

**SPECIAL EDAP BOARD MEETING
WISH'N WELL CAFÉ
MARCH 8, 2016
7:00 A.M.**

AGENDA

- I. CALL TO ORDER
- II. CONSENT AGENDA
 - A. Minutes (page 1) – Will be distributed at the meeting
- III. NEW BUSINESS
 - A. EDAP Loan – Salon 227 & Firehouse Coffee (page 3)
 - B. Savage Land Partnership (page 11)
- IV. OLD BUSINESS
 - A. Economic Status Of Community – Update
 - B. Light Industrial
 - C. Past Due Loans – Update
 - D. Manufacturing Week Tour 2016
- V. INFORMATIONAL
 - A. Revolving Loan Report (page 12)
- VI. ADJOURN

***** Please call or email Renee at 320-243-3714 ext. 227 or at renee@paynesvillemn.com if you are not able to attend the meeting.*****

Members: Don Pietsch, Don Wiese, Bruce Stang, Chris Stanley, Wayne Nelson, 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: March 8, 2016

Agenda Section: Consent Agenda

Originating Department: Administration

Item Number: II - A

ITEM DESCRIPTION: Minutes

Prepared by: Staff

COMMENTS:

Please review the minutes from the January 19, 2016 EDAP Board meeting.

ADMINISTRATOR COMMENTS:

COMMITTEE/COUNCIL ACTION:

Motion to approve the minutes from the January 19, 2016 EDAP Board meeting.

**MINUTES
EDAP BOARD MEETING**

JANUARY 19, 2016

Jean Soine called the meeting to order at 7:05 a.m. Members present were Bruce Stang, Kay McDaniel, Chris Stanley (left at 7:45 a.m.), Wayne Nelson, Bruce Stang, Don Wiese and Renee Eckerly, City Administrator (7:30 a.m.). Don Pietsch was absent.

Motion was made by Stanley to approve the minutes from the October 20, 2015 EDAP Board meeting. Seconded by Wiese and unanimously carried.

ELECTION OF OFFICERS

Motion was made by Stanley to elect Soine as Chairperson, Stanley as Vice Chair, and Eckerly as Secretary. Seconded by Wiese and unanimously carried.

MEETING SCHEDULE

It was consented to keep the EDAP Board meeting schedule the same; 7:00 a.m. on the third Tuesday of each month.

ECONOMIC STATUS OF COMMUNITY

Eckerly noted the Dennis Wilson and ArcaSearch properties.

LIGHT INDUSTRIAL

Eckerly reported on the request for information that was submitted on January 5, 2016 for an Iowa Company to relocate. Mr. Ferche would participate with his land.

PAST DUE LOANS - UPDATE

Members were concerned about Midwest Cylinder and what the City Auditors might say.

MANUFACTURING WEEK TOUR 2016

This item was not discussed.

INFORMATIONAL

The Revolving Loan Report was reviewed.

There being no further business the meeting was adjourned at 8 a.m.

REQUEST FOR COMMITTEE/COUNCIL ACTION

COMMITTEE/COUNCIL NAME: EDAP Board Meeting

Committee/Council Meeting Date: March 8, 2016

Agenda Section: New Business

Originating Department: Administration

Item Number: III - A

ITEM DESCRIPTION: EDAP Loan – Salon 227 & Firehouse Coffee

Prepared by:

COMMENTS:

Please review the attached EDAP Loan Application from Rachel Hoppe for Salon 227 & Firehouse Coffee in the amount of \$30,000.00.

ADMINISTRATOR COMMENTS:

COMMITTEE/COUNCIL ACTION:

Motion to _____.

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. 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%.
3. 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. 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.
 - E. The above terms are considered maximums and the City and Township reserve the right to set loan terms for shorter periods.
4. 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.
5. Letters of commitment from all funding sources must be submitted before the application will be deemed completed.
6. 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.
7. 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.

V. BUSINESS PLAN OUTLINE

- A. History of Business**
- B. Market Analysis and Strategy**
 - 1. Description of current buyers and target markets
 - 2. List of current competitors
 - 3. Product pricing
 - 4. Advertising methods
 - 5. Sales promotion
- C. Products**
 - 1. Description of Product Line
 - 2. Proprietary position of patents, copyrights, legal, and technical considerations
 - 3. Comparison to Competition
- D. Manufacturing Process**
 - 1. Materials
 - 2. Production methods
- 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.

