

IDC Minutes -12/10/2009

MINUTES

Plan Commission Offices
Manitowoc City Hall

Regular Meeting
Manitowoc Industrial Development Corporation
Thursday
December 10, 2009
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
John Zimmer
Carl Laveck
Dennis Tienor
Ted Vallis
Don Markwardt
David Soeldner
Jim Hamann
Jim Brey
Wayne Mertens

Members Excused

Myron Halla

Staff Present

David Less

Others Present

None

III. APPROVAL OF MINUTES of the Regular September 10, 2009 Meeting.

Motion by: Mr. Brey

Moved that: the minutes be approved as presented.

Seconded by: Mr. Zimmer

Upon Vote: the motion was approved unanimously.

IV. REFERRALS FROM COMMON COUNCIL

A. None

V. NEW BUSINESS

A. Wisconsin Aluminum Foundry Company, Inc. - Proposed Revolving Loan (IREV09-1)

Mr. Less explained a proposed revolving loan to the Wisconsin Aluminum Foundry featuring the following key elements:

Loan Amount:	\$400,000
Interest Rate:	65% of Prime (currently 3.25% x .65 = 2.11%)
Term:	5 years

Mr. Less noted that the ““Project Narrative”” he provided contained the essential terms of the loan, and that the City’s investment would be towards the purchase of machinery and equipment including a robotic manufacturing cell and robotic finishing equipment, to meet new contract obligations and to enhance material handling and production capabilities. Mr. Less continued that the project represented a total investment of \$1,200,000 in M/E purchases, and would result in the creation of 20 FTE (full-time equivalent) jobs of which at least 51 per cent would be made available to LMI persons. Mr. Less added that there was no lender financing proposed for this project with private funds being provided by WAF, and as such, the security for the City loan would be a purchase money security interest on M/E with a valuation of \$500,000 or 125 per cent of City loan amount.

Mr. Less recommended approval of the loan as presented, 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 above and in the ““Project Narrative””, and approve the Planner’s Recommendation as stated above.

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

B. City Centre, L.L.C.; Proposed Modifications to Collateral Arrangement in TIF District No. 16

Mr. Less explained a request from M&I Bank for a mortgage subordination regarding the City's involvement in TIF District No. 16, and an investment made by the City in 2004 related to the City Centre, L.L.C. or former Manitowoc Company peninsula property. Mr. Less stated that at the time of the City-City Centre L.L.C. TIF agreement in 2004, the City took back a mortgage as part of its collateral to secure a \$500,000 investment. Mr. Less continued that according to the TIF agreement, the

property was to increase in value to at least \$3.5mm by the end of 2014. Mr. Less advised that M&I have issued real estate mortgages to City Centre, L.L.C. in 2008, placing them in a subordinate position to the City's 2004 mortgage.

Mr. Less recommended that the Corporation recommend to Council that they authorize the subordination of the City's 2004 TIF mortgage, and that the Planner be authorized to negotiate and finalize the transaction. Mr. Less added that he would secure updated title information on the City Centre, L.L.C. property as part of this process.

Mr. Less advised that prior to today's meeting, he had met with Mr. Laveck and Mr. Tienor to review the financial transactions being discussed on today's agenda.

Mr. Kaufman asked if City Centre, L.L.C. was financially solvent?

Mr. Laveck replied "yes".

Mr. Less stated that even though the TIF subordination was a City Council matter, he wanted the IDC to review it, as they were historically more versed in these matters.

Motion by: Mr. Zimmer
Moved that: the recommendation of the Planner be approved as presented above.

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

VI. OLD BUSINESS

A. Diamond Properties/Musial Paint Finishes, LLC - Proposed Modification to Loan Repayment Terms (IREV05-1)

Mr. Less explained the status of the Diamond Properties project, and noted that the economy had weakened the performance of this company, with revenues down 40 per cent in 2009. Mr. Less commented that this loan was related to a 2005 revolving loan in the amount of

\$100,000 towards the purchase of a former Mirro property on Division and So. 26th Street. Mr. Less continued that the 2005 project included a brownfield remediation grant from the Wisconsin Department of Commerce. Mr. Less stated that Mr. Musial has been consolidating his business operation at the So. 26th Street location.

Mr. Less commented that Mr. Musial was current in his repayments to the City, and had 14 payments remaining until the loan was paid in full. Mr. Less noted that the current principal balance of the loan was just over \$25,000.

Mr. Less stated that Mr. Musial was working closely with Investors Community Bank on this matter, and that his request was for a 5-month period of interest-only payments on the City loan. Mr. Less explained that if the decision was made to allow for the interest-only payments, he felt the overall term of the loan should be extended as well, so as to not cause a balloon payment to be made, and to help Mr. Musial's overall cash flow position. Mr. Less provided IDC members with amortization schedules to show the impact of the interest-only financing, and the extension of the loan term.

