



Office of the City Manager

CONSENT CALENDAR
June 13, 2017

To: Honorable Mayor and Members of the City Council
From: Dee Williams-Ridley, City Manager
Submitted by: Jordan Klein, Acting Manager of Office of Economic Development
Subject: California Jazz Conservancy (Jazzschool Inc.) Loan Modification

RECOMMENDATION

Adopt a Resolution authorizing the City Manager to amend the outstanding loan agreement from the Citywide Loan Fund to the California Jazz Conservancy (formerly known as the Jazzschool Inc.) to modify the repayment schedule and extend the term of the loan.

FISCAL IMPACTS OF RECOMMENDATION

The California Jazz Conservancy ("the Jazz School") owes \$76,993.92 in outstanding principal and interest on a loan of \$84,330.00 that was restructured and executed in 2007. Loan repayments will be deposited into two funds; fund number 481-8703-361-10.13 for interest, and fund number 481-8703-399-02.32 for principal. The amended loan agreement and modified repayment schedule will enable the Jazz School to make prompt, regular payments on the note in the future. By extending the term of the agreement, the City can help to ensure the continued financial viability of the Jazz School, an essential contributor to the vitality of the Downtown Arts and Commercial District. The revised loan agreement would maintain the current interest rate of the loan (5.625%) and the City would not take any losses of principal. The City would waive the interest accrued since August 2008 in excess of the original payment schedule, estimated to be \$45,848.

CURRENT SITUATION AND ITS EFFECTS

On May 7, 2007 the City of Berkeley executed a consolidated loan agreement for a Citywide Loan Fund loan to Jazzschool, Inc, (now known as the California Jazz Conservatory, and referred to as The Jazz School), located at 2087 Addison Street, for \$84,330.00. The term of the loan agreement was set for a 10-year term from June 1, 2007 to June 1, 2017, and was issued at 5.625% interest with monthly payments of \$920.43.

After making payments totaling \$13,442.60 through July of 2008, in February 2009 the Jazz School requested the City suspend payments on the remaining \$76,993.92 balance of the loan for ten years. Although the City took no formal action at that time to

amend the loan agreement, the Jazz School subsequently suspended its repayment of the loan.

Council action is requested to authorize the City Manager to amend the loan agreement (Exhibit A), extending the term of the original agreement (that would otherwise expire in June 2017) to January 2028, and waiving the interest accrued since August 2008 in excess of the original payment schedule.

BACKGROUND

The California Jazz Conservatory, formerly known as the Jazzschool, is a privately owned non-profit music school for jazz students located at 2087 Addison Street in the Downtown Berkeley Arts District. Founded in 1997, the school won accreditation as a conservatory in early 2014 and subsequently changed its name to reflect its status as an accredited music institution that offers a Bachelor of Music in Jazz Studies.

The Jazz School's initial location in Berkeley at 2377 Shattuck Avenue above La Note restaurant hosted 130 enrolled students. By 2002, the school's enrollment had expanded to over 600 students and the school approached the City to assist with securing a new Berkeley location for the growing institution. With support from the City's Citywide Loan Fund, the Jazz School moved to a larger location at 2087 Addison Street, in the basement of the historic S. H. Kress & Co. building in the Downtown Berkeley Arts District. The space was rebuilt to contain 12 rehearsal rooms, 14 classrooms, a 60-seat concert space and a snack shop, the Jazz Café. The City issued two loans from the Citywide loan fund to the Jazz School's relocation and expansion. An initial loan of \$100,000 was granted in February 2002 for the expansion and tenant improvements to the basement space of the Kress Building and a second loan for \$30,000 was issued in 2003, to help facilitate the conversion of the Jazzschool to a nonprofit corporation. In May of 2007, the loans were combined and repackaged into one loan with an outstanding balance of \$84,330.

After making payments totaling \$13,442.60 on the repackaged loan, in February of 2009 the Jazz School requested to defer the repayment of the loan for ten years, owing to the effects of the Great Recession on both their enrollment numbers and cash flow.

The Jazz School projects that they will be able to make their scheduled monthly payments of \$920.43 starting in March of 2019. The school has committed to set up a recurring payment with their bank and to stay current on the obligations of the revised note. Maintaining the original interest rate (5.625%) and the remaining balance of the loan (\$76,993.92), and waiving the additional interest accrued since July of 2008 (approximately \$45,848), would require the City to extend the loan repayment term by ten and a half years beyond the initial 10-year term, extending the final due date of the loan agreement (Contract CMS No. WP551) from June 2017 to January 2028. (See Exhibit B: Modified Payment Schedule.)

