council Action Approved first loan amount

This authorizes the negotiation and execution of a subordinate loan to Angie's Mexican Restaurant, Inc in an amount not to exceed \$60,000 under the Neighborhood Commercial Management Loan Program (NCMP) for the construction of a restaurant to be opened at 1305 & 1307 East 7th Street, Austin, Texas 78702

On January 26, 2006, the City Council approved a loan to Angie's Mexican Restaurant in the amount of \$190,000 This new loan request of \$60,000 is recommended by program staff to cover hard costs associated with construction The total combined investment under NCMP is \$250,000 The total loan investment of \$250,000 is within programmatic, regulatory and local City of Austin and NHCD policy

The Quintero's have also committed additional resources in terms of cash, real property, furniture, fixtures and equipment to offset increases in project cost over the past twelve months As a result, the Quintero's total equity investment has increased in excess of approximately \$375,000 (Land-\$175,000, cash \$100,000, development cost-\$30,000, plus furniture, fixtures and equipment \$70,000)

The terms of the proposed loan will be as follows

Project cost approximately \$650,000

Maximum NCMP investment of \$250,000 divided into two loans The first loan is in the amount 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%)

This second loan is in the amount of \$60,000 with a fixed interest rate of 3 5% for a term of 5 years The

fund use is as follows \$60,000 for hard costs associated with construction (100%)

Laredo National Bank is providing a \$250,000 loan for a period of twenty (20) years at 8.75% interest rate. The City loan will be subordinate to the Laredo National Bank financing.

Angie's Mexican Restaurant will add a total of 18 part-time employees (PTE), or the equivalent of 9 full-time employees (FTE). At least 5 FTE positions or 10 PTE positions will be made available to low and moderate income persons (One FTE position for every \$35,000 in NCMP loan funds).

The Quintero's have operated Angie's Mexican Restaurant since 1992. Currently, Angie's Mexican Restaurant is located at 900 E. 7th Street, Austin, Texas 78702. In an attempt to improve and expand operations, increase profitability and create jobs, the Quintero's are proposing to open a new restaurant in East Austin on East 7th Street. The proposed grand opening date is the spring of 2007 (April-May 2007).

The staff 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.

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.

The purpose of the Neighborhood Commercial Management Loan Program 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 advisory committee consisting of bankers, real estate professionals, and community representatives.

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."