

**AGENDA
HANOVER ECONOMIC DEVELOPMENT AUTHORITY
JULY 18, 2019**

**TODD BARTELS - CHAIR
JESSICA JOHNSON - TREASURER
BRIAN DISMANG
TED ZRUST
TONY ROSS**

**KEN WARPULA – VICE CHAIR
MARYANN HALLSTEIN**

- 1. Call to Order: 8:00 a.m.**
- 2. Approval of:**
 - a. Agenda**
 - b. Minutes of June 20, 2019 Regular Meeting**
 - c. Accounts Payable and Financial Reports**
- 3. Citizen’s Forum**
- 4. Unfinished Business**
 - a. Business Incentive Applications – Big Bore BBQ Co.**
- 5. New Business**
 - a. 2020 Preliminary Budget – Draft 1**
- 6. EDA Board and Staff Reports**
 - a. EDA Board Reports**
 - b. Staff Reports**
- 7. Adjournment**

**CITY OF HANOVER
ECONOMIC DEVELOPMENT AUTHORITY MEETING
JUNE 20, 2019 – DRAFT MINUTES**

Call to Order

Chair Bartels called the regular EDA meeting of June 20, 2019 to order at 8:00 a.m. Present were Members Todd Bartels, Jessica Johnson, Tony Ross, Ken Warpula, and MaryAnn Hallstein. Also present was City Administrator Brian Hagen. Guest present included Jeff Abrahamson of Hanover Flooring. Member Brian Dismang was absent. Member Ted Zrust arrived at 8:45 a.m.

Approval of Agenda

MOTION by Warpula to approve the agenda as amended, seconded by Hallstein. **Motion carried unanimously.**

Approval of Minutes from May 29, 2019 Regular Meeting

MOTION by Johnson to approve minutes as presented, seconded by Warpula. **Motion carried unanimously.**

Approval of Accounts Payable and Financial Reports

Johnson noted that all loans were current.

MOTION by Johnson to approve the Accounts Payable and Financial Reports as presented, seconded by Ross. **Motion carried unanimously.**

Citizen's Forum

Unfinished Business

None

New Business

Business Incentive Application – Hanover Flooring

Abrahamson provided an overview of his business. He further explained that this program reimbursement would free up funds, in turn allowing him to construct some additional improvements to the leased space in order to allow his business to operate more efficiently.

MOTION by Hallstein to approve rent reimbursement to Hanover Flooring in an amount of \$2,400 subject to conditions of the program guidelines, seconded by Ross. **Motion carried unanimously.**

Johnson left the meeting at 8:48 a.m.

Hanover Harvest Festival Donation

Hagen inquired on the interest of the EDA donating to the annual Hanover Harvest Festival. Prior years the board donated \$1,500.

MOTION by Hallstein to approve donation in an amount of \$1,500, seconded by Warpula. **Motion carried unanimously.**

Reports

Hagen provided an update on the Big Bore BBQ Co. low interest loan status. Hagen noted that the property appraisal did not come back favorable to satisfy the condition the EDA and Council approved for financial security. Based on the appraisal and other documents provided by Chad Brink, the financial security short fall is identified at \$35,400.

Member Zrust arrived at 8:45 a.m.

The board discussed their desire to adjust the loan amount due to the approved conditions not being met. Concern was expressed that the financial security identified does not present 100% guaranteed revenue should the business go into default. The board consensus was to reduce the loan amount to \$57,100 to match the identified financial security.

MOTION by Hallstein to reduce loan amount subject to Council approval and previous conditions remaining, seconded by Ross. **Motion carried unanimously.**

Member Bartels abstained from discussion and the vote due to conflict of interest.

The board further expressed support to the City Council to adjust the loan as they desire should the applicant bring additional financial security sources.

