

Community Development Authority of the City of Madison
MCRF Loan Report
September 8, 2016

Borrower: Regent Market Cooperative, Inc.

Project:

Regent Market Cooperative, Inc. ("Borrower") proposes to borrow \$35,000 of MCRF funds to their property located at 2136 Regent Street to continue expanded operations as the Regent Street Co-op market. The proposed loan is part of a \$1.2 million property acquisition and renovation to facilitate that expansion.

Comments:

Borrower requests a \$35,000 MCRF loan which is below the MCRF minimum \$50,000 threshold. Borrower intends to commence solar energy improvements to the property in September or October of 2016 paid for by MCRF loan funds.

The subject property is appraised at \$960,000. Summit Credit Union will be secured by a first mortgage in the amount of \$766,068. The total of all loans, including the \$35,000 MCRF loan is therefore \$801,068 or 83% of the appraised value of the property—within acceptable range of the CDA's maximum policy of 90%.

The cash balance in the MCRF Fund is approximately \$1.05M. This amount is available to fund the MCRF loan program and \$125,000 authorized in the 2016 Operating Budget for the Façade Grant program. In June of 2016, the Common Council authorized \$880,000 in MCRF loans to Sherman Plaza, Inc. to facilitate the RP's Pasta Company expansion. In effect, about \$45,000 of MCRF authorized funding is currently available to fund this MCRF loan request.

However, in July of 2016, the Common Council recommended reconsideration of the resolution authorizing the loan to Sherman Plaza when the City learned that RP's Pasta was no longer locating in Sherman Plaza. In the event that the Common Council receives and files the reconsidered resolution for the Sherman Plaza, Inc. MCRF loan, \$880,000 of authorized funds would be restored to the MCRF fund for subsequent projects.

Sources of Capital

Co-op Member Equity	\$404,500
Summit Credit Union (1 st Mortgage)	\$766,068
MCRF Loan (2nd Mortgage)	\$35,000
Grants, Other Sources	\$76,127
Total Sources	\$1,281,695

Uses	\$1,281,695
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Loan to Value Calculation

Estimated Value (June, 2016)	\$960,000
Summit Credit Union	\$766,068
MCRF Loan	\$35,000
Subtotal- Existing Loans	\$801,068

Estimated Loan to Value with MCRF 83%

Recommendation:



Staff recommends a \$35,000 MCRF loan to Borrower evidenced by a 5-year note, paid quarterly. Interest rate to be 3% fixed for the term of the loan ("MCRF Note").

Borrower shall provide the City with a subordinate mortgage interest in the Property. The City shall receive the corporate guaranty of Regent Market Cooperative, Inc. 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. Borrower shall comply with all City ordinances concerning Affirmative Action, Living Wage, Non-Discrimination, Equal Benefits and Accessibility.

Prior to loan disbursement, 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 loans, shall not exceed 90% of the Property's fair market value. Disbursement of the MCRF Loan shall also be contingent upon authorization by the City of Madison Common Council containing the provisions of executed Term Sheets agreeing to the terms and conditions of their respective loans.