

<h1 style="margin: 0;">Council</h1> <h1 style="margin: 0;">Communication</h1> <p style="margin: 0;">Office of the City Manager</p> 	Date February 20, 2006
	Agenda Item No. 30 Roll Call No. <u>06-</u> Communication No. <u>06-110</u> Department: City Manager's Office / Office of Economic Development

AGENDA HEADING:

Resolution to Approve First Amendment to City Loan Agreement with Beckley Properties, LLC and Beckley Imports, Inc. d/b/a Beckley Automotive Services, 901 8th Street, Des Moines. Stephen Beckley, President, Hartford, IA.

RECOMMENDATION:

Recommend Approval of roll call amending the Loan Agreement and Promissory Note by deferring the beginning date of the loan repayment and the job creation attainment goal to April 2008. All other terms and conditions remain the same.

FISCAL IMPACT:

Amount: \$0

Funding Source: Loan was funded from, and loan payments will be credited to, the Economic Development Enterprise Account.

ADDITIONAL INFORMATION:

Beckley Imports, Inc. (dba Beckley Automotive Services founded in 1979) provides automotive maintenance services. Beckley Properties, L.L.C. was formed to own the new facility located at 901 Eighth Street. Both entities are owned by Stephen F. Beckley. Beckley Automotive Services was previously located at 209 - 16th Street, which was purchased by the City for the widening of the intersection of SW 16th Street and Martin Luther King, Jr. Parkway. Mr. Beckley built the new service facility at 901 8th Street at an investment of \$1,300,000. The new facility is currently assessed for property taxes at \$1,465,000.

This project assisted in maintaining needed diversity of support services to the downtown employment market. Historically, the business focused on providing maintenance services to European autos and has recently been expanding its focus to include all makes of domestic autos. The new facility more than doubled the old shop size.

The loan was funded from the Economic Enterprise Account. The \$80,000 loan at zero percent interest is written for a term of ten years and was provided to supplement the company's cash flow to service mortgage

payments until the company's revenues and earnings were sufficient to support the expanded project's debt. The City Loan agreement set debt service benchmarks for the company to achieve prior to beginning repayment or three years which ever came first. While the company has shown positive growth in revenues and profits, it is still behind its original projections and has not achieved the levels necessary to service the existing project debt. The loan is secured by a subordinate mortgage, which is junior to other project financing (US Bank Loan \$600,000 and SBA 504 Loan \$463,000) and by personal guaranty from Mr. Beckley.

City staff have been working with US Bank (the Senior Lender), The Corporation for Economic Development in Des Moines (CEDDM) and the US Small Business Administration (SBA) (Second Mortgage Lenders) to assist in the restructuring of the Company's debt to match its existing debt service capabilities. US Bank has agreed to provide the Company additional operating funds, CEDDM and the SBA have agreed to defer payments for a period of ten months and the City is requested to continue to defer repayment of its loan to April 30, 2008. The original maturity term of ten years remains unchanged. Based on the Company's past three-year revenue growth, the business may be able to begin payments on the City loan by the end of the deferment request. The project retained eight jobs and projected creating eight new jobs, of which they have created three new full-time positions and anticipate hiring two new positions within the next few months. Auto-technicians average approximately \$40,000 in annual wages; administrative positions average \$24,000 per year. The company also contributes to employees medical benefits. The company is asking that the job creation goal be extended to April 30, 2008.

PREVIOUS COUNCIL ACTION(S):

Date: April 22, 2002

Roll Call Number: 02-1037

Action: Approval of economic development loan for \$80,000 and related documents to Beckley Properties, LLC and Beckley Imports, Inc. d/b/a Beckley Automotive Services, 901 8th Street, Des Moines.

BOARD/COMMISSION ACTION(S):

Date:

Roll Call Number:

Action:

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS:

None