

## BOARD OF ALDERMEN

ITEM NO. C(3)

### AGENDA ITEM ABSTRACT

MEETING DATE: May 19, 2009

**TITLE: Revolving Loan Request from Kind Coffee (DBA Jessee's)**

<b>DEPARTMENT: Economic and Community Development</b>	<b>PUBLIC HEARING: YES ____ NO <u>x</u></b>
<b>ATTACHMENTS:</b> <b>A. Resolution</b> <b>B. ESC Recommendation</b> <b>C. Application</b>	<b>FOR INFORMATION CONTACT: James R. Harris, Dir Economic and Community Development, 918-7319</b>

#### PURPOSE

The purpose of this item is to present to the Board of Aldermen a loan request from co-owners, Jon Jessee, David Jessee, Karen Jessee and Chyenna Jessee, of The Kind Coffee (DBA Jessee's) located at 401 East Main Street, Carrboro, North Carolina. It is recommended that the loan request be approved by the Board of Aldermen in the amount of \$57,000.00 at an interest rate of 3% for a term of seven (7) years with loan repayments to begin six (6) months from the date of issuance of the loan proceeds.

#### INFORMATION

The Kind Coffee (DBA as Jessee's) is a new coffee shop located at 402 E, Main Street. It is located in the old Padgett Station location; the business is owned and operated by the Jessee's. Jon currently operates the Kind Coffee as a wholesale coffee roasting business. The wholesale business will continue to operate out of the new retail location. The Jessee's are still in the start-up phase of the business. The new location will allow for a retail presence to support the wholesale business. In addition to the coffee wholesale roasting and retail sales business, the Jessess's will also serve breakfast and other light fare.

The Jessee's applied for a loan in the amount of \$80,000.00 at an interest rate of 3% for 7 years. This loan will be utilized to purchase equipment and construction and lease hold improvements. The applicants have provided estimates and invoices to support all of the equipment purchases. This project will fill an empty space in the downtown on one of the most prominent corners in the downtown.

The co-applicant David Jessee has considerable collateral, in real estate, to back this loan and the business will have equipment purchased with loan proceeds that can be used as collateral as well. This seems to reconcile the fact that the co-applicant Jon Jessee is in a less strong position and could not make this proposition work without David's support.

The Project will create the one job per \$10,000 required by the loan program. There will be 6 full time positions and 6 part-time positions to make the remaining 4 full time equivalent positions.

The loan review committee reviewed the loan application and after due consideration of the application submitted and the justifications provided for the request decided to recommend a loan in the amount of \$57,000.00 for seven years at 3% interest. Because the amount is less than requested it is recommended

that the applicant start repayment six (6) months after issuance of the loan proceeds to give the applicants adequate time to build equity in the business. Consideration was also given to the overall amount available in the fund and consideration for any new loan application that might come in the future. If a new viable loan presents itself the Town should have some resources on hand to support the request.

### RECOMMENDATION

The town staff supports the recommendation of the ESC that the loan application is complete and meets the criteria set forth in the RLF application approval process. It is further recommended that the loan request be approved by the Board of Aldermen in the amount of \$57,000.00 at an interest rate of 3% for a term of seven (7) years with loan repayments to begin six (6) months from the date of issuance of the loan proceeds.