

Agenda Report

DATE: OCTOBER 22, 2007
TO: CITY COUNCIL
FROM: CYNTHIA J. KURTZ, CITY MANAGER
SUBJECT: APPROPRIATE \$425,000 TO EPISCOPAL HOUSING ALLIANCE FOR A LICENSED SMALL BUSINESS INCUBATOR AND JOB TRAINING FACILITY

RECOMMENDATION

It is recommended that the City Council take the following actions:

1. Approve and authorize the City Manager to enter into a loan agreement with Episcopal Housing Alliance (dba Institute for Urban Research and Development) in the amount of \$425,000 from the Community Development Block Grant (CDBG) funds to purchase the property at 45 N. San Gabriel Boulevard, Pasadena for Mama's Hot Tamales-Pasadena, a licensed local commercial food education and preparation facility for small business operators and enterprises; and
2. Approve and authorize City Manager to execute a Memorandum of Understanding Agreement allocating \$93,066 in Community Development Block Grant (CDBG) - Entitlement Funds for fiscal years 2008 thru 2012 to reimburse the Community Development Block Grant Fund.

NORTHWEST COMMISSION

The Northwest Commission, at its meeting of October 10, 2007, voted in support of the staff recommendation.

BACKGROUND

Mama's Hot Tamales Café originated in Los Angeles in 2001 and was established as an economic development project by the Institute for Urban Research and Development, where Joe Colletti, PhD serves as the CEO. Led by restaurant manager Sandi "Mama" Romero, Mama's Hot Tamale Café has grown into a thriving business incubator in the MacArthur Park area of Los Angeles with over 100 people actively participating in the program.

The Episcopal Housing Alliance (dba Institute for Urban Research and Development) now seek to open a similar business incubator in Pasadena. Small business entrepreneurs often have a food product to market but no place to produce it. Their food products must also be prepared in a licensed facility. Mama's Hot

Tamales – Pasadena will bridge these gaps between training, preparation, and marketing for local small businesses by the providing a licensed facility in which small food-based entrepreneurs will receive assistance with 1) product development; 2) ingredient sourcing; 3) packaging and labeling; 4) shelf-life information; 5) nutritional analysis; 6) marketing strategies; 7) licensing compliance; 8) insurance/product liability; 9) marketing, and 10) product distribution.

MAMA'S HOT TAMALES – PASADENA

The Mama's Hot Tamales – Pasadena program will consist of two service components: 1) a small business kitchen incubator; and 2) a job training restaurant.

Small Business Kitchen Incubator

Mama's Hot Tamales – Pasadena, will be a licensed, commercial food education and preparation facility for small business operators to start-up and support food-based enterprises. This will include individuals who want to acquire the knowledge, abilities, and skills to pursue opportunities in the food service industry as bakers, cooks, caterers, and restaurant owners or managers. Food service industry opportunities will include:

- producing specialty food products to be sold in stores and supermarkets;
- catering foods for events;
- preparing gift baskets for holidays;
- selling foods at community events (e.g., arts and music festivals, farmer's markets, etc.);
- starting-up restaurants;
- starting-up catering businesses;
- starting-up bakeries;
- training for restaurant managers, cooks, and servers

Job Training Restaurant

Mama's Hot Tamales – Pasadena will also be a job training restaurant that will provide hands-on and classroom instruction. It will feature authentic presentations of regional dishes from throughout the Americas. This unique dining experience will engage customers as valuable participants in the education training process of future culinary professionals.

Mama's Hot Tamales – Pasadena will provide a commercial food education and preparation area and a hands-on training café in order to train low-, moderate-, and middle-income individuals in the disciplines necessary to begin a career path toward success in the culinary world. Participants will acquire the knowledge, abilities, and skills to pursue opportunities in the food service industry as bakers, cooks, caterers, hosts, restaurant owners or managers, waiters/waitresses, or wholesalers.

