

MANITOWOC INDUSTRIAL DEVELOPMENT CORPORATION - 12/8/2011

Plan Commission Offices  
Manitowoc City Hall

Regular Meeting  
Manitowoc Industrial Development  
Corporation (IDC)  
Thursday  
December 8, 2011  
3:30 P.M.

I. CALL TO ORDER

The meeting of the IDC was called to order by Chairman Jim Hamann at 3:30 P.M.

II. ROLL CALL

Members Present

Carl Laveck  
John Zimmer  
Myron Halla  
Bob Kaufman  
Jim Hamann  
Jim Brey  
Wayne Mertens  
Dennis Tienor  
Greg Dufek

Members Excused

David Soeldner  
Ted Vallis

Staff Present

David Less

Others Present

See Attached Sign In Sheet

III. APPROVAL OF MINUTES of the July 21, 2011 Meeting.

Motion by: Mr. Kaufman  
Moved that: the minutes be  
approved as presented.

Seconded by: Mr. Tienor  
Upon Vote: the motion was  
approved unanimously.

IV. REFERRALS FROM COMMON COUNCIL

A. None.

V. NEW BUSINESS

A. Project #IREV07-3: Adrienne C. Spaulding and Scooter Rammy's Inc.;  
Proposed Real Estate Mortgage Subordination for Property Securing  
City  
Loan

Mr. Less explained the proposed loan subordination request related to the Central Bark loan approved back in 2007. Mr. Less noted that regarding the City loan to Adrienne Spaulding, the original loan of \$58,310.42 had a current loan balance of \$33,755.18, and would be paid in full on or before June 1, 2015. Mr. Less noted that there had not been any events of default.

Mr. Less then reviewed the proposed subordination analysis he had prepared and previously emailed to the IDC, noting that the City was being asked to subordinate its existing 3<sup>rd</sup> mortgage against the real estate on Cottage Lane, Two Rivers, that was provided by Karl and Debra Welsh (Spaulding's parents) as collateral to secure the original loan related to their daughter's business at 1910 Mirro Drive. Mr. Less continued that a new second mortgage would be provided by Investors Community Bank (ICB) that would consolidate its existing term loan and line of credit into a new, single term debt loan. Mr. Less continued that there would be no new cash added to the original plan of financing, and that the City's collateral position would be essentially unchanged under the proposal. Mr. Less added that Bank First National (BFN) would retain its first mortgage position against the Cottage Lane property, and would also have a mortgage subordinate to the City's mortgage. Mr. Less noted that his recommendation would be to approve the subordination, but added that he would explain his recommendation in greater detail at the end of the presentation.

David Diedrich, Investors Community Bank, 860 N. Rapids Road, commented that he had been banking with Ms. Spaulding for over a year, and that she had approached him in the spring regarding the potential for refinancing. Mr. Diedrich noted that the business' financial health had improved significantly, and felt they were in a position to term out their line of credit and to combine it with their existing term loan to enhance the business' cash flow at a reduced rate of interest. Mr. Diedrich felt that this arrangement would largely clean up Ms. Spaulding's payment structure.

Adrienne Spaulding, 6494 CTH "B", Two Rivers commented that this had been a difficult road for her, and felt that the business was improving. Ms. Spaulding acknowledged that the growth she had originally anticipated did not occur, noting further that the community had been very supportive, and the growth was continuing,

although slower than anticipated.

Mr. Hamann asked for clarification on the nature of the business on Mirro Drive.

Ms. Spaulding explained that her business was all things dog-related, including day care, training, canine cab, and other services.

Mr. Less commented on Ms. Spaulding's vigilance in the pursuit of her business and the difficulties she encountered in getting it financed as a new start up, and then recommended that the IDC take the following actions regarding this matter:

1. Approve the mortgage subordination as detailed in the analysis and approve the recommendations included on the analysis sheet (on file in the City Planner's office);
2. Planner/Secretary to negotiate final terms and conditions with the plan of financing participants, to prepare an amendment to the current loan agreement to reflect the change in collateral position, to prepare the required subordination documents, and to proceed to closing to complete the transaction; and
3. Authorize the President and Planner/Secretary to sign documents as required.

