

CITY OF LONG BEACH

DEPARTMENT OF ECONOMIC AND PROPERTY DEVELOPMENT

333 West Ocean Boulevard 3RD Floor • Long Beach, CA 90802 • (562) 570-6099 • Fax (562) 570-6380

November 22, 2016

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager, or designee, to execute all necessary documents to implement a fully amortized loan in the amount of \$300,000, at a fixed interest rate of 5 percent per year and a term of 15 years, to McKenzie Crematory, Inc., located at 1520 Seabright Avenue. (District 1)

DISCUSSION

In 1987, the City Council authorized the establishment of the Commercial and Industrial Revolving Loan Fund Program (Program). The Program was originally capitalized by the U.S. Department of Commerce, Economic Development Administration (EDA), Community Development Block Grant (CDBG) and former Redevelopment Agency (RDA) 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 \$32 million. 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 Loan Committee (Committee). Based upon the Committee's recommendation, the EDC acts on the loan application and, if approved, recommends them to the City Manager for approval and processing. Loans in the Program exceeding \$100,000 require authorization by the City Council.

The proposed loan will be in the amount of \$300,000, at a fixed interest rate of 5 percent per year and a term of 15 years, to McKenzie Crematory, Inc., (Borrower). The loan will augment a \$1,065,000 Small Business Administration (SBA) guaranteed loan funded by the Grow America Fund (GAF), which was approved by the GAF loan committee on September 22, 2016. The GAF loan allows for nine months of interest-only payments, followed by principal and interest payments starting on the tenth month.

The City loan will be secured by the unlimited personal guaranty of Kenneth McKenzie, an unlimited Corporate Guarantee of the affiliate McKenzie Cremation and Burial Services, Inc., DBA McKenzie Mortuary, a limited personal guaranty of Donald Dolan, a first lien position on all equipment purchased with the loan proceeds and a second lien

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position on all other business assets, subordinate to the GAF loan. Additional collateral includes a second position deed of trust lien on Borrower's commercial property located at 1520 Seabright Avenue, Long Beach.

McKenzie Mortuary is privately owned and operated, offering a full range of products and services, such as, custom urns, caskets, burial vaults and cremation products. McKenzie Cremation, will be the second location of an existing mortuary in Long Beach and will be located in the Westside industrial area of Long Beach, which is approximately four miles away from the existing location at 3843 E. Anaheim Street. Mr. McKenzie is well known in the industry, having received many different "Outstanding Funeral Director" awards across the State. Mr. McKenzie's client base includes the LGBTQ community and the Cambodian community.

The crematory project will enhance McKenzie Mortuary Services by offering the cremation side of its industry and by no longer needing to outsource this service. The operations of the crematory will compliment and complete the services it currently offers. See attached a current rendering of the proposed project.

The following is a summary of sources and uses of funding:

Sources:				
	City Loan	GAF Loan	Equity	Total Project
	\$300,000	\$1,065,000	\$38,000	\$1,403,000
Uses:				
Acquisition	\$0	\$342,000	\$38,000	\$380,000
Improvements	\$0	\$517,000	\$0	\$517,000
Contingency	\$0	\$98,000	\$0	\$98,000
Furniture, Fixtures & Equipment	\$100,000	\$0	\$0	\$100,000
Working Capital	\$194,000	\$28,000	\$0	\$222,000
Loan Fees	\$6,000	\$80,000	\$0	\$86,000
Total:	\$300,000	\$1,065,000	\$38,000	\$1,403,000

The Business Loan Committee of the Economic Development Commission reviewed and approved this loan on September 27, 2016.

This matter was reviewed by Deputy City Attorney Richard F. Anthony on October 4, 2016 and by Budget Analysis Officer Julissa Josè-Murray on October 3, 2016.

TIMING CONSIDERATIONS

City Council action on this matter is requested on November 22, 2016, to expedite build out of the new facility.

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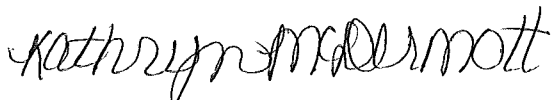
FISCAL IMPACT

The City's loan amount of \$300,000 is comprised of funds from the federal EDA Revolving Loan Fund Program. Sufficient funding for the Loan Program is budgeted in the Business Assistance Fund (SR 149) in the Economic and Property Development Department (EP). Similar to the GAF loan, the Borrower will be allowed to make interest-only payments of \$1,250 for the first nine months, increasing to \$2,456.89 for principal and interest for the remainder of the 15-year loan term. A minimum of ten full-time jobs will be created as the result of this loan.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



KATHRYN MCDERMOTT
INTERIM DIRECTOR OF
ECONOMIC AND PROPERTY DEVELOPMENT

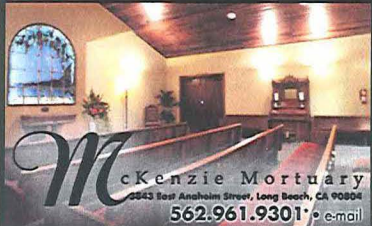
KM:sj

Attachment

APPROVED:



PATRICK H. WEST
CITY MANAGER



McKENZIE CREMATORY

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