- K. Appraisals/Lease Agreements/Purchase Agreements
 - 1. Provide a current independent appraisal for any real property subject to this loan request and/or offered as major collateral to secure the loan. Also, include copies of existing or proposed lease(s), purchase agreements, or other financial arrangements pertaining to the subject property.
- L. Partnership Certificate of Authorization or Corporate Certificate of Authority and Incumbency

VI. OTHER REQUIRED DOCUMENTS

- A. Copy of last year's submitted business income tax statement
- B. Copy of last two year's submitted personal income tax statement
- C. Evidence of payment of last quarter's payroll tax
- D. Evidence of Workers' Comprehensive and Liability insurance coverage

SIGNATURE OF APPLICANT(S)

I have willfully furnished this information to the Economic Development Authority of Paynesville (EDAP) for the purpose of applying for a loan. I (we) understand that this information will (may) be reviewed by City staff, the EDAP Board, City Council, and Township Board. I (we) further authorize EDAP staff to be in contact with those individuals and institutions involved in the proposed project.

Rachel Hoppe
Applicant's Signature

1 March 16
Date

Shu Hoppe
Applicant's Signature

3-1-16
Date

Applicant's Signature

Date

Applicant's Signature

Date

Finance Committee bring to that meeting

**PAYNESVILLE REVOLVING LOAN FUND
APPLICATION**

I. GENERAL INFORMATION

Name of Business: Salon 227 1/3 Firehouse Coffee

Address: 202 Washburne Ave

City: Paynesville Zip Code 56362

Business Contact Person: Rachel Hoppe

Telephone # cell - 1-320-295-1052

Social Security # X
(if business is a sole proprietorship)

Other contacts or application assistance providers:

Name:	Telephone #
_____	_____
_____	_____
_____	_____

Type of Business:

Sole Proprietorship Corporation 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.

Shawn Hoppe
831 Koronis Ave
Paynesville, MN
56362

Has you or your business ever filed bankruptcy?

No Yes _____ if yes, please explain:

Asked

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II. NATURE OF LOAN REQUEST

Amount of loan request \$ 30,000.00 Total Project Cost \$ 30,000.00

New Business or Business Expansion? New business + business expansion

of existing jobs 1-2 # of jobs to be created 1-2

of jobs retained 1-2 Amount of Private Financing n/a

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	Total
Property Acquisition	_____	_____	_____	_____	_____
Site Improvements	_____	_____	_____	_____	_____
Building Renovation	_____	_____	_____	_____	_____
New Construction	_____	_____	_____	_____	_____
Machinery/Equipment	_____	_____	_____	_____	_____
Inventory Purchase	_____	_____	_____	_____	_____
Working Capital	_____	_____	_____	_____	_____
Job Training	_____	_____	_____	_____	_____
Other (specify)	_____	_____	_____	_____	_____
Total Project Cost	_____	_____	_____	_____	_____

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

	RLF	Bank Loan	Equity	Other
Dollar Amount	_____	_____	_____	_____
% of Project Cost	_____	_____	_____	_____
Term (years)	_____	_____	_____	_____
Interest Rate	_____	_____	_____	_____
Collateral Offered	_____	_____	_____	_____
Lien Position	_____	_____	_____	_____

Name of participating Bank: _____

Contact Person: _____ Telephone # _____

Address: _____

Name of participating Bank: _____

Contact Person: _____ Telephone # _____

Address: _____

Other Lender: _____

Contact Person: _____ Telephone # _____

Address: _____

Other Lender: _____

Contact Person: _____ Telephone # _____

Address: _____

IDA

Marketing Analysis and Strategy

1. Description of current buyers and target markets

I would use online and offline tactics for exposure and reach as many potential new clients and customers. Sponsor local events that would attract my target market. Try to cross market both businesses through social media and web pages. I want to market to all families, couples and single people by offering a warm inviting atmosphere and provide the most current styles and amenities. My current buyer will be someone looking for that home town experience with the high end feel; whether it be the current hair cut and color or newest coffee flavor.

2. List of current competitors

Current competitors would be other existing salons in Paynesville that offer the same services as I would. The other competitors would be any establishment that offers specialty coffees. Other than local competitors there are businesses outside of Paynesville, but I hope with my business style and keep it local attitude I can retain the customers to make down town Paynesville, thrive.

3. Product Pricing

I will be pricing products very competitively; I have 13 years' experience with salon products. There are seasons I expect to take advantage of, for example summer is a higher volume of manicures and pedicures, so I will target each season and events with sales and specials. As far as the coffee side of my business, I expect to keep it the same currently while I build my up my salon. But, as I plan on adding more products to the coffee side, I will do my research and price competitively.

4. Advertising Methods

Advertising would consist of ads in the local newspaper, social media and sidewalk signs. Advertise certain specials depending on the year. As far as

social media, it is a huge asset that I am able to use visual marketing with all of my latest skills highlighted with pictures and links. I will be making use of royalty programs using Square. I have access to a lot of modern marketing and advertising features through the aid of Square.