Motion by: Mr. Laveck

Moved that: the IDC approve the subordination as detailed above, and the recommendation of the City Planner.

Seconded by: Mr. Zimmer

Upon Vote: the motion was approved. Mr. Tienor abstained.

Mr. Dufek asked why the City's collateral position in many of these projects was not superior to a bank's?

Mr. Less replied that often the bank was the primary lender in a project and financed the larger body of assets, and typically the City took collateral in the form of specific pieces of machinery and equipment which would be secured with a first lien. Mr. Less noted that sometimes the City would cooperate with the lenders on collateral sharing arrangements. Mr. Less stated that in the case of subordination requests, the City's collateral position might be compromised and weakened in order to allow a business to obtain additional capital or refinancing opportunities from its lender, but in the case of the subordination that was just approved, the City's collateral position was

actually maintained and slightly improved.

B. Discussion of Wetland Delineation Report for Property in Manitowoc I-43 Industrial Park

Mr. Less explained that he had previously provided the IDC members with a copy of a September, 2011 wetland delineation report for Lots 1-4, Block 3, Manitowoc I-43 Industrial Park Subdivision No. 1, at the southwest corner of Dufek Drive and West Drive. Mr. Less noted that there were 2 wetlands that had been delineated in this area, which impacted, in part, each of these 4 lots. Mr. Less reviewed maps detailing the location of the wetland areas.

Mr. Less continued that as these areas were wetlands and essentially undevelopable, he hoped that the IDC would go on record supporting the siting and development of a storm water pond in this area by the City, when so authorized by the City Council. Mr. Less noted that the approval to proceed with the design, funding and construction of a pond would be the Common Councils', and he was asking the IDC to voice its opinion on this matter. Mr. Less then identified the lots that would be relieved of developing a pond structure, and which would ultimately benefit and drain into a regional pond in this location.

Greg Minikel, Deputy City Engineer, commented that they had applied to DNR for an Urban Non-Point Source & Storm Water Program construction grant funding for a pond at this location, and believed the City would receive this funding towards the construction of a pond in this area. Mr. Minikel added that the Council would have to decide whether or not to move forward upon receipt of the grant. Mr. Minikel added that there were no designs in place to determine the size, shape and efficiency of a pond on these 4 lots.

Mr. Hamann asked if the grant would cover 100% of the cost of the pond?

Mr. Minikel replied that it would likely be a grant for 40% of the project cost with a 60% local share, and he felt the City would propose the construction in 2013.

Mr. Less recommended that the IDC approve the siting and construction of a pond impacting these lots, subject to approval of the project by the Common Council, with the intent that the location of the pond be such so as to maximize the remaining developable land available in this area, and to further advise the Council of its actions.

Motion by: Mr. Mertens

Moved that: the IDC approve the Planner's recommendation above.

Seconded by: Mr. Halla

Upon Vote: the motion was approved unanimously.

C. City Centre, LLC; Proposed Transportation Economic Assistance Grant at So. 16<sup>th</sup> Street

Mr. Less updated the IDC regarding a proposed Transportation Economic Assistance (TEA) grant for a rail spur improvement at the City Centre, LLC property at So. 16<sup>th</sup> Street. Mr. Less reviewed various land surveys and a concept plan for the proposed \$2mm project, and advised that there was a recent meeting held on December 1<sup>st</sup> with City Centre, their project engineer (Key Railroad), Canadian National (CN), City and MPU staff, and WisDot staff responsible for administering the TEA program. Mr. Less explained that the project involved a track expansion off of the CN main trackage, and would include the construction of multiple spur tracks for transloading of steel, aluminum, rock etc, and a passing track adjacent to the mainline with an 11-car rail capacity. Mr. Less noted the following regarding this project:

1. The Programmatic Environmental Review (PER) for the project had been accepted by WisDOT.
2. Key was continuing to work with CN regarding finalizing track alignment.
3. A key issue was whether or not the proposed trackage was located in part of the public R/W, and whether this would be a public or private crossing. The trackage area would have to be identified and overlaid on to the boundary survey for the area to determine if there were any conflicts. If it would be a public crossing, someone would have to petition the Office of Commissioner of Railroad (OCR) for a grade crossing, which would add several months to the project timetable, or as an alternative, the City could vacate the impacted So. 16<sup>th</sup> Street R/W to make the area a private crossing.
4. The job creation components of the project would be 200 total positions, of which 157 would be new and 43 retained. Broadwind (Tower Tech) would be the main participant in the job creation process, which could also be supplemented by jobs created by Michels, Skana Aluminum, Burger Boat, and Deep

Flex, as well as other companies on the City Centre property, or businesses not located on the City Centre property but using the trackage for transloading.

