

MINUTES

Plan Commission Offices
Manitowoc City Hall

Regular Meeting
Manitowoc Industrial Development Corporation
Thursday
June 26, 2014
3:30 P.M.

I. CALL TO ORDER

The meeting of the Manitowoc Industrial Development Corporation was called to order by Chairman Jim Hamann at 3:30 P.M.

II. ROLL CALL

Members Present

Bob Kaufman
Myron Halla
John Zimmer
Ted Vallis
Carl Laveck
Dennis Tienor
Greg Dufek
Jim Hamann

Members Excused

Wayne Mertens
David Soeldner
Jim Brey

Staff Present

David Less
Paul Braun

Others Present

See attached Sign In Sheet

III. APPROVAL OF MINUTES of the Regular January 23, 2014 Meeting.

Motion by: Mr. Zimmer
Moved that: the minutes be approved
as presented.

Seconded by: Mr. Laveck
Upon Vote: the motion was approved
unanimously.

IV. REFERRALS FROM COMMON COUNCIL

A. None

V. NEW BUSINESS

A. Jagemann Plating Company – IREV2014-1 – Discussion Regarding Proposed Revolving Loan

Mr. Less explained a proposed revolving loan to the Jagemann Plating Company (JPC) which featured the following key elements:

Loan Amount:	\$500,000
Interest Rate:	65% of Prime (currently 3.25% x .65 = 2.11%)
Term:	10 years

Mr. Less first reviewed an approved site plan for the JPC expansion project, and noted that JPC currently had approximately 70,000sf of building, which would increase to 106,500sf with the new addition. Mr. Less noted that the “Project Narrative” he provided to IDC members contained the essential terms of the loan, and that the City’s investment would be towards the purchase of specific machinery and equipment. Mr. Less explained that JPC was an electroplating company that would be making a total capital investment of \$3,900,000 including the construction of a 36,500sf building addition estimated at \$1,700,000, and approximately \$2,200,000 in machinery and equipment (M/E) purchases, and would result in the creation of at least 25 full-time equivalent (FTE) jobs of which at least 51 per cent would be made available to low and moderate income (LMI) persons. Mr. Less added that the lead lender, Bank First National (BFN), would be securing an SBA guarantee for their portion of the project financing. Mr. Less noted Mr. Less added that JPC currently had approximately 92 FTE positions at present.

Mike Jagemann, JPC, 1324 So. 26th, commented that they averaged around 125 positions monthly.

Mr. Less explained how the quarterly census reporting allowed the City to track the growth in employment, and compliance with the loan requirements. Mr. Less noted that with him retiring August 1st, the plan was to close the loan in mid-July, and to disburse at closing the full amount of the loan to BFN, which would be responsible for overseeing and controlling the disbursement of the loan proceeds, with BFN providing City Planning with copies of the disbursement documentation. Mr. Less added that the City’s collateral position would be perfected at closing. Mr. Less continued that the City’s collateral for this loan would be centered upon a Purchase Money Security Interest (PMSI) or an intercreditor agreement with BFN for a pro-rata or shared 1st lien on a Cyclemaster machine currently valued at \$580,000, plus a corporate guarantee from JPC. Mr. Less advised that Mr. Tienor could elaborate further on his conversations with SBA regarding collateral. Mr. Less commented that he thought this was a very good project, and noted that the company’s financials and pro formas were trending in a positive direction.

Mr. Tienor commented that he was working with the SBA to see if they would allow the City to have a PMSI on select equipment. Mr. Tienor continued that he expected to have an equipment and real estate appraisal next week, and added that he had an email from SBA stating that they would be more favorable towards a pro-rata, shared lien collateral arrangement. Mr. Tienor stated that BFN would have an SBA guarantee behind its funding, and added that he would do his best to move SBA towards a PMSI for the City for the cyclemaster machine @ \$580,000.

Mr. Less explained that he had met with Mr. Tienor and Mr. Laveck prior to today's meeting to review the details of the credit, and asked these gentlemen if they had any comments they wished to make about the proposed loan.

Mr. Laveck commented that he felt this was a good project, and that the company was back on track.

Mr. Tienor commented that the company was in a real growth mode, and had done their homework regarding pulling the trigger on the expansion.

Mr. Laveck stated that this was a difficult business to be in due to environmental complications affiliated with the industry.

