



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution for the Approval of the Loan Request of Walker-Roderick Properties, LLC, Pat Walker and Jack Roderick, Guarantors, Through the Community Development Block Grant (CDBG) funded Revolving Loan Fund Program, as Recommended by the City Manager.

MEETING DATE: May 7, 2008

PREPARED BY: Community Development Department

RECOMMENDED ACTION: That the City Council adopt a Resolution to approve the loan request of Walker-Roderick Properties, LLC, Pat Walker and Jack Roderick, Guarantors, through the CDBG-funded Revolving Loan Fund (RLF) Program, as recommended by the City Manager.

BACKGROUND INFORMATION: In September of 2006, the City Council adopted Program Guidelines for the Revolving Loan Fund Program, as an element of an Economic Development Jobs Program.

The purpose of this program is to provide appropriate financial assistance to businesses located in or moving to Lodi, which in turn create full time jobs while increasing the overall economic base of the community. Funding for this program was provided through an allocation of CDBG funds, initially from the 2006-07 Program Year, from proposed allocations of CDBG funds in future Program years, and from the repayment of principal and interest from existing loans. As a revolving loan program, any program income from the repayment of loans made from these initial CDBG allocations, is intended to be "recycled" or loaned again through the same program, much like our CDBG and HOME-funded Housing Assistance Programs have been operated.

There is no minimum or maximum RLF loan amount. Borrowers must, however create at least one full time equivalent job for each \$35,000, or fraction thereof, they receive in RLF assistance.

This is the first loan request to be processed through the RLF program. The details are as follows:

Mr. Roderick and Mr. Walker are partners in a venture called Walker-Roderick Properties, LLC (WRP), specializing in real estate acquisition, rehabilitating and liquidation. One of their most recent projects is a mixed-use property located at 207 – 211 E. Pine Street (See attached map and photos – Exhibit A). This property consists of three residential buildings with seven rental units and one commercial building which was recently an auto repair/smog shop. The residential units have recently been rehabilitated and are fully rented out. The City Council may recall that Mr. Walker's and Mr. Roderick's rehabilitation of the residential portion of this property was recently recognized with the Community Improvement Award.

APPROVED: _____
Blair King, City Manager

During the rehabilitation process, the applicants, through discussions with neighborhood residents, came to realize the demand for a Laundromat in the area. Further investigation and surveys verified the demand. To accommodate this demand and pursue this opportunity, the applicants desire to install a public coin-operated Laundromat located in the commercial building on the premises. Loan funds will be used to purchase commercial Laundromat machines and pay city permit fees. This facility will initially feature one employee as an attendant. The facility will be primarily self-service but additional income will be from a “wash and fold” service for various local industries. Mr. Roderick and Mr. Walker will be actively involved in the daily operations of the Laundromat for the first several months of operation. Hours of operation will be from 6 A.M. to 10 P.M., seven days a week. The business projects to employ a minimum of four full-time equivalent positions within 6 months of opening the facility.

Management:

Mr. Walker attended Colorado State University where he majored in Landscape Architecture. He is licensed in the state of California as a Landscape Contractor and started his own company in 1991. From its inception, the company, Walker Landscape Construction, operated as a highly successful business and provided employment to multiple individuals. He still maintains his license.

Mr. Roderick began his own company, California Steam Cleaners, at fifteen years of age. He obtained as well as maintained hundreds of corporate, business and individual accounts, which encompassed Sacramento, San Joaquin and Calaveras counties. The company employed several individuals and was successful until it was retired in 2003.

Financial Characteristics:

Exhibit B shows the projected profit and loss statement for the Laundromat, prepared by the applicants. Income data is conservative per the applicant’s estimation. Profitability of this venture is enhanced as the rent is low and taxes and other overhead expense are covered from the positive cash flow produced by the residential portion of the property. Repayment is detailed here with monthly principal only payments. The terms of the City’s pre-approval indicates there is no interest due if the loan is repaid within two years. These projections indicate the business will be able to repay the RLF with a comfortable margin after the first several months of operations.