FINANCING

The proposed site for Mama's Hot Tamales – Pasadena is 45 N. San Gabriel Boulevard ("the Property") which is one-half block north of Colorado Boulevard (Proposed Site – Attachment A). The total project/program cost is \$2,613,125. Of this amount, the City of Pasadena is being asked to provide a deferred loan of \$425,000. The City loan will be deferred for a minimum 10 years @ 0% interest and secured by a third trust deed against the property. After the initial 10 year period of operation by Mama's

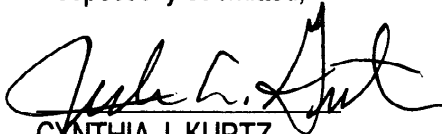
Hot Tamales – Pasadena, 10% of the loan amount will be forgiven annually as long as the Episcopal Housing Alliance: a) continues to operate the incubator and b) demonstrates sufficient progress toward attainment of the project’s annual performance goals. A detailed summary of the financing of this project is found in Attachment B (Summary of Sources and Uses). The requested funds shall be appropriated from the CDBG Fund under the condition that an annual repayment of \$93,066 for the next 5 years from the City’s future annual Community Development Block Grant (CDBG) be utilized to reimburse the CDBG Fund. Subsequent repayment by the Episcopal Housing Alliance of all or a portion of the City’s loan, based on the future sell or refinance of the subject property, will be applied first to any outstanding balance payable to reimburse any City funds which may be utilized and secondly to reimburse any funds previously expended from the CDBG Fund.

Episcopal Housing Alliance upon receipt of the City financial assistance shall also comply with all Federal laws pertaining to Equal Opportunity and Handicapped Accessibility, the City’s EEO/AA policies and the City’s First Source Hiring Ordinance for related tenant improvements/building renovations.


FISCAL IMPACT

Initial funding for this project will be charged against the CDBG Fund. However, such a charge may lead to a deficit within the CDBG Fund balance. If so, City funds will be used to replenish the CDBG Fund. However, it is anticipated that the City will receive sufficient funds from future CDBG allocations to reimburse the CDBG Fund and/or City funds. All funds utilized for this project will be repaid in accordance with the applicable federal requirements. Additionally, CDBG funds typically allocated for Project Advance, the push-cart vendor program, will be reduced over the next two years and eliminated in subsequent years to offset the CDBG allocation for Mama’s Hot Tamales - Pasadena.

Respectfully submitted,


CYNTHIA J. KURTZ
City Manager

Prepared by:


BRIAN K. WILLIAMS
Assistant City Manager

ATTACHMENT A

PROPOSED SITE:

The proposed site for Mama's Hot Tamales – Pasadena is 45 N. San Gabriel Boulevard which is one-half block north of Colorado Blvd.



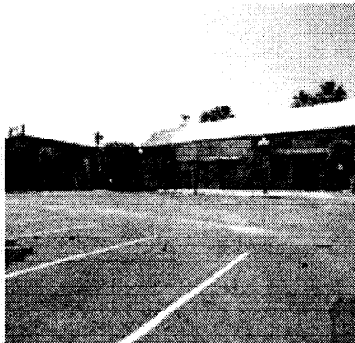
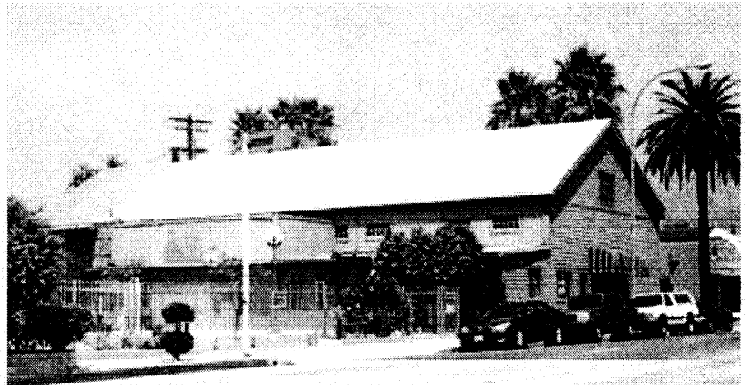
Property Description:

