

**EDAP BOARD MEETING  
WISH'N WELL CAFÉ  
NOVEMBER 12, 2013  
7:00 A.M.**

**AGENDA**

- I. CALL TO ORDER
- II. CONSENT AGENDA
  - A. Minutes (page 1)
- III. NEW BUSINESS
  - A. EDAP Loan – Eats and Treats (Marcy Thompson) (page 4 )
- IV. OLD BUSINESS
  - A. Manufacturing Week – Skinz – Review
  - C. Economic Status Of Community – Update
  - D. Past Due Loans – Update
  - E. Industrial Land – Update
  - F. Billboard Cover – Update
  - G. EDAP Brochure & Map - Update
- V. INFORMATIONAL
  - A. Revolving Loan Report (page 13)
- VI. ADJOURN

**\*\*\* Please call or email Renee at 320-243-3714 ext. 227 or at [renee@paynesvillemn.com](mailto:renee@paynesvillemn.com) if you are not able to attend the meeting.\*\*\***

**Members: Don Pietsch, Don Wiese, Bruce Stang, Chris Stanley, Alan Habben, Jean Soine, and Kay McDaniel. Advisory Member: Renee Eckerly.**

This agenda has been prepared to provide information regarding an upcoming meeting of the EDAP Board. This document does not claim to be complete and is subject to change.

**BARRIER FREE:** All EDAP Board meetings are accessible to the handicapped. Attempts will be made to accommodate any other individual need for special services. Please contact City Hall (320) 243-3714 early, so necessary arrangements can be made.

## REQUEST FOR COMMITTEE/COUNCIL ACTION

**COMMITTEE/COUNCIL NAME: EDAP Board**

Committee/Council Meeting Date: November 12, 2013

Agenda Section: Consent Agenda

Originating Department: Administration

Item Number: II - A

**ITEM DESCRIPTION: Minutes**

Prepared by: Staff

**COMMENTS:**

Please review the minutes from October 15, 2013 Special EDAP Board Meeting.

**ADMINISTRATOR COMMENTS:**

**COMMITTEE/COUNCIL ACTION:**

Motion to approve the minutes from the October 15, 2013 Special EDAP Board Meeting.

**MINUTES  
EDAP BOARD MEETING**

**OCTOBER 15, 2013**

Jean Soine called the meeting to order at 7:05 a.m. Members present were Bruce Stang, Kay McDaniel, Chris Stanley, Don Pietsch, Alan Habben, and Renee Eckerly, City Administrator. Don Wiese was absent.

**Motion was made by Wiese to approve the minutes of the September 10, 2013 EDAP Board Meeting. Seconded by McDaniel and unanimously carried.**

**NOVEMBER MEETING**

Due to the Special Primary Election to be held on November 19, 2013; no meetings can be held. The Board consented to change the meeting to November 12, 2013 at 7:00 a.m.

**NEW BILLBOARD COVER**

The Board would like a new cover since it hasn't been changed in a year. If changing, McDaniel volunteered to help with the design.

**NEW EDAP BROCHURE & MAP**

Eckerly is working on a brochure and map and will bring a sample back to the next meeting.

**EDAP LOAN & MINNESOTA INVESTMENT FUND – LOUIS INDUSTRIES**

The EDAP Loan Agreement/Business Subsidy Agreement between the City of Paynesville, Paynesville Township, and Louis Industries, Inc. and Promissory Note were presented.

Louis Industries will have to pay a minimum of \$10.25 cash and have a total wage (including benefits) of \$12.45 per hour. They did indicate that they will be paying a hiring/training wage of \$9.50 for a short period, but it was clarified that the amount has to go up before the jobs would be counted.

Stang reported that Habben has reviewed the complete financials. Stang and McDaniel were at a meeting with DEED when DEED reported that this is the least risk profile that DEED has had. DEED is moving forward with the MIF.

