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## Memorandum - Confidential

**To:** City of La Crosse Economic Development Commission  
**From:** Planning and Development Staff  
**Date:** November 30, 2017  
**Attachments:** Cover letter from applicant, Application  
**Re:** **Staff Review for SeviceMaster Cleaning Services of La Crosse, Inc. Application**

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### **Project Summary:**

ServiceMaster Cleaning Services, owned by Vicky and Clint Russell, is hoping to purchase a new property in the City of La Crosse to expand their business. This business is currently leasing space in a building located at 1108 Venture Avenue in Onalaska and is planning to purchase the properties at 2002 and 2010 Ward Avenue where Blomquist White Glove Auto is now located. These properties on Ward Avenue are zoned C-2 which is appropriate for ServiceMaster. The fair market value on these properties is combined \$460,200.

To be eligible for the SBDL loan, applicant must commit to one new job created for each \$35,000 requested. The applicant anticipates creating 3 full-time jobs, which would satisfy this requirement.

### **Applicant Proposal Summary:**

**Estimated Total Project Costs: \$504,000 for property acquisition (\$475,000), closing costs (estimated \$4,000) and plumbing repairs (estimated \$15,000).**

**Ask:** \$105,000 – Property acquisition. Request is 10-year loan with 3% interest.

### **Staff Analysis and Recommendation:**

**Staff Analysis:** The applicant received a letter of commitment from State Bank but the bank requires 20% down from the borrower. The applicant will be contributing \$50,000 in cash and will be using the remaining from the SBDL for the bank requirement.

**Collateral Request:** Second position on the mortgage of the properties (\$60,200 remaining after bank's first position).

**Staff Recommendation:** **Subject to a successful Environmental Review and collateral agreement, staff recommends approval of a \$50,000 plus closing costs for an estimated total of \$54,000 loan which would be the remaining equity needed by the bank plus the bank's closing costs. This amount has been verbally agreed to by the applicant.**

**Proposed Project (Based on Information Provided by Owner)**

Description	Amount	Terms	Monthly Payment
Owner's Equity (10%)	\$50,000		
State Bank	\$400,000	25 year, 4.29%(2yrs), 4.39%(3yrs), 4.69%(5yrs) fixed	\$ 2,870.00
City of La Crosse SBDL Loan	\$54,000	10-year loan with 3% interest rate	\$ 524.03
		<b>Total New Debt</b>	<b>\$ 3,394.03</b>

**Debt Coverage Ratio Based on Cash Flow Statements**

		<b>Annual Debt Service</b>	<b>\$ 40,728.36</b>
Estimated additional monthly net profits	\$7,290.89		

Underwriting Criteria			Comments from Staff
Scoring Criteria	Points	Project Score	
1. Developer equity/cash (Required per guidelines): 10%	5	5	10%
2. Loan is no more than 60% of total project cost.	5	5	11%
3. Extent to which project will provide job opportunities for LMI persons. Capacity to meet job requirements (one job per \$35,000) of CDBG resources, 51% must be LMI.	5	5	Based on prior history with this organization, the job creation numbers
4. Satisfactory credit history of all owners	3	3	Excellent Scores
5. Owners willing to provide personal loan guarantee.	3	3	Yes
6. Project costs are reasonable.	3	3	\$500,000: acquisition(\$475,000) and plumbing reconfigurations(\$25,000).
7. All other sources of financing are committed.	3	3	Term Letter From State Bank approving \$500,000 with 20% down and closing costs (est \$4,000)
8. Documentation of need and that CDBG funds are not substituted for non-Federal financial financing or support.	3	2	Federal funds to assist in the 20% downpayment requirement. Owner 10%, Loan 10%
9. The return of owner's equity investment is not unreasonably high.	3	3	
10. Debt to coverage ratio (DCR) should be at least 1.25	3	3	DCR = 4.87 when estimated increase in profit is added to 2017 net income
<b>Total</b>	<b>36</b>	<b>35</b>	Good