

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)
JOINT OPERATIONS BOARD (OB)
FINANCE COMMITTEE
MINUTES
August 12, 2014
EDC Board Room, Willmar

Present: Matt Behm, Nick Dalton, Gary Gilman, Les Nelson, Bruce Peterson, Russ Weeks and Randy Zinda

Excused: Justin Schnichels and Jim Vrchota

Guest: Beverly Dougherty

Staff: Jean Spaulding, Assistant Director

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

Chairperson Russ Weeks called the meeting to order at approximately 12:01 p.m.

MINUTES

IT WAS MOVED BY Bruce Peterson, SECONDED BY Randy Zinda, to approve the minutes of the June 10, 2014 meeting as emailed. MOTION CARRIED.

UNFINISHED BUSINESS

Gopher Angels. Spaulding reported a presentation on Gopher Angels was given recently by David Russick to potential local investors. The network allows an angel investor to invest in projects they like rather than in projects in which they have no interest. Spaulding explained the application process for a business.

[Bev Dougherty joined the meeting.]

NEW BUSINESS

Loan application. Bev Dougherty informed the committee she can answer questions regarding the application, which is for a line of credit for building renovations, and provided background on the project. The committee reviewed the Revolving Loan Fund application and information provided by Will O'Keefe of the Preservation Alliance of Minnesota (PAM) for the Historic 313 building. The building is 8,040 square feet and will include a food hub (70% of the building), incubator kitchen and four businesses. Two leases are in place, two are pending and there is a waiting list. Dougherty has a business plan for every business that will be in the food hub.

PAM will fund all expenses for the first year. Dougherty reviewed the source and use of funds. If approved, the EDC loan funds will only be used to fill gaps during the construction/repair phase when the project is short of grant funds and the funds will be repaid when grants are received. The roof will be repaired using funds from a Small Cities Development grant, Housing and Redevelopment Authority (HRA) and Willmar Downtown Development. Historic 313 has received approximately \$100,000 since June 2014. Tenants will do their own leasehold improvements. There are three phases to the project. Phase 2 is anticipated to be done at year-end and will depend on grants. It was the committee's consensus the project is economic development for downtown Willmar, however, a line of credit with no collateral does not fit the EDC's current policy and the EDC does not have the resources to manage a line of credit. It was suggested tenants should instead apply for loan funds for leasehold improvements.

IT WAS MOVED BY Nick Dalton, SECONDED BY Matt Behm, to deny the Revolving Loan Fund application of the Preservation Alliance of Minnesota for a \$50,000 line of credit for Historic 313. MOTION CARRIED.

Intermediary Relending Program. Spaulding informed the committee the EDC was asked to take over management of the United States Department of Agriculture (USDA) Intermediary Relending Program (IRP) from the Willmar HRA (see attached). The EDC's predecessor contributed \$25,000 to the initial program and the EDC has an outstanding note. The Willmar HRA and Kandiyohi County HRA, in their merger process, have determined the IRP does not fit their programs. This committee would take over management of the IRP for the EDC. The IRP is currently only available to downtown Willmar businesses for building acquisition or expansion. If the EDC takes over the program, the USDA will approve the IRP changing to countywide. Collateral for the current outstanding loans is unknown as the EDC has not been given access to a collateral review of assets due to data privacy issues. One loan has consistently been late due to seasonal business. Another loan has been approved, but is not yet included on the information provided. If accepted by the EDC, this committee will develop new guidelines. The USDA will train on reporting, assignments and the accounting required. Regular payments are made to the USDA.

IT WAS MOVED BY Bruce Peterson, SECONDED BY Les Nelson, to recommend to the Kandiyohi County and City of Willmar Economic Development Commission to assume the United States Department of Agriculture Intermediary Relending Program currently managed by the Willmar Housing and Redevelopment Authority. MOTION CARRIED.

ADJOURNMENT—There being no further business, the meeting was adjourned at approximately 1:10 p.m.

NEXT MEETING—The next committee meeting is 12:00 p.m., Tuesday, September 9, 2014 at the EDC Office, 333 Litchfield Avenue SW, Suite 100, Willmar.

