Adventures in McCloudland

By Marilyn J. Ogden

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Friday we headed out for four bank appointments. The Branch Manager at North Valley Bank in Yreka was interested. The others all supported the project, but the $500,000 we were asking for was their budget for construction loans for the entire year. They suggested, "You should try some banks in larger metropolitan areas which have bigger budgets." North Valley Bank manager requested more information and pictures to present to her loan committee which was meeting next week. We focused on North Valley and waited for her call.

Later we had learned a hard lesson. Never shop for a loan one bank at a time or assume that they intend to do what the manager says they will. Never just wait for their call.

At the end of next week, we called again. "No decision yet, but they were very interested and it looks very promising. Call back next week."

In the meantime, a loan officer from Wells Fargo in San Francisco happened to stop by the project. He expressed an interest in financing it.   I told him I thought we had the necessary financing, thanked him and accepted his card. He seemed like a nice person and he loved this building.

Ray needed us to pay our debt. He had carpenters to pay and outstanding debts himself. We understood, and were trying our best to get it. Of course we leveled with him about our finances and let him know that we were going to do everything possible to get this project back on track.

We called again and the manager reported, "We're sorry. The board loves the project, and has always wanted someone to fix up the hotel, but we are unable to finance the project at this time. Good luck. Call us again if you have any other banking needs."

I felt betrayed. Weeks had been lost.

We called back the loan officer from Wells Fargo. He had given notice the week before and had left the bank. They didn't know where he had gone. No, they would not be interested, thank you.

I started calling banks in Redding and set up three appointments for the following Friday.

Ray gave us the name of a bank officer at First Interstate in Redding, who he knew and had agreed to meet with us. Of the three banks in Redding, First Interstate's manager was the only interested party. It seems Ray's acquaintance was not in the loan department, but had mentioned us to the manager. He came down to say hello and let us know how much he loved the old hotel and then left. The manager said she was very interested. "No, it was not out of the scope of construction loans we make." It was good news.

We had now done our little dog and pony show before eight banks. We showed appropriate confidence in our project and had income projections backed by real numbers and research. We were perky and upbeat. We had a perfect credit history. Lee had 25 years of experience managing large construction projects, and I had 12 years of management experience in service organizations. One had had an annual budget of over 1 million dollars. We believed this project would be a success. We knew it in our souls. Did they have so little vision?

The First Interstate Manager said the board was interested. They just needed a little more assurance. Before they could approve the project they would need proof of 1 million dollars of life insurance coverage on each of us. Trying not to focus on the fact that we'd be worth a lot more dead than alive, I called our insurance agent. The premium would cost more than the loan repayment. And we were already talking about payments in excess of $5,000 a month.

In the end, the First Interstate Manager said no. She said, "The board feels their confidence level is not high enough."

SBA would guarantee 80% of the loan. The bank would only risk 20%. How much confidence did it take to only risk 20%? Why can't they see the potential? Our confidence level was high enough to commit our life to this project. Why wasn't theirs?

Surely they would be able to see the potential if we did our presentation well enough. I took responsibility for the failure. I have always believed that if I fail to make my point, or am not clear, then it is my failure. After all, I wrote it. I tore into the business plan again assuming the lender's point of view. Since banks had mentioned that they thought our occupancy projections were too high, I set about creating a page I titled: _Assuming the Worst Scenario_. I projected nine months out of the year with only a five room average occupancy. The three summer months I projected just 50% occupancy, 8 rooms. I reworked all the expenses adjusting them downward where it was appropriate. Bottom line showed we could survive under those conditions for the next 55 years. We'd only lose a few dollars per month and the deficit could be easily handled with the retirement account or Lee's salary. We could do this at a bare minimum occupancy and still survive for 55 years. And it would be a 30 year loan. Bingo. This would do it.

But just to make sure I also reworked our marketing plan being more specific about budget, sample ads, brochure, and specific direct mail approaches. My years managing the crisis center had provided me with valuable experience creating outreach materials, developing program plans, and measuring outcomes. The revised business plan included expected numbers of individuals reached and equated a percentage of those with numbers of room nights expected. I wondered at what point they'd just stop reading because it was too much detail.

