
Memorandum

To: City of La Crosse Economic Development Commission
From: Caroline Neilsen, Community Development Administrator
Date: April 27, 2016
Attachments: Application
Re: **Staff Report for Upper Floor Renovation Loan Program – 107 3rd Street**

Applicant Proposal Summary:

Estimated total project costs: \$242,310

Existing Debt: \$350,534.59

Current Property Assessed Value: \$393,000

Owner Equity: \$122,310 (52% of project cost)

Assessment Increase Requirements: Program requires a 25% increase of the City's loan value, in this case \$150,000. Assessor's office estimates that the assessment will increase by approximately \$190,000.

ASK: \$120,000 loan at 2%, amortized at 15 years (paid in full at the end of year 10)
(48% of project costs)

Review of Project

RRJ Holdings, owned by Ryan Johnson, is proposing to preserve a historic building in downtown La Crosse and renovate the upper floors into two luxury apartments. The second floors will be gutted and subdivided into two apartments on each floor. The first floor will remain commercial.

The old William E. Potter Building is a contributing building in the La Crosse Commercial Historic District. The building's façade is on the local register of historic places. It was built in 1892 in Brick Italianate style. William Ellery Potter was elected as the City Assessor in 1860 and constructed this building for his brick building business.

Program Objectives

Objectives for the Upper Floor Renovation Loan Program include the following:

- Develop the interior upper floors of vacant or underutilized buildings
- Eliminate blight and conserve important properties
- Develop an attractive and profitable commercial environment
- Increase property values
- Increase housing opportunities

This project meets all of the above program objectives.

Financing

- Interest Rate: The funds proposed to use for this loan include \$16,854.88 from the 1997 State Trust Fund, and \$103,145 from the 2005-C State Trust Fund. Both funds were borrowed at 4%.
- Term: 10 year term is the maximum allowed.
- Loan Limits: The loan request is approximately 48% of the project costs, below the 50% limit.
- Security: Loan funds will be secured by a second mortgage on the property, with the first mortgage to Coulee Bank at \$350,534.59.
- Project Initiation: The project is slated to begin this summer.
- Review of Financials: Staff reviewed the Operating Financials for businesses held by Mr. Johnson. Staff found no concerns.
- Loan to Value: The loan to value on the City's investment, based on the conservative estimate of \$510,000, puts the debt factor at 92%, which is well below the limit of 120%.

Staff Recommendation

This project meets all of the Program objectives and requirements. When completed, this project will increase tax base for the City, it will provide up-scale upper floor living space. The owner is investing their own equity into the project.

If the Commission would like to take on this loan, staff recommends the following terms:

Principal: \$120,000

Interest: 2%

Term: 10 years, amortized at 15 years, with a balloon payment at year 10

Collateral: A secured mortgage in second place to Coulee Bank.