Name of Organization	IRP/RDLF Fund Number:: 61	Report Period	Date
Willmar Housing & Redevelopment Authority		10/13-03/14	06-12-2014
Address:	Telephone No.:	Contact Person:	
2200 NE 23rd St, Ste. 2090 Willmar, MN 56201	320-235-8637	Nikki Ilgen	
Tax I.D. No: 41-0951605		Date Intermediary IRP/RDLF Loan was approved: 02/01/1988	

		<u>REPORT PERIOD</u>	<u>TO DATE</u>
LOANS			
1.	Amount of IRP/RDLF Loan	\$ 0.00	\$ 600,000.00
2.	Principal of loans disbursed	\$ 0.00	\$
3.	Principal of loans received	\$ 7,552.66	\$ 701,272.95
4.	Net Lending (line 2 minus 3)	\$ (7,552.66)	\$ (701,272.95)
		END OF PERIOD	
5.	Total Assets (less furniture & equipment)	\$ 662,048.05	
6.	Loans Outstanding	\$ 305,261.05	
7.	Loan Loss Reserve (After 3 yrs., 6% required)	\$ 24,462.47	
8.	Funds Available for Relending (line 5 minus line 6 and 7)	\$ 332,324.53	
9.	Percent of Assets Available for Relending (Line 8 divided by Line 5)	% 0.50	

BALANCE SHEET		
ASSETS		
1.	Cash (minus Loan Loss Reserve)	\$ 332,324.53
2.	Loan Loss Reserve	\$ 24,462.47
3.	Loans Outstanding	\$ 305,261.05
4.	Interest-Bearing Deposits	\$ 0.00
5.	Other Assets (specify) Fixed Assets (furniture and fixtures)	\$ 0.00
		\$
		\$
6.	TOTAL ASSETS	\$ 662,048.05
LIABILITIES		
7.	Loan Payable to RBS	\$ 270,467.27
8.	Accounts Payable	\$
9.	Other Liabilities	\$
		\$
10.	TOTAL LIABILITIES	\$ 270,467.27
		\$
11.	FUND BALANCE (Assets minus Liabilities)	\$ 391,580.78

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0570-0015. The time required to complete this information collection is estimated to average 4 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

ULTIMATE RECIPIENT INFORMATION										RECIPIENT LOAN INFORMATION										PAYMENT INFORMATION				For Official Use Only	
Recipient Name	Jobs Saved	Jobs Created	Date Verified	Original Loan Amount	Supplemental Funding			Current Balance	Loan Status	Loan Loss Amount	Loan Loss Recovery	# Due on time	# > 30 days	# < 30 days	# Made on time	# Due on time	# > 30 days	# < 30 days	Race	Ethnicity	Sex				
					Private Funding	Other Funding	Equity Injection																		
	2	1		\$27,000.00	\$5,400		\$0.00	P			120			120											
	2	0		\$14,150.00	\$2,830		\$0.00	P			120			120											
	2	3		\$55,000.00	\$11,000		\$0.00	P			120			120											
	13	1		\$43,534.00	\$8,706		\$0.00	P			134			134											
	18	0		\$150,000.00	\$30,000		\$0.00	P			158			158											
	2	0		\$82,500.00	\$16,500		\$0.00	P			120			120											
	3	1		\$5,150.00	\$1,030		\$0.00	P			120			120											
	1	0		\$20,000.00	\$4,000		\$0.00	P			130			130											
	18	0		\$25,000.00	\$5,000		\$0.00	P			120			120											
	3	2		\$126,700.00	\$25,300		\$0.00	L			n/a			n/a											
	0	0		\$64,500.00	\$12,900		\$0.00	P			114			114											
	12	1		\$5,000.00	\$1,000		\$0.00	P			120			120											
	18	1		\$25,500.00	\$5,100		\$0.00	P			120			120											
	15	2		\$27,500.00	\$5,500		\$0.00	P			86			86											
	2	0		\$50,000.00	\$10,000		\$34,811.00	C			54			53											
	5	1		\$64,000.00	\$0		\$50,486.00	C			39			39											
	6	3		\$62,000.00	\$0		\$50,660.00	C			35			27											
	2	2		\$39,000.00	\$0		\$33,124.00	C			26			26											
	2	0		\$150,000.00	\$0		\$136,180.00	C			22			22											