Adjournment

MOTION by Zrust to adjourn at 9:38 a.m., seconded by Hallstein. **Motion carried unanimously.**

ATTEST:

Brian Hagen, City Administrator

HANOVER
Cash Balances
June 2019

Fund	Begin Month	GL Debits Month	GL Credits Month	Balance
100 GENERAL FUND	\$362,775.01	\$394,203.47	\$149,910.89	\$607,067.59
107 FIRE DEPT DONATIONS FUND	\$26,695.43	\$1,425.00	\$0.00	\$28,120.43
201 EDA SPECIAL REVENUE FUND	\$97,732.55	\$18,748.95	\$890.40	\$115,591.10
205 EDA BUSINESS INCENTIVE FUND	\$147,921.29	\$1,990.43	\$0.00	\$149,911.72
311 2008A GO CIP REFUNDING BOND	\$46,406.25	\$19,911.00	\$0.00	\$66,317.25
312 2009A GO IMP REFUNDING BOND	\$10,847.48	\$2,569.75	\$0.00	\$13,417.23
314 2011A GO IMP CROSSOVER REF BD	\$466,327.25	\$88,318.74	\$0.00	\$554,645.99
315 2016A GO CIP BOND	\$11,234.06	\$54,818.00	\$0.00	\$66,052.06
401 GENERAL CAPITAL PROJECTS	\$735,073.49	\$3,880.56	\$0.00	\$738,954.05
402 PARKS CAPITAL PROJECTS	\$75,293.82	\$12,500.00	\$8,087.50	\$79,706.32
403 FIRE DEPT CAPITAL FUND	\$348,794.98	\$16,589.97	\$0.00	\$365,384.95
404 HISTORICAL CAPITAL PROJ FUND	\$0.00	\$0.00	\$0.00	\$0.00
405 PARK DEDICATION FEE	\$2,740.00	\$0.00	\$0.00	\$2,740.00
406 GAMBLING PROCEEDS	\$11,009.03	\$0.00	\$0.00	\$11,009.03
407 TIF REDEV DIST #1	\$7,914.67	\$3,136.57	\$0.00	\$11,051.24
409 MAHLER PIT - 15TH ST IMP FUND	\$92,696.66	\$0.00	\$0.00	\$92,696.66
411 FACILITIES CAPITAL PROJ FUND	\$0.00	\$0.00	\$0.00	\$0.00
417 EQUIPMENT CAPITAL FUND	\$128,408.41	\$10,000.00	\$0.00	\$138,408.41
418 STREET CAPITAL PROJ FUND	\$104,112.70	\$84,903.00	\$0.00	\$189,015.70
601 WATER ENTERPRISE FUND	\$927,023.64	\$14,564.99	\$5,980.50	\$935,608.13
602 SEWER ENTERPRISE FUND	\$410,784.29	\$62,562.04	\$15,959.25	\$457,387.08
603 STORM WATER ENTERPRISE FUND	\$148,350.58	\$7,532.22	\$913.35	\$154,969.45
611 WATER CAPITAL IMP FUND	\$179,597.90	\$1,731.16	\$0.00	\$181,329.06
612 SEWER CAPITAL IMP FUND	\$1,980,774.78	\$20,664.24	\$0.00	\$2,001,439.02
613 STORM WATER CAPITAL IMP FUND	\$617,032.38	\$0.00	\$0.00	\$617,032.38
701 RIVER ROAD CEMETERY	\$35,981.74	\$0.00	\$0.00	\$35,981.74
811 EROSION CONTROL ESCROW FUND	\$42,000.00	\$4,000.00	\$3,876.47	\$42,123.53
815 LANDSCAPE ESCROW FUND	\$40,000.00	\$4,000.00	\$0.00	\$44,000.00
817 INFRASTRUCTURE ESCROW FUND	\$17,000.00	\$2,000.00	\$1,000.00	\$18,000.00
818 MISC ESCROWS FUND	\$30,488.50	\$10,000.00	\$6,811.85	\$33,676.65
820 BRIDGES TOWNHOMES ESC FUND	\$3,686.68	\$0.00	\$0.00	\$3,686.68
823 CROW RVR HTS WEST 3RD / BACKES	\$13,629.52	\$0.00	\$1,150.00	\$12,479.52
825 CROW RVR HTS FUT WEST PLAT/PUD	\$7,069.56	\$0.00	\$0.00	\$7,069.56
826 CROW RVR HTS 4TH ADD FINL PLAT	\$0.00	\$0.00	\$0.00	\$0.00
827 HANOVER COVE PRELIMINARY PLAT	\$30,128.31	\$0.00	\$0.00	\$30,128.31
900 INTEREST	\$46,759.23	\$0.00	\$0.00	\$46,759.23
	\$7,206,290.19	\$840,050.09	\$194,580.21	\$7,851,760.07

