

## Memorandum

**To:** City of La Crosse Economic Development Commission  
**From:** Economic Development Staff  
**Date:** August 22, 2019  
**Re:** Staff Report for Upper Floor Renovation Loan Subordination Request – 422 Cass Street

### Upper Floor Loan Summary:

**Initial estimation of total project costs:** \$200,000

#### **Property Assessed Value:**

422 Cass Street – At Time of Purchase 1/11/19	17-30101-20	<b>\$145,000</b>
Current Assessed Value		<b>\$186,900</b>

**Assessment Increase Requirement:** Program requires a 25% increase of the City's loan value, in this case \$62,500. At this point the value has increased by \$41,900. Assessor's office estimated that the assessment will increase by approximately \$84,000 based on the original plans for an estimated future value of \$229,000.

**ASK:** Subordination of City Upper Floor Loan to a \$44,250 increase in the 1<sup>st</sup> Mortgage currently held by Citizen's State Bank.

### Review of Project

Tim and Eva Ewers, owners and operators of Le Chateau restaurant, purchased the vacant adjacent building to have a bakery on the first floor and residential living on the second floor.

Originally Citizens only financed the purchase of the real estate as that is what was requested of them. The Ewers worked with both the City and the County to finance original construction costs, equipment purchases, and other start-up costs. The Ewers now have the opportunity to bring in additional income by leasing out commercial kitchen space in the lower level of the building as well as adding a patio/terrace.

### Financing

→ **Current Mortgage Structure:**

Citizens State Bank	\$80,000
La Crosse County	\$20,000
City of La Crosse	\$50,000

→ **Proposed Mortgage Structure:**

Citizens State Bank	\$124,250
La Crosse County	\$20,000
City of La Crosse	\$50,000

→ **Loan to Value:** The loan to value on the City's investment to the current assessed value of the property is 104%, which is still below the program requirement of 120%. If based on the estimated future value of \$229,000, the debt factor would be at 85%.

Ocean Fin has a Small Business Development Loan through the City for the Le Chateau project. They borrowed \$100,000 in 2010. They have a remaining principal balance of \$48,988.37 with an expected pay off in October 2025. They are current on their payments and have continued regular interest and principal payments after a 6-month grace period due to the Cass Street construction.

**Staff Recommendation**

Staff is in support of the expansion to include additional revenue. Staff would also like to see that the projections show that this is a financially feasible expansion at this time for Ocean Fin. The Ewers are scheduled to meet with Julie Emslie Wednesday August 21, 2019 for assistance in putting together an updated Sources and Uses Chart as well a projected cash flow analysis. Staff recommends waiting to approve until the reports are completed and provide evidence that this is a feasible addition to the project at 422 Cass Street.



