



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

January 24, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Approve and authorize the City Manager to execute all related documents to implement a fully amortized loan in the amount of \$300,000, at a fixed interest rate of four percent per annum and a term of ten years, to the North East Dealers Association. (Citywide)

DISCUSSION

Approval is recommended to provide a fully amortized loan in the amount of \$300,000, at a fixed interest rate of four percent per annum and a term of ten years, to the North East Dealers Association (NEDA). NEDA is composed of Alant Corporation (Circle Imports), Sonic Automotive, Inc. (Coast Cadillac) and Jentra, LLC (Toyota of Long Beach). The purpose of the loan is to make the participating Long Beach dealerships more competitive and to increase their respective sales volume.

NEDA will use loan proceeds and an equity injection of \$98,536 to upgrade the existing I-405 Freeway-visible electronic sign, located at Redondo Avenue and Willow Street. Sonic Automotive, Inc. will provide an additional equity injection of \$100,000 for the project, but will not participate in the loan. Upon completion, the dealers are anticipating a 10 percent increase in sales and an 80 percent savings in electrical energy costs. The public benefit resulting from this loan will be increased sales tax revenue and the creation of eleven (11) full-time equivalent jobs. In addition, up to 15 percent of the time available will be reserved for City of Long Beach advertising and promotions. The loan will be secured by a first lien position on this freeway sign and corporate guarantees of Alant Corporation and Jentra LLC.

This loan will be made through the Commercial and Industrial Revolving Loan Fund Program (Program), which is administered by the Economic Development Bureau. In 1987 City Council authorized the establishment of the Program, which is capitalized by the U.S. Department of Commerce, Economic Development Administration, Community Development Block Grant and Redevelopment Agency tax increment funding. The purpose of the Program is to provide access to capital to retain, attract, expand and create businesses in Long Beach. Financing under the Program supplements, but does not replace, private lending. Since its inception, more than 300 loans have been funded, totaling more than \$22 million. Loans in the Program exceeding \$100,000.00 require authorization by the City Council.

HONORABLE MAYOR AND CITY COUNCIL
January 24, 2006
Page 2

On November 16, 2005, the loan was approved by the Business Assistance Committee of the Economic Development Commission, which serves as Loan Committee for the Program.

A companion City Council letter of January 24, 2006 details a sales tax incentive agreement amendment proposed for Alant Corporation and Jentra, LLC.

This letter was reviewed by Assistant City Attorney Heather A. Mahood on January 12, 2006, and Budget Management Officer David Wodynski on January 11, 2006.

TIMING CONSIDERATIONS

City Council action is requested on January 24, 2006, 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) in the Department of Community Development (CD). There will be no impact on the General Fund.

SUGGESTED ACTION:

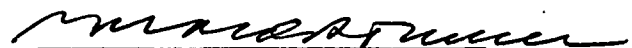
Approve recommendation.

Respectfully submitted,



PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:



GERALD R. MILLER
CITY MANAGER