HANOVER

Revenue Budget Report - EDA

Source Alt Code	Account Descr	June 2019 Amt	2019 YTD Amt	2019 YTD Budget	2018 YTD Variance	%YTD Budget
Fund 201 EDA SPECIAL REVENUE FUND						
TAXES	R 201-31000 Property Taxes - General	\$18,748.95	\$18,748.95	\$49,000.00	\$30,251.05	38.26%
TAXES	R 201-31010 Tax Abatement	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Source Alt Code TAXES		\$18,748.95	\$18,748.95	\$49,000.00	\$30,251.05	38.26%
MISC	R 201-36200 Miscellaneous Revenues	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
MISC	R 201-36210 Interest Earnings	\$0.00	\$342.07	\$0.00	-\$342.07	0.00%
MISC	R 201-36215 Investment Income/Loss	\$0.00	\$568.35	\$0.00	-\$568.35	0.00%
Source Alt Code MISC		\$0.00	\$910.42	\$0.00	-\$910.42	0.00%
INTGOVT	R 201-33410 MV Credit	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Source Alt Code INTGOVT		\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Fund 201 EDA SPECIAL REVENUE FUND		\$18,748.95	\$19,659.37	\$49,000.00	\$29,340.63	40.12%
Fund 205 EDA BUSINESS INCENTIVE FUND						
MISC	R 205-36200 Miscellaneous Revenues	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
MISC	R 205-36210 Interest Earnings	\$258.57	\$2,109.30	\$0.00	-\$2,109.30	0.00%
MISC	R 205-36215 Investment Income/Loss	\$0.00	\$823.40	\$0.00	-\$823.40	0.00%
MISC	R 205-36230 Contributions and Donation	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
MISC	R 205-39203 Transfer from Other Fund	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Source Alt Code MISC		\$258.57	\$2,932.70	\$0.00	-\$2,932.70	0.00%
INTGOVT	R 205-33400 State Grants and Aids	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Source Alt Code INTGOVT		\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Fund 205 EDA BUSINESS INCENTIVE FUND		\$258.57	\$2,932.70	\$0.00	-\$2,932.70	0.00%
		\$19,007.52	\$22,592.07	\$49,000.00	\$26,407.93	46.11%

Expenditure Budget Report - EDA

Dept Abbrev	Account Descr	June 2019 Amt	2019 YTD Amt	2019 YTD Budget	2019 YTD Balance	%YTD Budget
Fund 201 EDA SPECIAL REVENUE FUND						
Dept 41330 Boards and Commissions						
BRDCOMM	E 201-41330-111 Committee Wages/Meeting	\$0.00	\$0.00	\$2,000.00	\$2,000.00	0.00%
BRDCOMM	E 201-41330-306 Dues & Subscriptions	\$310.00	\$310.00	\$500.00	\$190.00	62.00%
BRDCOMM	E 201-41330-310 Other Professional Services	\$0.00	\$6.70	\$10,000.00	\$9,993.30	0.07%
BRDCOMM	E 201-41330-437 Other Miscellaneous	\$580.40	\$999.14	\$5,500.00	\$4,500.86	18.17%
Dept 41330 Boards and Commissions		\$890.40	\$1,315.84	\$18,000.00	\$16,684.16	
Dept 41570 Purchasing						
PURCHASE	E 201-41570-210 Operating Supplies (GENE	\$0.00	\$0.00	\$1,000.00	\$1,000.00	0.00%
Dept 41570 Purchasing		\$0.00	\$0.00	\$1,000.00	\$1,000.00	
Dept 49360 Transfers Out						
TRANSFERS	E 201-49360-700 Transfers (GENERAL)	\$0.00	\$0.00	\$30,000.00	\$30,000.00	0.00%
Dept 49360 Transfers Out		\$0.00	\$0.00	\$30,000.00	\$30,000.00	
Fund 201 EDA SPECIAL REVENUE FUND		\$890.40	\$1,315.84	\$49,000.00	\$47,684.16	

