Lake Champlain - Lake George
Regional Planning Board
THE COUNTIES OF
CLINTON, ESSEX, HAMILTON, WARREN & WASHINGTON

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REVOLVING LOAN FUND LOAN ADMINISTRATIVE COMMITTEE

September 21, 2020 11:00 am

Videoconference per Executive Order 202.1

AGENDA
1. Welcome & Roll Call
2. SlickFin Brewing Co. loan application
3. North Country Club Restaurant/Michael Finnegan – Foreclosure
4. Other

Andrea Palmer: All right. Thank you for joining us today. It's September 21st, at 11am. Revolving Loan Fund Loan Administrative Committee. I'm going to do roll call. If you could say here after I call your name.

Marc Monahan: Here.
Chad Richards: Here.
Chris Hay: Here.
Carol Calabrese: Here.
Beth Gilles: Here.
Carrie Yakush: Here.
Joining us today Dave O'Brien: Hi, everyone.

Andrea Palmer: Excellent. Alright, thank you guys for making the time. I know you're so busy.
I wanted to; I know I inundate you with information; I wanted to give you an idea of what's happening over at my end. So right now, those piles and piles of emails I sent you, I have pulled up right in front of me. And I always want you to have the information you need, always. But I'm trying to toggle through these millions of documents that I've been working with this person on for months. And it's a lot easier for me to get you the best information possible if I can have little time beforehand. So, in addition to that, our meetings are recorded, and then it's in a transcript. So, it's an additional pressure to, you know, have everything correct. And I am 100% up for that pressure, and I'm the woman for the job and I do not mind it, I like it. But I want you guys to have the best information in front of you. And I will have the opportunity to do that if I have a little time to get it. So that's how it is on my end. I just want you guys to kind of be aware and I

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want you to ask questions, and I want us all to have clarity. Okay, so today we are going to discuss the SlickFin Brewing Company loan application. I'm going to do a review. And this is based off of the review memo. And then Kris March, the applicant, is in the waiting room. He will join us when we're ready. Now, just as a reminder, open meeting laws, when we discuss personal financial and confidential information, we will go into Executive Session. Someone's calling me, let me make sure it's not, oh, it's Kris March. Okay, let me just let them know that.

Director Beth Gilles: Let them know it's gonna be a few minutes, Andrea.

Andrea Palmer: I'm gonna let him know it's gonna be a few minutes.
He's in the virtual waiting room.
Where was I? Okay, SlickFin Brewing Company, started in 2018, towards the end of the year by Kris March, with the help of his wife, Heather March. That being said, he is the sole owner. He's a veteran. The brewery is located in Fort Edward. And it's a very popular gathering place. They are very active on social media. It's right on Broadway. I'm sure most of us in the area know where it is. Kris has been renting that property since he started the business and now, he would like to purchase it. He has secured a purchase contract for $115,000. The appraisal recently came back at $140,000. And that was from William Moore, who came highly recommended by both NBT and Glens Falls National. Thank you, guys, for sending me those recommendations. The property is a mixed-use commercial building with the brewery on the bottom floor. There's a rental unit above, however, we've not used that in any of the projections because there is a tenant, but he would like to get a different tenant in there. So, we did not use that in the projections. That being said, it rents for $950 a month and so that is (recording goes out). No funds from this request will be used in any way for the residential rental units. As I believe we talked about the purpose of his request is to purchase the building, and then he would, he's requesting additional funds to buy additional barrel systems. I know there was some question on the trade in of existing barrel systems. You can ask him about that. I did review with him that there are loans on that from Washington County LDC. I don't believe the trade in of the systems is necessary. That being said, you know it's a conversation that can be had and it's something you guys can decide we do or do not even want to be part of. Alright, this property is located within an opportunity zone. In Fort Edward. I'm working with Mike Laney on trying to get that set up for Kris March, the applicant. There are some significant capital gains, benefits to that down the road. And it would be really cool for us to be part of an opportunity zone purchase.
Mr. March currently has $83,000 cash on hand. This is accrued from tap room sales revenue. He has an additional $82,000 in savings from a recently acquired EIDL loan. He's not had to use the EIDL funds and is saving them for the proverbial rainy day. Project total $233,000. That includes the $83,000 cash on hand. The purchase contract for $115,000 was additional funds and total request are $150,000 from us. And there's just a reminder, I don't approve or reject loans. I present the request as the

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applicant has made it. All right. So, I'm going to open the floor for discussion now with a reminder that we want to protect the applicant's financial information in Executive Session.

Marc Monahan: I think Beth and I have kind of spoke about the structure of the overall loan through email a couple weeks ago. We're financing 100% of his purchase. Seems a little bit aggressive, right? No money in it from him.

Andrea Palmer: He's got $82,000 cash on hand, or I'm sorry, $83,000 cash on hand.