Sources and Use of Funds:

<u>Source</u>		<u>Use</u>	
Borrower	\$117,000	Improvements completed	\$ 39,000
RLF	<u>\$140,000</u>	Equip/Permits	\$140,000
Total	\$257,000	Improvements to be completed	<u>\$ 78,000</u>
		Total	\$257,000

Funding obtained by WRP for property rehabilitation included funds for Laundromat improvements completed to date. Funds remaining from the same source are available to complete the improvements. However, WRP does not have sufficient funding to pay for the laundry equipment and the related city permit fees. Funds provided by the RLF will “fill the gap” in financing required for the completion of this project.

Collateral:

Collateral will consist of a priority lien on all business assets of the laundry facility. Assets consist primarily of the laundry equipment purchased with loan proceeds with a value of approximately \$80,000. Additional collateral will consist of a third priority deed of trust on the subject property. An appraisal dated October 10, 2007 indicates a value of \$1,080,000. Existing liens of \$650,000 result in equity of approximately \$430,000.

Loan Advisory Committee

The Program Guidelines adopted by the Council in 2006, called for the creation of a Loan Advisory Committee (LAC), made up of 3-5 local business and banking professionals selected by the City Manager. The LAC is responsible for reviewing loan applications forwarded to them by the Loan Program Operator, which is currently the County RLF Program Office. The LAC considers the recommended loan structure including terms and conditions, and forwards their recommendation to the City Manager.

A Loan Advisory Committee made up of Linda Ogata – Pacific State Bank, Keith Land – Farmers & Merchants Bank, and Kevin Van Steenberge – Lodi Iron Works, did convene on April 25, 2008 to review this loan application and subsequently made the following recommendations to the City Manager with a unanimous vote:

1. Approve the loan request to Walker-Roderick Properties, LLC, Patrick A. Walker and Jack E. Roderick, Guarantors, in the amount of One-Hundred and Forty Thousand Dollars (\$140,000). This recommendation shall not be considered by anyone as a loan commitment until all documents have been fully executed.
2. Approve this loan at 1% above the prime rate as quoted in the Wall Street Journal, on the day the Lodi City Council approves the loan, or the date of the note, whichever is more. Borrower must pay a 1% loan fee.
3. Approve repayment to begin not less than fifteen (15) or more than forty-five (45) days from the date of the note. Repayment will initially be twenty-four (24) monthly payments of principal only, followed by thirty-six (36) monthly payments of principal and interest, subject to the execution of all documentation and collateralization as determined by staff. Interest during the first twenty-four (24) months will accrue but will be deferred and forgivable if the entire loan amount is repaid within the first twenty-four (24) month period. If the full loan amount is not repaid within that first twenty-four (24) month period, the deferred interest shall be paid within thirty (30) days of the due date of the first principal and interest payment; and
4. Authorize and direct staff and designated agencies to prepare and execute the loan documents and perform other procedures necessary to accomplish the intent of the City Council for the completion of this project.

FISCAL IMPACT: The committal of funds will have no impact on the City General Fund. The funds provided to the applicant are obtained from the City's CDBG Revolving Loan Fund accounts. Repayments of the loan would revolve back into the City's CDBG Revolving Loan Fund accounts for CDBG-eligible projects in the future.

FUNDING AVAILABLE: 2006/07 CDBG Program allocation of \$150,000.

