

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)  
JOINT OPERATIONS BOARD (OB)  
FINANCE COMMITTEE  
MINUTES  
December 9, 2014  
EDC Board Room, Willmar

Present: Matt Behm, Nick Dalton Bruce Peterson, Justin Schnichels, Jim Vrchota, Russ Weeks and Randy Zinda

Excused: Gary Gilman and Les Nelson

Guests: Betsy Bonnema, REDstar Creative and Ross Magnuson, Heritage Bank, N.A.

Staff: Jean Spaulding, Assistant Director

Secretarial: Nancy Birkeland, Legal & Administrative Assistants, Inc. (LAA)

Chairperson Russ Weeks called the meeting to order at approximately 12:07 p.m.

Loan application. Betsy Bonnema informed the committee she is starting a new business, WorkUp, which she explained is a cooperative working space and showed a short video. The new business will be located in The Annex of the MinnWest Technology Campus (MWTC). MinnWest Technology Campus (MWTC) is remodeling The Annex for the co-working space with an anticipated move-in date in May 2015. Ross Magnuson stated Bonnema is in need of funds to purchase equipment, office chairs, tables, projectors, etc. Heritage Bank will take first position on the loan and the EDC will be in second position. WorkUp will be run under REDstar Creative, Inc. Spaulding informed the committee that co-working has become very popular across the United States and is a growing trend. Bonnema attended the Global Co-Working Conference in Kansas City last year. A popular co-working space in Minnesota is CoCo Minneapolis. WorkUp's space will include individuals, as well as corporate users. Bonnema will communicate with other co-working spaces to market WorkUp and she can also market it on Liquid Space, if she becomes a member. There are many online marketing tools she can access. Spaulding is very excited about the co-working space from an economic development aspect and it is a goal of the EDC and a part of the Vision 2040 plan.

Bruce Peterson stated the business meets MWTC's mission. The marketing plan for the spring includes a TEDx event in March and a Kickstarter campaign for the community to buy into the vision and to obtain extra features that are not necessary at this time. Bonnema encouraged the committee to view her website <http://workupwillmar.com> for additional information.

[Bonnema and Magnuson were excused from the meeting.]

The committee discussed the application and the risk rating. Peterson views WorkUp as a tool for the EDC. Spaulding indicated she would like the EDC to have a corporate membership at WorkUp with EDC

staff rotating weekly to work in the space. Ridgewater College is considering a presence at the new space as well.

IT WAS MOVED BY Bruce Peterson, SECONDED BY Matt Behm, to approve a five-year \$30,000 loan through the Kandiyohi County and City of Willmar Economic Development Commission's Revolving Loan Fund Program to REDstar Creative, Inc., doing business as WorkUp, at 2% interest. MOTION CARRIED with Russ Weeks abstaining.

#### MINUTES

IT WAS MOVED BY Jim Vrchota, SECONDED BY Bruce Peterson, to approve the minutes of the October 7, 2014 meeting as emailed. MOTION CARRIED.

[Peterson was excused from the meeting.]

#### UNFINISHED BUSINESS

USDA Intermediary Relending Program. Spaulding stated the EDC Joint Operations Board requested this committee review what assets the EDC will be receiving from the Willmar Housing and Redevelopment Authority (HRA) for the United States Department of Agriculture (USDA) Intermediary Relending Program (IRP). An \$88,000 loan was disbursed in 2014; the HRA has received payments on the six existing loans of \$16,457; there is a total of \$376,805 in outstanding loans and \$248,944.48 is available for relending. Annual payments of \$24,648 are due on June 11 to the USDA. The HRA had a side loan program of \$278,000 that came from the HRA, city of Willmar and the EDC. It is unknown if those funds are also being transferred along with the IRP. The HRA has only had one loan default in the history of the program. The EDC has been very clear with the USDA that the program will be countywide once it takes over the program. Heritage Bank has managed the loan portfolio on behalf of the HRA and has been the lead lender. A maximum loan is \$150,000 with below market rate terms (between 5% and 5.5%). Historically, loans have been used for building acquisition, but it can include equipment. A majority of the loans have required zero equity down. The EDC can continue to run the program as the HRA did, but it does not have to and can create its own guidelines. The EDC must submit a scope of work to the USDA. Once the USDA is repaid its original funds, the EDC will keep whatever funds remain in the program. The committee indicated its support of the concept, but does not know what exactly the EDC will be receiving with the program. Committee members questioned if the EDC needs to sign a confidentiality agreement to allow a couple of committee members to review the assets in the IRP. By consensus, the committee agreed to do an email vote as to the Resolution the EDCOB needs to adopt.