HANOVER
Expenditure Budget Report - EDA

Dept Abbrev	Account Descr	June 2019 Amt	2019 YTD Amt	2019 YTD Budget	2019 YTD Balance	%YTD Budget
Fund 205 EDA BUSINESS INCENTIVE FUND						
Dept 46500 Economic Develop mt (GENERAL)						
ECODEVEL	E 205-46500-810 Refunds & Reimbursement	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Dept 46500 Economic Develop mt (GENERAL)		\$0.00	\$0.00	\$0.00	\$0.00	
Dept 49300 Other Finanacing Uses						
OTHFINUS	E 205-49300-317 EDA BIF: Rent Reimburse	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
OTHFINUS	E 205-49300-318 EDA BIF: Matching Grant	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
OTHFINUS	E 205-49300-319 EDA BIF: EDA Loan	\$0.00	\$0.00	\$0.00	\$0.00	0.00%
Dept 49300 Other Finanacing Uses		\$0.00	\$0.00	\$0.00	\$0.00	
Fund 205 EDA BUSINESS INCENTIVE FUND		\$0.00	\$0.00	\$0.00	\$0.00	

Expenditure Budget Report - EDA

Dept Abbrev	Account Descr	June 2019 Amt	2019 YTD Amt	2019 YTD Budget	2019 YTD Balance	%YTD Budget
		\$890.40	\$1,315.84	\$49,000.00	\$47,684.16	

HANOVER

Transaction Activity - EDA

Period Name	Check Nbr	Tran Name	Search Name	Amount	Comments	Check/Receipt Date	Fund
Act Year 2019							
PL Type G General Ledger							
Account Descr G 201-10100 Cash							
January		Journal Entr		-\$1,320.00	To Reverse 2018 YE JE		201
March		Journal Entr		\$910.42	Allocate 1st Quarter 201		201
Account Descr G 201-10100 Cash				-\$409.58			
Account Descr G 201-10500 Taxes Receivable-Current							
January		Journal Entr		-\$382.81	To Reverse 2018 YE JE		201
Account Descr G 201-10500 Taxes Receivable-Current				-\$382.81			
Account Descr G 201-20200 Accounts Payable							
January		Journal Entr		\$1,320.00	To Reverse 2018 YE JE		201
Account Descr G 201-20200 Accounts Payable				\$1,320.00			
Account Descr G 205-10100 Cash							
March		Journal Entr		\$1,318.98	Allocate 1st Quarter 201		205
Account Descr G 205-10100 Cash				\$1,318.98			
Account Descr G 205-12400 EDA Loan Receivable							
January	085878	Cash Recei	ASTRO ENGINEERING	\$1,059.39	EDA Loan Principal Paym	01/15/19	205
January	085800	Cash Recei	CP PROPERTIES GROUP L	\$184.30	EDA Loan Principal Paym	12/27/18	205
January	003102	Cash Recei	HANOVER DENTAL	\$4,880.88	EDA Loan Payment - Loa	01/25/19	205