Joseph Wood
Community Improvement Manager

Exhibit A - Map 207-211 E. Pine Street

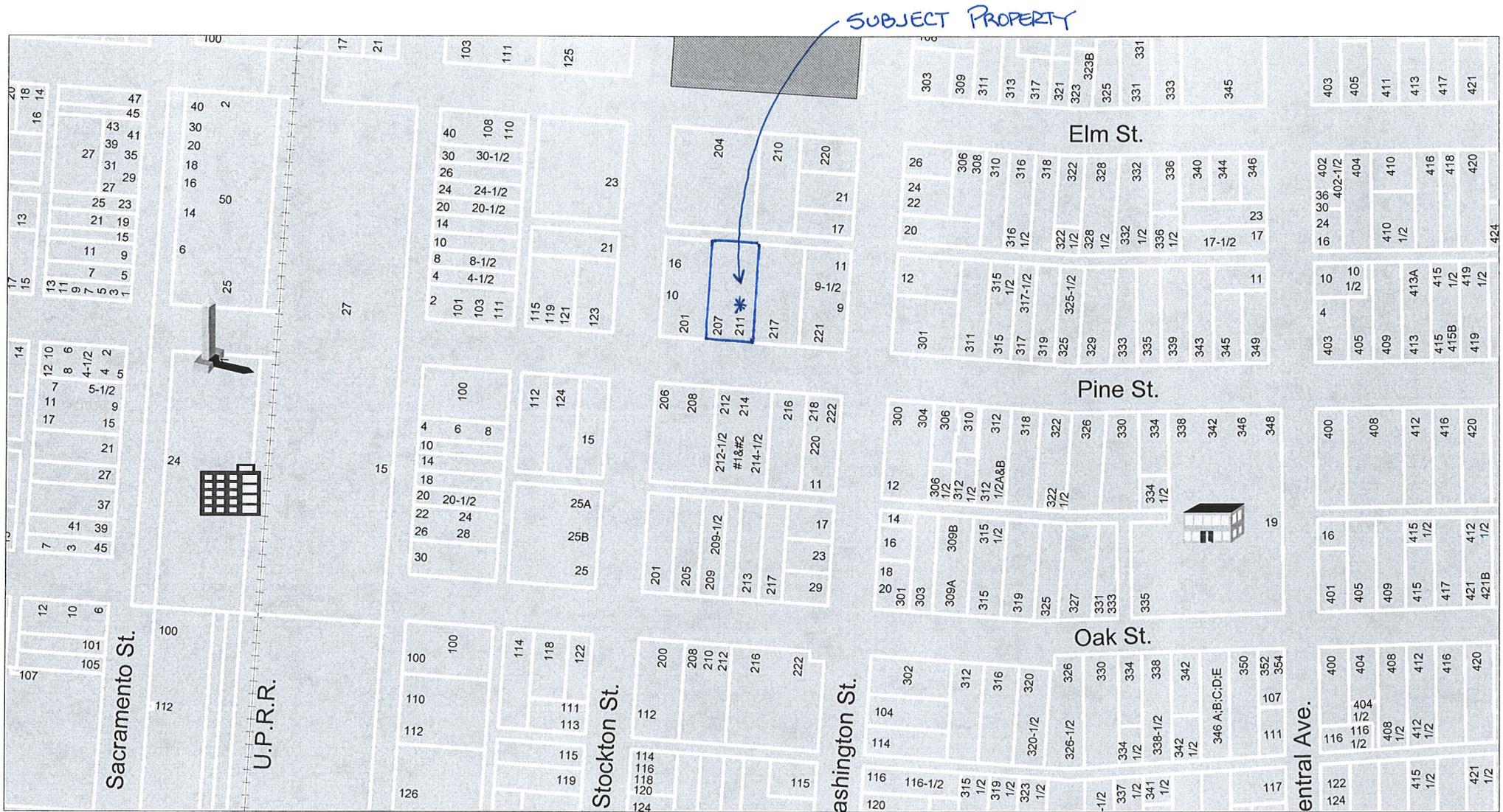


Exhibit A – Photos



Proposed Laundromat

Front of Rehabilitated Residential
and
Commercial Buildings

Residential Units



Side/Rear of
Front Residential Building



Rear
Residential Building

Profit and Loss Projection (12 Months)

