
Memorandum

To: City of La Crosse Economic Development Commission
From: Andrea Schnick, Economic Development Planner
Date: July 27, 2017
Attachments: Application, Proposal
Re: **Staff Report for Upper Floor Renovation Loan Program – 800-802 Rose Street, RMD Development, L.L.C., Resolution #17-0981**

Applicant Proposal Summary:

Estimated total project costs: \$400,000

Current Property Assessed Value: \$0

Owner Equity: \$100,000 (25% of project cost)

Assessment Increase Requirements: Program requires a 25% increase of the City's loan value, in this case \$250,000. Assessor's office estimates that the assessment will increase by approximately \$300,000 at the end of all phases of redevelopment.

ASK: \$200,000 loan at 2% interest for 10 years (50% of project costs)

Review of Project

The Magill Brothers Bank and Masonic Temple building is one of the most architecturally and historically significant buildings on the north side of La Crosse. The 800 Rose street building is listed as a local landmark but did not qualify for the National and State registers. The buildings were built in 1887, designed with a blend of Queen Anne, Romanesque Revival and Italiante styles by William Parker. Parker also designed the old La Crosse County Courthouse at 3rd and State, the old United States Post Office & Federal Building at 4th and State, and State Bank Building at 311 Main Street. The Masons moved into this building the year it was built and the Magill Brothers moved in in 1889. This was one of the first brick commercial buildings on La Crosse's north side.

802 Rose Street was acquired by the City of La Crosse in 2009/2010 and 800 Rose Street in 2014. The City has actively been seeking a developer for these properties since. In May 2017, 5 proposals were received and the EDC chose to move forward with negotiations with RMD Development. Part of their proposal required access to the Upper Floor Renovation Loan Program.

RMD Development, L.L.C., owned by Nick Sullivan, Dan Moen, Ryan Johnson and Marcus Zettler, is proposing to redevelop and preserve a historic building on the north side of La Crosse and renovate the

first floor into commercial space and upper floor into residential space. The project will be phased over two years and will include exterior and interior improvements.

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 5 of the 5 above program objectives.

Financing

- Interest Rate: The funds proposed to use for this loan are from the 2017 State Trust Fund borrowed at a 3.5% interest rate.
- Term: 10 year term is the maximum allowed.
- Loan Limits: The loan request is 50% of the project costs.
- Security: Loan funds will be secured by a second mortgage on the property, with the first mortgage to State Bank Financial.
- Project Initiation: The project is slated to begin as soon as possible.
- Review of Financials: Staff reviewed the Projected Financials for RMD Development, L.L.C. Batavian Bank, LLC and personal tax returns for Ryan Johnson and Marcus Zettler. Staff found no concerns.
- Loan to Value: The loan to value on the City's investment is below the limit of 120%.

Staff Recommendation

This project meets the Program objectives and requirements. When completed, this project will increase tax base for the City, it will provide up-scale upper residential 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: \$200,000
- Interest: **2% interest for the term of the loan.**
- Term: 10 years
- Collateral: A secured mortgage in second place to State Bank Financial.