January	085835	Cash Recei	PLUG TECHNOLOGIES, IN	\$437.02	EDA Loan Principal Paym	01/04/19	205
January	028191	Cash Recei	ROY C INC	\$208.33	EDA Loan Payment - Jan	01/03/19	205
February	085976	Cash Recei	ASTRO ENGINEERING	\$1,062.36	EDA Loan Principal Paym	02/15/19	205
February	085937	Cash Recei	PLUG TECHNOLOGIES, IN	\$437.41	EDA Loan Principal Paym	02/05/19	205
February	028277	Cash Recei	ROY C INC	\$208.33	EDA Loan Payment - Feb	02/01/19	205
March	086067	Cash Recei	ASTRO ENGINEERING	\$1,091.22	EDA Loan Principal Paym	03/15/19	205
March	086034	Cash Recei	PLUG TECHNOLOGIES, IN	\$439.57	EDA Loan Principal Paym	03/05/19	205
March	028358	Cash Recei	ROY C INC	\$208.33	EDA Loan Payment - Mar	03/01/19	205
April	086214	Cash Recei	ASTRO ENGINEERING	\$1,085.44	EDA Loan Principal Paym	04/15/19	205
April	086147	Cash Recei	PLUG TECHNOLOGIES, IN	\$439.61	EDA Loan Principal Paym	04/04/19	205
April	028444	Cash Recei	ROY C INC	\$208.33	EDA Loan Payment - Apri	04/01/19	205
May	086356	Cash Recei	ASTRO ENGINEERING	\$1,062.99	EDA Loan Principal Paym	05/15/19	205
May	086319	Cash Recei	PLUG TECHNOLOGIES, IN	\$440.34	EDA Loan Principal Paym	05/06/19	205
May	028530	Cash Recei	ROY C INC	\$208.33	EDA Loan Payment - May	05/01/19	205
June	086493	Cash Recei	ASTRO ENGINEERING	\$1,082.73	EDA Loan Principal Paym	06/14/19	205
June	086445	Cash Recei	PLUG TECHNOLOGIES, IN	\$440.80	EDA Loan Principal Paym	06/04/19	205
June	028611	Cash Recei	ROY C INC	\$208.33	EDA Loan Payment - Jun	06/03/19	205
Account Descr G 205-12400 EDA Loan Receivable				\$15,394.04			
PL Type G General Ledger				\$17,240.63			
PL Type *R Revenue							
Account Descr R 201-31000 Property Taxes - General							
January		Journal Entr		\$161.85	To Reverse 2018 YE JE		201
January		Journal Entr		\$220.96	To Reverse 2018 YE JE		201
January		Cash Recei	HENNEPIN COUNTY TREA	\$220.96	HC Tax Settlement - Jan		201
January		Cash Recei	WRIGHT COUNTY AUDITO	\$161.85	WC Tax Settlement - Jan		201
June		Cash Recei	WRIGHT COUNTY AUDITO	\$18,748.95	WC Tax Settlement - Jun		201
Account Descr R 201-31000 Property Taxes - General				\$19,514.57			
Account Descr R 201-36210 Interest Earnings							
March		Journal Entr		-\$342.07	Allocate 1st Quarter 201		201