Property Type:
Commercial/Industrial

Zoning:
General Industrial District (IG)
East Pasadena Specific Plan Area

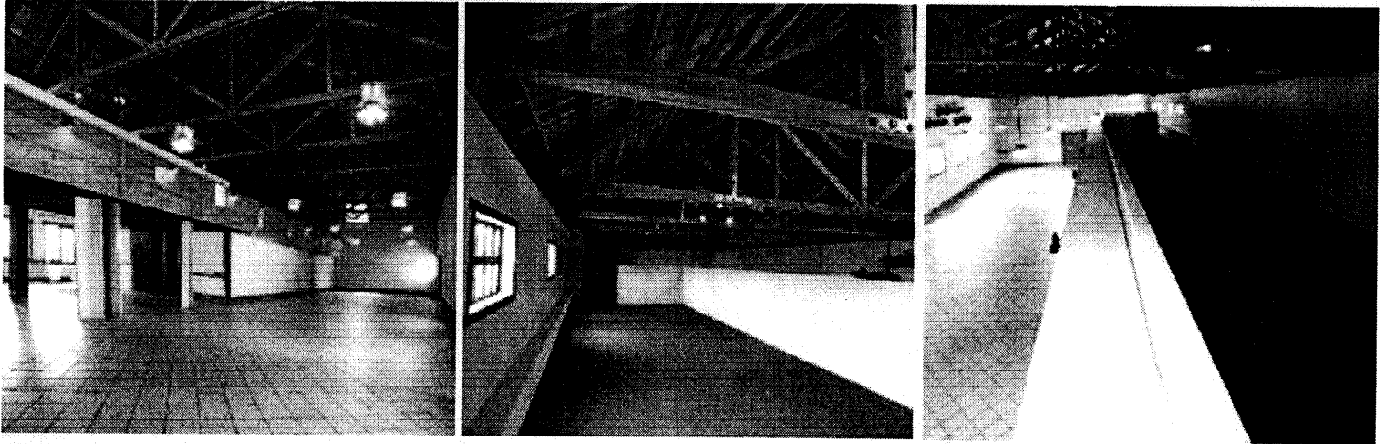
Lot Size:
13,778 sq ft

On-Site Parking Spaces: 20



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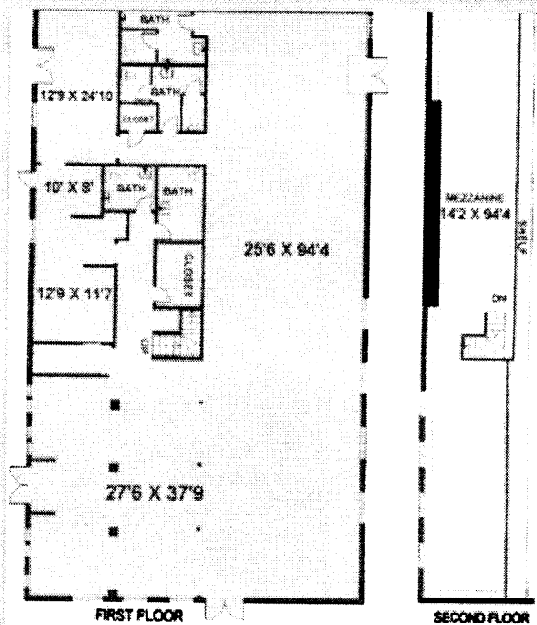
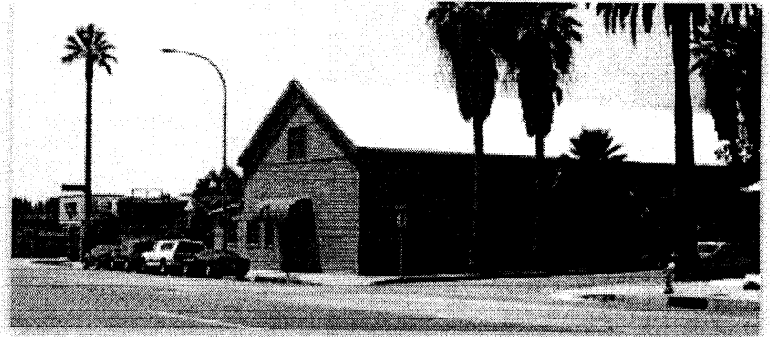
Building Description:

Building Size:
5,292 sq ft
1,300 sq ft Mezzanine
(not included above)

