

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)

FINANCE COMMITTEE

MINUTES

August 5, 2015

EDC Board Room, Willmar

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

Excused: Darren Hetland, Justin Schnichels and Randy Zinda

Guest: Gus Wurdell, North American State Bank; John Christianson and Chelsey Mueller, Christianson & Associates, PLLP

Staff: Steve Renquist, Executive Director and Jean Spaulding, Assistant Director

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

Chair Matt Behm called the meeting to order at approximately 12:07 p.m. followed by self introductions.

The agenda was taken out of order.

NEW BUSINESS

Historic 313 loan application. John Christianson, treasurer of Downtown Development, Inc., thanked the committee for hearing the loan presentation and provided background on the downtown Fourth Street project. Historic 313 on Fourth Street, LLC, is a for profit limited liability company owned 51% by Willmar Downtown Development, Inc., a 501(c)(3) corporation, and 49% by the Preservation Alliance of Minnesota (PAM). The project's first tenant is Foxhole Brewhouse, which is awaiting its federal license. The request is for a \$50,000 loan through the EDC's Revolving Loan Fund program. The project has applied for a \$100,000 loan through Mid-Minnesota Development Corporation (MMDC). Five parties have indicated an intent to lease space in the building during Phase 1 of the project. An application has been submitted to the United States Department of Agriculture (USDA) for the Food Hub, which is Phase 3 and a concept at this time and unrelated to this loan application. Les Nelson stated MMDC's Loan Committee approved a \$100,000 loan with a 10-year balloon and 20-year amortization, subject to the Housing and Redevelopment Authority (HRA) subordinating their loans to the MMDC so the MMDC is in second position. MMDC's loan is subject to approval by its board, which has not yet met. Gus Wurdell explained North American State Bank's involvement in the project—it has first secured position on its loan of \$83,000 after obtaining a subordination from the HRA. The HRA has two mortgages on the property; one for \$12,000 through the HRA's Intermediary Relending Program (IRP) and the second for \$24,000 through a Small Cities Community Development Block Grant Program, which can be forgiven after ten years. It was noted there is a maturity date on the Operating Agreement with PAM, which prompted North American State Bank's maturity date. PAM contributed \$65,000, which must be repaid within six years. Nelson offered the EDC a shared second position with MMDC, if the loan is approved. Nelson noted the MMDC had an issue with not being able to get personal or organizational guarantees. Bruce Peterson explained the city of Willmar's support of the project, approval of permits and work done by the city.

[John Christianson and Chelsey Mueller were excused from the meeting.]

Historic 313 on Fourth Street, LLC is the borrower on the HRA loans. Wurdell commented it will be a showplace once fully renovated. The committee discussed the pros and cons of a loan. Control of disbursing the funds was discussed. Nelson stated MMDC must disburse all loan funds at one time, but MMDC may use Christianson & Associates to control disbursal of the funds. Spaulding will clarify Christianson & Associates role in disbursing any funds.

IT WAS MOVED BY Russ Weeks, SECONDED BY Gary Gilman, to approve a five-year \$50,000 loan through the Kandiyohi County and City of Willmar Economic Development Commission's Revolving Loan Fund Program to Historic 313 on Fourth Street, LLC at 5.25% interest, subject to approval of Mid-Minnesota Development Commission's loan and a shared second security position with Mid-Minnesota Development Commission and subject to a third party controlling disbursal of the loan funds. MOTION CARRIED with Les Nelson abstaining.

MINUTES—

IT WAS MOVED BY Bruce Peterson, SECONDED BY Les Nelson, to approve the July 7, 2015 minutes as emailed. MOTION CARRIED.

UNFINISHED BUSINESS

IRP. Spaulding reported any application for new IRP funds with the USDA is on hold until the EDC's staffing is determined.

Business finance program research. Spaulding reported she emailed economic development organizations requesting information on any revolving loan fund programs and incentive programs they have. Once responses are received, the EDC will prepare a chart to present at a future meeting.

Spaulding noted Steve Renquist will be this committee's liaison once she leaves the EDC. The committee thanked Spaulding for her work with this committee.

ADJOURNMENT—There being no other business,

IT WAS MOVED BY Nick Dalton, SECONDED BY Gary Gilman, to adjourn the meeting.

The meeting was adjourned at approximately 12:55 p.m.

NEXT MEETING—The next committee meeting is **12 noon, Tuesday, September 8, 2015** at the EDC office.