We moved onto banks in the Bay Area and Sacramento; they'd have larger loan budgets and more experience with SBA loan applications. We had heard that the SBA loan application process was very time consuming for the lender.

I set up appointments for one day with six bank managers in the Sacramento area. We even had an appointment with a state senator who thought it sounded "like a great project." Maybe there was a political component we had missed that an endorsement might help.

We arrived in Sacramento the night before the appointments and spent several hours in Kinko's making 15 copies of our Business Plan. We went back to the motel and spread out all the stacks of pages and collated the 40 page book. We mounted the pictures and exhaustion took over. It was all beginning to take its toll.

The next day it was show time again. Six performances. "Mt. Shasta?" they'd say. "Is that in California?" "Oh, it's in that lumber depressed area?" "Who'd want to visit there?" "I've lived in Sacramento all my life and I've never even been there."

They'd each tell us they'd consider it and get back in touch with us. We'd wait, finally call and be told, "No, not at this time."

Somewhere, someone handed us a list of the banks ranked by the number and amount of SBA loans they produce each year. None of the banks we had visited were even on the list. Top of the list was The Money Store and Truckee River Bank and they both had offices in the Sacramento area.

We decided to stay over another night and the next morning left our business plan at The Money Store with the promise “someone will review it and get back to you.” They don’t see anyone without an appointment.

In Rancho Cordova, just north of Sacramento in a shopping center, was a store front branch office of Truckee River Bank. It felt like a long shot, so I stayed in the van while Lee went in and handed the man a copy of our life’s hope. He’d be in touch.

We returned to McCloud defeated. And there was Ray; wanting to know how we’d done. If I told him how I really felt, I would have cried. I wasn’t going to do that.

We heard from The Money Store. Not interested.

We heard from Truckee River Bank. They’d be interested after we sold our house. Oh.

Barry, our real estate agent, even suggested I advertise in the Wall Street Journal for an investor. I did. I got about six calls and talked excitedly about the project. I put our packets in the mail and got,”No, thank you” from them. One of them was a gentleman who had traveled to McCloud to fish every year. He remembered the hotel fondly and was sure he could convince his partner to do this. No Dice.

This was an emotional roller coaster and we were getting weary of the ride. I’d look to Lee to fix it and of course he couldn’t. He’d always fixed everything, though, and this time he hadn’t. I was angry with him and even more angry at all those people who couldn’t see and had no faith. I kept thinking that this country never would have happened if it had been up to bankers. They have no vision.

There was little reason for me to stay in McCloud. We’d exhausted all the financing possibilities up here and were now focusing on the Bay Area. The empty days with no activity in the hotel were cruel and unbearable. One day would seem like an eternity as I’d wander through this empty place that was our dream. I’d go for walks and relive our vision of living here and having this wonderful hotel that everyone would love. It became too painful and I packed a bag and returned to our home.

We’d assure Ray we’d work very hard to find the money, but it must have sounded like a hollow promise. He would call every morning at 7 and ask about our progress. Then I’d cry and hide.

Mine was not a pleasant homecoming. I didn’t even tell our friends or family I was back in Oakland. I stayed at home, fearful I would meet someone I knew and have to explain our failure.

Barry, who was always in there pitching for us, called and suggested we talk with a friend of his at LaMorinda Bank. It was a crazy sounding name connoting Lafayette, Orinda and Moraga in Contra Costa County. Barry suggested his friend might give us a loan to cover our outstanding debts using the retirement fund as collateral. Although we couldn't actually sign the fund over to the bank, he still might entertain the idea and he was a good friend of Barry's.

We had an appointment the next day. He took all our information and said for us to come back tomorrow. We showed up at the appointed time the next day. Our mood was fairly dark. We waited for quite a while and then the manager came out and handed us a check to cover our immediate debt. We could have fallen over. It also was to be repaid when the house sold, but at least we could pay all we owed to Ray and Ron.

We left and walked a half block to a wire service office where we called Ray and then immediately wired the money. We were downright giddy. But we knew this fix was only temporary and we still had to find financing for the project.