

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)
FINANCE COMMITTEE
MINUTES
May 10, 2016
EDC Board Room, Willmar

Present: Matt Behm, Nick Dalton, Gary Gilman, Bruce Peterson, Justin Schnichels, Russ Weeks, Lynn Zeppelin and Randy Zinda

Excused: Les Nelson

Guests: Dan Anderson, Heritage Bank, N.A. and Betsy Bonnema, REDstar/WORKUP

Staff: Aaron Backman, Executive Director

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

Chairperson Matt Behm called the meeting to order at approximately 12:06 p.m.

MINUTES

IT WAS MOVED BY Randy Zinda, SECONDED BY Gary Gilman, to approve the minutes of the April 12, 2016 meeting as emailed. MOTION CARRIED.

[The agenda was taken out of order. Dan Anderson and Betsy Bonnema joined the meeting.]

NEW BUSINESS

REDstar/WORKUP loan application. Aaron Backman stated Betsy Bonnema is requesting \$30,000 with terms at 2% interest, which were the same terms originally approved for her in December 2014. (The EDC approved the loan, however, the loan closing did not occur in 2015.) Funds will be used for a management and billing software for a new employee she wishes to hire. Bonnema gave an update on WORKUP's first year. WORKUP was launched as a separate company, but is integrated with REDstar Creative. Founding members allowed WORKUP to open and she now has about 28-29 members with 8-9 of those being companies and 4 new members since January 1, 2016. Backman stated there are only 6 co-working spaces like WORKUP in greater Minnesota and approximately 12 in the Twin Cities. REDstar is the anchor tenant of WORKUP. Bonnema is looking at hiring a full-time digital media person. Dan Anderson noted Bonnema hits her projections and Heritage Bank supports her within reason. Heritage Bank is a founding member of WORKUP. The EDC is also a founding member and pays an annual fee of \$5,400. Approximately one-third of the WORKUP members are from outside Willmar. Bonnema is creating a STARTUP program for new businesses that includes a membership. Bonnema indicated the previous interest rate of 2%

interest was presented by Jean Spaulding as a way for the EDC to assist in the startup of the co-working space. Backman informed the committee he selected two students from the Kandiyohi County Creating Entrepreneurial Opportunities (KCEO) program to use the EDC's transferrable memberships at WORKUP. Bonnema's goal of the EDC being a founding member had more to do with WORKUP's programming, including QUP and MEETUP, which are geared toward entrepreneurs. The EDC also holds some committee meetings at WORKUP. Southwest Initiative Foundation also has transferrable memberships they offer to businesses they assist.

[Anderson and Bonnema were excused from the meeting.]

Following discussion,

IT WAS MOVED BY Randy Zinda, SECONDED BY Justin Schnichels, to recommend to the Kandiyohi County and City of Willmar Economic Development Commission Joint Operations Board to approve a five-year \$30,000 loan under the Revolving Loan Fund Program to REDstar Creative, Inc. at 5.5% interest with the option to make interest-only payments for six months and closing to be held within 90 days of the Joint Operations Board's approval. MOTION CARRIED with Russ Weeks abstaining.

UNFINISHED BUSINESS—

Loan updates. Backman reviewed the Balance Sheet and Profit and Loss from January 1 to May 3, 2016 provided by Preservation Alliance of Minnesota for Historic 313 on Fourth Street, LLC (see copies on file). Backman reported Spurs Restaurant's plan has been sent to the state for final approval; a pizza and wine bar is working through its food costs; construction continues; they are working on the greenhouse area at the MinnWest Technology Campus (MWTC) with the University of Minnesota; they will be doing co-marketing with The Barn Theatre; full payments on the loan from the EDC are set to continue in August 2016; and the Foxhole Brewery is currently the only operating tenant.

KCEO loan program. Backman noted 19 loans were disbursed after last month's meeting. The KCEO students started their day today at the EDC to hear about economic development matters from Backman, Connie Schmoll and Bruce Peterson. Char Ammermann and Chloe Halvorson are the students Backman recommended for membership passes at WORKUP. The students will have a trade show May 16 at the MWTC Auditorium.

Entrepreneurs' Loan Guarantee Program. Nick Dalton informed the committee Karen Baalson's husband was advised not to probate her estate or be appointed as the personal representative and, thus, United Minnesota Bank started the probate and was appointed personal representative. The deadline for claims to be filed in the estate is mid-June. The bank has liquidated all assets of the business, Inspirations Books & Gifts, LLC that it could, except for some jewelry. Backman requested the committee consider a lower guarantee percentage under the EDC's Entrepreneurs' Loan Guarantee Program as the EDC has limited funds to mitigate its risk. Backman researched other similar programs and noted one program loans 25% and guarantees up to 50%. Committee members commented the EDC's 80% guarantee is a nice differentiation from the Small Business

Administration Express, which is 50%. For simplicity, it was suggested the percentage be kept at one number rather than a range and possibly could be 75%. It was noted the maximum loan increased in the last few years and, thus, the EDC's risk increased. The committee was informed the Joint Operations Board just reduced the amount in reserve for the Entrepreneurs' Loan Guarantee Program to \$58,060. This topic will be discussed at a future meeting.

ADJOURNMENT—There being no other business, the meeting was adjourned at approximately 1:15 p.m.

NEXT MEETING—The next committee meeting is **12 noon, Tuesday, June 14, 2016** at the EDC office.