

**EDAP BOARD MEETING
WISH'N WELL CAFÉ
JULY 21, 2015
7:00 A.M.**

AGENDA

- I. CALL TO ORDER
- II. CONSENT AGENDA
 - A. Minutes (page 1)
- III. NEW BUSINESS
 - A. EDAP Loan - BFM, LLC (Bill Fuchs Motor Sports) (page 4)
 - B. EDAP Loan – A Little Retail Therapy
 - C. Chamber of Commerce Booklet Funding
- IV. OLD BUSINESS
 - A. Economic Status Of Community – Update
 - B. Past Due Loans – Update
 - F. EDAP Loan – LAMB Labor Services - Update
 - D. EDAP Loan – Design Portrait Studio – Finance Sub-Committee Report
- V. INFORMATIONAL
 - A. Steps In The RLF Application Process (page 8)
 - B. Revolving Loan Report (page 14)
- 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: June 16, 2015

Agenda Section: Consent Agenda

Originating Department: Administration

Item Number: II - A

ITEM DESCRIPTION: Minutes

Prepared by: Staff

COMMENTS:

Please review the minutes from the June 16, 2015 EDAP Board meeting.

ADMINISTRATOR COMMENTS:

COMMITTEE/COUNCIL ACTION:

Motion to approve the minutes from the June 16, 2015 EDAP Board meeting.

**MINUTES
EDAP BOARD MEETING**

JUNE 16, 2015

Jean Soine called the meeting to order at 7:00 a.m. Members present were Bruce Stang, Kay McDaniel, Don Pietsch, Chris Stanley, and Renee Eckerly, City Administrator. Don Wiese was absent. Also present were Wayne Nelson and Len Gilmore.

Motion was made by Stanley to approve the minutes from the May 19, 2015 EDAP Board meeting. Seconded by McDaniel and unanimously carried.

EDAP LOAN – LAMB LABOR SERVICES

Gilmore reviewed his project to purchase a downtown building and is requesting \$10,000.00. Gilmore has over 25 fulltime employees of which nine of them are making more than \$40,000.00 a year. Gilmore would like to remodel and take over a downtown vacant building. He has a loan and the Building Official has done a walk through with Gilmore and didn't find much that had issues. Gilmore's business just celebrated its 2nd Anniversary. Gilmore has the information to contact Tri-CAP for revolving loan money. Gilmore will have an apartment upstairs and possibly rent out an area on the main floor. Wall Street's prime rate is 3.25%.

Motion was made by Stang to approve the EDAP loan for LAMB Labor Services for \$10,000.00 for 10 years at 3.5% interest contingent upon receiving a positive recommendation from the EDAP Finance Sub-Committee and recommend such to the City Council. Seconded by Pietsch and passed (Stanley abstained).

MEMBER APPOINTMENT

Motion was made by Pietsch to appoint Wayne Nelson representing Pay Del Co to the EDAP Board, effective immediately and recommend such to the City Council. Seconded by Stanley and unanimously carried.

ECONOMIC STATUS OF COMMUNITY

Eckerly reported on the Yarmon Tax Abatement, 4 new home inquiries and has a meeting today with someone interested in buying a downtown business. Also maybe in the near future a 48 apartment unit complex for market rate apartments.

PAST DUE LOANS

Midwest Cylinder – The Credit Union will own it in August. Bill Spooner is working on this for the EDAP Board.

Bloom – Loan is past due and Eckerly believes they will pay when the business is sold.

Eats & Treats – Eckerly will contact them.

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COMBINE EDAP & BANK LOANS – SWEET NOOK BAKERY

The Board discussed Blonigen's reasoning of coming to the Board to reduce to one payment and lower the interest rate, which is what an owner should do. However, EDAP is not a full financier. EDAP offers gap financing only.

Motion was made by Pietsch to deny the request to combine the EDAP and bank loan for the bakery, due to being a gap financier. Seconded by Nelson and passed (McDaniel and Stang abstained).

EDAP SMALL REVOLVING LOAN – DESIGN PORTRAIT STUDIO

The Board reviewed the loan request and it still needs to go to the EDAP Finance Sub-Committee for a recommendation.

Eckerly and Stang will try to get a meeting scheduled with Habben for the EDAP Finance Sub-Committee.