Pine Street Laundry

Fiscal Year Begins

jan

2008	IND. %	jan	% B/A	feb	%	march	%	april	%	may	%	June	%	July	%	august	%	septem ber	%	october	%	novemb e-	%	decemb e-	%	YEARLY	%
Revenue (Sales)																											
extractors and dryers		5,300	100.0	5,700	100.0	6,100	80.3	6,800	72.0	8,100	73.3	8,600	71.1	9,100	71.4	10,500	68.6	13,000	71.4	10,500	66.9	8,100	64.3	8,000	60.2	99,800	71.8
linen contracts			0.0		0.0	1,200	15.8	2,100	22.2	2,200	19.9	2,600	21.5	2,700	21.2	3,800	24.8	4,000	22.0	4,000	25.5	4,000	31.7	5,000	37.6	31,600	22.7
drop off wash and fold			0.0		0.0	300	3.9	550	5.8	750	6.8	900	7.4	950	7.5	1,000	6.5	1,200	6.6	1,200	7.6	500	4.0	300	2.3	7,650	5.5
Category 4			0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0	0	0.0
Category 5			0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0	0	0.0
Category 6			0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0	0	0.0
Category 7			0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0	0	0.0
Total Revenue (Sales)		5,300	100.0	5,700	100.0	7,600	100.0	9,450	100.0	11,050	100.0	12,100	100.0	12,750	100.0	15,300	100.0	18,200	100.0	15,700	100.0	12,600	100.0	13,300	100.0	139,050	100.0
Cost of Sales																											
Category 1brochures and business cards			0.0		0.0	1,100	18.0	300	4.4	200	2.5	200	2.3	100	1.1	100	1.0	50	0.4	100	1.0	100	1.2		0.0	2,250	2.3
Category 2			-		-	0	0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0	0	0.0
Category 3			-		-	0.0	0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0		0.0	0	0.0
Category 4			-		-	-	-		-		-		-		-		-		-		-		-		-	0	-
Category 5			-		-	-	-		-		-		-		-		-		-		-		-		-	0	-
Category 6			-		-	-	-		-		-		-		-		-		-		-		-		-	0	-
Category 7			-		-	-	-		-		-		-		-		-		-		-		-		-	0	-
Total Cost of Sales		0	0.0	0	0.0	1,100	14.5	300	3.2	200	1.8	200	1.7	100	0.8	100	0.7	50	0.3	100	0.6	100	0.8	0	0.0	2,250	1.6
Gross Profit		5,300	100.0	5,700	100.0	6,500	85.5	9,150	96.8	10,850	98.2	11,900	98.3	12,650	99.2	15,200	99.3	18,150	99.7	15,600	99.4	12,500	99.2	13,300	100.0	136,800	98.4
Expenses																											
Salary expenses			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Payroll expenses		1,500	28.3	1,500	26.3	1,500	19.7	1,500	15.9	3,000	27.1	3,000	24.8	3,000	23.5	3,000	19.6	3,000	16.5	3,000	19.1	3,000	23.8	3,000	22.6	30,000	21.6
Outside services			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Supplies (office and operating)			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Repairs and maintenance			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Advertising		1,300	24.5	600	10.5	1,200	15.8	600	6.3	600	5.4	400	3.3	200	1.6	800	5.2	100	0.5	100	0.6	0	0.0	0	0.0	5,900	4.2
Car, delivery and travel			0.0		0.0	300	3.9	400	4.2	400	3.6	600	5.0	650	5.1	750	4.9	800	4.4	800	5.1	800	6.3	1,000	7.5	6,500	4.7
Accounting and legal			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Rent		250	4.7	250	4.4	250	3.3	250	2.6	250	2.3	250	2.1	250	2.0	250	1.6	250	1.4	250	1.6	250	2.0	250	1.9	3,000	2.2
Telephone		14	0.3	14	0.2	14	0.2	14	0.1	120	1.1	160	1.3	180	1.4	220	1.4	220	1.2	220	1.4	220	1.7	250	1.9	1,646	1.2
Utilities		450	8.5	450	7.9	475	6.3	900	9.5	1,100	10.0	1,400	11.6	1,500	11.8	1,800	11.8	2,000	11.0	2,000	12.7	1,800	14.3	900	6.8	14,775	10.6
Insurance		170	3.2	170	3.0	170	2.2	170	1.8	170	1.5	170	1.4	170	1.3	170	1.1	170	0.9	170	1.1	170	1.3	170	1.3	2,040	1.5
Taxes (real estate, etc.)			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Interest			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Depreciation			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
laundry chemicals			0.0		0.0	80	1.1	120	1.3	300	2.7	425	3.5	500	3.9	600	3.9	700	3.8	900	5.7	425	3.4	425	3.2	4,475	3.2
Other expenses (specify)			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Other expenses (specify)			0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Misc. (unspecified)					0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0.0
Total Expenses		3,684	69.5	2,984	52.4	3,989	52.5	3,954	41.8	5,940	53.8	6,405	52.9	6,450	50.6	7,590	49.6	7,240	39.8	7,440	47.4	6,665	52.9	5,995	45.1	68,336	49.1
Net Profit		1,616	30.5	2,716	47.6	2,511	33.0	5,196	55.0	4,910	44.4	5,495	45.4	6,200	48.6	7,610	49.7	10,910	59.9	8,160	52.0	5,835	46.3	7,305	54.9	68,464	49.2
RLF Principal Pmt.		1,994		2,004		2,015		2,025		2,037		2,046		2,057		2,067		2,078		2,089		2,100		2,111			
Coverage		0.81		1.36		1.25		2.57		2.41		2.69		3.01		3.68		5.25		3.91		2.78		3.46			
Surplus		-378	30	712		496		3,171		2,873		3,449		4,143		5,543		8,832		6,071		3,735		5,194			

