

*****ATTACHMENTS*****



Economic Development Loan Program Subordination Policy

Amendment to the Economic Development Loan Policy and Procedures Manual as approved by HUD

The Redevelopment Authority's policy guidelines for consideration of subordination requests submitted by lenders on behalf of owners who have existing business development loans with the City Development Department are as follows:

1. Before processing subordination requests, written authorization shall be obtained from the owner allowing city staff to obtain information from or share information with the lender. This authorization shall be included in the owner's file.
2. The Redevelopment Authority will not agree to a subordination request for a loan that is in default status. The Redevelopment Authority may consider a subordination request if a loan has not been in default status for a minimum of 90 days.
3. City Development staff shall obtain the following information before approving subordination requests:
 - Name of lending institution with existing mortgage
 - Name of lending institution proposing a loan subordination
 - Pay-off amount for existing mortgage
 - Interest rate on existing and future mortgage
 - Date, terms and Redevelopment Authority loan amount
 - Proposed loan amount
 - Estimated settlement charges to business loan recipient.
 - Type of new loan (refinance, line of credit)
 - Whether any other debt is paid off as part of the proposed subordination
 - Loan application to lending institution proposing a loan subordination
 - Total debt before and after proposed refinancing
 - Appraised value of the property (via a copy of a Uniform Standards of Professional Appraisal Practice (USPAP) appraisal less than 6 months old)

Assuming the subordination request complies with Criterion #1, #2 and #3 below, the Director of Planning and Development shall be authorized to sign off on any subordination agreement that is in accordance with the following criterion:

Criterion #1: The loan-to-value ratio after a subordination request is executed shall not exceed 100%. Forgivable loan amounts will not be considered when determining the loan-to-value ratio.

Criterion #2: Approval of subordination requests shall generally occur in situations where no new loan funds are being drawn out and where refinancing is occurring in order for the owner to take advantage of a lower interest rate and/or shorter loan term, e.g. extending the length of the loan in order to lower monthly payments, etc.

Criterion #3: Subordination requests shall not be approved when new loan funds are being used to generate cash for unspecified purposes.

Approved: _____



SUBORDINATION REQUEST FORM

This form is designed to provide the information necessary for responding to a request for the subordination of a Redevelopment Authority's (RDA) Economic Development Loan Program. Please fill out the form completely. Incomplete forms will be returned. Additional information may be required. The Redevelopment Authority is in sole discretion to agree to subordinate the mortgage.

Name of Business Loan Applicant(s): _____

Current Address: _____

Appraised Value: _____ Date of Appraisal: _____
(Attach a copy of the most recent appraisal within 6 months of this request)

City Assessed Value: _____

LENDER INFORMATION

Lending Institution (to which RDA would subordinate): _____

Lender Contact Name: _____ Phone: _____

Address to return subordination: _____

Note: The requestor shall provide a subordination form that be executed by the Redevelopment Authority's staff upon approval.

Reason for Request (Check all that apply):

_____ Simple refinance – refinance for lower interest rate only
(no debt consolidation, no cash out)

_____ Refinance an existing mortgage to obtain a comparable interest rate and extended payment terms.

_____ Establish a line of credit to solely be used to expand the business operations

_____ Refinance an existing mortgage as necessary to halt foreclosure proceedings by a bank or to halt tax deed proceedings by the county.

Financing Summary

Existing	Mortgager	Original Amount	Interest Rate	Current Balance
1 st Mortgage		\$		\$
2 nd Mortgage		\$		\$
3 rd Mortgage		\$		\$
4 th Mortgage		\$		\$
Totals:		\$		\$

Proposed	Mortgager	Amount	Interest Rate	Monthly Payment
1 st Mortgage		\$		\$
2 nd Mortgage		\$		\$
3 rd Mortgage		\$		\$
4 th Mortgage		\$		\$
Totals:		\$		\$

Terms of New Mortgage Loan:

Amount of Loan: _____ Term (in years): _____

Interest Rate: _____ Variable or Fixed: _____

Provide a title commitment or report letter completed within 30 days of the request for subordination.

Business Owner's Statement

The information supplied above is true and accurate. The new loan funds will be used for the purpose stated herein. Document has to be signed by property owner or documentation needs to be attached giving authorization to access property owners' financial information.

Business Owner Date

Business Owner Date

CITY OF SHEBOYGAN

REQUEST FOR REDEVELOPMENT AUTHORITY CONSIDERATION

ITEM DESCRIPTION: Discussion and possible action on Economic Development Loan Program subordination policy and request form.

REPORT PREPARED BY: Chad Pelishek, Director of Planning and Development

REPORT DATE: March 25, 2020

MEETING DATE:

March 27, 2020

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The Redevelopment Authority requested staff to come up with a policy that would allow the Director of Planning and Development the authority to sign off on subordination policies related to the Economic Development Loan Program without the RDA having to meet and approve each of them. The draft policy is attached and was developed based on similar policies of Community Development Block Grant communities that administer revolving loan funds similar to Sheboygan's.