INFORMATIONAL

The Revolving Loan Report was reviewed.

There being no further business the meeting was adjourned at 7:55 a.m.

REQUEST FOR COMMITTEE/COUNCIL ACTION

COMMITTEE/COUNCIL NAME: EDAP Board

Committee/Council Meeting Date: July 21, 2015

Agenda Section: New Business

Originating Department: Administration

Item Number: III - A

ITEM DESCRIPTION: EDAP Loan – BFM, LLC (Bill Fuchs Motor Sports)

Prepared by: Staff

COMMENTS:

Please review the attached EDAP Loan Application from Bill Fuchs, BFM, LLC (Bill Fuchs Motor Sports).

ADMINISTRATOR COMMENTS:

COMMITTEE/COUNCIL ACTION:

Motion to forward the EDAP Loan Application for BFM, LLC to the EDAP Finance Sub-Committee for a report and recommendation.

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PAYNESVILLE SMALL REVOLVING LOAN FUND APPLICATION

No Financing Doc.

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I. GENERAL INFORMATION

Name of Business: BFM LLC (BILL FUCHS MOTORSPORTS)

Address: 372 GENESEE ST.

City: PAYNESVILLE Zip Code 56362

Business Contact Person: BILL FUCHS

Telephone # 320-237-3510

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

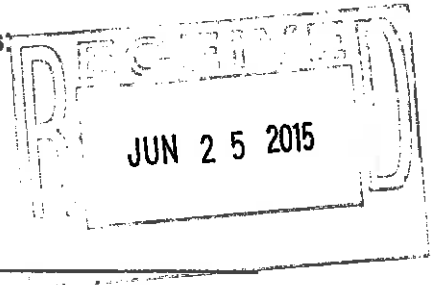
Other contacts or application assistance providers:
Name: _____ Telephone #: _____

Type of Business:
 Sole Proprietorship Corporation General Partnership
 Limited Partnership Limited Liability Partnership Other LLC

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:

Has you or your business ever filed bankruptcy?
No Yes _____ if yes, please explain:



II. NATURE OF LOAN REQUEST

Amount of loan request \$ ~~10,000~~ 10,000 Total Project Cost \$ 40k + 80k X

New Business or Business Expansion? BUSINESS EXPANSION

of existing jobs _____

of jobs to be created 1

of jobs retained _____

Amount of Private Financing \$110,000

III. FINANCING PURPOSE AND SOURCES

How and what funds will be used to finance project? (dollar amounts) (Complete all that are applicable for your loan.)

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Lien Position _____

Name of participating Bank: CMCU

Contact Person: _____ Telephone #: 320-243-7022

Address: PAYNESVILLE MN.

Other Lender: _____

Contact Person: _____ Telephone #: _____


Address: _____

V. OTHER REQUIRED DOCUMENTS

- 1. Statement of Proposed Collateral
 - A. Provide a detailed list of all collateral offered, its value, and security position by funding sources.
- 2. Copy of last year's submitted business income tax statement.

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.


Applicant's Signature

6-24-15
Date

Applicant's Signature

Date

Applicant's Signature

Date

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STEPS IN THE RLF APPLICATION PROCESS – DRAFT REVISIONS

1. Loan Requirements for applicants for RLF Loans
 - A. Applicant must pick up application from City Hall and complete. Also, provide the following:
 1. Purpose statement (what are they applying for)
 - a) Type of business
 - b) Amount of monies requested
 - c) Number of employees
 - d) Retail or manufacturing
 - B. Three (3) years Federal tax returns for their current business and three (3) years personal tax returns.
 - C. Business Plan. Projections for what the business could do if the loan was granted. Data of numbers showing sales volume and expenses.
 - D. Appraisals of any property or equipment.
 - E. Blueprints and specs for any building projects.
 - F. Estimate or bids confirming the costs of any equipment purchases.
 - G. Business and personal financial statements not more than 90 days old.
 - H. Agreement that Uniform Building Code will be followed.
2. Applicant to make verbal presentation to EDAP Board and return application.
3. Application will be turned into City Hall.
4. EDAP Finance committee as of 3-19-13: Alan Habben, Bruce Stang, Jean Soine, and Kay McDaniel (alternate) will review application to make sure application is complete with applicant present to answer questions. There shall be no review of financial documents by a member with potential conflict of interest.
5. Finance Committee will submit a written recommendation to the EDAP board.
6. A recommendation of the Finance Sub-Committee will be reviewed by EDAP Board for their recommendation.
7. EDAP Board's recommendation will be submitted to the Paynesville City Council and/or Paynesville Township Board for approval or denial.
8. If approved, a loan agreement will be prepared with the City of Paynesville and/or Paynesville Township.
9. City attorney will prepare all development and security agreements; unless otherwise specified by EDAP Board.
10. The borrower and the City or Township must sign all documents.
11. Payments must be authorized.
12. A payment schedule will be established.
13. Payments will be monitored.

