

BOARD OF ALDERMEN

ITEM NO. D(1)

AGENDA ITEM ABSTRACT MEETING DATE: November 15, 2005

TITLE: A Request to Approve a Revolving Loan Request from the Blue Icon Hair Salon

DEPARTMENT: Economic and Community Development	PUBLIC HEARING: NO
ATTACHMENTS: A. Resolution B. Budget Amendment C. Loan Application D. SBTDC and ESC Recommendations E. Revolving Loan Fund Summary	FOR INFORMATION CONTACT: James R. Harris, 918-7319

PURPOSE

The purpose of this item is to present to the Board of Aldermen the Blue Icon Hair Salon Revolving Loan Fund application. The business will be located in downtown Carrboro at 304 Weaver Street, Suite 101. The applicant is requesting \$18,000. Upon approval of the Blue Icon Hair Stylist loan, the Board is requested to approve a budget amendment that establishes the Blue Icon loan and updates the Revolving Loan Fund budget to reflect the current status of loans.

INFORMATION

Blue Icon is a hair salon which will be located at 304 Weaver Street, Suite 101. Arthur Ramsey, an experienced hair stylist, will be the sole owner. The salon will have a total of six stylist stations with Mr. Ramsey occupying one station and the remaining stations being rented for a base monthly rent of \$230 a week. The total rental income is projected to be \$1,150 per month. Letters of intent to rent the spaces are included with the application.

Mr. Ramsey has been diligent in planning for this business. He acknowledges his less than perfect credit history. The loan review board determined that this issue should not be a factor in keeping him from receiving the loan as he has satisfactorily taken corrective action on the past debts. This loan will also be co-signed by his mother, Gloria Ramsey King, who has an excellent credit rating. Her credit report is part of the application. The loan packager, the SBTDC, has concluded that Mr. Ramsey has provided all needed documents and has submitted a complete application for consideration. The proposed business appears to meet the criteria for consideration. Cash flow should allow for prompt and complete repayment of the loan.

The applicant is requesting \$18,000 from the Carrboro Revolving Loan. The term of the loan will be eight (8) percent for six (6) years. The loan proceeds will be used to purchase equipment and make improvements to the building. A waiver as to lien will be signed by the applicant's landlord so that the Town can claim the equipment as collateral for the loan. The applicant will also bring \$8,000 of his personal money to the project. Mr. Ramsey projects the creation of seven (7) jobs. The loan criteria require the creation of one (1) job per \$10,000 borrowed from the Fund.

FISCAL IMPACT

The Revolving Loan Fund balance is \$312,000.

STAFF RECOMMENDATION

Staff supports the Economic Sustainability Commission's recommendation to approve the loan of \$18,000 for six (6) years at 8% contingent upon Mr. Ramsey acquiring all necessary licenses, paying all fees required to do business in the Town of Carrboro, and his mother co-signing the loan. Staff recommends that the Board approve the budget ordinance that updates the Revolving Loan Fund budgets and appropriates a loan for Blue Icon.