Marc Monahan: Okay, what portion of that's going towards the acquisition of the property? None, right?

Andrea Palmer: His hope is for none.

Marc Monahan: I don't know. I mean, maybe priors, I would, do we make it a habit of financing 100% of the purchase price?

Andrea Palmer: To be frank, yes we do. Now I understand 100% where you're coming from. And it's very valid and wise and smart. That being said, the function of our agency is a little bit higher risk loans. That's not to say we can't request that he has some skin in the game. I don't think that's a bad idea. But actually, if I looked through all the files that we have financed 100%...

Director Beth Gilles: Andrea, if I can interject.

Andrea Palmer: Absolutely.

Director Beth Gilles: We do have a requirement from EDA called our Loan Leverage Ratio. And it says that for every one RLF dollar loaned, we need to leverage $2 of private funding. Now that is portfolio wide. So, it doesn't necessarily have to be every single loan. But right now, our open loans that we have, we're not at the two to one ratio, we're lower than that. So RLF1, we're at 1.24 to 1 and RLF2 we are at 0.95 to 1. Portfolio wide, we're fine for all of our RLF's. But we should start thinking, moving into the future, that we do need to be leveraging private funding, especially if they have it.

Chairman Dave O'Brien: So, Andrea, in terms of, he's asked for $140,000 loan, $150,000 loan, correct?

Andrea Palmer: Correct.

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Chairman Dave O'Brien: And he's trying to use the $140,000 as part of the equity. So, he's really getting equity off almost 100% of what he's asking for. If we just did the real estate loan, we have $140,000 worth of equity at $115,000. So, there is some protection there. But my concern is, is that by being aggressive and looking to buy all this equipment, is he really putting himself in bad cash flow situation. And one question on EIDL loan is that he's saving for a rainy day, but at a certain point a year from now he has to start paying it back. So, it's really not a savings fund. He has to pay that money back.

Andrea Palmer: Yes, you're correct. And actually, Beth and I just had a conversation about the use of EIDL funds that they're not really intended to sit for too long. Cash flow projections do include the payment of the EIDL loan. They start next year. Based on the cash flow projections that Kris gave to me, and he does have an explanation for them. The project does appear to cash flow even with the future loan payments, even with our future loan payment and the EIDL loan payment. Does that answer your question?

Chairman Dave O'Brien: Yeah.

Chris Hay: I think one way to look at this is not as one loan divided by real estate, but 2 loans potentially to assist with buying the real estate and assist with paying the equipment. As per Marc's point, you know, the real estate, you know, use a reasonable margin and maybe 75% loan to value on a real estate loan on a longer than a 15 year term, go out to 20, potentially, and on the equipment, do a shorter loan, because I hate to finance equipment over 15 years. And so that, I think is a way to allocate some of his cash into both loans so that it doesn't appear to be here doesn't look like 100% financing. I do think there are some serious questions which may be more fit for the executive session about cash flow and debt service coverage and things like that. But I think we'll have to get a better understanding on.

Andrea Palmer: Chris, I think that it's a very fair statement. Your first statement about separating the project into 2 loans or 2 loan requests. I think that's a very fair statement. As far as portfolio wide leverage dollars, that would be a great conversation to have, that I am aware of that. As far as him having some cash equity in the purchase; I don't think that's an unreasonable ask. I know we have financed 100% of projects in the past. That being said, we've also gotten burned on some of those projects in the past. Beth has done a lot of hard work to get everyone in a great place. So, I don't think it's an unreasonable ask for him to have some cash in the game as well.

Chris Hay: If this property appraises for $130,000 or whatever, whatever it appraised for, if we ever foreclose on it, we're gonna get, at best, 60 cents on the dollar. No one ever pays what the market value is, to a financial institution for property. So, I just think for

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long term longevity, we have to balance the need to get the money on the street, but also protect the long-term viability of the loan fund.

Director Beth Gilles: Our RLF plan also states that we encourage 10% cash equity, in every loan that we give, whether people have it or not, is there individual loan basis, but it seems like he has it. So, we should ask him to put a little skin in the game with it.

Marc Monahan: Yeah, I agree. I mean, when we, you know, look at somebody, if they don't have a liquidity, we find a way to help, you know, get financing. He's got liquidity. And all, you know, we say $83,000 cash on hand, he's actually at $165,000 cash on hand, because he's sitting on that money that he took in EIDL, the EIDL can be used for expanding and purchasing, but so, it makes sense for him to use a portion of that money now. Maybe not 25% on the real estate, but at least 10, I would think at 10 to 15% would be a realistic assumption for us to…I just feel like he's accumulated quite a bit of other funding sources out there. If you look at that sheet, the cash flow summary. And, you know, I'm not sure how much of his own money is in this and I think that's maybe where we discuss in executive.

