

**MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
LOAN ADMINISTRATION BOARD MEETING MINUTES**

Tuesday, October 18, 2016
8:00 AM
MCEDD OFFICE, 515 East 2nd Street, The Dalles

ATTENDANCE:

BOARD: Scott Clements (teleconference), Bob Hamlin (teleconference), Rex Johnston (teleconference), Mike Smith (teleconference), AJ Tarnasky (teleconference), Bob Benton (teleconference) and Rod Runyon

STAFF: Eric Nerdin, Sherry Bohn and Amanda Hoey

GUESTS: Heidi Hall and Blake Hall (Sweet Lila's Coffee Cup)

CALL TO ORDER:

Scott Clements called the meeting to order at 8:00 a.m. A quorum was present. Bob Benton recused himself due to a conflict of interest with the loan applicant Sweet Lila's Coffee Cup. A round of introductions took place.

LOAN ADMINISTRATION BOARD MINUTES:

Mike Smith moved to approve the minutes from September 6, 2016. Rex Johnston seconded the motion. Motion passed unanimously.

LOAN REQUEST: SWEET LILA'S COFFEE CUP

Eric Nerdin presented a \$34,400 loan request from Sweet Lila's Coffee Cup to start up a drive thru coffee business in Hood River.

EXECUTIVE SESSION

Per ORS 192.660 (f) Exempt Documents, the MCEDD Loan Administration Board moved into Executive Session at 8:05 a.m.

Regular session was reconvened at 8:19 a.m.

LOAN REQUEST DECISION: SWEET LILA'S COFFEE CUP

Rod Runyon motioned to approve the loan request from Sweet Lila's Coffee as presented. Mike Smith seconded the motion. Motion passed unanimously with Bob Benton recusing himself.

Terms:

- Loan amount: \$34,400.00
- Interest Rate: 8.75% with clause that interest rate will be 7.75% after 30 consecutive monthly payments have been made on time and as agreed, the required small business counseling has been received during the required period of time and all other loan requirements have been met. (Fixed interest rate within time periods listed)

- Loan Term: 96 months
- Loan Payment: First six (6) months of accrued interest only monthly payments followed by ninety (90) principal and accrued interest monthly payments of \$522.60.
- Loan Fee: \$516.00
- Collateral and Conditions: As presented in the staff report

OCTOBER LOAN ACTIVITY REPORT:

Eric Nerdin and Amanda Hoey presented an update on the loan activity for October.

EXECUTIVE SESSION

Per ORS 192.660 (f) Exempt Documents, the MCEDD Loan Administration Board moved into Executive Session at 8:23 a.m.

Regular session was reconvened at 8:30 a.m.

LOAN PROGRAM REVENUE/EXPENSE UPDATE

Amanda reported that in October the MCEDD Executive Committee discussed the status of the loan programs’ revenue and expenses. She reported that an increase in early loan payoffs, as well as a decrease in potential deals in the pipeline, was creating a potential challenge for program sustainability. She reported that MCEDD currently has approximately \$1.1 million available to loan (excluding Oregon Investment Board and housing funds). Amanda reported that Eric Nerdin conducted a limited survey of MCEDD loan clients who recently paid off their loans early by obtaining bank financing to refinance these debts. Amanda stated that these loan clients mostly were incentivized to obtain funds to pay off MCEDD loans by lower interest rates on loans that consolidated debt, which produced favorable repayment terms to increase either short term or long term cash flow. Amanda also reported that staff had also spoke with bank commercial lending personnel. She reported that local and regional bank lending personnel stated that they are seeing very few new loan opportunities. Amanda stated that the Executive Committee asked the Loan Administration Board to analyze MCEDD’s position in the market and to review interest rates, terms, collateral and other factors that may increase the accessibility for borrowers to MCEDD’s programs.

Discussion: Scott Clements requested clarification on the expectations from the Executive Committee for Loan Administration Board recommendations and further information regarding the Executive Committee’s concerns. Amanda explained that the Executive Committee is concerned with the increase of loan payoffs and the lack of future lending opportunities in the pipeline. The combination of these issues at such a high level and so early in the fiscal year created the concern of imbalance between revenue and expenses. The Committee is tracking the gap and feels that addressing potential modifications to the program is best referred to the Loan Administration Board and staff has prepared a few areas for the Loan Administration Board to consider. Staff would like direction on which modification areas the Loan Board would be interested to potentially pursue so staff can provide detailed recommendations. Bob Hamlin asked how much changing the interest rate would help. Eric Nerdin stated that the beginning interest rate was typically not an issue and usually the issue occurs

a few years into the loan. Rod Runyon noted that one of the suggested discussion points included modifying the loan approval requirements, such as collateralization or assignment of life insurance and asked if the newest approved loan is reflective of this position regarding collateral. Amanda replied that it is primarily reflective of the current position of the programs in having a greater level of funds available to loan.

The board consensus was to discuss at the next scheduled meeting the policy of lowering or changing the interest rate structure and collateralization.

ADJOURNMENT: Having no other new business, the meeting was adjourned at 8:48 a.m.

Respectfully submitted by Sherry Bohn, MCEDD Office Administrator