



# CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

# R-25

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

August 24, 2004

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

SUBJECT: Approval of Commercial and Industrial Rehabilitation Revolving Loan Fund Loan to MC2 Custom Alloys, Inc. (District 9)

## DISCUSSION

In 1987, the City Council, by resolution, authorized the establishment of the Commercial and Industrial Revolving Loan Fund Program. Oversight responsibility for the program was given to the Economic Development Commission (EDC), which established guidelines for the program and delegated detailed loan review to its Business Assistance Committee (Committee). Based upon the Committee's recommendation, the EDC approves the loans and recommends them to the City Manager for approval and processing. Since its inception, more than 300 loans have been funded, totaling more than \$22 million.

Community Development Block Grant (CDBG), Redevelopment Agency (Agency) tax increment funds, and more recently Economic Development Agency (EDA) funds have been used for the program, depending on the location of the business, availability of funds, and the nature of the public benefit. The program has been expanded by the EDC to serve two kinds of borrowers: those that fit a specific category of CDBG regulations, considered a "Microenterprise," and other borrowers that meet the broader federal guidelines of the CDBG program. These City loans are made to supplement, but not to supplant, the role of the commercial lender. Loans fill financing gaps or serve as an incentive for the relocation and/or expansion of businesses in the City of Long Beach. The City Attorney has opined that funding or modifying loans exceeding \$100,000 should be authorized by the City Council.

As part of its business loan program, the City participates in the National Development Council's Grow America Fund (GAF), which manages a Small Business Administration 7a loan program to businesses. Participation in the GAF program allows the City to leverage its lending ability by selling the SBA-guaranteed portion to private investors. The GAF has committed to financing \$2 million of the project proposed by MC2 Custom Alloys, Inc. (MC2).

HONORABLE MAYOR AND CITY COUNCIL

August 24, 2004

Page 2

Approval is recommended for a Revolving loan to MC2, in the amount of \$200,000 at 5.75 percent interest, to be fully amortized over seven years. Loan proceeds will be used to purchase equipment. The loan will be secured by a first position UCC-1 Broadform filing on specific equipment being purchased and personal guarantees of Alan Dolch, Jerund E. Dolch, Michael J. Aroney, Kelly R. Aroney and Albert Jimenez. MC2 has agreed to create six full-time jobs as a condition of receiving this loan. On July 21, 2004, the Business Assistance Committee of the EDC approved the proposed loan to MC2 Custom Alloys, Inc.

The proposed project will cost approximately \$3.1 million and will be financed by a combination of the following: the \$200,000 City of Long Beach Revolving loan, a \$2 million GAF loan, approximately \$500,000 from a leasing company, and approximately \$400,000 from an equity contribution emanating from retained earnings. Funds from the City of Long Beach Revolving loan will be used to purchase equipment and will be secured by the newly-purchased equipment. None of the proceeds may be used for debt consolidation, litigation settlement, or constructions costs.

MC2 was formed in Long Beach in 2001 to manufacture after-market automotive wheels and accessory equipment. The company also provides fully-packaged wheel-tire kits and trim accessories, which it sells directly to new car dealers. MC2 targets new, high-demand, high-margin automobiles and luxury trucks. The company expects to create more than 60 manufacturing and support jobs.

This letter was reviewed by Assistant City Attorney Heather Mahood on August 19, 2004, and Budget Management Officer David Wodynski on August 9, 2004.

TIMING CONSIDERATION

City Council action is requested on August 24, 2004, to expedite implementation of the proposed project.

FISCAL IMPACT

Funding for this activity is budgeted in the Revolving Loan Fund Program in the Community Development Grants Fund (SR 150) and in the Business Assistance Fund (SR 149) in the Department of Community Development (CD). Funding sources for this activity will be \$101,764 from the EDA Grant and \$98,236 from the North Long Beach Redevelopment Project Area. There will be no impact on the General Fund.

HONORABLE MAYOR AND CITY COUNCIL  
August 24, 2004  
Page 3

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Authorize the City Manager to execute a seven-year, fully amortized Revolving Loan Fund loan to MC2 Custom Alloys, Inc. (including personal guarantees of Alan Dolch, Jerund E. Dolch, Michael J. Aroney, Kelly R. Aroney and Albert Jimenez), in the amount of \$200,000 at 5.75 percent interest.

Respectfully submitted,



MELANIE S. FALLON  
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:



GERALD R. MILLER  
CITY MANAGER

MSF:RLH:mjw  
Mc2ccletterv4.