

KANDIYOHI COUNTY AND CITY OF WILLMAR ECONOMIC DEVELOPMENT COMMISSION (EDC)
FINANCE COMMITTEE
MINUTES
September 12, 2017
EDC Board Room, Willmar

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

Excused: Gary Gilman and Kerry Johnson

Guests: Erin Hannig, Urban Escape Boutique, LLC and Mike Schmid, Vice President, Granite City Community Bank

Staff: Aaron Backman, Executive Director

Secretarial: Diane Beck, Legal & Administrative Assistants, Inc. (LAA)

Chairperson Matt Behm called the meeting to order at approximately 12:06 p.m. followed by self-introductions.

MINUTES—

IT WAS MOVED BY Justin Schnichels, SECONDED BY Les Nelson, to approve the minutes of the May 9, 2017 meeting as emailed. MOTION CARRIED.

REPORTS

Historic 313 on Fourth Street, LLC Project Update. Aaron Backman reported that Foxhole Brewhouse located at Historic 313 has added approximately 750 sq. ft. in the front area for private gatherings and an additional space in back for storage. The commons area of Historic 313 is also undergoing a renovation. Spurs Restaurant is progressing and may open for business later this fall. A St. Cloud restaurant business may have interest in opening an ethnic-type restaurant in the Historic 313 building. It currently has restaurants in the Twin Cities and St. Cloud.

NEW BUSINESS

Urban Escape Boutique Loan Application. Backman briefly shared expansion plans of Urban Escape Boutique to purchase the Marketing Concepts building in Spicer. The building will be referred to as Building 320. Mike Schmid reviewed the total financing needs of \$885,000. Funding sources include the lead lender, Granite City Community Bank (GCG) of \$442,500 (50%)

with interest fixed at the five-year FHLB rate plus 3%, with an interest rate of 4.95%. The loan commitment is contingent on approval by the Small Business Administration (SBA) for 504 funding in the amount of \$354,000 (40%), 58,500 in owner equity and approval of a \$30,000 (equity) Revolving Loan from the EDC. Upon conversion to permanent financing, the rate will be fixed for five years up to 20 years. Guarantees are personal unlimited by Eryn and Peter Hannig. The loan application, credit report and financial information were presented. Hannig provided an overview of her business which began in 2010 with designing and making jewelry. She started a consignment business in Hutchinson and expanded to the current boutique in Spicer. In addition to Urban Escape, the plan is to lease approximately four spaces on the first floor of Building 320 for a women's boutique catering to the mature woman, a juice business, health foods business and possibly a chiropractic business. Hannig has been approached by other businesses expressing interest in renting space in the building. Renovations to the building will include buildouts for rental suites and the addition of a main entrance on the south side of the building. Signage will be placed on the Highway 23 side. Schmid conveyed the estimated \$4,000/month income from rental suites is not included in the loan. Justin Schnichels inquired if Hannig will incur additional operating debt and Hannig responded she plans to fund any additional debt. Inquiry made if there is an elevator in the building and Hannig shared there is no elevator at this time. At this time, they plan to use the upper floor for their office space and an elevator may be installed in the future. Backman reviewed the \$30,000 Revolving Loan Fund Application (see copy on file). The loan will be part of the equity. He stated the EDC could do a 12-year loan with a seven-year term and a balloon payment and offer interest-only payments for a certain period of time. The current interest rate is 6.25% (2% over prime rate). Backman feels the business will be good for the City of Spicer by attracting additional retail business opportunities. Randy Zinda inquired about the timing of occupying the building. Backman reported Marketing Concepts is expected to close on the sale on or before March 1, 2018; Hannig would like to relocate her business by May 1, 2018.

[Schmid and Hannig were excused from the meeting.]

Bruce Peterson shared Marketing Concepts signed a purchase agreement for a building located on High Avenue in Willmar. Permits are needed for renovations, parking lot and repair of drainage issues. Backman shared he is pleased with the financial information and feels Hannig has a good handle on the product line and customers; however, there are unknowns, i.e., additional costs with a larger building, changing loan closing date, etc. Behm is in favor of a five-year balloon as opposed to a seven-year balloon. Backman stated the EDC's Revolving Loan would include a personal guarantee and possibly a 12-year amortization.

IT WAS MOVED BY Bruce Peterson, SECONDED BY Russ Weeks to approve a \$30,000 five-year loan from the Kandiyohi County and City of Willmar Economic Development Commission Revolving Loan Fund Program to Urban Escape Boutique, LLC with interest at 2% over the prime rate at the time of closing with a ten-year amortization and the loan to close within 180 days or no later than March 12, 2018. MOTION CARRIED.

Zinda inquired if the appraisal should be included prior to approving the loan. Finance Committee members concurred the loan would follow the SBA 504 requirements.

[Bruce Peterson was excused from the meeting.]

Quarterly Loan Reports. Backman reviewed the Revolving Loan Fund accounts as of August 31, 2017, and the Entrepreneurs' Loan Guarantee Program quarterly loan reports as of June 30, 2017. All loans are current. Backman shared an update on Peaceful Thymes Gifts & Garden Center in Atwater. Peaceful Thymes was notified by one of its larger customers that due to corporate policy, it will no longer purchase supplies locally, but rather in Wisconsin. This means approximately a \$3,000/month loss of income for Peaceful Thymes Gifts & Garden Center.

ADJOURNMENT—There being no other business, the meeting was adjourned at approximately 1:04 p.m.

NEXT MEETING—The next committee meeting is **12 noon, Tuesday, October 10, 2017** at the EDC office.