**Motion was made by Habben to approve an EDAP loan in the amount of \$300,000.00 to Louis Industries, Inc. to be a 50:50 split with Paynesville Township for 7 years at 3.5% interest with quarterly payments and recommend such to the City Council and Township Board. Seconded by Stang and unanimously carried.**

**Motion was made by Stanley to approve the Minnesota Investment Fund loan for \$80,000.00 for the same term as the EDAP Loan with \$20,000.00 which may be forgivable if criteria is met of 5 new employees with a minimum of \$10.25 cash and have a total wage (including benefits) of \$12.45 per hour and recommend such to the City Council. Seconded by Habben and unanimously carried.**

### **MANUFACTURING WEEK – SKINZ – OCTOBER 21, 2013**

Free tours and lunch will be held at Skinz on Monday, October 21, 2013 from 11:30 a.m. – 1:00 p.m. Invitations have been sent and details are being finalized with Tammy Hawksworth.

### **ECONOMIC STATUS OF COMMUNITY**

Pietsch reported on the Scheel property adjacent to Wilglo acres. The property would be zoned commercial with the requirement of a 75' buffer surrounding the residential lots within the City limits.

Eckerly reported on the following:

- Tucks building may be sold
- May have downtown project
- Movie theater is for sale
- Premier Auto may be sold
- Dennis Wilson building in the Industrial Park is for sale

### **INDUSTRIAL LAND**

Pay Del Co is interested in working with Ferche on having land available for development. The Ferche property is for sale, but would be better as industrial than residential.

There being no further business the meeting was adjourned at 7:45 a.m.

## REQUEST FOR COMMITTEE/COUNCIL ACTION

**COMMITTEE/COUNCIL NAME: EDAP Board Meeting**

Committee/Council Meeting Date: November 12, 2013

Agenda Section: New Business

Originating Department: Administration

Item Number: III - A

**ITEM DESCRIPTION: EDAP Loan – Eats and Treats (Marcy Thompson)**

Prepared by: Staff

### **COMMENTS:**

Please review the attached EDAP Loan Application from Marcy Thompson. She is opening a new business in the Tuck's Café building. Marcy Thompson will be attending the meeting to answer questions and explain her project. She is requesting a \$15,000.00 loan.n the City of Paynesville, Paynesville Township, and Louis Industries, Inc. and Promissory Note.

### **ADMINISTRATOR COMMENTS:**

If EDAP Board is interested in Marcy Thompson project, then the Finance sub-committee will need to schedule a time to meet with her.

### **COMMITTEE/COUNCIL ACTION:**

# INDUSTRIAL/COMMERCIAL PAYNESVILLE REVOLVING LOAN FUND APPLICATION

## GENERAL BACKGROUND

The Economic Development Authority of Paynesville (EDAP) was originally established in 1987. Both the City and Township of Paynesville have representatives on the EDAP Board and both have revolving loan funds that are administered by EDAP under a Joint Powers Agreement. EDAP's main objectives are to encourage, attract, promote, retain, and develop economically sound industry and commerce within the city and township for the prevention of unemployment.

## REVOLVING LOAN FUND

In an effort to accomplish the above objectives, EDAP has established a Revolving Loan Fund (RLF) with two options: Small Loan Fund and Commercial/Industrial. For Commercial/Industrial Loan Funds, EDAP's lending capacity is in the form of providing gap financing. A primary lender other than EDAP is required.

The RLF is designed to provide financing for the following purposes:

1. Promotion of business start-up and growth
2. Retention of current industries
3. Promotion of economic diversity
4. Revitalization of businesses
5. Employee recruitment and retention

## ELIGIBILITY

Certain projects, applicants, activities and costs are eligible for revolving loan funds. The successful applicant must demonstrate proof of the following:

1. Ownership or lease agreements of the subject property;
2. Property insurance;
3. Property taxes paid and current;
4. Freedom from all judgements, liens, agreements, consent decrees, stipulations for settlements, or other such actions which would prevent the applicant from participating in any EDAP loan program; and
5. Compliance with all applicable City or Township ordinances and plans.