Mr. Less recommended approval of the request for 5-months of interest-only payments beginning December, 2009 through April, 2010, and also recommended the approval to extend the terms as outlined above, with Mr. Less and Mr. Hamann authorized to sign all documents related to the loan agreement amendment.

Mr. Brey asked Mr. Musial where his employment levels were currently at, and if he had been laying anyone off?

David Musial, 1024 N. 13th, replied that he had laid off some people in March, 2009, and was currently down from approximately 16 to 8 employees at present. Mr. Musial added that 2010 looked favorable for business orders, but could not provide any promises regarding new employment growth. Mr. Musial stated that while there were several 2010 projects being negotiated, none were firm as of yet.

Mr. Less commented that Mr. Musial had always paid on time, and had not been problematic.

Motion by: Mr. Laveck
Moved that: the recommendation of the Planner be approved as presented above.

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

Mr. Less commented that real estate taxes were due for approximately \$23.6k, and asked if the escrow account referenced in the materials was for that purpose, and the taxes would be

paid and brought current?

Ryan Kauth, Investors Community Bank, 860 N. Rapids, stated ““yes””, that Mr. Less was correct.

Mr. Zimmer commented on the need to help local businesses, and stated he was comfortable with the request.

B. Spaulding/Scooter Rammys Inc. - Proposed Modification to Loan Repayment Terms (IREV07-3)

Mr. Less explained that this item was similar to the Musial request above, in that this was a loan made by the City in 2007.

Mr. Less noted that the original revolving loan commitment of \$60,000 ultimately became a loan with a final principal balance of \$58,310.42, and that the business owner, Adrienne Spaulding, was current in her repayments, and that the current principal balance of the loan was just under \$47,000. Mr. Less commented that Ms. Spaulding had always paid on time, and had not been problematic. Mr. Less explained that her business had been victimized by the economy, as pet care was largely discretionary spending.

Mr. Less stated that Ms. Spaulding continued to work closely with its primary lender in this matter, Investors Community Bank, and that she was requesting a 4-month period of interest-only payments on the City loan. Mr. Less explained that if the decision was made to allow for the interest-only payments, he felt the overall term of the loan should be extended as well, so as to not cause a balloon payment to be made, and to help her overall cash flow position. Mr. Less provided IDC members with amortization schedules to show the impact of the proposed interest-only financing, and term extension.

Mr. Less explained the current property lease arrangement, noting that while Ms. Spaulding originally purchased the property for \$3,000 from the County through a foreclosure proceeding, it was ultimately deeded to an LLC formed out of A-C-E Building Service as part of the overall plan of financing for the business. Mr. Less added that the LLC and business entered into an original lease in November, 2007. Mr. Less continued that the business and property owner had recently executed a first amendment to their lease, in order to reduce her monthly rent by half through April, 2010 in order to address the businesses cash flow issues. Mr. Less then explained the collateral and guarantor role of Ms. Spaulding’s parents in the original transaction.

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Mr. Less recommended approval of the request for 4-months of interest-only payments beginning January, 2010 through April, 2010 and also recommended extending the term as outlined above, with Mr. Less and Mr. Hamann authorized to sign all documents related to the loan agreement amendment.

Mr. Brey asked Mr. Laveck and Mr. Tienor if they would do this transaction?

Mr. Tienor stated ““yes”” because of the collateral basis that was present. Mr. Tienor asked Ms. Spaulding what her payment structure was with Investors Community Bank?

Adrienne Spaulding, 1910 Mirro Drive, explained her line of credit was interest-only and recently extended for one year, and that her term loan matured in November, and was currently being re-negotiated. Ms. Spaulding noted that she would be meeting with Investors (Tim Schneider) next week. Ms. Spaulding noted that Mr. Schneider was aware that she was pursuing assistance with cash flow at this time.

Mr. Laveck asked Ms. Spaulding if she was working with her accountant to get her financials in order?

Ms. Spaulding replied that she was working closely with Allcox and Associates, and that they were providing enormous assistance to her.

Mr. Laveck asked Ms. Spaulding if she was planning on talking with her franchisor regarding an abatement of her franchise fee?

Ms. Spaulding replied that she was planning on having that discussion, which would be her next move. Ms. Spaulding added that she was aware that the franchisor had agreed to a fee abatement with other franchisees in the past.

Mr. Laveck asked that all financial statements be updated as part of this approval, including 2008 tax returns.

Mr. Laveck asked Ms. Spaulding how many employees she currently had?

Ms. Spaulding replied that she currently had 5 employees, and that she had been reducing hours and re-structured one person to a salaried position.

Mr. Less re-stated his recommendation above.

Motion by: Mr. Markwardt

Seconded by: Mr. Kaufman

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Moved that: the recommendation of the Planner be approved as presented above.

Upon Vote: the motion was approved unanimously.

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