Transaction Activity - EDA

Period Name	Check Nbr	Tran Name	Search Name	Amount	Comments	Check/Receipt Date	Fund
Account Descr R 201-36210 Interest Earnings				-	\$342.07		
Account Descr R 201-36215 Investment Income/Loss							
March		Journal Entr		-	\$568.35	Allocate 1st Quarter 201	201
Account Descr R 201-36215 Investment Income/Loss				-	\$568.35		
Account Descr R 205-36210 Interest Earnings							
January	085878	Cash Recei	ASTRO ENGINEERING	\$273.48	EDA Loan Interest Paym	01/15/19	205
January	085835	Cash Recei	PLUG TECHNOLOGIES, IN	\$12.21	EDA Loan Interest Paym	01/04/19	205
February	085976	Cash Recei	ASTRO ENGINEERING	\$270.51	EDA Loan Interest Paym	02/15/19	205
February	085937	Cash Recei	PLUG TECHNOLOGIES, IN	\$11.82	EDA Loan Interest Paym	02/05/19	205
March		Journal Entr		-	\$495.58	Allocate 1st Quarter 201	205
March	086067	Cash Recei	ASTRO ENGINEERING	\$241.65	EDA Loan Interest Paym	03/15/19	205
March	086034	Cash Recei	PLUG TECHNOLOGIES, IN	\$9.66	EDA Loan Interest Paym	03/05/19	205
April	086214	Cash Recei	ASTRO ENGINEERING	\$247.43	EDA Loan Interest Paym	04/15/19	205
April	086147	Cash Recei	PLUG TECHNOLOGIES, IN	\$9.62	EDA Loan Interest Paym	04/04/19	205
May	086356	Cash Recei	ASTRO ENGINEERING	\$269.88	EDA Loan Interest Paym	05/15/19	205
May	086319	Cash Recei	PLUG TECHNOLOGIES, IN	\$8.89	EDA Loan Interest Paym	05/06/19	205
June	086493	Cash Recei	ASTRO ENGINEERING	\$250.14	EDA Loan Interest Paym	06/14/19	205
June	086445	Cash Recei	PLUG TECHNOLOGIES, IN	\$8.43	EDA Loan Interest Paym	06/04/19	205
Account Descr R 205-36210 Interest Earnings					\$1,118.14		
Account Descr R 205-36215 Investment Income/Loss							
March		Journal Entr		-	\$823.40	Allocate 1st Quarter 201	205
Account Descr R 205-36215 Investment Income/Loss				-	\$823.40		
PL Type *R Revenue					\$18,898.89		
PL Type -E Expenditure							
Account Descr E 201-41330-306 Dues & Subscriptions							
June	034323	Cash Paym	INITIATIVE FOUNDATION	\$310.00	Endowment Pledge - 201	06/18/19	201
Account Descr E 201-41330-306 Dues & Subscriptions					\$310.00		
Account Descr E 201-41330-310 Other Professional Services							
February	034102	Cash Paym	VISA - BANKWEST	\$6.70	Postage	02/05/19	201
Account Descr E 201-41330-310 Other Professional Servi					\$6.70		
Account Descr E 201-41330-437 Other Miscellaneous							
February	034102	Cash Paym	VISA - BANKWEST	\$97.70	EDA Social 2019: RTIC C	02/05/19	201
March	034145	Cash Paym	VISA - BANKWEST	\$53.68	EDA Social 2019: Cast Ir	03/05/19	201
March	034145	Cash Paym	VISA - BANKWEST	\$267.36	EDA Social 2019: 1-Burn	03/05/19	201
June	002675	Cash Paym	RIVER INN	\$515.40	EDA Social 2019: 40 Gue	06/18/19	201
June	034306	Cash Paym	VISA - BANKWEST	\$65.00	EDA Social 2019: Therap	06/04/19	201
Account Descr E 201-41330-437 Other Miscellaneous					\$999.14		
PL Type -E Expenditure					\$1,315.84		
Act Year 2019					\$37,455.36		
					\$37,455.36		

<u>Borrower</u>	<u>7/8/2019</u>	<u>Paid Through</u>
	\$ -	
Plug Technologies, Inc.	\$ 4,010.30	July
Hanover Dental	\$ -	Paid Off in January
Astro Engineering	\$ 91,275.29	June
Roy C. Inc.	\$ 6,041.69	July
	\$ -	
Total	\$ 101,327.28	



To: Hanover Economic Development Authority

From: Brian Hagen, City Administrator

Re: BBBBQ LLC/Big Bore Barbeque Co. Low Interest Loan Request

Date: July 16, 2019

The BBBBQ LLC/Big Bore Barbeque Co. financing has presented the Hanover EDA and City Council with a unique project from what we have experienced in the past. To date the EDA and Council have reviewed an application by the new start up business for a low interest loan and a matching grant through the EDA.

On June 4, 2019 the first approval of the request included the following:

- Matching Grant in an amount of \$7,500
- Low Interest Loan in an amount of \$92,500 with conditions:
 - Hanover EDA placed 2nd on real estate mortgage that is personally guaranteed
 - Hanover EDA placed 2nd on UCC filing against the business assets
 - Appraisal of property be provided showing a value in an amount to financially secure the loan via commercial property and assets
 - Title opinion showing ownership of property
 - Loan repayment monthly over a 10-year period
 - All Corporation and LLC documents be supplied to the City
 - Other conditions as BankWest recommends to reduce liability to the EDA

As the conditions were being met, there was a shortfall identified in the financial security of the loan amount. The EDA discussed this shortfall, of \$35,400, and ultimately decided to reduce the loan amount to \$57,100. The EDA further supported the City Council to adjust the loan as desired if additional financial security was identified. Additional financial security was identified via the Hanover EDA being placed in a 3rd position on Mr. Brink's home mortgage. This was identified after the bank providing an SBA Loan stated they would remove themselves on the home mortgage if that meant the Hanover EDA contributing the full \$92,500 low interest loan. An appraisal and mortgage documents were provided to ensure there was remaining value. With this new financial security being identified, the City Council approved the loan in the original amount of \$92,500.

