

STAFF REPORT
City of Lancaster

CC 13
12/11/12
MVB

DATE: December 11, 2012

TO: Mayor Parris and City Council Members

FROM: Kelvin Tainatongo, Assistant to the City Manager

SUBJECT: **Approval of “Spice Up Lancaster” Loan Agreement with Barone’s**

Recommendation:

Approve a loan of \$25,000 to Barone’s under the Spice Up Lancaster Loan Program to open a new location in Lancaster and authorize the City Manager or his designee to execute all loan documents.

Fiscal Impact:

\$25,000 in General Fund revenue which was previously appropriated for the Spice Up Lancaster Loan Program, to be paid back with interest within 5 years.

Background:

The Lancaster City Council approved the Spice Up Lancaster Loan Program on Nov. 13, 2012 in an effort to fill existing commercial vacancies, assist small local businesses and build the City’s sales tax revenue base. This is the first loan to go before the Council for approval through this program.

Barone’s, a traditional Italian restaurant, has been in operation in Lancaster since 1959. Owned by the Magar family, the patriarch of which became a partner to original owner Al Barone in 1970, the restaurant presently has one location on Avenue I. This loan would facilitate the restaurant’s expansion to a second location on Lancaster Boulevard, dubbed “Barone’s on The BLVD.”

Barone’s is precisely the type of restaurant the Spice Up Lancaster Loan Program aims to benefit. As a longstanding fixture of our community with ownership comprised entirely of Antelope Valley residents, Barone’s has invested a great deal in creating jobs and a successful business in the City of Lancaster. In addition, this small local business acts as an excellent corporate citizen, supporting such charitable organizations as the United Way and other local charities.

In spite of its extensive history in the Antelope Valley and the restaurant business, restaurants like Barone’s have had difficulty securing loans in the present business climate. This loan

through the Spice Up Lancaster Program offers the City of Lancaster an opportunity to fill this credit gap and assist a small local business which has contributed to our community for more than 50 years. It will also strengthen the City's tax revenue base, create new jobs in the restaurant industry, and build synergy in a key commercial area of Lancaster.

As outlined in the previously approved Spice Up Lancaster Loan Program Policies and Procedures, the loan is offered on a 5-year 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.

KT:cd