Andrea Palmer: I think that's a fair statement.

Director Beth Gilles: Yeah, I think now's a good time to head into executive because it seems like that's the way the conversation wants to go. So, …

Andrea Palmer: Okay, I'll tell them to wait a little longer. Sound good?
Can I get a motion for us to move into executive session for the purpose of discussing financial and other confidential information for the Kris March, SlickFin loan application?

Marc Monahan: I'll make that motion.

Andrea Palmer: Marc Monahan made the motion.

Chris Hay: I'll second.

Andrea Palmer: Chris Hay seconded the motion.

Chairman Dave O'Brien: Andrea.

Andrea Palmer: Yes, Dave.

Chairman Dave O'Brien: Technically, you should stop recording.

Director Beth Gilles: Yes, we will. Once we enter in.

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Andrea Palmer: Yes, thank you Dave. I appreciate that. I just wanted it on the record the motion made and seconded.

Chairman Dave O'Brien: That's fine. I just didn't want to discuss things on the, with a recording. Thank you.

Andrea Palmer: I will now stop the recording.

--------------------------------------*Entering Executive Session* --

(Kris March entered Executive Session and spoke to the Loan Administrative Committee)

--------------------------------------*Exiting Executive Session* --

12:35pm
Andrea Palmer: We have now left executive session. Chad Richards made the motion to leave Executive Session, Marc Monahan seconded the motion.

Per the discussions during executive session, can I have a motion to approve an equipment purchase up to $50,000 at no more than 90% of the purchase price with 10% owner cash equity. Amortized over seven years at an interest rate of 6%?

Marc Monahan: I'll make that motion.

Andrea Palmer: Marc Monahan has made that motion.

Chad Richards: I second.

Andrea Palmer: Chad Richards seconded that motion.

Per the conversation and discussion in the executive session, can I have a motion to approve the real estate purchase of 147 Broadway at the purchase price of $115,000. With 10% owner cash equity in the purchase. Amortize over 15 years and interest rate of 6.5%?

Chad Richards: I'm sorry, Andrea, just to be certain I don't know if we need to be very specific and say 10% of equity of the purchase price. That happened, because, you know, customers argue all the time saying they have their equity and based on the

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appraisal and want to be clear that we're talking about the purchase price and purchase price of the equipment and real estate.

Andrea Palmer: Yes. 10% owner cash equity in the two separate issues.
Correct? Yes, I think we're on the same page.
Can I have a motion to approve…

Marc Monahan: I'll make that motion.

Andrea Palmer: Marc Monahan makes the motion.

Chris Hay: I'll second.
Andrea Palmer: Chris Hay seconded.
Thank you very much, motion passed, motion carries.

Marc Monahan: Ok, I have to hop off, Andrea. Thank you.

Carol Calabrese: Just to be clear, the conditions we discussed earlier will be applied to those resolutions. Correct?

Director Beth Gilles: Right. So we are requiring personal guarantees from both Chris and Heather.

Chris Hay: Yeah. And I think the real estate loan is to the real estate entity to be created with the corporate guarantee of SlickFin as the operating company. And the equipment company or the equipment loan, SlickFin will be the borrower and the LLC to be created as the real estate holding entity will be a corporate guarantor, as well as the personal guarantors on both loans.

Andrea Palmer: Correct.

Carol Calabrese: Okay. Thank you.

Andrea Palmer: Very good. All in favor.

Multiple people: Aye. Aye. Aye.

Andrea Palmer: All right. Next on the agenda, the North Country Club Restaurant, Michael Finnegan. I'll let Beth take that away.

Director Beth Gilles: Sure, so unfortunately with Marc gone, I'm not sure we can take the action that I needed. But I'll just let you guys know what's going on. The