ENVIRONMENTAL SUSTAINABILITY

The Jazz School is a neighborhood anchor whose primary market is the immediately surrounding community, and a draw for international students coming to Berkeley to learn their craft. The school both enhances the Downtown area and anchors the Arts District while simultaneously taking advantage of neighboring transit amenities including the Downtown BART station. As such, the continued viability of the school may help to reduce greenhouse emissions generated by private auto trips, contributing to the City's environmental sustainability goals.

RATIONALE FOR RECOMMENDATION

The Jazz School is a cultural asset and critical to the vitality of the Downtown Arts district. The City of Berkeley played a central role in helping to catalyze the development of the Arts District by initially loaning the Jazz School capital to become established in its current location on Addison Street in the heart of the Arts District.

ALTERNATIVE ACTIONS CONSIDERED

Without a modified payment schedule, the full loan would be due in June 2017. This would threaten the financial viability and continued operations of the Jazz School.

CONTACT PERSON

Eleanor Hollander, Economic Development Project Coordinator, Office of Economic Development, 981-7536

Attachments:

1: Resolution

Exhibit A: Amendment to Loan Agreement

Exhibit B: Modified Payment Schedule

RESOLUTION NO. ##,###-N.S.

AMENDMENT OF THE LOAN TO CALIFORNIA JAZZ CONSERVANCY
(JAZZSCHOOL INC.)

WHEREAS, in 2007 the City of Berkeley combined two loans to the Jazz School Inc into one repackaged loan with an outstanding balance of \$84,330 to finance work on the school's current location at 2087 Addison Street; and

WHEREAS, the Jazzschool was unable to comply with the payment schedule established for that loan, and petitioned for a 10-year suspension of payments on the loan in 2009; and

WHEREAS, the current loan has a remaining balance of \$76,993.92 and the current loan agreement term expires in June of 2017; and

WHEREAS, the Jazzschool has requested that the City amend the loan agreement to extend the term of the loan by ten and a half years, and has committed to meet the repayment schedule resuming in March of 2019 to ensure compliance with the modified loan agreement; and

WHEREAS, the Jazzschool is a cultural asset that is critical to the vitality of the Downtown commercial district, which generates significant activity both for the Downtown Arts District and for the City of Berkeley; and

WHEREAS, the City of Berkeley played a central role in helping to catalyze the development of the Arts District by initially loaning the Jazz School capital to become established in its current location on Addison Street.

NOW THEREFORE, BE IT RESOLVED by the Council of the City of Berkeley that the City Manager is authorized to amend the loan agreement with the California Jazz Conservancy (formerly known as the Jazzschool) to extend the term of the loan by ten and half years through January 2028 and enter into a new repayment schedule of \$920.43 per month for 107 months, waiving the additional interest accrued since July of 2008 (approximately \$45,848).

Exhibits

A: Amendment to Loan Agreement

B: Modified Payment Schedule

AMENDMENT TO LOAN AGREEMENT

THIS AMENDMENT TO LOAN AGREEMENT is entered into May ____, 2017 between the CITY OF BERKELEY ("LENDER"), a Charter City organized and existing under the laws of the State of California, and the CALIFORNIA JAZZ CONSERVANCY (formerly known as The Jazzschool Inc) ("BORROWER"), a California nonprofit corporation.

WHEREAS, the LENDER and BORROWER previously entered into a Loan Agreement ("Loan Agreement") dated May 7, 2007 in which LENDER agreed to lend BORROWER \$84,330 to help finance the cost of construction of its practice and instruction space at 2087 Addison Street and to be repaid in monthly installments of \$920.43 for a term of one hundred twenty (120) months, with interest at the rate of five and six and one quarter tenths percent (5.625%) per annum (the "Loan"); and

WHEREAS, in 2009, BORROWER was unable to comply with the payment schedule established for the loan, and petitioned for a 10-year suspension of payments on the loan in February 2009; and

WHEREAS, the current loan has a remaining principal balance of \$76,993.92 and the current loan agreement term expires in June of 2017; and

WHEREAS, the BORROWER has requested Lender amend the Loan Agreement to extend the term of the loan by ten and one half years, and to waive any accrued interest (approximately \$45,848), and BORROWER has committed to meet the repayment schedule resuming in March of 2019 with monthly loan payments to LENDER in the amount of \$920.43, for 107 months with the loan becoming due and payable in full on January 1, 2028.

