

## BOARD OF ALDERMAN

ITEM NO. D(2)

### AGENDA ITEM ABSTRACT

MEETING DATE: March 7, 2006

**TITLE: A Request to Approve a Revolving Loan for Cycling Specifics, LLC**

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

#### PURPOSE

The purpose of this item is to present to the Board of Aldermen the Cycling Specifics, LLC Revolving Loan Fund application. The expanding business which was located at 118 E. Main Street has relocated to 403 W. Weaver Street. The applicant is requesting a \$45,000 loan for six (6) years at 5.5% with interest-only payments for the first six months. The Board is asked, based upon the information provided in the application and the recommendation from the ESC, to approve the funding request and associated budget amendment.

#### INFORMATION

Cycling Specifics, LLC is a retail custom bicycle store located on Weaver Street in Downtown Carrboro. The company is owned and operated by Laurin Stennis and Lori Hofer. Cycling Specifics specializes in high-end custom bikes, custom fitting, and is providing a service-based cycling resource center for the local market as well as the southeastern states.

Ms. Stennis and Ms. Hofer have successfully run Cycling Specifics for the past year after starting the business from scratch in their old upstairs location at 118 E. Main Street in Carrboro. The business has relocated to 403 W. Weaver Street, which is larger, free-standing and has its own parking. The loan will be used to complete the renovation of the new space, purchase inventory, and for the purchase of capital equipment. In the past year, Cycling Specifics has managed to pass the break-even point and showed a profit for 2005. The owners have both been able to take sufficient draws from the business to meet their personal financial obligations.

When considering this loan application for \$45,000, the excellent credit scores, personal property pledged as collateral, industry experience, length of lease with options for extension, and the successful launch of the business should be considered. Most of the

loan amount (\$30,000) will be used to purchase new inventory to allow for a more rapid expansion of the business.

At this time the applicants have shown the due diligence in planning for the expansion and they have been able to provide all needed documents and have submitted a complete application for consideration. The application has been reviewed and recommended for approval by the Economic Sustainability Commission (ESC). The applicant has also pledged to meet, over time, the job creation requirement of the RLF of 4.5 jobs. The business expansion will start out retaining two full time positions and then add positions as needed. The applicant will offer as collateral a security interest on real-estate owned by both parties and all inventory owned and to be purchased in the future by the business.

### **FISCAL IMPACT**

With the loan of \$45,000 to Cycling Specifics, the estimated amount available for future loans is \$ 265,569 plus accrual of principal and interest. The attached budget amendment allows for the loan to Cycling Specifics and adjusts accounting and budget records to reflect the loss incurred on the Places Media loan.

### **STAFF RECOMMENDATION**

The staff supports the recommendation of the Economic Sustainability Council to approve the loan of \$45,000 for six (6) years at 5.5% with interest only payments for the first six months and the associated budget amendment. This is, of course, contingent upon the applicant signing all necessary documents and providing all requirements of the RLF.