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North Country Club Restaurant, which is a restaurant in Peru in Clinton County, we have a second mortgage on the restaurant. Michael Finnegan stopped paying his loan in 2018. Went into default. We, because we have a second position on the mortgage, it was not worth it to us to foreclose on the property. So, we were waiting to see what the first mortgagee he was going to do. I got a letter in February that said that the first mortgagee was foreclosing on the restaurant. Then COVID hit. About three weeks ago, I asked our lawyer to look into it because I wanted to see where it was. We got a hold of the first mortgagee who was the gentleman whose family had owned the restaurant previously. And he had stopped foreclosure action because he couldn't afford it. So he had a conversation with our attorney, where he is willing to sign over the first mortgage to us if we will foreclose and then strike some kind of deal with him where we'll split the net proceeds at the end of the day. So in having that kind of verbal agreement that we might do something like that, I started looking further into what's going on with the restaurant. He owes $30,000 in taxes. And I got a letter from Clinton County Treasurer, I spoke to the treasurer Kimberly Davis, drop dead date is April 2021, the county is going to take the property. We are owed about $45,000. The first mortgagee is owed about $81,500. That was his number from the end of December. That $45,000 is just the principal we are owed that doesn't include the back interest and the fees and all that kind of stuff. The property is appraised, I'm sorry, assessed for $159,000. I have been speaking with an appraiser up in Plattsburgh. He actually just sent me a quote to do an appraisal for $1,000. Basically, to figure out if it's really worth it for us to go through this foreclosure action or just kind of let the county take it. Personally, I think it is worth it in terms of just a message. If you default, we are going to foreclose on you, that you can’t just kind of take the money and run. So, what I was hoping was an official action from the loan committee to move forward with working on this foreclosure. I guess instead of that, I'm asking you guys what your thoughts are, and whether you want to move forward knowing that we're eventually going to have to pay Clinton County $30,000. We're going to have legal fees and all that. And at the end of the day, if we sell the restaurant for $90,000, if that, I heard it's a little rundown, so I don't know how much we would get out of it. Really, we just want to cover our costs. And then you know if we can get back any of our loss principle, obviously, that's a bonus. What are your thoughts?

Chad Richards: I'm sorry, Beth. Who’s the first?

Director Beth Gilles: His name is Peter Stone. He’s a gentleman whose family had owned the restaurant. And so, he's the first mortgagee.

Chris Hay: He borrowed $40,000, $45,000? What did you say?

Director Beth Gilles: He borrowed $105,000. We’re owed $45,000 in principle.

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Chris Hay: And so, we're going to be from $45,000 to $75,000 because of the taxes.

Director Beth Gilles: Right.

Chris Hay: And I don't think we can really answer the question as to what to do until we know the appraised value. If we think it's going to be $90,000 and it's going to take us a year and a half to sell it, I think it's gonna be hard to figure out whether it's worth foreclosing or not until we know that number. So basically, doing all that math of here's what we're owed now, here's what we'd have to, here's what we split when we, if we sell it with Peter. And then here are the carrying costs for the next 12 to 18 months. That mathematical formula would tell us, from a financial perspective, whether it's worth foreclosing or not. And then you have the psychological piece, if you wanted to send messages to folks, which you can't really quantify. But then then we can assess that that component. I think it's worth spending $1000 on an appraisal, just to make those decisions.

Director Beth Gilles: I should also note, we have a second on his house as well. That I believe he is living in.

Chris Hay: Which we could go after the house without going after the real estate if we thought there was more value in the house.

Director Beth Gilles: We could, yup.
Alright, so I'll go ahead with the appraisal, and then we'll loop back around. But again, there is you know, the county's counting down. So, there's that.

Chad Richards: Beth do you have an appraiser that you can use?

Director Beth Gilles: Yeah, Chris gave me some people that I reached out to and I found a guy and he'll do the appraisal for us for $1,000. So, …

Chad Richards: Yeah, no, I agree, with Chris. I think we gotta know we're kinda working with before we get further into it.

Director Beth Gilles: Okay. I will let you guys know. We'll go ahead, I'll sign this letter of understanding with the appraiser and get him started on it. I'll see, he didn't tell me how long it would take to turn it around. So, I'll let you know that.

Chad Richards: So after the appraisal the board would have to vote on moving forward with a proposed foreclosure process, or not?

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Director Beth Gilles: I would like the loan committee to. I do not want to make that unilateral decision.

Chris Hay: That makes sense.

Director Beth Gilles, Okay, that’s it.

Andrea Palmer: I have one thing for you guys to consider. And again, we I guess we won't take action because we don't have votes today. Per our revolving loan management plan. On page 18. I came across this last week as I was reviewing it, I'm gonna read a short paragraph. “All decisions concerning RLF applications are the sole responsibility of the LAC. Even though certain administrative duties such as records maintenance can be delegated to the LCLGRPB Executive Director. The LCLGRPB Executive Director has no voting power and does not advocate for any project.” Now, when this was written, it was before my role existed. My interpretation of this is whoever is managing the revolving loan fund program should not be making recommendations. And I'm wondering if I should not be making recommendations on these loans because of the management plan. And also, there's the issue of I know everyone in town, and I'm friends with everyone in town. And I can make a fair recommendation, but I never want there to be an appearance of Andrea recommends loans for her friends.

Director Beth Gilles: Andrea, this is something we'll talk about internally. This doesn't involve the loan committee.

Andrea Palmer: Okay, I apologize. I misunderstood our conversation then Beth. All right. Then forget I said anything, and I appreciate your time, guys.

Director Beth Gilles: All right. Thanks, everyone.

Andrea Palmer: Have a good day.

Meeting adjourned at 12:47pm
Respectfully submitted by Carrie Yakush, LCLGRPB Senior Account Clerk