Mr. Jagemann explained that there were fewer players in his industry today, and the expansion was needed for his company to meet increasing customer needs and demands. Mr. Jagemann commented that JPC was experiencing growth with their existing customers who were returning to pre-recession levels of business with JPC, and they had to make a decision to either expand or to turn away future business opportunities. Mr. Jagemann continued that he thought the company would be in this expansion mode in 2015, but that a 20-30% rate of growth in sales each month since January had accelerated their timetable.

Mr. Less noted that JPC did not have a concentration of risk issue, which was good.

Mr. Jagemann then explained that the new addition would be largely used for warehousing, with all existing warehousing to be moved to this new location and, with the current warehousing area to be the location for their new equipment. Mr. Jagemann added that all loading docks currently faced to the north, and with the addition, would be re-oriented to face east. Mr. Jagemann added that the addition included 2 additional loading docks. Mr. Jagemann emphasized that the addition would allow them to become more efficient, and would increase their capacity with their equipment becoming more efficient as well.

Mr. Less also noted that the WEDC had met with the company to discuss possible State incentives.

Connie Loden, Progress Lakeshore, 202 N. 8th commented that she was working with the company and the WEDC to put together the information that WEDC needed to prepare an incentive offer to the company. Ms. Loden explained that part of this discussion had to do with the organization's entity structure, and how they might be able to take advantage of the State's tax incentives to offset future tax liability.

Mr. Less recommended approval of the loan as presented, including the collateral option for the City loan-- a PMSI or a pro-rata collateral arrangement, with an intercreditor agreement between the City and BFN, with Mr. Less to negotiate and finalize all terms and conditions of the loan, and with Mr. Less and Mr. Hamann further authorized to sign documents related thereto.

Motion by: Mr. Laveck
Moved that: the IDC approve the loan as detailed in the "Project Narrative", and in the Planner's recommendation above.

Seconded by: Mr. Zimmer
Upon Vote: the motion was approved. Mr. Tienor abstained.

VI. OLD BUSINESS

A. Wage; Heavy Metal Fabricators LLC and HMF Real Estate Holdings LLC – IREV08-3 – Update on Release of Mortgage for Property on CTH "JJ"

Mr. Less explained that he had been contacted by Investors Community Bank (ICB) about an apparent error in the real estate subordination arrangement that had been conducted in late 2013, early 2014. Mr. Less stated that the discussion with ICB was regarding a request to release a City mortgage on a portion of property owned by David Wage on CTH "JJ", and that the gist of that contact was that ICB felt that it had mistakenly satisfied one of its mortgages against Mr. Wage's residence on Hawthorne Terrace (v. 2291, p. 46). Mr. Less continued that after he reviewed his file, he determined that ICB was suppose to satisfy the above referenced ICB mortgage, with the City having a 2nd mortgage on the Hawthorne Terrace parcel. Mr. Less closed this discussion by noting that he had received an email from ICB stating that no further action was required, and that it was a misunderstanding on ICB's part.

Mr. Less stated that there was no action to be taken.

B. PC33-2013: Wisconsin Redevelopment, LLC – Discussion Regarding Proposed Revolving Loan for Redevelopment of Former Mirro Plant No. 3 at 2402 and 2408 Franklin Street – Update

Mr. Less explained that there was still buoyancy to this project, and that the project developer, Wisconsin Redevelopment, LLC, and their project sponsor, Impact Seven, would be filing a new application with WHEDA under a high impact project category. Mr. Less noted that the application was due at the end of July, and that he was relatively optimistic that WHEDA funding with Low Income Housing Tax Credits (LIHTC's) would be forthcoming in the 3rd or 4th quarters of 2014. Mr. Less noted that the IDC's commitment of \$300,000 towards the project for property acquisition would have to be addressed by whomever his successor would be. Mr. Less added that there was an additional \$250,000 in housing revolving loan fund balances that had been committed by the Community Development Authority that would also have to put into place if the project ultimately moved forward.

Mr. Hamann asked how the IDC would know the status of this project in the future?

Mr. Less stated that Mr. Braun would be the likely person to keep the IDC advised., as their funding commitment was still in place.

Additional discussion was held.

No action was taken.

VII. NEXT MEETING

No discussion was held. No action was taken.

VIII. ADJOURNMENT

The meeting was adjourned at 4:00 P.M.

Respectfully Submitted,

David Less
Secretary