Trial Balance

For The Period October 2013 - March 2014
Books = Accrual

Account	Description	Balance Forward	Debit	Credit	Ending Balance
1112-18-010 #5	IRP Equity Fund	341,506.24	15,280.76		356,787.00
1112-18-011	IRP Revolving Loan Fund	169,614.66	169.23		169,783.89
1129-18-001 #5	O/S Loans Rural Dev	302,813.71		7,552.66 ^{#3 left}	295,261.05 ^{#L}
1129-18-002 #5	O/S Loans HRA Equity	10,000.00			10,000.00
2113-01-000 #7	Bad Debt Res Liab Equity	-24,462.47			-24,462.47 ^{#7}
2113-02-000	Bad Debt Reserve-Revolving	-2,059.00			-2,059.00
2310-01-000	Notes Payable - RurDev ^{Liab, #7}	-270,467.27			-270,467.27
2310-02-000	Notes Payable City of Willmar	-21,050.55			-21,050.55
2310-03-000	Notes Payable - KCEDFA	-25,750.00			-25,750.00
2310-04-000	Notes Payable - WHRA	-442.25			-442.25
2802-00-000	Contributed Capital	-112,584.14			-112,584.14
2807-01-000	Reserved for Operating Activities	-362,472.06			-362,472.06
3202-09-000	Loan Repay Interest RurDev	-4,522.31		7,582.62	-12,104.93
3610-00-000	Interest Income ^{only RurDev int.}	-345.88		696.80	-1,036.68
395-08-000	Service Fee IRP RurDev	221.32			597.41
		<u>0.00</u>	<u>15,826.08</u>	<u>15,826.08</u>	<u>0.00</u>

355-00-000 Int. Exp. - Months. Payee Pg. 2 = 2e

5
0**
356,787.00+
295,261.05+
10,000.00+
03
662,048.05*

#3 Rt side
Int Report # + 0**
#3 side 693,720.24+
002 7,552.66+
701,272.95*

WILLMAR HRA'S IRP

General Relending Program Revolving Loan Guidelines:

The following represents the Willmar HRA's amended IRP Work Plan for the purpose of relending funds that have revolved through the Intermediary Relending Program:

- * "Priority will be given for loans to qualified businesses which are located in or plan to locate in the Target Area (proposed revised Central Business District attached as Exhibit A); if revolving funds remain unexpended after a reasonable period of time as determined by the HRA, loan availability will be expanded to qualified businesses which are located in or plan to locate in the City of Willmar."
- * Applicants must be in compliance with local governmental zoning codes as well as all other local, state and federal laws applicable to them.
- * Proposed projects will be reviewed for consistency with the principles and the Willmar Downtown Vision adopted by the Willmar Design Center attached as Exhibit B. Further, building renovation must be consistent with the Design Guidelines for Main Street Willmar (attached as Exhibit C). Any inconsistencies from the Design Guidelines must be pre-approved by the IRP Loan Review Committee.
- * Revolved IRP Equity/Equity Match funds can be used to finance up to 50% of the total eligible project costs for a maximum amount of up to \$150,000. The maximum amount is further restricted as it is the intent of the Willmar HRA to target relending activities for specific loan purposes as follows:

1/3 current balance equity funds : Operating
1/3 current balance equity funds : Equipment
1/3 current balance equity funds : Building
(Real Estate)

The Willmar HRA must assure at all times that there is a sufficient balance of funds on hand for 1) amortization of the IRP Equity Loan from USDA Rural Development due in annual installments June of each year;

2) repayment as required of any local contributions made to the program; and for 3) compliance with USDA Rural Development set-aside requirements to fund the Bad Debt Reserve.