5. The anticipated project start date would be June, 2012.
6. The initial job counts for participating companies would be established at July, 1, 2011 employment levels. Regarding the timing for the creation and maintenance of jobs, WisDOT would allow a: (i) 3 year period for job creation to occur; and (ii) another 4 year job retention period. Mr. Less noted that the administrative commitment to this project would be 7 years.
7. There was a public sewer and water line in this area, that would have to be addressed in the plan, and would become a project cost, and not a cost to the City.

Mr. Less explained the current discussion regarding job retention and creation, and noted that an employment baseline for a business utilizing the transloading operation would be established as of July 1, 2011 for purposes of the TEA grant, and that July 1<sup>st</sup> would be the date from which job retention and creation would be measured. Mr. Less then noted that there were multiple transactional components to the project, which would include the following documents:

- A. REIMBURSEMENT AGREEMENT (City and Business).
- B. TEA AGREEMENT (City and WisDOT).
- C. JOBS GUARANTEE (City and WisDOT).
- D. EASEMENT (Business to City) re: right for construction, operation and ownership of rail spur.
- E. LIEN (filed by WisDOT for 1<sup>st</sup> lien position on trackage).
- F. FACILITY USE AGREEMENT (City and Business).
- G. INDUSTRY TRACK AGREEMENT (City, Business and CN) re: provision of rail service and maintenance of rail spur.

Mr. Less emphasized that the City would be signing the “Jobs Guarantee” form with WisDOT to assure that the minimum required jobs were retained and created, and would actually pass those performance responsibilities, including the payment of any required fees and penalties for non-performance, on to City Centre, LLC by virtue of a “Reimbursement Agreement”. Mr. Less concluded by noting that the City’s role in the TEA grant would be essentially as a financial intermediary, adding that the project

would have to be publicly bid. Mr. Less explained that this was for information purposes only.

Mr. Hamann asked if there were any administrative monies available to the City for the work required?

Mr. Less stated that there were no administrative monies available under the TEA program.

Mr. Hamann asked if the transactional work that Mr. Less would complete would be done for the benefit of City Centre, LLC?

Mr. Less stated that the documents would be prepared for the benefit of the City.

Mr. Dufek asked if the rail line was for shipping or receiving, and would it be going out Franklin Street?

Mr. Less replied that it would be an opportunity for both, and added that the transloading was a good fit for this location as it brought together the intersection of water, land and rail.

Mr. Brey stated that the interesting component to the project was for others to be able to utilize the rail spur, and not only businesses on the City Centre property.

Mr. Less stated that the issue that he felt needed to be clarified was whether or not this would be a public or private crossing, and whether the City should consider vacating a portion of So. 16<sup>th</sup> to a point south of the trackage, so that the crossing was expressly private.

Mr. Brey asked Mr. Minikel how far the So. 16<sup>th</sup> R/W extended at present?

Mr. Minikel stated that he wasn't clear on this, but felt that the past practice was that the City did not maintain the area to the north of the tracks.

Mr. Less added that the comment was made by WisDOT personnel in a recent project meeting that according to their general transportation aid records for So. 16<sup>th</sup>, this R/W area was described as covering 1,000' north of Wollmer, but added that the question of where So. 16<sup>th</sup> R/W actually began and ended was not precisely clear.

Mr. Brey commented that in some committee meetings, the topic of vacating all of So. 16<sup>th</sup> north of Wollmer was discussed and considered.

Mr. Less noted that there was no action to be taken by the IDC this evening, but added that he anticipated a WisDOT approval of the grant by the end of 2011.

