



It's real.

MEMORANDUM

To: Mayor and City Council Members
Douglas G. Faseler, City Manager

From: Kyle Kramm
Main Street Program Director

Subject: Downtown Loan Pool Application

Date: June 8, 2016

The downtown loan pool was created in 2014 to encourage property owners to bring our historic properties up to code and rehab buildings for new uses. The Main Street Program received its first application for the loan from Jason Howell, the largest private property owner in downtown Seguin. Jason Howell's plans call for creating five 1-bed, 1-bath apartments and one 2-bed, 1-bath apartment at 101 South River Street.

Apartments and residents are an important part of a vibrant downtown, creating activity in downtown 24/7. A rule for downtown revitalization is the "2 percent solution," where having two percent of your residents living in your urban core will result in the revitalization of your downtown.

The proposed site formerly served as offices for the Community Council of South Central Texas and temporary headquarters for the Guadalupe County Republican Party during the 2014 election. Since that time, the building has been vacant.

Total costs for the building rehab will total over \$318,000. This includes the conversion of the first floor to retail and the six apartments on the second story. The owner has already started work on the first floor using his own money and is requesting a \$150,000 loan to complete the build out of the second story apartments.

The City of Seguin would be the second lien holder. Staff spoke with local bankers on the issue of debt to asset value ratio and they recommended that 80% to 85% is an industry standard. This project would represent a 53% debt to asset value ratio with multiple properties as collateral. The value of the asset is anticipated to increase after completion of the project lowering the rate even further.



It's real.

The length of the loan would be for 15 years. The guidelines for the loan say the rate will be the U.S. Treasury's 10 Year Rate, which as of June 6 was 1.73%, but shall never be lower than two percent, meaning the interested rate would be at two percent. Through the life of the loan, the City would collect \$23,747.35. The City could also expect an increase of \$11,826 in property tax revenues, \$162,000 in utilities, and \$8,931.47 in sales tax collections from the new residents. These conservative estimated revenues would represent a 137.7% return on investment over the 15 years.

Additional stipulations of the loan would be as follows:

- The work will be covered by a bond so that if the project stalls, the City can finish the project with the bonded money.
- All work to be performed will go before the Historic Design Review Committee.
- The money will be provided in draws and receipts and invoices will be submitted to the Main Street Department to confirm that the costs of the project total the amount of the loan.
- The buildings could not be used as collateral for any other loans.
- Mr. Howell has agreed to a personal guarantee.

As previously stated, Mr. Howell is the largest private property owner in downtown Seguin and has shown a commitment to its revitalization; removing the slip cover at 106-110 East Court Street, constructing three apartments at 211 East Court Street, and multiple other projects.