



# Council Communication

Office of the City Manager

Date

November 19, 2007

Agenda Item No. 32  
Roll Call No. 07-  
Communication No. 07-699  
Submitted by: **Matthew A. Anderson,**  
**Economic Development Administrator**

## AGENDA HEADING:

Approval of Resolution Approving Subordination Agreement with Community Business Lenders, LLC, Community Choice Credit Union and the City of Des Moines for Beckley Properties, LLC and Beckley Imports, Inc. dba Beckley Automotive.

## SYNOPSIS:

By Roll Call 02-1037, dated April 22, 2002, Council approved an economic development loan for \$80,000 to Beckley Properties LLC and Beckley Imports, Inc. dba Beckley Automotive (hereinafter collectively referred to as "Company."). The City Loan is secured by a third mortgage on the property located at 901 Eighth Street, Des Moines. The Company has requested that the City subordinate its existing collateral position on the real estate located at 901 Eighth Street to facilitate the refinancing of the Company's existing debt. The requested subordinations will allow: (1) Community Business Lenders to refinance from USBank the Company's existing first real estate mortgage loan and (2) Community Choice Credit Union to refinance from USBank existing working capital loans. The Company is owned and operated by Stephen F. Beckley, Hartford, IA.

## FISCAL IMPACT: NONE

## ADDITIONAL INFORMATION:

Started in 1979, Beckley Automotive Services provides automotive maintenance services. It was previously located at 209 16th Street, but this site was purchased by the City for the widening of the intersection of SW 16<sup>th</sup> Street and Martin Luther King, Jr. Parkway. Mr. Beckley built the new service facility at 901 Eighth Street at an investment of \$1,300,000; it is twice as large as the previous shop. Beckley Properties, L.L.C. was formed to own the facility, which is currently assessed for property taxes at \$1,525,000.

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. Recently, it expanded its scope of services to include all makes of domestic autos.

The loan was funded from the Economic Enterprise Account. The \$80,000 loan at zero percent interest was 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, as amended, set debt service benchmarks for the company to achieve prior to beginning repayment or by April 30, 2008, whichever 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 real estate

mortgage that is subordinate to other original project financing (US Bank Loan balance of \$562,269 and a SBA 504 Loan of \$463,405), and by personal guaranty from Mr. Beckley.

City staff has worked with US Bank, Community Business Lenders, Community Choice Credit Union and the US Small Business Administration (SBA) to assist in the restructuring of the company's debt to match its existing debt service capabilities. The original project retained eight jobs and projected that eight new jobs would be created. To date, six new full-time positions have been created and additional new technician positions will be created with the continued growth of the Company. The Company's auto-technician positions average approximately \$40,000 in annual wages. The company also contributes to employee medical benefits.

**PREVIOUS COUNCIL ACTION(S):**

Date: April 22, 2002

Roll Call Number: 02-1037

Action: Approval of Documents related to Economic Development Loan in the amount of \$80,000 to Beckley Properties and Beckley Imports for construction of new automotive service facility at 901 Eighth Street.

Date: February 20, 2006

Roll Call Number: 06-353

Action: Approval of First Amendment to City Loan Agreement with Beckley Properties, LLC and Beckley Imports, Inc.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**