ADJOURNMENT—There being no other business, the meeting was adjourned at approximately 1:22 p.m.

NEXT MEETING—The next committee meeting will be determined at a later date.

**Willmar Housing &  
Redevelopment Authority  
(HRA)**

**United States Department  
of Agriculture (USDA)  
Intermediary Relending Program  
(IRP)**



**Presented By**

**Dave Henle**

**Vice President / Business Banker**



**110 South Street | Spicer, MN 56288**

**Phone: (320) 214-5506 | Fax: (320) 214-5566**

**Email: [dhenle@heritagebankna.com](mailto:dhenle@heritagebankna.com)**

## **What Will be Covered**

- Description of program
- Use of funds
- Designated target area
- Demonstrated need
- Collateral
- Application requirements
- Process
- Other terms & conditions
- Who to contact



## **Brief Description**

- Available to qualified businesses located in or that plan to locate within the designated downtown target area.
- Projects to be in compliance with principles of the downtown vision adopted by the Willmar Design Center and Main Street Willmar.



## **Brief Description (continued)**

- Revolved Equity/Equity Match funds can be used to finance up to 50% of the total eligible project cost for a maximum of \$150,000.
- Targeted use of all funds as follows:
  - 1/3 – Operating capital
  - 1/3 – Equipment financing
  - 1/3 – Real Estate financing



## **Designated Target Area**

- The designated target area is defined as follows:
  - North / South: Foot Lake to Monongalia Avenue
  - East / West: 6<sup>th</sup> St. SE to 11<sup>th</sup> St. SW





## Demonstrated Need

Ultimate recipient must certify that they are unable to finance the proposed project from their own resources or through commercial credit or other Federal, State, or local programs at reasonable rates and terms.



## Collateral

- All loans must be fully collateralized
- Collateral offered must match the term and structure of the loan

### Benefit:

- *Loan values can be up to 100%*
- *Whereas Banks typically finance 50%-75% of the value of collateral (depending on type)*



## Application Requirements

- Business Profile / History
- Market Analysis and Strategy
- Statement of Collateral
- 3-years of Business Tax Returns (if existing business)
- 3-years of Personal Tax Returns
- 3-years of Business financial Statements (if existing business)
- Current interim financial statement (within 90 days)
- Personal Financial Statement & Resume (each principal)
- Completed Willmar HRA IRP Final Application
- Commitment Letter from Lender



**Application Requirements (continued)**

- Organizational Documents of the Business
- Schedule of other debt including payment amount, interest rate, present balance owed, maturity, to whom payable, and collateral
- Copies of key documents such as purchase agreements, cost estimates or bids signed by architect or contractor, blueprints, plans & specs, vendor quotes for machinery & equipment, lease agreement, appraisals, corporate/partnership authorization etc.
- Evidence of hazard and or workers compensation insurance
- Verification that there are no outstanding judgments or tax liens

**Application Requirements (continued)**

- 12-month cash flow projections
  - (applicable if proceeds used for business expansion where projected increase in cash flow is required to repay loan)
- Approval from the Willmar Design Center for alterations to building exterior
  - (applicable only when loan proceeds will be used to renovate or remodel the exterior of a downtown building)



## Application Process

- Compile required application materials
- Contact your local lender
- Your lender will need to provide a financing commitment for 50% of the financing and can submit the application to the HRA through Heritage Bank, on your behalf.
- Heritage Bank will compile the application & submit to HRA Loan Review Committee
- Loan Review Committee will make recommendation to HRA Board of Directors



## Other Terms and Conditions

- Interest rates for IRP equity funds are fixed and will vary between 3% - 8%
- Interest rates for revolving funds are Prime minus 1%
- Terms of loans will be based on the expected life of the asset being financed
  - Typically 10 yrs. for real estate, 5 yrs. for equipment, and 3 yrs. for operating



## **Who to Contact**

- **Heritage Bank**
- **Other local lenders**
  - Home State Bank
  - Lake Region Bank
  - North American State Bank
  - Concorde Bank
  - Wells Fargo Bank
  - Bremer Bank



## **Wrap up**

- **Questions?**
- **Application packages available**

