

Late Backup

Council Q&A

Item 5:

Authorize negotiation and execution of a Family Business Loan Program loan, in an amount not to exceed \$154,200, funded with proceeds of a U.S. Department of Housing and Urban Development Section 108 loan to the City, to MORT SUBITE, LLC to finance working capital and soft costs associated with the lease of space located at 308 South Congress, Austin, Texas.

QUESTION (MPT TOVO):

Mort Subite LLC appears to be associated with numerous other business entities. Does the membership of Mort Subite LLC have controlling interest in these other affiliated entities? If so, does the combined total of the entities exceed the tangible net worth limit of \$15 million?

ANSWER:

Mort Subite LLC is a subsidiary of the parent company, Artisanal Imports. The Small Business Administration (SBA) eliminated the personal resource tests effective April 21, 2014. The Economic Development Department is currently updating the Family Business Loan program collateral materials to reflect these changes. The end goal for this loan is to create 15 full-time jobs of which 51% have to be for low-to-moderate income persons.

The Personal Resources Test for SBA loans set forth a formula requiring any 20%-or-greater owners of businesses to use a portion of their personal resources to reduce the SBA's share of the financing requested. The formula, based upon loan size, required the owners to inject capital to the extent of their liquid assets in excess of a specified multiple of the financing package (13 CFR 120.102).

The applicant Mort Subite LLC does not have more than \$15 million in net worth which the loan application is based. Affiliations to other companies are not factored into the evaluation of the application, but are taken into account when collateralizing the loan.

Note that Personal Resource test (PRT) are not a factor for the HUD Section 108 "Family Business Loan Program" as approved by HUD and Council Resolution 20120524-15. PRT used to be considerations for our SBA partner lenders.

The Family Business Loan Program has a micro-loan product that is available to early stage businesses that are seeking additional boost in capital to reach the next stage of growth.