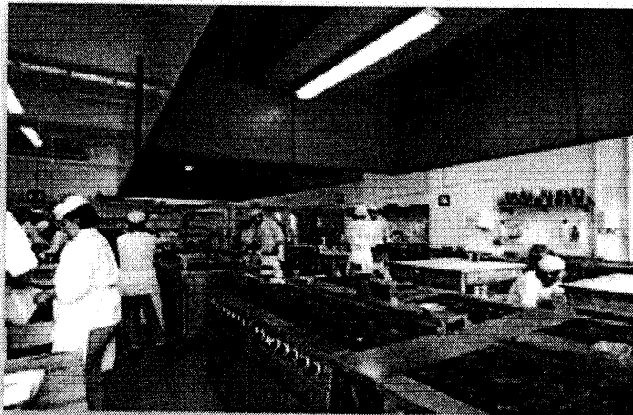
Building Areas:
See floor plan

Year Built/Effective Yr Built:
1924/1930

Rebuilt: 2000



PROPOSED USE:



Mama's Hot Tamales – Pasadena will be a licensed, commercial restaurant that will help small business operators to start and support food-based enterprises. This will include individuals who want to acquire the knowledge, abilities, and skills to pursue opportunities in the food service industry as bakers, cooks, caterers, restaurant owners or managers, or permitted sidewalk vendors. Assistance will include classroom and hands-on training by professional trainers and educators within the food service and small business industries who will certify facility users.



ATTACHMENT B

**EPISCOPAL HOUSING ALLIANCE
(DBA INSTITUTE FOR URBAN RESEARCH AND DEVELOPMENT)
MAMA'S HOT TAMALES – PASADENA**

SUMMARY OF SOURCES AND USES

I. ACQUISITION

The Episcopal Housing Alliance entered into a 90-day purchase agreement on August 4, 2007 for the industrial/commercial property at 45 N. San Gabriel Boulevard, Pasadena for a purchase price of \$1,750,000. The price has been determined to be at or below the market value for comparable properties in the immediate vicinity of the subject property. Escrow is expected to close on November 27, 2007.

<u>Sources</u>	<u>Amount</u>	<u>Use</u>
PROMÉRICA Bank ¹	\$1,050,000	(property acquisition; 60% of loan to value)
Genesis LA ²	\$275,000	(property acquisition; 16% of loan to value)
City of Pasadena	\$425,000	(property acquisition; 24% of loan to value)
SUB-TOTAL	\$1,750,000	
Closing Costs ³	\$10,700	(property acquisition)
Capitalized Reserve ⁴	\$40,000	(property acquisition)
TOTAL	\$1,850,700	

¹ PROMÉRICA Bank was formed to serve the Los Angeles business community and ultimately to become the leading financial services provider of Latino entrepreneurs. As the first Latino-formed business bank to debut in downtown Los Angeles in the past 30 years, PROMÉRICA Bank is dedicated to building family wealth by empowering entrepreneurs with the requisite financial services and capital infusion for the success of their small to mid-size businesses. See www.promericabank.com for more information.

² Genesis LA uses market-driven real estate and financing strategies to stimulate catalytic, job-producing, development projects that create economic opportunities within Los Angeles County's low-income communities. Genesis LA was established as a not-for-profit corporation in 2000. See www.genesisla.org for more information.

³ \$10,700 in closing costs to be funded by Genesis LA.

⁴ \$40,000 capitalized interest reserve for four months to be funded by PROMÉRICA Bank.

II. TENANT IMPROVEMENTS/EQUIPMENT

Episcopal Housing Alliance will operate a small business kitchen incubator and a café on-site. Costs related to these activities include tenant improvements and equipment as follows.

<u>Sources</u>	<u>Amount</u>	<u>Use</u>
Private Foundation	\$331,750	<p>Rehabilitation (\$240,000) \$200,000 (const. incl. 10% profit to general) \$ 20,000 (construction contingency – 10%) \$ 12,000 (general requirements – 6%) \$ 4,000 (contractor overhead – 2%) \$ 2,000 (bond premium – 1%) \$ 2,000 (general liability insurance – 1%)</p> <p>Architectural (\$32,000) \$ 22,000 (10% fee + reimbursables) \$ 5,000 (architectural supervision) \$ 5,000 (engineering)</p> <p>Construction Interest/Fees (\$16,500) \$ 10,000 (insurance – liability) \$ 6,000 (taxes (1.4% of acq & rehab) \$ 500 (title & recording) \$ 0 (origination Fee – 1%)</p> <p>Legal (\$10,000) \$ 10,000 (borrower legal)</p> <p>Other (\$33,250) \$ 10,000 (financial consultant) \$ 6,000 (capitalized interest reserve – 4 mos) \$ 6,000 (audit and accounting) \$ 1,250 (permit processing fees – 0.5%) \$ 1,000 (soft cost contingency – 3%) \$ 0 (const. mgr–included in project admin)</p>
Private Foundation	\$165,000	\$165,000 (furnishings and equipment)
Bank of America*	\$75,000	\$ 75,000 (furnishings and equipment)
Schow Family Foundation**	\$60,000	\$ 60,000 (furnishings and equipment)
TOTAL	\$631,750	