On July 2, 2019 the second approval of the request included the following:

- Matching Grant remaining as approved
- Low Interest Loan in an amount of \$92,500 with conditions
 - Hanover EDA placed 3rd on Brink's home real estate mortgage
 - All business owners provide personal guarantee
 - All prior conditions remain

Since the July 2, 2019 City Council approval, Byline Bank who is providing the SBA Loan presented the City with an Intercreditor Agreement for signing. In reviewing the agreement, it was determined that the agreement would impact the City's financial security, and therefore another review of the request is warranted. Byline Bank further indicated that should the City not agree to the terms, then they would not grant the SBA Loan, thus the project would lose 80% of its funding.

The Intercreditor Agreement identifies Byline Bank as the senior lender and the Hanover EDA as a junior lender. The agreement was requested out of fear that should Mr. Brink default on his SBA Loan, he would continue to pay the Hanover EDA loan in order to keep his home. Should Mr. Brink default on the SBA Loan, Byline Bank has an opportunity to receive federal insurance repayment on the remaining loan amount, subject to them showing proof they collected repayment from all avenues possible. To support this request, the Intercreditor Agreement identifies that should Mr. Brink continue repaying the Hanover EDA, those funds be forwarded to Byline Bank.

After several discussions with Byline Bank, the owners of BBQ LLC/Big Bore Barbeque Co., the City Attorney, and BankWest a solution that provides security to all parties may have been identified. Details on the financial security of being placed second on the commercial property and third on the personal property remain. The Intercreditor Agreement would identify that any EDA loan repayment funds received from the majority owner of the businesses be forwarded to Byline upon their notice of default by Mr. Brink. The Intercreditor Agreement would identify that any EDA loan repayment funds received by the minority owner of the businesses are protected from being required to be forwarded to Byline upon default by Mr. Brink. In essence, the financial security for the loan would be provided by \$57,100 of commercial assets, \$35,400 of personal assets, personal guarantee of the full EDA Loan amount repayment by the two majority owners of the business and a personal guarantee of \$35,400 by the minority owner of the businesses.

The following are details of the solution:

EDA and City Council Consideration on the following:

- Matching Grant remains as approved on June 4, 2019
- Low Interest Loan in an amount of \$92,500 with conditions
 - Hanover EDA placed 2nd on commercial real estate mortgage
 - Hanover EDA placed 2nd on UCC filing against the business assets
 - Hanover EDA placed 3rd on home real estate mortgage
 - Appraisal of commercial property be provided showing a value in an amount to provide financial security for the low interest loan (*identified value of \$57,100*)
 - Asset inventory list to show value of equipment in an amount to provide financial security for the low interest loan
 - Appraisal and loan documents of home mortgage showing a value in an amount to provide financial security for the low interest loan (*identified value in excess of \$35,400*)
 - Personal guarantee of \$92,500 from majority business owners (Mr. & Mrs. Brink)
 - Personal guarantee of \$35,400 from minority business owner
 - All business corporation and LLC documents be supplied to the City (*completed*)
 - Title opinion showing ownership of property (*provided prior to closing*)
 - Loan repayment monthly over a 10-year period with no early payoff penalty
 - Interest rate equal to Prime (as published by the Wall Street Journal) minus two, with a minimum interest rate of 2% and a maximum interest rate of 6%.

Given a purchase agreement is in place that expires July 31st. The desire would be for City Council to give their final consideration at a special meeting on July 22: 2019, allowing the closing to happen in July.

