



DATE: September 13, 2016

TO: Mayor & City Council

FROM: Economic Development Manager

SUBJECT:

Economic Development Small Business Revolving Loan Fund – Loan Request MYL Restaurant Concepts, LLC

RECOMMENDATION

That the City Council adopts a resolution to increase the Economic Development Small Business Revolving Loan Fund program maximum disbursement and authorizes the City Manager to enter into a loan agreement with Hayward MYL Restaurant Concepts, LLC.

BACKGROUND

In 1990, the City Council established a Small Business Revolving Loan Fund (RLF) program to provide gap financing to small businesses in order to facilitate access to capital and leverage private sector funds. Providing capital for business expansion, retention, and job creation has been a key element of this program. The Small Business Revolving Loan Fund was initiated from the federal Community Development Block Grant (CDBG) program with the intent to spur job creation.

In September of 2014, the City Council adopted an updated Community Development Block Grant Compliance Policy Manual and authorized the City Manager to implement the program which includes disbursement of CDBG funds. The RLF Program is funded through the CDBG program, and typically allows up to \$100,000 toward a single loan disbursement. In order to authorize an increased loan disbursement, Council would need to amend the RLF Program to increase the maximum disbursement amount.

This program has assisted multiple Hayward businesses to establish or grow in Hayward and has added jobs to our community. The City recently received a funding request of \$200,000 from MYL Restaurant Concepts, LLC. Its founding partner is an experienced restaurateur successfully managing and operating Pican, a Zagat and Michelin Gourmand-rated restaurant in Oakland. The request for funds is gap financing to assist with purchasing equipment,

furniture, and provide working capital for his new restaurant at 1034 B Street. The previous restaurant owner is selling his business.

DISCUSSION

Economic Development staff view the proposed business as a potential economic catalyst for the Downtown. The City has targeted restaurant and entertainment users as key ingredients to the revitalization of Downtown. The proposed restaurant would provide a quality full-service restaurant to complement both new and existing food and entertainment businesses along B Street. The background and experience of the restaurateur is an indication that the Hayward market is desirable. Specifically, this request is in line with the City of Hayward General Plan (adopted July 1, 2014), Guiding Principle #5. This principle states that Hayward should have a safe, walkable, vibrant, and prosperous Downtown that serves as an attractive area for business and a destination for shopping and dining, arts and entertainment, and college-town culture. Continued support for Downtown revitalization efforts include tools such as the RLF program that can assist in transforming the Hayward Downtown and the City as a whole into a place everyone gathers to interact, shop, dine, play and celebrate.

Increasing the maximum loan disbursement amount would also be consistent with the CDBG program which allows higher loan disbursements on a case-by-case basis if determined as an eligible activity for fulfillment of the National Objectives (job creation, elimination of blight, benefitting low and moderate income households). Staff has outreached to program oversight at the Department of Housing and Urban Development (HUD) and has confirmed that the additional funds up to \$200,000 for job creation would be warranted. The current loan disbursement maximum of the RLF Program was established in 1990 and is not reflective of current day capitalization costs in particular for full-service restaurant space which is a targeted user for the City and Downtown.

Lastly, the Revolving Loan Fund request was reviewed by the City of Hayward RLF Committee, which is comprised of bankers and business financial experts. Upon review of the business plan and supporting financial information, the loan request was unanimously recommended for approval on August 10, 2016.

If the loan amount is approved by Council, the project would be able to move forward and the borrower would begin operations by hiring fifteen low to moderate-income employees to fill positions such as waiter, waitress, cashier, dishwasher, and janitorial service provider. An additional ten, higher paid individuals would be hired as chefs, bartenders, and managers.

ECONOMIC IMPACT

Increasing the maximum RLF loan amount would enable eligible borrowers (subject to fund availability) to secure additional financing for project success not currently available through traditional lending institutions, and fulfillment of the CDBG fund allocation to the City. In addition, as mentioned above, a recognized full-service restaurant with a following could act as a catalyst and increase overall interest in the downtown as an entertainment and dining destination.

FISCAL IMPACT

Currently there is a FY 2017 budget of \$498,496 available for the RLF Program. These funds were designed to be distributed as part of the RLF program. The requested loan would be for \$200,000 and would be secured by a note on property owned by Michael Leblanc. The secured loan would be consistent with CDBG and City guidelines.

Prepared by: Sally Porfido, Economic Development Consultant

Recommended by: Micah Hinkle, Economic Development Manager

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is positioned above a horizontal line.

Kelly McAdoo, City Manager