
Memorandum

To: City of La Crosse Economic Development Commission
From: Planning and Development Staff
Date: November 30, 2017
Attachments: Cover Letter, Application
Re: **Staff Review for Pearl Street Brewery SBDL. Application, Resolution #17-1688**

Project Summary:

Pearl Street Brewery, owned and operated by Joe Katchever and Tami Plourde, is hoping to purchase a new property at 401 Car Street in the City of La Crosse to expand their business. This is the former PACAL building, currently owned by Fowler & Hammer. The fair market value on this property is currently assessed at \$502,000 and the assessor estimates the completed project will be assessed at \$4,100,000.

The applicant has completed a business plan with the Small Business Development Center.

To be eligible for the SBDL loan, applicant must commit to one new job created for each \$35,000 requested. The applicant is required to create 6 full-time jobs. They plan to create 26 new jobs so this would exceed the requirement.

Applicant Proposal Summary:

Estimated Total Project Costs: \$10,500,000 for property acquisition, equipment acquisition, and hard and soft costs of development.

Ask: \$200,000 – Property acquisition. Request is 20-year loan with 3% interest, interest only for the first 18 months.

Staff Analysis and Recommendation:

Staff Analysis: The applicants are currently seeking additional equity and Historic and New Markets Tax Credits. They are also working on an equity structure for the property as part of the project that would include Tax Credits. The applicant will be contributing at least 10% equity.

Collateral Request: Second position on the mortgage of the properties, UCC filing on equipment with all collateral being equal to or exceeding the value of the loan.

Staff Recommendation: **Subject to a successful Environmental Review and collateral agreement, staff recommends support of a \$200,000 loan for project development**

which may include building and equipment acquisition and design and development costs. The final loan approval would be subject to receiving tax credits or remaining equity for the project. The developer would be required to present the full equity structure and collateral to the EDC for approval before disbursement of funds.

Underwriting Criteria			Comments from Staff
Scoring Criteria	Points	Project Score	
1. Developer equity/cash (Required per guidelines):	5	***	
2. Loan is no more than 60% of total project cost.	5	5	Approximately 2%
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	Plan is to create 26 jobs. Based on prior history with this organization, the job creation numbers seem reasonable and accurate.
4. Satisfactory credit history of all owners	3	3	Good Scores for both
5. Owners willing to provide personal loan guarantee.	3	3	Yes
6. Project costs are reasonable.	3	***	
7. All other sources of financing are committed.	3	***	
8. Documentation of need and that CDBG funds are not substituted for non-Federal financial financing or support.	3	3	
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	***	TBD once financing is secured
Total	36	22	

Proposed Project (Based on Information Provided by Owner)			
Description	Amount	Terms	Monthly Payment
Owner's Equity (10%)	\$100,000	Looking to add with Tax Credits and other sources	
Bank Gap per Business Plan	\$2,000,000	6.5% over 20 years	TBD
Bank SBA per Business Plan	\$5,000,000	4.5% over 25 years	TBD
City of La Crosse SBDL Loan	\$200,000	2%, 20 years, Interest only for 1st 18 months	\$ 1,175.01
		Total New Debt	#VALUE!

Debt Coverage Ratio Based on Cash Flow Statements			
		Annual Debt Service	#VALUE!
Estimated monthly additional revenues as a result of project (owner estimate)	\$272,264.17		
Estimated monthly expenses as a result of project	\$ 226,375.92		
Estimated monthly net profits	\$45,888.25		