NOTE: Revolved IRP Equity Funds are those funds received from USDA Rural Development in the form of a loan that requires repayment by the Willmar HRA to USDA Rural Development. Revolved IRP Equity Match Funds are those local funds received as the required match to obtain the USDA IRP Equity Funds and which at a minimum require lump-sum payment of any balance due at the end of the loan term.

- * Revolved IRP Revolving Loan Funds can be used to finance 10% of the project costs. The maximum amount is further restricted as it is the intent of the Willmar HRA to target relending activities for specific loan purposes as follows:

1/3 current balance equity funds : Operating
1/3 current balance equity funds : Equipment
1/3 current balance equity funds : Building
(Real Estate)

The Willmar HRA must assure at all times that there is a sufficient balance of funds on hand for repayment as required of any local contributions to the program.

NOTE: Revolved IRP Revolving Loan Funds are those local funds used to leverage the IRP Equity Funds and which at a minimum require lump-sum payment at the end of the loan term.

- * Financing of the remaining amount of the project cost must be obtained from other sources (e.g. local lenders).
- * A Loan Review Committee will be appointed by the Willmar HRA Board of Commissioners and shall include a broad representation of representatives of the downtown area as well as lenders and others deemed appropriate. Refer to Exhibit D for a listing of the Loan Review Committee Members. The Loan Review Committee shall make recommendations to the Willmar HRA Board regarding loan approvals, program interest rates, etc. Initial interest rates are projected to be:

- * Interest rates for loan proceeds from the IRP Equity Fund will range from 3% to 8% and shall be based upon risk factors, job creation or other factors as deemed appropriate by the Loan Review Committee.
- * Interest Rates for loan proceeds from the IRP Revolving Fund @ 1% under prime rate;
- * Interest rates for loan proceeds for the private financing portion of the project cost as required must be negotiated by the applicant with their lender.

Note: Interest earned on IRP revolving and equity funds will be used for administrative purposes originating/servicing fees, funding for Bad Debt Reserve, and other costs as authorized by the Willmar HRA.

- * Borrowers will be responsible to pay origination fee at loan closing, all legal costs, and servicing fees.
- * Terms of loans will be based on the expected life of the assets being financed. Typical length of loans will be 10 years for Real Estate, 5 years for equipment, and 3 years for operating.
- * Use of loan funds must be for eligible purpose as defined in RD Instruction 4274-D section 4274.314 attached as Exhibit E.
- * 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.
- * Loan amount, together with other funds available, must be adequate to assure completion of the project or achieve the purposes for which the loan is made.
- * Security for loans may include but is not limited to any realty, personalty, or intangibles capable of being mortgaged, pledged, or otherwise encumbered. The Willmar HRA requires full collateral coverage on loans. Second security interest positions are accepted as warranted.

- * Personal guarantees are required from the borrower.
- * Hazard insurance with a standard mortgage clause naming the intermediary as beneficiary will be required on every ultimate recipient's project in an amount at least equal to the lesser of the depreciated replacement value of the property being insured or the amount of the loan. Intermediary's interest in the insurance will be assignable to Rural Development.
- * Life insurance, which may be decreasing term insurance, is required for the principals of the ultimate recipient and will be assigned or pledged to the intermediary and assignable to Rural Development.
- * Applicant must complete the loan application and provide all requested supporting documentation. See Exhibit F application documents.
- * Due to federal environmental reviews and concurrences, if applicable to ultimate recipient's project, loan approvals may be delayed.

Regarding historic properties: The Willmar HRA has previously consulted with the State Historic Preservation Office regarding the historical significance of properties in Willmar and subsequently a listing was provided by their office. However, it is the standard practice and general requirement of their office to request submission of specific information regarding projects, for their review and comment, prior to undertaking of said projects.

- * In those instances where the Willmar HRA's original IRP Work Plan conflicts with these Revised General Revolving Loan IRP Relending Guidelines, these guidelines shall prevail.

Heritage Bank, Willmar, MN is the Willmar HRA's loan originator/servicer.

