

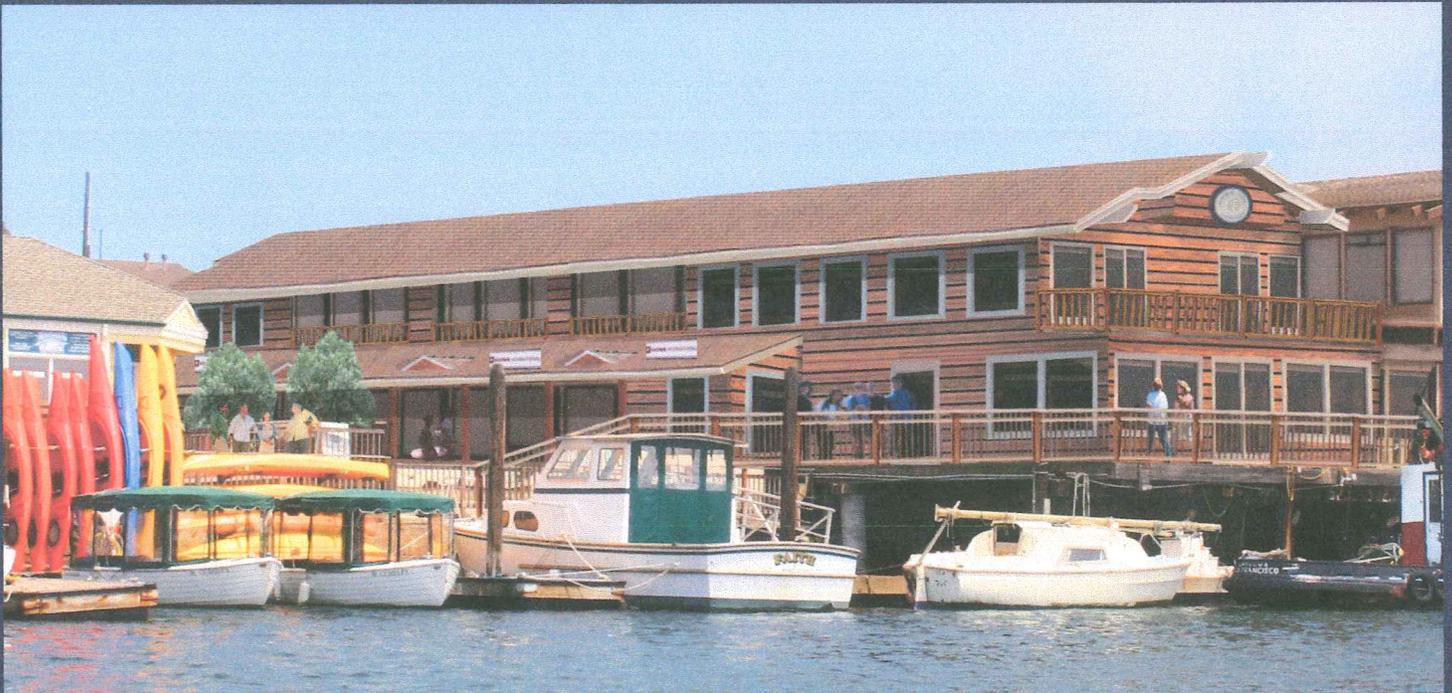
to : Council, City Manager,  
City Attorney, Harbor  
Director

**RECEIVED**  
City of Morro Bay

APR 26 2016

Administration

from: Cherise Hansson  
Ref: Item C-1-



# 833 EMBARCADERO

CHERISE HANSSON & TRAVIS LEAGE STATUS UPDATE

## 833 Embarcadero Rd Project

For the future two story development:

Approximate cost to build = \$2.5 million

Letter of Intent for building loan enclosed by Mid-Coast Capital, based in San Luis Obispo. Mid-Coast has built other projects on the Embarcadero and has had prior business with the city regarding lease sites.

Travis Leage and Cherise Hansson, from here on to be known as T.L.C. Builders Inc. are responsible for interest payments of loan totaling = \$500,000. at time of project commencement.

### T.L.C. Builders Inc. Holdings

\$500,000. in current investment in Great American Fish Co. that can be accessed at needed time.

Over \$350,000. equity in personal residence (~~see attached appraisal and specifications, as well as last statement of principal balance.~~)

*upon request*

Investors totaling over \$500,000. in accessible funds (~~see attached letters of intent~~) *upon request*

Under the Sea Galleries, Morro Bay, Avila Beach and Koloa Kauai will generate approximately \$100,000./yr in capital for building. Current value of all three locations with inventory is over One Million dollars.

Overall at the time of building, T.L.C. will have in excess of 1,300,000. to begin construction and retain building loan. This is more than enough to pay interest of loan and soft costs pre-building.



