

# STAFF REPORT

## *City Council Consent Item*

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**DATE:** March 6, 2023

**TO:** Honorable Mayor and Council Members

**FROM:** Merritt Perry, City Manager

**SUBJECT: Business Loan to Eric Allen for 1434 Rohnerville Road**

### **STAFF RECOMMENDATION:**

Staff recommends the City Council approve a business Loan in the amount of \$25,000 to Eric Allen for the renovation of the commercial property at 1434 Rohnerville Road.

### **EXECUTIVE SUMMARY:**

In October 2020, the City Council granted approval for the City Manager to use City Business Loan Funds to loan Eric Allen \$25,000 for the rehabilitation of the property located at 1434 Rohnerville Road and authorize a lease of City owned property adjacent to Mr. Allen's for his use. The lease was completed in the form of a license agreement (pending insurance to be obtained by Mr. Allen), but the loan was never completed. A copy of the original staff report from 2020 is attached for reference. The loan was not completed in 2020, as it was a low priority for the City, would not generate no net revenue, and faced competition from other projects during a fairly chaotic time in the middle of the pandemic. Mr. Allen did nothing to prevent the loan from being initiated.

The original proposed term of the loan included a loan amount of \$25,000 to be paid over 30 years at 2.5% interest, the current Local Agency Investment Fund (LAIF) rate at the time. The LAIF rate is the amount that the City earns on deposits mandated to be invested in that fund (approximately 25% the City's cash portfolio). The current LAIF rate is approximately 2.6%.

Staff recommends that the City proceed with the loan at the original terms proposed to Mr. Allen in 2020. This is being brought back to the council, as some time has passed since the original Council action staff wanted to confirm that the council still wants staff to proceed with the loan.

### **FINANCIAL IMPACT:**

The city would provide \$25,000 from Business Loan Fund 836 and collect 2.5% interest on that amount over the term of the loan. The current balance of Fund 836 is approximately \$590,000 with anticipated proceeds (approximately \$350,000) when the loan from the sale of the property at 320 Main is due to be deposited within this fund within the next three years. In the event of a foreclosure on the property the City could lose the amount of principle loaned to Mr. Allen.

**RECOMMENDED COUNCIL ACTION:**

Approve a business Loan in the amount of \$25,000 to Eric Allen for the renovation of the commercial property at 1434 Rohnerville Road and Authorize City Manager to establish terms. Consent agenda vote.

**ATTACHMENTS:**

- Original Eric Allen Loan Staff report from October 2020