

CITY OF NORTHFIELD, MN
CITY COUNCIL RESOLUTION 2015-075
REQUEST TO EXTEND THE MODIFICATION OF THE MASTER DEVELOPMENT LOAN
AWARDED TO STRATAPOINT

WHEREAS, StrataPoint is a Minnesota Company owned and operated by Dale LaFrenz; and,

WHEREAS, in 2009 the Economic Development Authority (EDA) for the City of Northfield recommended City Council approve a Master Development Loan in the amount of \$50,000 to assist with locating and creating their business in Northfield; and,

WHEREAS, the company maintained offices at 101 East 5th Street for several years; and,

WHEREAS, the original terms of the loan were 3.25% for 60 months; and,

WHEREAS, the City Council awarded the Master Development Loan to StrataPoint in May 2009; and,

WHEREAS, StrataPoint provided timely payments through April 2013 and notified the City that future payments would not be made due to financial implications within the company; and,

WHEREAS, the remaining balance of the loan was \$14,999.75; and,

WHEREAS, the EDA recommended the City Council accept interest-only payments from StrataPoint, Inc. for 24 months to allow the company time to re-establish their business; and,

WHEREAS, the City Council passed CC Resolution 2013-061 allowing StrataPoint a temporary loan modification of interest only payments for 24 months on their Master Development Loan; and,

WHEREAS, the company remains in financial hardship and has requested an extension of the interest-only payments.

WHEREAS, the Economic Development Authority has requested the City Council to consider extending the loan modification of interest-only payments at a rate of 3.625% in an amount of \$46.00 for an additional 24 months.

NOW THEREFORE BE IT RESOLVED that the City Council approves extending the modification of the Master Development Loan awarded to StrataPoint with terms of interest-only payments for twenty-four months at which time the loan would be modified to continue payments including principle.

PASSED by the City Council of the City of Northfield on this 21st day of July, 2015.

ATTEST

Deb A. Hottle
City Clerk

David S. G.
Mayor

VOTE: Y GRAHAM Y DELONG Y LUDESCHER Y NAKASIAN
 Y PETERSON WHITE Y POWNELL Y ZWEIFEL

RESOLUTION NO. 2015-06
ECONOMIC DEVELOPMENT AUTHORITY

**RECOMMENDATION TO CITY COUNCIL OF A LOAN MODIFICATION EXTENSION FOR THE
MASTER DEVELOPMENT LOAN AWARDED TO STRATAPOINT**

- WHEREAS, StrataPoint is a Minnesota Company owned and operated by Dale LaFrenz; and,
- WHEREAS, in 2009 the Economic Development Authority (EDA) for the City of Northfield recommended City Council approve a Master Development Loan in the amount of \$50,000 to assist with locating and creating their business in Northfield; and,
- WHEREAS, the company maintained offices at 101 East 5th Street for several years; and,
- WHEREAS, the original terms of the loan were 3.25% for 60 months; and,
- WHEREAS, the City Council awarded the Master Development Loan to StrataPoint in May 2009; and,
- WHEREAS, StrataPoint provided timely payments through April 2013 and notified the City that future payments would not be made due to financial implications within the company; and,
- WHEREAS, the remaining balance of the loan was \$14,999.75; and,
- WHEREAS, the EDA recommended the City Council accept interest-only payments from StrataPoint, Inc. for 24 months to allow the company time to re-establish their business; and,
- WHEREAS, the City Council passed CC Resolution 2013-061 allowing StrataPoint a temporary loan modification of interest only payments for 24 months on their Master Development Loan; and,
- WHEREAS, the company remains in financial hardship and has requested an extension of the interest-only payments.

NOW THEREFORE BE IT RESOLVED that the Economic Development Authority for the City of Northfield agrees to recommend to the City Council an extension to the modification of the Master Development Loan awarded to StrataPoint with terms of interest-only payments for an additional twenty-four months, with a mid-term review of company financials, at which time the loan would be modified to continue payments including principle.

