

BOARD OF ALDERMEN

ITEM NO. C(4)

AGENDA ITEM ABSTRACT

MEETING DATE: May 19, 2009

TITLE: **Revolving Loan Request from the Carrboro Citizen, LLC, and Robert and Victoria Dickson**

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

PURPOSE

The purpose of this item is to present to the Board of Aldermen a loan request from Robert and Victoria Dickson, owner/operators, of Carrboro Citizen, LLC located at 309 Weaver Street Suite 300, Carrboro North Carolina. The town staff recommends that the Board support the recommendation from the ESC that this loan be approved in the amount of \$50,000 for a period of 7 years at an interest rate of 2%. It is further recommended that the property at 605 West Main Street be accepted as collateral.

INFORMATION

The Carrboro Citizen is an existing Carrboro business that has been in publication since March 21, 2007 and has published every week since that date. The publication's circulation began at 5,000 copies and has increased to 6,000 as of March 26, 2009. The newspaper is distributed to more than 160 locations in Carrboro, Chapel Hill, Hillsborough, Pittsboro, and White Cross. The local economic impact of the Carrboro Citizen has been substantiated, and is illustrated by the following numbers, through March 2009.

Payroll	\$231,000
Rent	\$22,000
Distribution	\$30,000
Columnists	\$8,000
Total	\$291,000

The Carrboro Citizen's impact on the community is not just economic. Through pro bono advertising they support many worthwhile causes and events. The total value of that advertising is estimated at \$50,000.00. Among the groups and events they have supported are the Arts Center, The Farmers' Market (a weekly feature), The Community Dinner, Smart Start, The Carrboro Film Festival, The Music Festival, Orange Community Housing and Land Trust, The Recyclery and others. The Citizen states that through the promotion of Carrboro every week and serving as an effective buyers guild the goods and services available locally. At least 65 businesses are reported to have advertised in the Carrboro Citizen at this point.

The business plans to use the loan funds to continue the expansion of the newspaper. The expansion will provide for the increase in the number of papers produced as well as providing more distribution racks and boxes. The expansion will require the ability to print more papers, the hiring of additional staff in editorial, design, sales, accounting and distribution.

The Citizen currently operates in a 627 square foot office space. The expansion will require the need to rent additional space that will be more visible to the public and with handicap accessibility. The goal of the paper is to increase the circulation to at least 10,000 copies over the next 7 years, enabling the business to further expand their coverage of the communities they serve. Increased circulation will allow the paper to attract more and larger advertisers, thereby increasing revenues. Currently, only the editor and the sales positions are full time. The new loan proceeds will provide the ability to increase publication and advertisement.

The applicants applied for a loan in the amount of \$100,000.00 for 7 years at a rate of 2% per year. The applicant-owners have invested \$228,500 of their own money in the business. They have also invested more than two years of uncompensated sweat equity in the project. The difficulty of obtaining a commercial loan in this harsh economic climate and the sustainability of higher cost of such funds make the Carrboro RLF participation crucial to the continuation of this project.

The committee evaluated the applicants request and after a thorough review decided to recommend a loan in the amount of \$50,000 at a rate of 2% for seven (7) years. It is recommended that the loan proceeds be issued in the following manner. Initially the applicant will receive \$30,000 to cover the purchases of new distribution boxes and inventory, for the next two years receive \$10,000 per year for inventory. This way the applicant can purchase inventory as needed to achieve expansion goals and the Town can keep the money invested until the applicant makes the request for a draw on the loan. The applicants have significant net worth and equity in their real-estate that is being offered as collateral. The real-estate being offered as collateral for this loan is a condo at 605 West Main Street currently valued at \$240,000. This property has no liens or mortgage.

RECOMMENDATION

The town staff recommends that the Board support the recommendation from the ESC that this loan be approved in the amount of \$50,000 for a period of 7 years at an interest rate of 2%. It is further recommended that the property at 605 West Main Street be accepted as collateral.