## ELIGIBLE LOAN ACTIVITIES

1. Land Improvements. Improvements to the land that are a portion of the project cost including but not limited to new streets, parking lots, utilities, and landscaping.
2. ✕ Purchase or Renovation of Building. Purchase and, if necessary, renovation of an existing industrial or commercial facility. Includes the purchase of land.

3. ✕ Purchase of Machinery or Equipment. Purchase of major items of machinery and equipment, independent of land and buildings. These items must be defined to have a useful life of at least five (5) years.
4. ✕ Building Construction. Construction of a new building and/or an addition to an existing building.
5. ✕ Inventory Purchase. Only as part of the total loan package.
6. Working Capital. Only as part of the total loan package.
7. Job Training.

## APPLICATION PROCESS

EDAP and City staff will assist the applicant through all stages of the application process. Prior to submitting a recommendation to the City Council and/or Township Board, EDAP shall determine if the loan application meets the following criteria:

Applicant must:

1. Be credit worthy
2. Show lender commitments
3. Sign Personal Guarantee
4. Pledge adequate collateral

## LOAN TERMS AND CONDITIONS

The City and Township shall make available to eligible applicants direct low-interest loans for the purpose of encouraging economic development, industrial development or growth, downtown development, job creation and job retention to meet business needs, and preservation of business district.

1. The maximum loan amount available for the Commercial/Industrial Loan Fund shall be determined on a case by case basis.
2. Maximum eligible loan request may be up to 50% of the EDAP Revolving loan fund balance.
3. The interest rate shall be a fixed-rate established at one-quarter point above Prime Rate on the date the application is approved by EDAP, but shall not be less than 3.0%.
4. The term of the loan shall be tied to the useful life of the assets being financed. The following general terms shall apply:

- A. The term of the loan for machinery/equipment shall not exceed seven (7) years.
  - B. The term of the loan for land/building acquisition shall not exceed twenty (20) years. Loan shall be amortized over 20 years with a 10 year balloon.
  - C. The term of the loan for new construction/renovation shall not exceed twenty (20) years. Loan shall be amortized over 20 years with a 10 year balloon.
  - D. It will not be the practice to refinance the balloon after the 10 years.
  - E. All balances will be due and payable if and when the loan recipient sells or otherwise transfers any or part of his/her interest in the property or fails to meet any of the guidelines established within the loan agreement before the maturity date of the loan or relocates any part or all of the business outside the City of Paynesville or Paynesville Township.
  - F. The above terms are considered maximums and the City and Township reserve the right to set loan terms for shorter periods.
5. Collateral requirements. All loan agreements will be secured by one or more of the following: promissory note, mortgage, or security agreement as required by the City and/or Township.
- A. The revolving loan may take a subordinate position to the primary lender on the assets financed; and
  - B. Surety deposits shall be required for certain construction contracts as set forth in Minnesota Statutes 290.9705.
6. Letters of commitment from all funding sources must be submitted before the application will be deemed completed.
7. Personal guarantees of persons with ownership interest of 20% or greater are required. Personal guarantees of persons with ownership interest between 1% to 19% may be required by EDAP but are discretionary.
8. Repayment of the loan must begin within one month after closing. The City and/or Township may make exceptions to this rule on a case by case basis.
8. EDAP may charge an administrative fee for processing the loan application. Charges may include, but are not limited to attorney fees, financial consulting services, building inspector services, etc.
9. All loans will be in compliance with the City Ordinance, Township rules, and Building Code.

# PAYNESVILLE REVOLVING LOAN FUND APPLICATION

## I. GENERAL INFORMATION

Name of Business: EATS and Treats

Address: 120 Washburn Ave.

City: Paynesville Zip Code 56362

Business Contact Person: Marcy Thompson

Telephone # 320-249-3210

Social Security # \_\_\_\_\_  
(if business is a sole proprietorship)

Other contacts or application assistance providers:

| Name:              | Telephone #         |
|--------------------|---------------------|
| <u>Susan Lintz</u> | <u>320-293-5377</u> |
| _____              | _____               |
| _____              | _____               |

Type of Business:

\_\_\_\_\_ Sole Proprietorship    \_\_\_\_\_ Corporation    X General Partnership

\_\_\_\_\_ Limited Partnership    \_\_\_\_\_ Limited Liability Partnership    Other \_\_\_\_\_

If a corporation, provide the name(s) and address(s) of shareholders that own 20% or more of outstanding shares of the corporation.