Passed by the Economic Development Authority of the City of Northfield this 28th day of May, 2015.

Rick Jackson, President

Todd Bornhauser, Secretary/Treasurer



City of Northfield

City Hall
801 Washington Street
Northfield, MN 55057
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Legislation Text

File #: Res. 2015-075, Version: 1

City Council Meeting Date: July 21, 2015

To: Mayor and City Council
City Administrator

From: Michele Merxbauer, Community Development Coordinator

Approve to extend interest-only payments for 24 months on the Master Development Loan awarded to StrataPoint

Action Requested:

The City Council is requested to approve a resolution modifying the Master Development Loan for StrataPoint, Inc. to extend interest-only payments for 24 months.

Summary Report:

StrataPoint, Inc. is a GPS/GIS company that provides a web-based software-as-a-service product focused on golf courses, municipalities and homeowner associations. The software was developed with professional superintendents, groundskeepers and city foresters to combine advanced point and click management using GPS imagery to bring accurate and current grounds data directly to any web-connected computer.

In 2009, the EDA recommended that City Council approve a Master Development Loan of \$50,000 to StrataPoint, Inc. at a rate of 3.25% (WSJ Prime as of loan start date) amortized over 60 months (Resolution 2009-041). The company made timely payments through April 30, 2013. However, the company experienced financial hardships and notified its creditors that further payments on their financial obligations would not be feasible, and they requested alternate payment arrangements.

The EDA passed Resolution 2013-08 on April 25, 2013 that recommended the City Council modify the loan arrangement to interest-only payments for a 24-month period. Council approved the modification stating StrataPoint, Inc. was granted 24 months of interest-only payments at a rate of 3.625% of the outstanding balance of \$14,999.75, which correlated to \$46 monthly payments. This modification ended on May 7, 2015. StrataPoint has continued making \$46 monthly payments while the extension request is reviewed by the EDA and City Council.

After correspondence with StrataPoint, Inc. leadership, staff has concluded that the company continues to experience financial hardship. However, the company has established and maintained three Strategic partnerships within the Airport, golf course and education industries to generate revenue:

- GateKeeper Systems facilitates StrataPoint product within the Airport industry;
- SkyHawke, Inc. coordinates product within the golf course industry;
- RE@L (Real Experiences at Life) collaborated with StrataPoint to develop a STEM-based system for the K-12 education market, which is currently utilized within the Miami-Dade County school district.

These partnerships maintain the survival of StrataPoint, Inc. Currently, there are no employees for StrataPoint and no payroll. Dale LaFrenz, Chairman, continues to work on the product and facilitate partnerships for larger utilization. The May 2013 modification allowed the business to maintain a level of operation. Through the established partnerships and the perseverance of Chairman and CEO, StrataPoint, Inc. continues to operate at a minimal level. Mr. LaFrenz is not requesting loan forgiveness but has requested an extension of the loan modification for an additional 24 months.

The EDA discussed the request, and recommends the City Council to approve an additional 24 month extension, with staff review at 12 months.

Alternative Options:

The Company is not financially in a position to pay principal and interest on the loan. The City could call the loan, which is backed with a personal guarantee. This action would close the company completely.

StrataPoint, Inc. has a small customer base that they are growing and their two-three year vision is to grow that base and resume their financial obligations. Interest-only payments at this time help to keep the company in good-standing with the City yet continue to pool their resources towards their customer base, ensuring for long-term health of the company.

Financial Impacts:

The City has no financial impact if interest-only payments continue on the loan.

The Master Development Loan originated from the Municipal District #4 TIF funds and payments revolve back into the EDA Downtown Revolving Loan fund. The interest-only payments would continue to contribute to the revolving loan fund balance. The EDA Downtown Revolving Loan fund balance was \$424,480.86 as of the end of May; this is the amount available for new loan requests. The May loan statement shows that \$3,228.77 was repaid on outstanding loans in April 2015. The loss of principle repayment on the StrataPoint, Inc. loan results in a decrease of approximately \$858.00/month.