**Hanover Economic Development Authority
Special Revenue Fund**

Account	Description	2014	2015	2016	2017	2018	06-30-19	2019	% of	2020	%	Comments
		Actual	Actual	Actual	Actual	Actual	Actual	Budget	Budget	Budget	Change	
<i>Revenue Accounts</i>												
201-31000	PROPERTY TAXES	43,767	49,867	49,383	49,306	49,082	18,749	49,000		49,000		
201-31010	TAX ABATEMENT	4,000	0	1,222	0	0	0	0		0		
201-36200	MISCELLANEOUS REVENUES				0	500	0	0		0		
201-36210	INTEREST EARNINGS	102	815	905	1,213	1,212	342	0		0		
201-36215	INVESTMENT INCOME/LOSS	1,074	(65)	833	(403)	(336)	568	0		0		
201-33410	MV CREDIT	46	70	59	52	42	0	0		0		
Total Revenue		48,989	50,687	52,401	50,168	50,500	19,659	49,000	40%	49,000	0%	
<i>Expenditure Accounts</i>												
201-41330-111	COMMITTEE WAGES/MEETINGS	2,010	1,620	1,410	1,710	1,170	0	2,000		2,000		
201-41330-306	DUES & SUBSCRIPTIONS	1,198	487	320	310	310	310	500		500		Initiative Foundation & EDAM membership
201-41330-310	OTHER PROFESSIONAL SERVICES	23,850	10,840	7,766	7,564	9,618	7	10,000		5,000		Admin training included
201-41330-437	OTHER MISCELLANEOUS	4,537	4,562	4,600	112,480	6,779	999	5,500		5,500		Bus. Social, HHF Donation
201-41570-210	PURCH: SUPPLIES	0	0	0	0	0	0	1,000		1,000		
201-49360-700	TRANSFERS: BUSINESS INCENTIVE	15,000	15,000	0	0	0	0	30,000		35,000		
Total Expenditures		46,595	32,508	14,096	122,064	17,877	1,316	49,000	3%	49,000	0%	
Total Revenue Over Expenditures		6,261	18,178	38,305	(71,896)	32,623	18,344	0		0		

**Hanover Economic Development Authority
Business Incentive Fund**

Account	Description	2014 Actual	2015 Actual	2016 Actual	2017 Actual	2018 Actual	06-30-19 Actual	2019 Budget	% of Budget	2020 Budget	% Change	Comments
<i>Revenue Accounts</i>												
205-33400	STATE GRANTS & AIDS	43,911	28,017	0	0	0	0	0		0		
205-36200	MISC REVENUES	100	0	0	0	2,000	0	0		0		
205-36210	INTEREST EARNINGS	1,693	2,968	3,706	3,536	4,290	2,109	0		3,500		
205-36215	INVESTMENT INCOME/LOSS	1,733	(79)	107	(1,212)	1,709	823	0		0		
205-36230	CONTRIBUTIONS & DONATIONS	0	0	0	0	0	0	0		0		
205-39203	TRANSFERS FROM OTHER FUNDS	15,000	15,000	0	0	0	0	30,000		35,000		
Total Revenue		62,437	45,905	3,813	2,323	7,999	2,933	30,000	10%	38,500	28%	
<i>Expenditure Accounts</i>												
205-49300-317	EDA: RENT REIMBURSEMENT	0	0	1,485	4,800	0	0	0		0		Rent Reimbursement Program
205-49300-318	EDA BIF: MATCHING GRANT	22,367	28,017	1,500	2,333	16,741	0	0		0		Matching Grant Program (loan & grant proceeds)
205-49300-319	EDA: LOANS	0	0	0	0	100,000	0	0		0		Low Interest Loan Program
Total Expenditures		22,367	28,017	2,985	7,133	116,741	0	0	#DIV/0!	0	#DIV/0!	
Total Revenue Over Expenditures		40,070	17,888	828	(4,810)	(108,742)	2,933	30,000		38,500		

Preliminary Levy Certification

**STATE of MINNESOTA
 COUNTY of WRIGHT
 HANOVER EDA**

Return by: _____
 District Taxes Voted

To the Auditor of Wright County: I hereby certify that the Hanover City Council, on behalf of the **Board for the Hanover EDA**, Counties of Wright and Hennepin, Minnesota, did at a meeting on _____ levy the following amount to be raised by taxation for the Hanover EDA for the payable year 2020.

2019 Final

2020 Preliminary

2019 Budget Requirement	2019 LGA	2019 Other Resources	2019 Tax Levy	# Fund	2020 Budget Requirement	2020 LGA	2020 Other Resources	2020 Certified Levy
49,000.00			49,000.00	5 Administration	49,000.00		0.00	49,000.00
49,000	0	0	49,000	Total	49,000	0	0	49,000

Dated this _____ day of _____, 2019.

 Brian Hagen, City Administrator