

STAFF REPORT
City of Lancaster

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MVB

DATE: November 13, 2012

TO: Mayor Parris and City Council Members

FROM: Kelvin Tainatongo, Assistant to the City Manager

SUBJECT: **Approval of the “Spice Up Lancaster” Restaurant Expansion Loan Program**

Recommendation:

Approve the Spice Up Lancaster Loan Program in an effort to fill existing commercial vacancies, assist small local businesses and build the City’s sales tax revenue base; appropriate \$100,000.00 from general fund balance to Account No. 101-4330-813 to fund the program.

Fiscal Impact:

\$100,000 from general fund balance; loans to be paid back with interest over a 5-year term.

Background:

With a commercial vacancy rate of approximately 14.1%, the City of Lancaster has sought innovative ways to foster business growth, stabilize existing commercial centers and strengthen the City’s sales tax revenue base. However, a dearth of readily available credit presents a formidable obstacle for even the most established businesses to expand and create new local jobs.

The Spice Up Lancaster Loan Program will provide a new resource to help well-established businesses overcome this obstacle. Under the program, locally-owned restaurants that have been operating in the Antelope Valley for 10 years or more may apply for low-interest loan funding of up to \$25,000.00 to expand to a new location in Lancaster. In addition to providing assistance for small local businesses, the program aims to build the synergy of various commercial areas by creating additional dining options; enhance the atmosphere and stability of these areas with long-established and well-known local restaurants; and build the City’s sales tax base by providing local businesses with opportunities for expansion.

As limited funds are available, loans will be offered on a competitive basis. Loan applications will be evaluated based on the program criteria, and those which best meet these criteria will be awarded funding. These criteria include whether the business will fill an existing vacancy, whether it is a small entrepreneurial business, and whether the business type contributes to the synergy of the surrounding commercial area. Businesses must have been in operation in the

Antelope Valley for 10 years or more and have fewer than five existing locations in order to apply.

Loans will be offered on a 5-year loan term, with an interest rate equal to the city's weighted average portfolio yield in effect the month the loan is approved, adjusted annually, for the first three years and an interest rate of 3% for the remaining two years. There is no penalty for prepayment of the full loan amount. Under unique circumstances, the loan amount may be increased beyond the \$25,000 limit, pending approval by the City Council and availability of program funds. All loans offered under this program are subject to approval by the City Council.

The program will launch immediately pending approval by the City Council and will continue through December 31, 2013 or until program funds are depleted, whichever occurs first.

KT:cd

Attachment:

Spice Up Lancaster Loan Program Policies and Procedures