PLEASE ALLOW 4-6 WEEKS TO PROCESS APPLICATIONS.

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HISTORY:

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.

PURPOSE:

For the above purposes, it was necessary for the City to establish a Revolving Loan Fund (RLF). The RLF Fund is made of two loan pools: Small Loan Fund and Industrial Loan Pool. This RLF is designed to provide gap financing for:

1. Promotion of business start-up and growth.
2. Retention of current industries.
3. Assisting firms in mature industries.
4. Promotion of economic diversification.
5. Revitalization of businesses.
6. Jobs for hard-to-employ segments of the work force.

The RLF has finite resources to achieve these ends.

ELIGIBILITY:

In order to be eligible, the applicant must establish or maintain a business within the City of Paynesville or Paynesville Township. Retail and service businesses are not eligible for the industrial loan pool. Loans which create or retain one job for each \$10,000 loaned, will be given preference. Service and retail establishments are eligible for the Small Loan Fund. All loan requests will meet the objectives of the EDAP Board.

LOAN GUIDELINES:

Administrative Responsibility:

The responsibility for the management of funds shall be designated by the City of Paynesville to the Economic Development Authority of Paynesville. Proposals for the use of RLF money should be recommended by the Finance Sub-Committee and EDAP Board before appearing before the council.

The recommendations regarding the granting of loans from the Fund may be presented at any meeting of the City Council or Township Board. If a loan is recommended for approval by EDAP to the Council, then council will be expected to give their approval or state their reason for disapproval within 20 days of Council seeing minutes at next meeting.

Use of Funds:

Loan funds may be used to finance new business development or the expansion of an existing business.

Eligible Project Costs Include:

| | |
|---|---------------------|
| Land & Building Acquisition | Land Improvements |
| New Building Construction | Building Renovation |
| Machinery & Equipment | |
| Inventory Purchase (Only as part of the total loan package) | |

Working Capital (Only as part of the total loan package)
Assessments
Job Training Through Stearns & Benton Counties

Terms and Conditions:

The term of the loan will try to match the life of the collateral offered. The term and rate of the loan may vary according to the type of the project, use of funds and cash flow needs. The interest rate shall be a fixed-rate established at one-quarter point above Prime Rate at the date of the EDAP Board approval, but shall not be less than 3.0%.

EDAP will be reimbursed for all costs incurred in issuing the loan. RLF should not exceed fifty percent (50%) of the total project costs. EDAP typically requires a secured position on a building, and/or equipment. EDAP is a GAP financing Board.

Application process:

The EDAP and City staff will assist the applicant through all stages of the application. Prior to the submitting of the application the applicant will give a verbal presentation to EDAP to determine if the project is eligible. Once the application is accepted, the Finance Sub-Committee should determine if the loan meets the following criteria:

Applicants must:

1. Be Credit Worthy
2. Show Lender Commitments
3. Sign Personal Guarantee
4. Pledge Adequate Collateral
5. Inject Adequate Equity

Small Loan Fund:

The Economic Development Authority operates a Small Loan Fund along with the Industrial Loan Pool. The Small Loan Fund was designed to address unique credit needs of small service and retail businesses. Conventional financing is sometimes difficult to obtain due to the size and nature of the requests and only when conventional financing is not a possibility; EDAP will Review the requests. With the Small Loan Fund, the Economic Development Authority can address these unique needs by relaxing some of the lending criteria described earlier. For example, this may include a waiver on the type of business, the conventional lender match requirement. There is a separate loan application and maximum amount is \$10,000.00.