If a partnership, provide name(s) and address(s) of all partners.  
Marcella Thompson 673 W. Mill Street, Paynesville, MN 56362

Susan Lintz 17967 Co Rd 163 Richmond MN. 56368

Has you or your business ever filed bankruptcy?

No X Yes \_\_\_\_\_ if yes, please explain:

\_\_\_\_\_  
\_\_\_\_\_

**II. NATURE OF LOAN REQUEST**

Amount of loan request \$ 15,000 Total Project Cost \$ \_\_\_\_\_

New Business or Business Expansion? New business

# of existing jobs \_\_\_\_\_ # of jobs to be created \_\_\_\_\_

# of jobs retained \_\_\_\_\_ Amount of Private Financing 18,000

**III. FINANCING PURPOSE AND SOURCES** (Complete all that are applicable to your loan.)

How and what funds will be used to finance project? (dollar amounts)

|                           | RLF               | Bank Loan         | Equity | Other Tri Cap | Total                              |
|---------------------------|-------------------|-------------------|--------|---------------|------------------------------------|
| Property Acquisition      | _____             | <del>45,000</del> | _____  | _____         | _____                              |
| Site Improvements         | <u>2,000</u><br>x | _____             | _____  | <u>2,500</u>  | _____                              |
| Building Renovation       | <u>4,000</u><br>x | _____             | _____  | <u>2,500</u>  | _____                              |
| New Construction          | _____             | _____             | _____  | _____         | _____                              |
| Machinery/Equipment       | <u>1,000</u><br>x | x                 | _____  | _____         | _____                              |
| Inventory Purchase        | <u>5,000</u><br>x | _____             | _____  | _____         | _____                              |
| Working Capital           | <u>3,000</u><br>x | _____             | _____  | _____         | _____                              |
| Job Training              | _____             | _____             | _____  | _____         | _____                              |
| Other (specify)           | _____             | _____             | _____  | _____         | _____                              |
| <b>Total Project Cost</b> | <u>15,000</u>     | <u>45,000</u>     | _____  | <u>5,000</u>  | <u>65,000</u><br><del>75,000</del> |

**IV. FINANCING TERMS AND CONDITIONS** (Complete all that are applicable to your loan.)

|                    | RLF   | Bank Loan          | Equity | Other |
|--------------------|-------|--------------------|--------|-------|
| Dollar Amount      | _____ | <u>\$ 312</u>      | _____  | _____ |
| % of Project Cost  | _____ | <u>75%</u>         | _____  | _____ |
| Term (years)       | _____ | <u>20 yrs</u>      | _____  | _____ |
| Interest Rate      | _____ | <u>6.95%</u>       | _____  | _____ |
| Collateral Offered | _____ | <u>Real Estate</u> | _____  | _____ |
| Lien Position      | _____ | <u>1st</u>         | _____  | _____ |

Name of participating Bank: Paynesville Credit Union

Contact Person: Evon Welle Telephone # 320-243-7022

Address: \_\_\_\_\_

Name of participating Bank: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Telephone # \_\_\_\_\_

Address: \_\_\_\_\_

Other Lender: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Telephone # \_\_\_\_\_

Address: \_\_\_\_\_

Other Lender: \_\_\_\_\_

Contact Person: \_\_\_\_\_ Telephone # \_\_\_\_\_

Address: \_\_\_\_\_

## V. BUSINESS PLAN OUTLINE

### A. History of Business

### B. Market Analysis and Strategy

1. Description of current buyers and target markets - *families, senior citizens*
2. List of current competitors *Cold Spring Dinner Connection*
3. Product pricing *\$6 - \$25*
4. Advertising methods *Web page, Local paper, word of mouth,*
5. Sales promotion *monthly specials - punch cards*