STAFF COMMENTS:

City staff does not see a lot of these on yearly basis, but streamlining the process will expedite refinancing processes by local businesses.

ACTION REQUESTED:

Motion to approve the Economic Development Loan Program subordination policy and request form.

ATTACHMENTS:

- I. Economic Development Loan Program subordination policy and request form.

EXHIBIT A

**ASSIGNMENT OF GROUND LEASE
And
TERMINATION OF OPERATING LEASE**

THIS ASSIGNMENT OF GROUND LEASE AND TERMINATION OF OPERATING LEASE ("Agreement") is effective as of _____, 20__ (the "Effective Date") by and between the Redevelopment Authority of the City of Sheboygan, Wisconsin ("RDA") and the City of Sheboygan ("CITY").

WHEREAS, the RDA and the CITY have entered into a Ground Lease dated _____ ("Ground Lease"); and

WHEREAS, the CITY has agreed at the end of the Interim Period to assign to BLUE HARBOR and BLUE HARBOR has agreed to take from Lessee, an assignment of the Ground Lease; and

NOW THEREFORE, the parties agree as follows:

The RDA consents to the Assignment of the Ground Lease under the same terms and conditions therein; and the RDA agrees to take all actions necessary to perfect the assignment of the Ground Lease at the end of the Interim Period described herein.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Effective Date above.

BY: _____
Roberta Filicky-Peneski
Chairperson

ATTEST: _____
Chad D. Pelishek
Executive Director

CITY OF SHEBOYGAN

REQUEST FOR REDEVELOPMENT AUTHORITY COMMITTEE CONSIDERATION

ITEM DESCRIPTION: Discussion and possible action on Exhibit A, Assignment of Ground Lease and Termination of Operating Lease between the Redevelopment Authority of the City of Sheboygan, Wisconsin and Blue Harbor.

REPORT PREPARED BY: Chad Pelishek, Director of Planning and Development

REPORT DATE: March 25, 2020 **MEETING DATE:** March 27, 2020

FISCAL SUMMARY:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

STATUTORY REFERENCE:

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The City is in the process of negotiating the future ownership of the conference center at Blue Harbor. Currently, the City of Sheboygan owns the conference center, however the debt has been paid off and the city is considering whether to retain the conference center or sell it to the resort owners. Exhibit A will be attached to the transfer agreement being negotiated between the City of Sheboygan and Blue Harbor.

STAFF COMMENTS:

None.

ACTION REQUESTED:

Motion to approve Exhibit A, Assignment of Ground Lease and Termination of Operating Lease between the Redevelopment Authority of the City of Sheboygan, Wisconsin and Blue Harbor.

ATTACHMENTS:

- I. Exhibit A

CITY OF SHEBOYGAN

REQUEST FOR REDEVELOPMENT AUTHORITY CONSIDERATION

ITEM DESCRIPTION: Discussion and possible action from 3 Sheeps Brewing requesting a six month deferral in their business development loan due to the COVID-19 virus shuttering their operations.

REPORT PREPARED BY: Chad Pelishek, Director of Planning and Development

REPORT DATE: March 25, 2020 **MEETING DATE:** March 27, 2020

FISCAL SUMMARY:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

STATUTORY REFERENCE:

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

Currently, 3 Sheeps Brewing Co. makes a \$20,415.03 principal payment and a \$5,471.17 interest payment. Grant Pauly with 3 Sheeps has informed city staff that he has taken a 60-60 percent loss in total sales. SBA has agreed to defer their notes for six months and the bank is considering deferring principal payments.

STAFF COMMENTS:

During the recession of 2008, the Redevelopment Authority approved similar requests on a case-by-case basis.

ACTION REQUESTED:

Motion to approve interest only payments of \$5,471.17 for April, May, June, July, August and September and to resume normal principal and interest payments.

ATTACHMENTS:

- I. Email request from Grant Pauly, 3 Sheeps Brewing Co dated March 23, 2020.

Pelishek, Chad

From: Grant Pauly <gpauly@3sheepsbrewing.com>
Sent: Monday, March 23, 2020 6:03 AM
To: Suhrke, Laurie
Cc: Pelishek, Chad
Subject: Re: Follow Up

Good Morning!

I hope you two are doing well in spite of everything going on. I am writing to ask if there might be any opportunities to defer some of our loan payments? I completely understand if we cannot, but if there is a possibility, I'd love to discuss it with someone.

We have taken a very large hit due to this. We have lost about 60-65% of our total sales. Thankfully, the SBA has agreed to defer their notes for 6 months, and we should see approval from our bank to defer the principle portions of those notes, so we are shoring up as best we can right now to make sure we see it through to the other side.

I imagine you are swamped right now, so please do not rush to get back to me, I imagine you have quite a bit on your plate that should rightly take priority. I hope you stay healthy and sane through this!

Thank you,

Grant

Grant Pauly
3 Sheeps Brewing Co
Sheboygan, WI