Industrial Loan Pool:

The Industrial/Commercial Loan was designed to address credit needs of industrial/commercial entities that are in need of gap financing. These loans require a primary lender, other than EDAP. A business plan is also required. Maximum eligible loan request may be up to 50% of the EDAP Revolving loan fund balance and the maximum term for land/building acquisitions is 20 year amortization with a 10 year balloon. It will not be the practice to refinance the balloon after the 10 years.

These guidelines adopted by the Economic Development Authority of Paynesville Board of Directors on September 17, 2010. These guidelines adopted by the City Council of Paynesville on August 25, 2010.

These guidelines supersede any previous guidelines.

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.

REVOLVING LOAN STATUS REPORT

Date of Update:

6/29/2015

| | Business Name | Outstanding Balance | Date of last Payment | Amount of Last Payment | Current/Next Due Date |
|---|----------------------------------|------------------------|----------------------|------------------------|-----------------------|
| * | Bloom Corner Floral #2 | \$ 16,203.15 | 2/20/2015 | \$ 683.80 | 3/15/2015 |
| | Eats & Treats | \$ 16,107.50 | 7/15/2015 | \$ 177.99 | 5/3/2015 |
| | Koronis Lanes | \$ 5,319.77 | 3/3/2015 | \$ 197.79 | 10/1/2015 |
| * | Louis Industries | \$ 241,792.06 | 6/8/2015 | \$ 12,126.90 | 9/4/2015 |
| # | Louis Industries Deed Part A | \$ 20,000.00 | 6/8/2015 | \$ 175.00 | 9/4/2015 |
| | Louis Industries Deed Part B | \$ 48,358.41 | 6/8/2015 | \$ 2,425.38 | 9/4/2015 |
| | Midwest Cylinder #2 | \$ 171,906.33 | 6/12/2014 | \$ 2,115.64 | 7/22/2014 |
| * | Queen Bee's Bar & Grill | \$ 79,264.70 | 5/27/2015 | \$ 509.82 | 6/20/2015 |
| * | Skinz #4 | \$ 91,237.38 | 6/29/2015 | \$ 637.96 | 7/15/2015 |
| * | Skinz #5 | \$ 76,583.35 | 6/29/2015 | \$ 969.08 | 7/28/2015 |
| * | Savage Land Partnership | \$ 313,323.63 | 6/29/2015 | \$ 1,957.36 | 9/3/2015 |
| | <u>Sweet Nook Bakery</u> | <u>\$ 9,316.97</u> | <u>6/17/2015</u> | <u>\$ 272.88</u> | <u>7/17/2015</u> |
| * | Joint Loans w/Township | | | | |
| # | Joint Loans w/State | | | | |
| | TOTAL OUTSTANDING BALANCE | \$ 1,089,413.25 | | | |

LATE PAYMENTS:

| | | |
|---------------------|-------------|---------------|
| Bloom Corner Floral | \$ 341.90 | Due: 3/15/15 |
| Bloom Corner Floral | \$ 341.90 | Due: 4/15/15 |
| Bloom Corner Floral | \$ 341.90 | Due: 5/15/15 |
| Bloom Corner Floral | \$ 341.90 | Due: 6/15/15 |
| Eats & Treats | \$ 177.99 | Due: 5/3/15 |
| Eats & Treats | \$ 177.99 | Due: 6/3/15 |
| Eats & Treats | \$ 177.99 | Due: 7/3/15 |
| Midwest Cylinder #2 | \$ 2,115.64 | Due: 7/22/14 |
| Midwest Cylinder #2 | \$ 2,115.64 | Due: 8/22/14 |
| 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 |
| Queen Bee's | \$ | 509.82 | Due: 6/20/15 |
| TOTAL DELINQUENT | \$ | 27,799.07 | |

| | | | | |
|--|-----------|-------------------|------------------------|--------------------|
| CITY REVOLVING LOAN BALANCE (available) | \$ | 271,350.27 | updated 4/30/15 | <i>(unaudited)</i> |
| CITY EDAP BALANCE | \$ | 146,065.92 | updated 4/30/15 | <i>(unaudited)</i> |
| TOWNSHIP LOAN BALANCE (available) | | | | |