WHEREAS, the Berkeley City Council adopted Resolution No. ____-N.S. on June 13, 2017 authorizing the City Manager to amend the Loan Agreement to waive any accrued interest, modify the payment schedule and extend the term; and

NOW THEREFORE, LENDER and BORROWER agree for mutual consideration to amend the Loan Agreement as follows:

1. Section 1.2 of the Loan Agreement is deleted and replaced with the following provision:

SECTION 1.2 PROMISSORY NOTE. The LOAN shall be evidenced by BORROWER'S PROMISSORY NOTE in the amount of \$76,993.92 dated concurrently with this Amendment to Loan Agreement.

2. Section 4.1 of the Loan Agreement is deleted and replaced with the following provision:

“SECTION 4.1 PAYMENT. Principal and interest are payable in equal monthly installments of Nine Hundred Twenty and 43/100 Dollars (\$920.43) each on the first day of each month beginning on the first day of March, 2019 and continuing for One Hundred and Seven (107) successive months, and until said principal and interest have been paid. Each payment shall be credited first on interest then due and the remainder on principal; and interest shall thereupon cease on the principal so credited. All outstanding principal and interest is due and payable on January 1, 2028.”

3. In all other respects, the LOAN AGREEMENT dated May 7, 2007 shall remain in full force and effect.

IN WITNESS WHEREOF, Lender and Borrower have executed this Amendment to Loan Agreement as of the date written on the first paragraph of this Agreement.

CALIFORNIA JAZZ CONSERVANCY
("Borrower")

CITY OF BERKELEY
("Lender")

By: _____

By: _____
City Manager

This document has been approved as to form by the City Attorney's Office.

City Attorney

**Citywide Loan Fund Debt Schedule
for The Jazz School (California Jazz Conservancy)**

Interest Rate:

5.625%

 Loan Amount:

\$84,330.00

 Amortization:

120

 months Monthly Payment:

\$920.43

Month	Payment	Interest	Principal	Balance	NOTES
May-07	1	\$555.21	\$395.30	\$159.91	\$84,170.09
May-07	2	\$643.51	\$394.55	\$248.96	\$83,921.12
Jun-07	3	\$643.51	\$393.38	\$250.13	\$83,670.99
Jul-07	4	\$555.21	\$392.21	\$163.00	\$83,507.99
Aug-07	5	\$920.43	\$391.44	\$528.99	\$82,979.01
Sep-07	6	\$920.43	\$388.96	\$531.47	\$82,447.54
Oct-07	7	\$920.43	\$386.47	\$533.96	\$81,913.58
Nov-07	8	\$920.43	\$383.97	\$536.46	\$81,377.12
Dec-07	9	\$920.43	\$381.46	\$538.97	\$80,838.15
Jan-08	10	\$920.43	\$378.93	\$541.50	\$80,296.65
Feb-08	11	\$920.43	\$376.39	\$544.04	\$79,752.61
Mar-08	12	\$920.43	\$373.84	\$546.59	\$79,206.02
Apr-08	13	\$920.43	\$371.28	\$549.15	\$78,656.87
May-08	14	\$920.43	\$368.70	\$551.73	\$78,105.14
Jun-08	15	\$920.43	\$366.12	\$554.31	\$77,550.83
Jul-08	16	\$920.43	\$363.52	\$556.91	\$76,993.92
Mar-19	17	\$920.43	\$360.91	\$559.52	\$76,434.40
Apr-19	18	\$920.43	\$358.29	\$562.14	\$75,872.25
May-19	19	\$920.43	\$355.65	\$564.78	\$75,307.47
Jun-19	20	\$920.43	\$353.00	\$567.43	\$74,740.05
Jul-19	21	\$920.43	\$350.34	\$570.09	\$74,169.96
Aug-19	22	\$920.43	\$347.67	\$572.76	\$73,597.20
Sep-19	23	\$920.43	\$344.99	\$575.44	\$73,021.76
Oct-19	24	\$920.43	\$342.29	\$578.14	\$72,443.62
Nov-19	25	\$920.43	\$339.58	\$580.85	\$71,862.77
Dec-19	26	\$920.43	\$336.86	\$583.57	\$71,279.20
Jan-20	27	\$920.43	\$334.12	\$586.31	\$70,692.89
Feb-20	28	\$920.43	\$331.37	\$589.06	\$70,103.83
Mar-20	29	\$920.43	\$328.61	\$591.82	\$69,512.01
Apr-20	30	\$920.43	\$325.84	\$594.59	\$68,917.42
May-20	31	\$920.43	\$323.05	\$597.38	\$68,320.04
Jun-20	32	\$920.43	\$320.25	\$600.18	\$67,719.86
Jul-20	33	\$920.43	\$317.44	\$602.99	\$67,116.87
Aug-20	34	\$920.43	\$314.61	\$605.82	\$66,511.05
Sep-20	35	\$920.43	\$311.77	\$608.66	\$65,902.39
Oct-20	36	\$920.43	\$308.92	\$611.51	\$65,290.87
Nov-20	37	\$920.43	\$306.05	\$614.38	\$64,676.50
Dec-20	38	\$920.43	\$303.17	\$617.26	\$64,059.24
Jan-21	39	\$920.43	\$300.28	\$620.15	\$63,439.08
Feb-21	40	\$920.43	\$297.37	\$623.06	\$62,816.03
Mar-21	41	\$920.43	\$294.45	\$625.98	\$62,190.05
Apr-21	42	\$920.43	\$291.52	\$628.91	\$61,561.13
May-21	43	\$920.43	\$288.57	\$631.86	\$60,929.27
Jun-21	44	\$920.43	\$285.61	\$634.82	\$60,294.45
Jul-21	45	\$920.43	\$282.63	\$637.80	\$59,656.65
Aug-21	46	\$920.43	\$279.64	\$640.79	\$59,015.86
Sep-21	47	\$920.43	\$276.64	\$643.79	\$58,372.06
Oct-21	48	\$920.43	\$273.62	\$646.81	\$57,725.25