5. Sales Promotions

Being in the salon business for 13 years, I have learned that combination specials work really well. By having multiple services offered at a promotional price, the customer can take advantage of services they may have not tried before. Also gift certificates are a huge success. I have found customers want to give a gift but are unsure of what the recipient would like, so they do a dollar amount for the person to use as wish. I really want to encourage referral and royalty programs, coupons, social media highlights and holiday specials with both the salon and coffee.

REQUEST FOR COMMITTEE/COUNCIL ACTION

COMMITTEE/COUNCIL NAME: EDAP Board Meeting

Committee/Council Meeting Date: March 8, 2016

Agenda Section: New Business

Originating Department: Administration

Item Number: III - B

ITEM DESCRIPTION: Savage Land Partnership

Prepared by: Staff

COMMENTS:

Renee Eckerly will give a report. Attorney Spooner is drafting a document to approve the release of the pond acreage as collateral from the EDAP Loan.

ADMINISTRATOR COMMENTS:

COMMITTEE/COUNCIL ACTION:

Motion to _____.

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REVOLVING LOAN STATUS REPORT

Date of Update:

3/2/2016

	Business Name	Outstanding Balance	Date of last Payment	Amount of Last Payment	Current/Next Due Date
*	Bloom Corner Floral #2	\$ 13,266.01	12/31/2015	\$ 2,735.20	1/15/2016
	Eats & Treats	\$ 15,125.37	1/7/2016	\$ 355.98	12/3/2015
	William Fuchs	\$ 9,718.02	2/11/2016	\$ 98.89	3/13/2016
	Koronis Lanes	\$ 4,313.03	3/2/2016	\$ 197.79	4/1/2016
	Lamb Labor Services	\$ 9,437.19	2/29/2016	\$ 98.89	4/1/2016
	Lamb Labor Services #2	\$ 2,199.91	2/29/2016	\$ 108.16	4/1/2016
*	Louis Industries	\$ 221,654.24	12/7/2015	\$ 12,126.90	3/4/2016
#	Louis Industries Deed Part A	\$ 20,000.00	12/7/2015	\$ 175.00	3/4/2016
	Louis Industries Deed Part B	\$ 44,330.85	12/7/2015	\$ 2,425.38	3/4/2016
	Midwest Cylinder #2	\$ 171,906.33	6/12/2014	\$ 2,115.64	7/22/2014
*	Queen Bee's Bar & Grill	\$ 77,019.46	1/27/2016	\$ 509.82	2/20/2016
*	Skinz #4	\$ 88,162.02	2/19/2016	\$ 637.96	3/15/2016
*	Skinz #5	\$ 70,498.78	2/19/2016	\$ 969.08	3/28/2016
*	Savage Land Partnership	\$ 304,973.35	9/27/1962	\$ 1,957.36	5/3/2016
	<u>Sweet Nook Bakery</u>	<u>\$ 7,332.76</u>	<u>2/18/2016</u>	<u>\$ 272.88</u>	<u>3/17/2016</u>
*	Joint Loans w/Township				
#	Joint Loans w/State				

TOTAL OUTSTANDING BALANCE \$ 1,059,937.32

LATE PAYMENTS:

Eats & Treats	\$ 177.99	Due: 12/3/15
Eats & Treats	\$ 177.99	Due: 1/3/16
Eats & Treats	\$ 177.99	Due: 2/3/16
Midwest Cylinder #2	\$ 2,115.64	Due: 7/22/14
Midwest Cylinder #2	\$ 2,115.64	Due: 8/22/14

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Midwest Cylinder #2	\$	2,115.64	Due: 9/22/14		
Midwest Cylinder #2	\$	2,115.64	Due: 10/22/14		
Midwest Cylinder #2	\$	2,115.64	Due: 11/22/14		
Midwest Cylinder #2	\$	2,115.64	Due: 12/22/14		
Midwest Cylinder #2	\$	2,115.64	Due: 1/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 2/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 3/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 4/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 5/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 6/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 7/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 8/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 9/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 10/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 11/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 12/22/15		
Midwest Cylinder #2	\$	2,115.64	Due: 1/22/16		
Midwest Cylinder #2	\$	2,115.64	Due: 2/22/16		
Bloom Corner Floral	\$	341.90	Due: 1/15/16		
Bloom Corner Floral	\$	341.90	Due: 2/15/16		
Queen Bees	\$	509.82	Due: 2/20/16		
TOTAL DELINQUENT	\$	44,040.39			
CITY REVOLVING LOAN BALANCE (available)		\$ 303,435.27	1/31/2016		<i>(unaudited)</i>
CITY EDAP BALANCE		\$ 158,969.44	1/31/2016		<i>(unaudited)</i>
TOWNSHIP LOAN BALANCE (available)					