No action to be taken.

D. Discussion and Possible Action on Land Sales in I-43 Industrial Park.

Mr. Less provided IDC members with a redline/strikeout version of a 2000 Resolution establishing a 25% land sale rebate policy for lands in the I-43 Industrial Park. Mr. Less explained the City's current land sale and rebate policy, and continued that he had been motivated by a recent discussion with Mr. Brey on this matter. Mr. Less stated that he had prepared an amendment to the 2000 Resolution which would: (i) provide an additional 25% land sale credit (total of 50% rebate) for qualified improvements when equal to at least 15 times the gross land sale price; and (ii) provide a full land sale credit (total of 100% rebate) when qualified improvements would be equal to at least 20 times the gross land sale price, and when new job creation at the project property would be at least equal to 3 new full-time equivalent jobs (work at least 2,080 hours per year) per acre, as long as the jobs met all of the following minimum requirements: (a) new job creation, and not a new job resulting from the relocation of an existing job from other locations in the City to the project property; (b) gross wage level (excluding benefits) of \$15.00/hour or greater; and (c) maintenance of a job for a minimum 12 consecutive calendar months.

Mr. Brey commented that he had talked about this matter with Bill Handlos at a recent meeting, and felt it was time for the City to consider enhancing its land sale rebate policy in order to stimulate new development in the I-park. Mr. Brey commented on the need to strengthen the underlying TIF districts in the I-Park, with the intent to improve property tax generation in the area and to strengthen the financial performance of these districts. Mr. Brey again stated that it was time to attempt to spur development in this area, and felt that the proposed policy would be a means to encourage growth. Mr. Brey noted that perhaps MPU could become part of a solution a well.

Mr. Less noted that the IDC could opt to not take any action on this policy change, but felt that it was better to advance the matter to Council, and if possible, have it adopted and effective as of January 1, 2012. Mr. Less added that adoption of the Resolution and policy would not foreclose on the City's ability to further amend the Resolution in the future.

Mr. Zimmer wanted to make sure that the 24 month construction requirement was not being removed by this policy.

Mr. Less stated that the 24 month requirement for construction remained in the Protective Covenants for the I-Park.

Mr. Kaufman commented that he was not sure if enhancing the rebate was a good idea or not, and questioned if it would make any difference?

Mr. Brey replied that he wasn't sure if it would, but felt that there was no added cost in doing this, and felt that the current structure was not working at present.

Mr. Hamann asked if the City would be stuck with this policy, if it was changed?

Mr. Less explained that the City could further amend this policy at its call and at any time.

Mr. Kaufman asked if there was knowledge regarding what was happening in other area industrial parks?

Mr. Less commented that he felt there was a lot of fence sitting at present, and noted that companies were figuring out how to better use their existing facilities to absorb and utilize excess capacity. Mr. Less continued that building new facilities was not on the radar of most businesses at present, and added that he didn't believe land sale rebates would be a deciding factor in whether or not a business would choose to locate in the I-Park, but felt that it could be a sweetener.

Mr. Zimmer commented that the policy could always be modified in the future.

Mr. Less agreed that the policy could be modified in any manner in the future.

Additional discussion was held.

Mr. Less recommended that the IDC approve the revisions to the policy, and forward a recommendation to Council to adopt these changes and a new Resolution, with an effective date of January 1, 2012.

Mr. Brey questioned the logic behind the \$15.00/hour minimum wage requirement?

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Mr. Less stated that quality of jobs was an issue, and didn't think that \$15.00/hour was out of line with current wage levels in the area.

Mr. Zimmer agreed with Mr. Less.

Mr. Laveck asked where the employees in the I-Park were commuting from?

Mr. Less stated that he did not have demographics on that matter at this time.

Motion by: Mr. Brey

Moved that: the IDC approve the Planner's recommendation above.

Seconded by: Mr. Zimmer

Upon Vote: the motion was approved. Mr. Kaufman abstained.

VI. OLD BUSINESS

A. None.

VII. NEXT MEETING

VIII. ADJOURNMENT

The meeting was adjourned at 4:20 P.M.

Respectfully Submitted,

David Less  
Secretary