**Citywide Loan Fund Debt Schedule
for The Jazz School (California Jazz Conservancy)**

Interest Rate:	5.625%	Loan Amount:	\$84,330.00
Amortization:	120 months	Monthly Payment:	\$920.43

	Month	Payment	Interest	Principal	Balance	NOTES	
	Nov-21	49	\$920.43	\$270.59	\$649.84	\$57,075.41	
	Dec-21	50	\$920.43	\$267.54	\$652.89	\$56,422.52	
	Jan-22	51	\$920.43	\$264.48	\$655.95	\$55,766.57	
	Feb-22	52	\$920.43	\$261.41	\$659.02	\$55,107.55	
	Mar-22	53	\$920.43	\$258.32	\$662.11	\$54,445.43	
	Apr-22	54	\$920.43	\$255.21	\$665.22	\$53,780.22	
	May-22	55	\$920.43	\$252.09	\$668.34	\$53,111.88	
	Jun-22	56	\$920.43	\$248.96	\$671.47	\$52,440.41	
	Jul-22	57	\$920.43	\$245.81	\$674.62	\$51,765.80	
	Aug-22	58	\$920.43	\$242.65	\$677.78	\$51,088.02	
	Sep-22	59	\$920.43	\$239.48	\$680.95	\$50,407.06	
	Oct-22	60	\$920.43	\$236.28	\$684.15	\$49,722.92	
	Nov-22	61	\$920.43	\$233.08	\$687.35	\$49,035.56	
	Dec-22	62	\$920.43	\$229.85	\$690.58	\$48,344.99	
	Jan-23	63	\$920.43	\$226.62	\$693.81	\$47,651.17	
	Feb-23	64	\$920.43	\$223.36	\$697.07	\$46,954.11	
	Mar-23	65	\$920.43	\$220.10	\$700.33	\$46,253.78	
	Apr-23	66	\$920.43	\$216.81	\$703.62	\$45,550.16	
	May-23	67	\$920.43	\$213.52	\$706.91	\$44,843.25	
	Jun-23	68	\$920.43	\$210.20	\$710.23	\$44,133.02	
	Jul-23	69	\$920.43	\$206.87	\$713.56	\$43,419.46	
	Aug-23	70	\$920.43	\$203.53	\$716.90	\$42,702.56	
	Sep-23	71	\$920.43	\$200.17	\$720.26	\$41,982.30	
	Oct-23	72	\$920.43	\$196.79	\$723.64	\$41,258.66	
	Nov-23	73	\$920.43	\$193.40	\$727.03	\$40,531.63	
	Dec-23	74	\$920.43	\$189.99	\$730.44	\$39,801.20	
	Jan-24	75	\$920.43	\$186.57	\$733.86	\$39,067.33	
	Feb-24	76	\$920.43	\$183.13	\$737.30	\$38,330.03	
	Mar-24	77	\$920.43	\$179.67	\$740.76	\$37,589.27	
	Apr-24	78	\$920.43	\$176.20	\$744.23	\$36,845.04	
	May-24	79	\$920.43	\$172.71	\$747.72	\$36,097.32	
	Jun-24	80	\$920.43	\$169.21	\$751.22	\$35,346.10	
	Jul-24	81	\$920.43	\$165.68	\$754.75	\$34,591.36	
	Aug-24	82	\$920.43	\$162.15	\$758.28	\$33,833.07	
	Sep-24	83	\$920.43	\$158.59	\$761.84	\$33,071.23	
	Oct-24	84	\$920.43	\$155.02	\$765.41	\$32,305.83	
	Nov-24	85	\$920.43	\$151.43	\$769.00	\$31,536.83	
	Dec-24	86	\$920.43	\$147.83	\$772.60	\$30,764.23	
	Jan-25	87	\$920.43	\$144.21	\$776.22	\$29,988.01	
	Feb-25	88	\$920.43	\$140.57	\$779.86	\$29,208.14	
	Mar-25	89	\$920.43	\$136.91	\$783.52	\$28,424.63	
	Apr-25	90	\$920.43	\$133.24	\$787.19	\$27,637.44	
	May-25	91	\$920.43	\$129.55	\$790.88	\$26,846.56	
	Jun-25	92	\$920.43	\$125.84	\$794.59	\$26,051.97	
	Jul-25	93	\$920.43	\$122.12	\$798.31	\$25,253.66	
	Aug-25	94	\$920.43	\$118.38	\$802.05	\$24,451.61	
	Sep-25	95	\$920.43	\$114.62	\$805.81	\$23,645.79	
	Oct-25	96	\$920.43	\$110.84	\$809.59	\$22,836.20	
	Nov-25	97	\$920.43	\$107.04	\$813.39	\$22,022.82	

