

**SPECIAL EDAP BOARD MEETING
WISH'N WELL CAFE
DECEMBER 18, 2012
7:00 A.M.**

AGENDA

- I. CALL TO ORDER
- II. CONSENT AGENDA
 - A. Minutes (page 1)
- III. NEW BUSINESS
 - A. Skinz Equipment Financing (page 4)
- IV. OLD BUSINESS
 - A. Incubator/Industrial Park – Update
 - B. Economic Status Of Community – Update
 - C. Past Due Loans – Update
 - D. Blighted Property On Minnie St. – Update
- V. INFORMATIONAL
 - A. Revolving Loan Report (page 7)
 - B. Next Meeting – Tuesday, January 15, 2013
- 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, Alan Habben, Jean Soine, and Gene Beavers. 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: December 18, 2012

Agenda Section: Consent Agenda

Originating Department: Administration

Item Number: II - A

ITEM DESCRIPTION: Minutes

Prepared by: Staff

COMMENTS:

Please review the minutes from October 9, 2012 (these will be emailed out prior to or distributed at the meeting) and November 13, 2012 EDAP Board Meetings.

ADMINISTRATOR COMMENTS:

COMMITTEE/COUNCIL ACTION:

Motion to approve the minutes from the October 9, 2012 and November 13, 2012 EDAP Board Meetings.

**MINUTES
SPECIAL EDAP BOARD**

NOVEMBER 13, 2012

Chairperson, Bruce Stang called the meeting to order at 7:00 a.m. Members present were Jean Soine, Don Pietsch, Gene Beavers, Don Wiese, and Chris Stanley. Also present were City Administrator, Renee Eckerly and Sheri Wegner. Al Habben was absent.

There were no minutes to approve.

BILLBOARD

The Board discussed the billboard design and the history of why it is on EDAP's agenda. The current design that is proposed is \$300.00 for each side. There was discussion on how often to change the wrap. Pietsch reported that the Township will not approve anything that is not global representation for the entire community. Steve Anderson, Franklin Signs said that it will cost more money if the wrap is changed more than every 6 months or once a year. Wegner talked about the design and the method of getting new designs. The Board discussed the "100 shop-able businesses". Pietsch suggested having something on the board or the Township can leave it blank. It was suggested to change the wording from "over 100" to "our many" businesses. The design was on the last EDAP Board meeting and Joint Planning Board. There was a lengthy discussion on whether EDAP is going to pay for the billboard.

**Motion was made by Stanley to approve the billboard design with the noted change of "our many" and recommend such to the Joint Planning Board.
Seconded by Wiese and unanimously carried.**

The process if someone would like to change the billboard would be to submit a design to the Joint Planning Board and the EDAP Board for funding. The Township ordinance was requested so that EDAP can understand the constraints.

INCUBATOR

This item was not discussed.

ECONOMIC STATUS

The Board discussed a mini-strip mall idea.

PAST DUE LOANS

This item was not discussed.

BLIGHTED PROPERTY ON MINNIE STREET - UPDATE

Eckerly reported on the Schmidt, LaPlant, and Gottwald properties. Eckerly stated the following:

- Schmidt - Conservator has the paper work.

- LaPlant - waiting on Ron Wasmund, Building Inspector to draft a letter, but Wasmund won't respond.
- Gottwald – this property is being cleaned up by Gerry Mehr.

OPPORTUNITY PARK

The Board discussed the City plat and to plat the remainder of the property into lots so they will sell faster.

Motion was made by Stang to plat the remaining Opportunity Park property into small enough lots so people can purchase multiple lots, if necessary, and recommend such to the City Council. Seconded by Stanley and unanimously carried.

REVOLVING LOAN REPORT

The Revolving Loan Report was reviewed.

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: December 18, 2012

Agenda Section: New Business

Originating Department: Renee Eckerly

Item Number: III - A

ITEM DESCRIPTION: Skinz Equipment Financing

Prepared by: Staff

COMMENTS:

Jeff and Tammy Hawksworth will be in attendance to discuss the financing options for new equipment.

Please review the attached document.

ADMINISTRATOR COMMENTS:

COMMITTEE/COUNCIL ACTION:

Motion to approve the Skinz Equipment Loan in the amount of \$98,000.00 split between the City and Paynesville Township for 10 years with no balloon at 3.25%, plus .25% interest and collateral.

Motion to subordinate the land loan to 5th position, but maintain the current collateral.

December 11, 2012

To: Paynesville EDA Board

From: Skinz Protective Gear, Jeff and Tammy Hawksworth, and Chris Stanley,
Sr. Commercial Lender, Central MN Credit Union

Skinz Protective Gear is in the middle of completing the approval process for the financing of an expansion project on their current main facility in the Paynesville Township. Skinz is going to be adding an additional 20,000 sq ft onto the north side of their current building. This addition will double the size of their current facility. It will allow for the business to be able to expand the manufacturing part of the business instead of having to sub a lot of the work out and should allow for the hiring of additional employees. Skinz is asking the Paynesville EDA to assist in the financing of some equipment for the new building and to subordinate their position to CMCU and SBA for the new real estate loans. See below for the collateral position that EDAP will be in after these transactions take place and also the attached relevant documents.