Conway, Deuth, Schmiesing Before Rehab:



Conway, Deuth, Schmiesing After Rehab:



For More Information and an Application, Please Contact:

The Willmar Housing and Redevelopment Authority
2200 23rd St NE, Suite 2090,
Willmar, MN 56201

Dale Slagter, Rehab Manager
(320) 235-8637 ext. 2868
dale_s@co.kandiyohi.mn.us

or

Sue Johnson, Housing Specialist
(320) 235-8637 ext. 2873
sue_j@co.kandiyohi.mn.us



The Fair Housing Act prohibits discrimination in the sale, rental or financing of housing on the basis of race, color, religion, sex, handicap, familial status, or national origin. Federal law also prohibits discrimination on the basis of age. Complaints of discrimination may be forwarded to the U.S. Department of Housing and Urban Development, Assistant Secretary for Fair Housing and Equal Opportunity, Washington, D.C. 20410.

City of Willmar

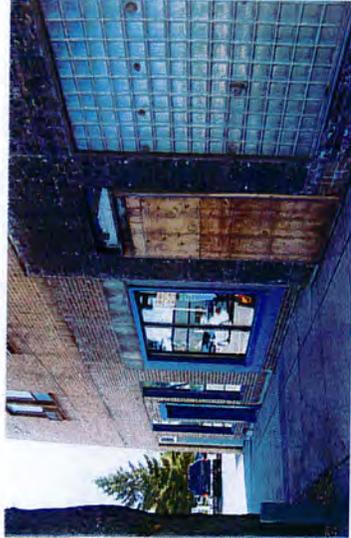
Small Cities Development Program

Rehab Loans for Downtown Businesses

*Department of Housing and Urban Development funding
for this project was received through the Minnesota
Department of Employment and Economic Development*

Past Project Pictures

Fat Freddy's Before Rehab:



Fat Freddy's After Rehab:



The City of Willmar has received grant funds to provide downtown business owners with deferred, forgivable loans for their business repair/rehab needs.

What Properties are Eligible? Any business located in downtown Willmar within the boundaries of Pacific Avenue to the North, First Street to the East, Trott Avenue to the South and 7th Street to the West.

What types of improvements can be made to the property? Examples include but are not limited to window/door replacement, roof repairs, siding repairs, electrical, plumbing and heating repairs, insulation installation, handicap accessibility improvements, building code violation corrections.

What does the property owner have to do?

1. Fill out an application received from the Willmar Housing and Redevelopment Authority.
2. Provide funds for the project which cannot be paid for by the deferred loan or other sources.
3. Ensure mortgage payments, taxes and insurance are current.
4. Meet with staff to complete an inspection, agree on the improvements to be made and approve a contractor for the project.
5. Sign an agreement to accept the conditions of the deferred loan. A lien will be recorded against the property for the term of the deferred loan.

What are the loan terms? The loan is for seven years, 0% interest, \$0 payments and is forgiven at the end of the seven years. However, if the owner sells, transfers or otherwise conveys the real estate within the seven years then the entire loan must be repaid. The maximum deferred loan is the lesser of \$30,000 or 50% of the business owner's total rehab costs.

Are there other funding sources available to include in a project? The Willmar Housing and Redevelopment Authority has an additional Revolving Loan to borrow funds to downtown business owners who are approved for a Small Cities Deferred Loan. The additional funding is a ten year loan with 0% interest and monthly payments. The maximum loan is the lesser of \$12,000 or 20% of the business owner's total rehab cost.

Does the owner have to contribute funds to the project? Yes. The owner will contribute a minimum of 30% of the total project costs. The forgivable Deferred Loan will pay for 50% of the costs not to exceed \$30,000 and the Revolving Loan will pay for 20% of the total costs not to exceed \$12,000.

Other important information: Any work completed must conform to the Willmar Design Center's Rehab Guidelines. Any work completed on historical properties must conform to the Secretary of Interior's standards. Any asbestos or lead found must be mitigated. Funds cannot pay for construction currently in process or recently completed.