**MID-COAST CAPITAL, INC.**  
**MORTGAGE BROKERS**  
Post Office Box 12360  
San Luis Obispo, CA 93406

April 11th 2016

Mid Coast Capital  
688 California Ave  
San Luis Obispo CA 93401

To: Eric Endersby,  
Morro Bay Harbor Director

Regarding 833 Embarcadero Rd Morro Bay CA 93442,

Loan: Construction of two-story commercial building at 833 Embarcadero, a Morro Bay city lease site  
Lots 87-88/87W-88W  
Lot Area 10,704 sq ft  
1st story 5487. Dock, 2nd story 3862  
Total Building 9349 sq ft

Dear Mr. Endersby,

This letter is to confirm the mutual intent of a loan between Cherise Hansson, Travis Leage and myself, Vincent Crooks of Mid Coast Capital. At this date it is my intent to loan Hansson and Leage up to \$3,000,000.00 depending on their needs at the time building commences. These funds are currently available and documents are available at your request. per our agreement Hansson and Leage must have at time of building commencement the initial interest of total loan needed for building. Currently they have proven to be viable candidates for said loan and wish to continue with Consent of Landowner lease proceedings.

As per our conversations over the last three months, we have made the agreement for your perusal. We want the legal intent to be in place and surely want the approval of the city council for all entities to continue on project.

Yours Sincerely,

Vincent Crooks

## Completed 833 Embarcadero Rd Project

Approximate value of new building = \$5 Million

Loan will be refinanced to a 25 year loan at a rate 5-6% for approximately \$2.5 Million

Monthly service to bank will be between \$14,000.- \$16,000.

Monthly service for property taxes and insurance \$3800.-\$5000.

Monthly debt payment for building = \$17,800.-\$21,000.

Property Income from rents

All rents are based on a fair market value of \$3/ft, not including common areas. All leases will be based on CPI and triple net for future year calculations and include lease agreement percentages based on contract agreement with city of Morro Bay.

1. Hotel = \$12,600/ month
2. Restaurant = \$7200/ month
3. Yogurt/confections = \$600/ month
4. Retail space #1 = \$2500/ month
5. Retail space #2 = \$2500/ month
6. Dock Spaces = \$1000/ month

Total Rental income = \$26,400/ month

The majority of these businesses will be operated by the master lease holders, hotel and gift shops. It is our intent to lease restaurant to a well-vetted and successful business owner. We already have two possible tenants meeting the criteria willing to sign leases. As well as lease out the small confection shop. Master lease holders have prior experience with running all of the above businesses. T.L.C. will be able to run all businesses effectively without interruption to lease rents. Although we do plan to own and operate the majority of the businesses, we wanted to establish that if need be we are skilled in all aspects of property.

## **B & L Flash Risks**

-Original Loan was valued at \$321,000, according to Union Bank on July 3, 2015. Central Coast Investments inflated cost to maximum legal value of \$412,000. or foreclosure. Central Coast Investments refused offer of \$375,000. in late January 2016.

-Back due of delinquent property taxes over \$46,000. I worked with county tax collector to reduce penalties due to improper bookkeeper actions, actions unbeknownst to Violet. Property taxes were reduced to \$32,798. if paid in next 24 days.

-Off the Hook Restaurant is questionable investment. They have been delinquent in paying their previous landlord over \$113,000. in rent and percentages to city. They have held documents from landlord via postage mail. The property collects rent from two tenants and Off the Hook resides on 3/4 of that rentable space. The lease Violet signed without full comprehension is \$3,000./month below market value and has a stipulation that if not in default "at the time" Bell is allowed over 40 years in extensions provided B&L is still the master tenant. Even though the city attorney has stated this is not legally binding, the prospect of a lengthy & costly litigation is imminent. Maridee Bell has chosen to be at odds with other tenant, threatening a lawsuit over trespassing. She has requested no direct contact, only through legal representation.

-With Travis and my involvement beginning in November of 2015 it has become apparent that the odds are stacked against us in procuring a place in B & L Flash. The current risks and future risks out-weigh the successful ability for us to become part of B&L.

-The restructuring of B&L Flash is completely dissolved based on the fact that Violet refuses to sign over any part of her corporation. We offered to completely pay off loan and property taxes as well as give Violet \$70,000. in payments to assume controlling interest. We have paid our lawyers in over \$7,000. writing and negotiating with B & L. Instead she is opting to do nothing due to total confusion over any act she may take. Overall Travis and I were willing to bring over \$550,000. towards the reconfiguring of B&L.

-We have the funds, but if Violet refuses to sign reconfiguring B & L Flash is the only part we were unable to complete.

## **Possibilities of writing new COL directly to subtenant**

I believe that the outcome of slowing this project to open RFP is costly, timely and an unnecessary option. I have been a very successful part of Morro Bay and in my 17 years have always paid on time and in full. As the subtenant I have often stepped up to the responsibilities of a master tenant. It would be greatly appreciated that my good-standing with the city be reflected in your decision. I fear my ability to remain in my location given the current climate on the property. An acceptance of this option will secure Under the Sea Gallery's continued presence in our beautiful Morro Bay.

Due to the extenuating circumstances of this particular lease site I, Cherise Hansson would like to request further review. This process requires more understanding and longer explanation than three minutes of a presentation. Furthermore I feel it is important that Christine Johnson be part of this final decision.

Thank you for your time, Cherise Hansson