Equipment Financing:

Skinz will be purchasing 3 new pieces of equipment for a total expense of \$245,200. The three pieces of equipment are a Haas CNC Super-Speed Vertical Machining Center, a Haas CNC 2-axis Lathe, and a SURFCAM milling machine. Skinz had requested a loan for 50% of the total cost from CMCU, will be putting 10% cash down, and would like to formally request a loan for 40%, \$98,000, from EDAP. The loan request is for a 10 year amortization with monthly payments at 3.50% of approximately \$970/month. Skinz Protective Gear would allow a 2nd position (behind CMCU) blanket lien on all equipment, inventory, A/R, etc as collateral for this loan. Below is a synopsis of this collateral as of Oct 3rd, 2012 and is a typical look at the monthly collateral available:

A/R < 90 days old:	\$125,266
70% of Finished Goods:	\$ 99,750
50% of Raw Material:	\$105,750
50% of Equipment:	\$251,491
New Equipment Purchase:	<u>\$245,200</u>
	\$827,417

Current Loans on Equipment, Inventory, A/R, etc:

CMCU:	\$ 31,233
CMCU Line of Credit: \$250,000 (current balance is \$110,000)	
CMCU New Equip. Loan:	<u>\$122,600</u>
	\$403,833
New EDAP loan:	<u>\$ 98,000</u>
	\$501,833

Cumulative Loan to Value: 60.65%

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Real Estate Subordination Request:

Jeff and Tammy Hawksworth currently have a 1st mortgage to CMCU on the Skinz building and a 2nd mortgage to SBA on this building. They also have a 1st mortgage to CMCU on the old Vern Johnson building that they recently purchased. They are using both of these buildings as collateral for their loan with the City of Paynesville. Jeff and Tammy are asking the City of Paynesville to subordinate their position to CMCU and SBA on the new loans that they will be taking out for the expansion of the current Skinz building. Below is a synopsis of the current and projected collateral position that the City of Paynesville will be in once this project is completed. Also attached to this request are appraisals of each building.

Current Collateral Position:

Skinz Building Current Appraised value:	\$ 780,000
Vern Johnson building appraised value:	<u>\$ 210,000</u>
	\$ 990,000
CMCU 1 st Mortgage on Skinz building:	\$ 377,489
SBA 2 nd Mortgage on Skinz building:	<u>\$ 304,237</u>
	\$ 681,726
CMCU 1 st Mortgage on former Vern Johnson bldg:	\$ 138,333
Total Loans to others on Real Estate:	\$ 820,059
Excess value of collateral on these 2 buildings:	\$ 169,941
Real Estate loan to City of Paynesville:	\$ 102,053

Proposed Collateral Position after construction and SBA loan closed:

Skinz Building After Construction Appraised value:	\$1,800,000
Vern Johnson building appraised value:	<u>\$ 210,000</u>
	\$2,010,000
CMCU 1 st Mortgage on Skinz building:	\$ 121,500
CMCU 2 nd Mortgage on Skinz building:	\$ 416,667
SBA 3 rd Mortgage on Skinz building:	\$ 297,363
SBA 4 th Mortgage on Skinz building:	<u>\$ 345,000</u>
	\$1,180,530
CMCU 1 st Mortgage on former Vern Johnson bldg:	\$ 138,333
Total Loans to others on Real Estate:	\$1,318,863
Excess value of collateral on these 2 buildings:	\$ 691,137
Real Estate loan to City of Paynesville:	\$ 102,053

REVOLVING LOAN STATUS REPORT

12/12/2012	BALANCE	PRINCIPAL	PAYMENT	LAST PMT. AMOUNT	DUE DATE
MIDWEST CYLINDER #2	\$ 200,050.96	1,651.45	12/07/12 12/12 PMT	2,115.64	22ND
* QUEEN BEE'S BAR & GRILL INC.	\$ 87,291.00	120.37	12/07/2012 11/12 PMT	509.82	20TH
* BLOOM CORNER FLORAL	\$ 20,239.67	533.28	10/16/2012 9-10/12 PMTS	629.08	1ST
SKINZ #4	\$ 102,243.70	361.77	11/26/2012 11/12 PMT	637.96	15TH
KORONIS LANES #2	\$ 7,564.80	197.78	12/10/2012 12/12 PMT	197.78	1ST
TOTAL	\$ 417,390.13				
* Joint Loans w/Township					
LATE PAYMENTS:					
Bloom Corner Floral	629.08		Nov & Dec 2012		
TOTAL DELINQUENT	\$ 629.08				
CITY RLF BALANCE		\$655,419.30	11/30/2012	Unaudited	
CITY EDAP FUND		\$116,736.74	11/30/2012	Unaudited	