* verbal commitment

**funding committed

III. TAXES/RESERVES/ADMINISTRATION

<u>Sources</u>	<u>Amount</u>	<u>Use</u>
Episcopal Housing Alliance	\$158,375	\$ 8,375 (project administration – 1%) \$150,000 (three-month operating reserve)
TOTAL	\$158,375	

IV. TOTAL COSTS

Acquisition	\$1,750,000
Closing Costs	\$ 10,700
Capitalized Interest Reserve	\$ 40,000
Tenant Improvements/Equipment	\$ 631,750
Taxes/Reserves/Administration	<u>\$ 158,375</u>
	<u>\$2,613,125</u>

Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Amendment
Pasadena City Charter, Article XVII

Contractor/Organization hereby discloses its trustees, directors, partners, officers, and those with more than 10% equity, participation, or revenue interest in Contractor/Organization, as follows:

(If printing, please print legibly. Use additional sheets as necessary.)

1. Contractor/Organization Name:
Episcopal Housing Alliance

2. Type of Entity:
 non-government nonprofit 501(c)(3), (4), or (6)

3. Name(s) of trustees, directors, partners, officers of Contractor/Organization:

J. Joe Bruno, President
Victor Ramirez, Vice President
Joe Collette, Secretary
Ben Rodriguez, Treasurer
Barry Wilson, Board member
Samuel Garcia, Board member
Cynthia Lopez, Board member

4. Names of those with more than a 10% equity, participation or revenue interest in Contractor/Organizations:

None

Prepared by: Joe Collette

Title: Executive Director / Secretary

Phone: 626.754.3400

Date: 10.17.07

**Disclosure Pursuant to the
City of Pasadena Taxpayer Protection Act
Pasadena City Charter, Article XVII**

I. Does the value of this application/project *have the potential* to exceed \$25,000? Yes No (Applicant must mark one)

II. Is the application being made on behalf of a government entity? Yes No

III. Is the application being made on behalf of a non-profit 501(c) organization? Yes No
If yes, please indicate the type of 501(c) organization: 501(c)(3) 501(c)(4) 501(c)(6)

Applicant's name: Episcopal Housing Alliance Date of Application: 10.17.07

Owner's name: Episcopal Housing Alliance Contact phone number: 626.794.3400
(for questions regarding this form)

Project Address: 840 Echo Park Ave. L.A., CA 90026

Project Description: Acquisition of property for economic development program

IV. Applicant and Property Owner must disclose all joint owners, trustees, directors, partners, officers and those with more than a 10% equity, participation or revenue interest in owner and/or project. If any of these are an organization/entity, include the name of the organization/entity and the first and last names of all parties of interest of that organization/entity. (List all parties below and use additional sheets as necessary, or provide all parties on an attachment) Please print legibly.
Have any additional sheets or an attachment been provided? Yes No

Names of Owner(s), Trustees, Directors, Partners, Officers of Owner/Project	Names of Owner(s), Trustee, Directors, Partners, Officers of Owner/Project (continued)	Those with more than a 10% equity, participation or revenue interest in Owner and/or project
<u>None</u>		

I hereby certify that I am the owner or designated agent and that the statements and answers contained herein, and the information attached, are in all respects true, accurate and complete to the best of my knowledge and belief.

Signature of Owner or Designated Agent: [Signature] Date: 10.17.07

For Office Use Only

Type of Application: Variance (all types) Adjustment Permit Sign Exception Temporary Use Permit Expressive Use Permit
 Conditional Use Permit (excluding Master Plan) Master Plan Amendment Planned Development Other

Assigned Planner: _____ PLN#: _____

Attached Address: _____ No Attached Address

Appealed: Yes No Appeal PLN# _____ Application Withdrawn

Final Decision: Approved Denied Decision Date: _____ Decision Maker: _____
(Name and Title, or Name of Commission/Committee)

Votes in favor (please print):
