

 <p style="text-align: center;">Council Communication Office of the City Manager</p>	Date: October 21, 2013
	Agenda Item No. 28 Roll Call No. <u>13-1643</u> Communication No. <u>13-524</u> Submitted by: Matthew A. Anderson, Assistant City Manager

AGENDA HEADING:

Resolution approving Subordination Agreement between Community Business Lenders Service Company, LLC, Beckley Properties, LLC, Beckley Imports, Inc., d/b/a Beckley Automotive and the City of Des Moines, and Resolution approving Extension Agreement to Loan Agreement and Promissory Note between Beckley Properties, LLC, Beckley Imports, Inc., d/b/a Beckley Automotive and the City of Des Moines.

SYNOPSIS:

Approval of the Resolution will allow Community Business Lenders Service Company, LLC to refinance the existing first mortgage loan of \$455,000 and the existing second mortgage loan with the US Small Business Administration 504 Loan for \$303,000 into a new total loan of \$780,000. The refinance will take advantage of lower rate of interest and a longer amortization period reducing the annual debt service to Beckley Properties, LLC and Beckley Imports, Inc. d/b/a Beckley Automotive. The City’s lien on the property remains the same after the proposed subordination and refinance of existing debt. The refinance will improve the existing cash flow that will allow Beckley to begin repayment on the City Loan. The Extension Agreement provides for a 10 year amortization of the City loan beginning in January 2014.

FISCAL IMPACT:

Amount: \$80,000 loan at zero percent interest; the Extension Agreement calls for monthly payments amortized over 10 years.

Funding Source: Economic Development Enterprise Account

ADDITIONAL INFORMATION:

Beckley Automotive Services opened in 1979 and 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 16th Street and Martin Luther King, Jr. Parkway. A new service facility was built at 901 8th Street at an investment of \$1,300,000 and is twice as large as the previous location. Beckley Properties, L.L.C. was formed to own the facility, which is currently assessed for property taxes at \$1,525,000.

The City loan of \$80,000 at zero percent interest was written for a term of 10 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. While the company has shown positive growth in revenues, it is still lagging from original projections and has not achieved the financial benchmarks in the Loan Agreement to service the project debt. The proposed refinance will positively affect the company’s cash flow allowing for the establishment of a repayment plan for the city loan.

The original project retained eight (8) jobs and projected that eight (8) new jobs would be created, which was achieved at its peak employment of 16 positions in 2010. The company's auto-technician positions average approximately \$40,000 in annual wages. The company also contributes to employee medical benefits.

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

PREVIOUS COUNCIL ACTION(S):

Date: November 19, 2007

Roll Call Number: [07-2210](#)

Action: [Subordination](#) Agreements between 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 for property at 901 8th Street. ([Council Communication No. 07-699](#)) Moved by Vlassis to adopt. Motion Carried 7-0 approval.

Date: February 20, 2006

Roll Call Number: 06-353

Action: First Amendment to City Loan Agreement with Beckley Properties, LLC and Beckley Imports, Inc. to defer loan repayment beginning date and changing the jobs created deadline date to April 30, 2008. ([Council Communication No. 06-110](#)) Moved by Hensley to adopt. Motion carried 7-0.

Date: April 22, 2002

Roll Call Number: 02-1037

Action: Documents related to Economic Development Loan in the amount of \$80,000 to Beckley Properties and Beckley Imports for construction of a new automotive service facility at 901 8th Street. ([Council Communication No. 02-213](#)). Moved by Vlassis to approve. Motion carried 7-0.

BOARD/COMMISSION ACTION(S): NONE

ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE

For more information on this and other agenda items, please call the City Clerk's Office at 515-283-4209 or visit the Clerk's Office on the first floor of City Hall, 400 Robert D. Ray Drive. Council agendas are available to the public at the City Clerk's Office on Thursday afternoon preceding Monday's Council meeting. Citizens can also request to receive meeting notices and agendas by email by calling the Clerk's Office or sending their request via email to cityclerk@dmgov.org.