RESOLUTION NO. 2008-_____

A RESOLUTION OF THE LODI CITY COUNCIL ACCEPTING THE CITY MANAGER'S RECOMMENDATION TO APPROVE THE LOAN REQUEST OF WALKER-RODERICK PROPERTIES, LLC, PATRICK A. WALKER AND JACK E. RODERICK, GUARANTORS, THROUGH THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) FUNDED REVOLVING LOAN FUND PROGRAM.

WHEREAS, the purpose of the Revolving Loan Fund Program is to provide appropriate financial assistance to businesses located in or moving to Lodi, which in turn create full time jobs while increasing the overall economic base of the community;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lodi, as follows:

1. The City Manager is hereby authorized and directed to execute, on behalf of the City of Lodi, a CDBG-based loan through the Revolving Loan Fund Program to Walker-Roderick Properties, LLC, Patrick A. Walker and Jack E. Roderick, Guarantors, in the amount of One-Hundred and Forty Thousand Dollars (\$140,000).
2. Approve this loan at 1% above the prime rate as quoted in the Wall Street Journal, on the day the Lodi City Council approves the loan, or the date of the note, whichever is more. Borrower must pay a 1% loan fee.
3. Approve repayment to begin not less than fifteen (15) or more than forty-five (45) days from the date of the note. Repayment will initially be twenty-four (24) monthly payments of principal only, followed by thirty-six (36) monthly payments of principal and interest, subject to the execution of all documentation and collateralization as determined by staff. Interest during the first twenty-four (24) months will accrue but will be deferred and forgivable if the entire loan amount is repaid within the first twenty-four (24) month period. If the full loan amount is not repaid within that first twenty-four (24) month period, the deferred interest shall be paid within thirty (30) days of the due date of the first principal and interest payment; and
4. Authorize and direct staff and designated agencies to prepare and execute the loan documents and perform other procedures necessary to accomplish the intent of the City Council for the completion of this project.

Dated: May 7, 2008

I hereby certify that Resolution No. 2008-_____ was passed and adopted by the City Council of the City of Lodi in a regular meeting held May 7, 2008, by the following vote:

- AYES: COUNCIL MEMBERS –
- NOES: COUNCIL MEMBERS –
- ABSENT: COUNCIL MEMBERS –
- ABSTAIN: COUNCIL MEMBERS –

RANDI JOHL
City Clerk