### C. Products

1. Description of Product Line *Premade meals to Take & Bake at Home -*
2. Proprietary position of patents, copyrights, legal, and technical considerations *None*
3. Comparison to Competition *Simple/easy/cheaper*

### D. Manufacturing Process

1. Materials *Food*
2. Production methods *cook/assemble/packaging*

### E. Financial Projections

1. Provide monthly cash flow analysis for next 12 months
2. Provide profit and loss statement for last three years, current year-to-date, and two-year projection

### F. List of Existing Business Debt

1. List outstanding balance, interest rate, term, maturity date, and collateral on all existing debt.

### G. Statement of Proposed Collateral

1. Provide a detailed list of all collateral offered, its value, and security position by funding sources.

### H. Resumes

1. Include resumes of all principals who have significant financial interest in the business.

### I. Commitment Letters

1. Include commitment letters from banks or others stating the terms and conditions of their participation.

### J. Affiliates

1. Description of any affiliates or subsidiaries of business or principals requesting assistance, as well as balance sheets and income statements for past two years on such affiliates or subsidiaries.



## REVOLVING LOAN STATUS REPORT

Date of Update: 11/4/2013

| Business Name             | Outstanding Balance | Date of last Payment | Amount of Last Payment | Current/Next Due Date |
|---------------------------|---------------------|----------------------|------------------------|-----------------------|
| * Bloom Corner Floral     | \$ 18,166.77        | 8/12/2013            | \$ 629.08              | 8/1/2013              |
| Koronis Lanes             | \$ 7,004.12         | 11/1/2013            | \$ 197.79              | 12/1/2013             |
| Midwest Cylinder #2       | \$ 184,637.95       | 10/11/2013           | \$ 2,115.64            | 11/22/2013            |
| * Queen Bee's Bar & Grill | \$ 85,171.32        | 9/30/2013            | \$ 1,019.64            | 9/20/2013             |
| * Skinz #4                | \$ 98,396.18        | 10/23/2013           | \$ 637.96              | 11/15/2013            |
| * Skinz #5                | \$ 90,998.02        | 10/23/2013           | \$ 969.08              | 11/28/2013            |
| * Savage Land Partnership | \$ 336,319.35       | 9/30/2013            | \$ 1,957.36            | 11/3/2013             |
| Sweet Nook Bakery         | \$ 14,087.08        | 10/22/2013           | \$ 272.88              | 11/17/2013            |

\* Joint Loans w/Township

**TOTAL OUTSTANDING  
BALANCE**

**\$ 834,780.79**

**LATE PAYMENTS:**

|                         |                    |               |
|-------------------------|--------------------|---------------|
| Bloom Corner Floral     | \$ 314.54          | Due: 8/1/13   |
| Bloom Corner Floral     | \$ 314.54          | Due: 9/1/13   |
| Bloom Corner Floral     | \$ 314.54          | Due: 10/1/13  |
| Bloom Corner Floral     | \$ 314.54          | Due: 11/1/13  |
| Queen Bee's Bar & Grill | \$ 509.82          | Due: 9/20/13  |
| Queen Bee's Bar & Grill | \$ 509.82          | Due: 10/20/13 |
| Savage Land Partnership | \$ 1,957.36        | Due: 11/3/13  |
| <b>TOTAL DELINQUENT</b> | <b>\$ 4,235.16</b> |               |

|  |                      |                           |                    |
|--|----------------------|---------------------------|--------------------|
| <b>CITY REVOLVING LOAN BALANCE (available)</b> | <b>\$ 343,349.60</b> | <b>updated 11/04/2013</b> | <i>(unaudited)</i> |
| <b>CITY EDAP BALANCE</b>                       | <b>\$ 99,100.71</b>  | <b>updated 11/04/2013</b> | <i>(unaudited)</i> |
| <b>TOWNSHIP LOAN BALANCE (available)</b>       |                      |                           |                    |