**Citywide Loan Fund Debt Schedule
for The Jazz School (California Jazz Conservancy)**

Interest Rate:	5.625%	Loan Amount:	\$84,330.00
Amortization:	120 months	Monthly Payment:	\$920.43

Month	Payment	Interest	Principal	Balance	NOTES
Dec-25 98	\$920.43	\$103.23	\$817.20	\$21,205.62	
Jan-26 99	\$920.43	\$99.40	\$821.03	\$20,384.59	
Feb-26 100	\$920.43	\$95.55	\$824.88	\$19,559.71	
Mar-26 101	\$920.43	\$91.69	\$828.74	\$18,730.97	
Apr-26 102	\$920.43	\$87.80	\$832.63	\$17,898.34	
May-26 103	\$920.43	\$83.90	\$836.53	\$17,061.81	
Jun-26 104	\$920.43	\$79.98	\$840.45	\$16,221.36	
Jul-26 105	\$920.43	\$76.04	\$844.39	\$15,376.97	
Aug-26 106	\$920.43	\$72.08	\$848.35	\$14,528.62	
Sep-26 107	\$920.43	\$68.10	\$852.33	\$13,676.29	
Oct-26 108	\$920.43	\$64.11	\$856.32	\$12,819.97	
Nov-26 109	\$920.43	\$60.09	\$860.34	\$11,959.63	
Dec-26 110	\$920.43	\$56.06	\$864.37	\$11,095.26	
Jan-27 111	\$920.43	\$52.01	\$868.42	\$10,226.84	
Feb-27 112	\$920.43	\$47.94	\$872.49	\$9,354.35	
Mar-27 113	\$920.43	\$43.85	\$876.58	\$8,477.77	
Apr-27 114	\$920.43	\$39.74	\$880.69	\$7,597.08	
May-27 115	\$920.43	\$35.61	\$884.82	\$6,712.26	
Jun-27 116	\$920.43	\$31.46	\$888.97	\$5,823.29	
Jul-27 117	\$920.43	\$27.30	\$893.13	\$4,930.16	
Aug-27 118	\$920.43	\$23.11	\$897.32	\$4,032.84	
Sep-27 119	\$920.43	\$18.90	\$901.53	\$3,131.31	
Oct-27 120	\$920.43	\$14.68	\$905.75	\$2,225.56	
Nov-27 121	\$920.43	\$10.43	\$910.00	\$1,315.56	
Dec-27 122	\$920.43	\$6.17	\$914.26	\$401.30	
Jan-28 123	\$403.18	\$1.88	\$401.30	\$0.00	

