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FIRM NEWS

Derek Ladgenski Comments on Remodeling Costs for Restaurant Franchises

February 23, 2017

Commercial Finance partner Derek Ladgenski was quoted in a *Franchise Times* article on restaurant franchises financing their remodeling costs. "It's a sunk cost. In many ways it's a company expenditure that a company has not had to deal with, and that can be tough," he said. "Companies need to find lenders out there who understand the cost, but also understand the upside of the reimaging or rebranding." The article highlights how brands just starting a reimaging program need to outline the performance possibilities. "Let's say you're a pizza shop franchisor and you know that the hot little concept has been brick oven. If you're reimaging to something more akin to that, you're going to look for comps down the road not just in the brand but what it's trying to get to," Derek stated. "Look at Wendy's. It's a classier look for Wendy's. It looks more like Smashburger, so pull your comps from there."

With regards to how loans for franchise renovations are more complex compared to standard term loans, Derek explained, "A development line of credit is a much more nuanced instrument. It's something that's typically only used in the restaurant and franchise space." He added, 'You can basically borrow over time, but they do what we call 'term out' over time. So you borrow as you go, maybe you're allowed 10 bites at the apple to draw down dollars, and every year or so it goes to an amortization schedule as well." ("Lenders Tell How To Fund Renovations," February 23, 2017)

CONTACTS

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