



Legislation Text

File #: Res. 2018-021, **Version:** 1

City Council Meeting Date: March 6, 2018

To: Mayor and City Council
City Administrator

From: Nate Carlson, Economic Development Coordinator
Chris Heineman, Community Development Director

Consider Resolution to Extend Third Loan Modification for StrataPoint, Inc.

Action Requested:

Northfield City Council approves the attached Resolution for Third Loan Modification of the Master Development Loan for StrataPoint, Inc.

Summary Report:

From 1993 to 2011, the Northfield City Council established and maintained a loan fund to assist with economic development projects known as the 'Master Development Loan Fund.' This fund was established using tax increment funds from the Master Development District. The Council established a Master Development Fund Policy, provided guidelines on how the funds were to be used and the application process (see attached). The Northfield Economic Development Authority (EDA) has traditionally acted as the manager for Master Development Loans and provides recommendations to the City Council.

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). StrataPoint, Inc. is a GPS/GIS company that provides a web-based software-as-a-service product focused on golf courses, airports, 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. The company made timely payments through April 30, 2013. However, the company experienced financial hardships and notified its creditors further payments on their financial obligations would not be feasible and they requested alternate payment arrangements.

In 2013, the EDA passed Resolution #2013-061 recommending the City Council modify the loan arrangement to interest-only payments for a 24-month period. The principal balance of the loan at this time was \$14,999.75. Council approved the modification granting 24 months of interest-only payments at a rate of 3.625% of the outstanding balance, which correlated to monthly payments of \$46.00. This first modification ended on May 7, 2015.

At the end of the 24-month modification period, StrataPoint, Inc. requested additional time to repay the balance of the loan. Staff presented a second modification of the loan to the EDA in June 2015 extending the interest-only payments for two years. The EDA recommended approval to the City Council, which approved the second

modification (Resolution #2015-075).

The second 24-month modification period ended in July, 2017. After correspondence with the owners of StrataPoint, staff has concluded the company continues to experience financial hardship and is unable to repay the principal balance at this time. Rather than extend the interest-only payments for an additional period of two years, staff recommends restructuring the loan to resume principal and interest payments. The negotiated loan terms are as follows:

- Principal Balance: \$14,999.75
- 1% interest
- 15-year amortization
- 5-year term with balloon payment
- Monthly payment of \$89.77
- Balloon payment of \$10,247.56 after the 5-year term
- No collateral offered

To date, the total principal and interest payments related to this Master Development Loan are \$40,991.76. With the approval of this loan modification, principal and interest payments will increase to \$89.77 resulting in total payments of \$5,386 by the end of the payment period. A balloon payment of \$10,247.56 will be due at the end of the payment period.

The EDA Loan Sub-Committee met on October 18th to review the submitted application and provided recommendation to the EDA Board for approval of the terms.

The EDA Board took action on October 26, 2017 and approved EDA Resolution #2017-02 (attached) to recommend approval by the City Council.

Alternative Options:

Foreclosure on remaining outstanding balance (\$14,999.75) is an option, however this loan is unsecured and the business is unable to make this payment at this time.

Financial Impacts:

If the loan modification is approved and the borrower fulfills the terms of the Agreement, the amount of principal and interest payments since 2009 will total approximately \$46,377. If the balloon payment of \$10,247.56 is made at the end of the payment period, the \$50,000 loan will be paid in full.

Tentative Timelines:

Payments ceased at the end of July 2017 when the two-year extension expired.