

BOARD OF ALDERMEN

ITEM NO. D(3)

AGENDA ITEM ABSTRACT

MEETING DATE: June 17, 2008

TITLE: Yesh Thirty Seven, L.L.C. (D.B.A. Carrboro CoWorking) Revolving Loan Application

DEPARTMENT: Economic and Community Development	PUBLIC HEARING: YES ____ NO <u>x</u>
ATTACHMENTS: A. Resolution B. Recommendation from Loan Packager C. Revolving Loan Fund Balance Report	FOR INFORMATION CONTACT: James R. Harris, Dir. Economic and Community Dev.

PURPOSE:

The purpose of this item is to present to the Board of Aldermen a loan request from Brian Russell to open Carrboro Coworking and to approve a resolution authorizing the loan.

INFORMATION:

The Carrboro Coworking business rents professional shared-office space with a café-like atmosphere to micro business owners. It is designed to be a welcoming environment suitable for freelance professionals, home-office workers, entrepreneurs, start-up business owners, and tech workers.

There are an increasing number of mobile workers in and around Carrboro. These mobile workers are individuals who do not work in a traditional setting. Instead, they use computers and internet tools to perform their work, most often working from home or spending hours at a time in coffee shops and restaurants that provide wireless internet connectivity (WIFI). Free wireless connections are typically unsecured which offers the user no privacy. Two examples of potential users of a facility such as this would be the individual that works at home alone and desires the company of other people. Another potential user would be a start up business that can not yet afford an office space. A professional environment, such as the one being proposed with additional resources such as desks, printers, conference rooms, and secured WiFi can provide a superior solution for them. Networking with like-minded people can also be very conducive for small business development.

Carrboro Creative Coworking will provide office and meeting space for rent, and space that will include various resources that will be determined by membership level. All customers will receive WIFI, couches, free events, and a comfortable working environment. Other amenities and services will include dedicated desks, printers, scanner, copier, fax, projector, drinking water, coffee pot and tea kettle, refrigerator, tech support, positive social environment, community events and "meetups," and conference rooms. With a location in the central business district, the facility will be near the dining, shopping, and entertainment establishments. The Coworking facility will attract more local dollars to the downtown as well as provide potentially new services for the town's citizens. Paying customers will choose from several pricing levels, including full-time use, part-time use, or daily use. Other services will be priced individually.

The management and employees of the Coworking business will make every effort to be a green business by working to save energy, water and reduce waste, and to provide incentives to encourage customers to use multi-modal transportation to come to the spaces.

It is expected that at full capacity there will be 41 full time, part-time, and hourly co-workers. Each coworker will require at least 80 square feet. The size of the space at 311 E. Main Street for co- working is 3,311 square. In addition, there will be 1,104 square feet for conference rooms for a total of 4,414, square feet in this business. Parking is located on site in addition to the space being on the bus line and accessible by foot and bike. This space will be shared with the Arts Center, which will use the rear portion of the building for a dance studio.

Brian Russell is seeking a loan in the amount of \$90,000 from the Town of Carrboro Revolving Loan Fund. Most of the money will be used for lease hold improvements and capital purchases. The capital purchases will outfit the co-working space with printers, copiers, video equipment, computer server, LCD monitor 42", chairs, tables, refrigerator, and other items associated with operating a co-working space. The collateral for this loan will be equity in the applicant's home at 138 Ridge Trail Chapel Hill, equipment and furnishings purchased for the co- working facility, and the personal guarantee from Brian and his wife. There is currently \$40,000 in equity in the home. The applicant has also saved \$10,000 to use toward the business for operational expenses.

The applicant plans to hire at least 8 full-time equivalent positions and the lease will match the 6 year term requested by the applicants. The program requires that 9 positions be created or retained. The nature of this business will bring greater benefit as it will provide an opportunity for existing people currently working out of the home, to expand their businesses, thereby creating the potential for additional job growth beyond what this business will create itself. The term of the loan requested is 2% for six years. The applicant will pay interest only for the first 6 months and on the 7th month will begin to repay both interest and principal. This will allow the applicant to build up some cash equity in the business.

FISCAL IMPACT:

The Revolving Loan Fund has sufficient reserves available to consummate the loan. A budget amendment is not required to enable the loan. However, within the Revolving Loan Fund, while funding remains the same, the unexpended reserve expenditure budget is reduced by \$90,000 and is transferred to a new loan expense account in the name of the business. The Town currently has a balance of \$408,180 as of June 3rd.

STAFF RECOMMENDATION:

The town staff recommends approval of the loan for the Carrboro Co-Working as it meets most of the requirements set forth in the RLF lending criteria. This project would provide an opportunity for Carrboro citizens that do not currently exist, a co-working space where individuals can come to be in a professional environment and collateral with other creative people. In a time when gas prices are soaring, this may be an opportunity for citizens that work out of town to work locally, there by reducing their impact on the environment. The town staff recommends approval of a \$90,000 loan at 2% interest for a period of 6 years.

In addition, the staff, based upon comments from the ESC, further recommends the following conditions:

1. the applicant shall seek and get presales lease commitments at a value of \$5,000.00 per month for three

months before the loan funds can be released. 2. The applicant shall get all required permits required from the Town prior to receiving any loan proceeds. 3. The applicant shall secure a lease with a term equal to the term of the loan which is six (6) years on the property at 311 East Main Street or a comparable property within the Town of Carrboro.