Community Development Authority MCRF Loan Report May 10, 2012

Borrower: Sherman Plaza, Inc.

Project:

Sherman Plaza, Inc. ("Borrower") proposes to construct tenant improvements to a vacant 15,000 SF space, formerly occupied by a hardware store, located within the North Side Town Center property at 1865 Northport Drive ("Property"). Borrower proposes to lease said space to the Dane County Aging and Disability Regional Center (ADRC) ("Tenant").

Tenant would create 60 new jobs.

Total project cost is estimated at approximately \$600,000

Comments:

Borrower requests a \$250,000 MCRF loan, evidenced by a 5-year note with 30-year amortization at "lowest rate possible."

Borrower is leasing to Tenant at a rate of \$7/SF plus \$2.50/SF CAM for a term of 5 years.

Borrower intends to commence tenant improvements in May to be completed in August of 2012.

Property has an existing \$9 million mortgage. A 2010 appraisal indicates a value of \$13.5 million.

Sources and Uses

Bank Loan	\$300,000
Equity	50,000
MCRF Loan	<u>250,000</u>
Total Sources	\$600,000

Uses (\$600,000)

Loan to Value Calculation

Estimated Value \$13,500,000

Bank Loan - Existing	9,034,000
Bank Loan - New	\$300,000
MCRF Loan	<u>\$250,000</u>
Total Loans	\$9,584,000

Estimated Loan to Value 71%

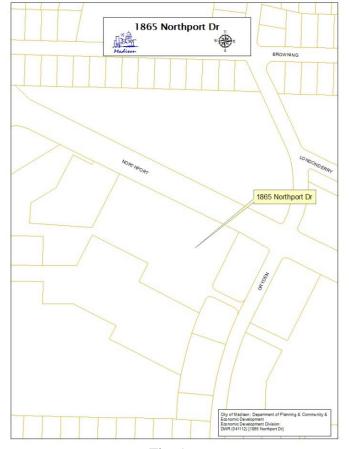


Fig. 1



Fig. 2

Recommendation:

Staff recommends a \$250,000 loan evidenced by a 7-year note, 15-year amortization, paid quarterly, with a balloon payment of principal and interest due at note maturity. Interest rate to be 5% fixed for the term of the loan. Borrower shall provide the City with a second mortgage interest in the Property. The City shall receive the personal guaranty of David W. Bruns and Donald B. Bruns in the amount of the MCRF loan. MCRF Loan funds shall be disbursed upon completion of construction ("end loan") as evidenced by an occupancy permit and evidence of compliance with all applicable City ordinances. Prior to loan disbursal, Borrower shall provide the City with a current appraisal of the Property that shall demonstrate, to the City's satisfaction, that all liens and mortgages against the Property, including the MCRF loan, shall not exceed 90% of the Property's fair market value.