

BOUNTIFUL REDEVELOPMENT AGENCY

Meeting Minutes of: Tuesday, November 10, 2015

Location: City Council Chambers, Bountiful City Hall, 790 South 100 East, Bountiful, Utah

Present: Chairman – Randy Lewis; Board Members – John Marc Knight, Richard Higginson, Kendalyn Harris, John Pitt; Redevelopment Director – Chad Wilkinson; City Manager – Gary Hill; City Attorney – Russell Mahan

Excused: Board Member – Beth Holbrook

Welcome

1. Chairman Randy Lewis opened the meeting at 7:48 p.m. and welcomed those in attendance.

Agenda Items

2. **Consider approval of minutes for June 9, 2015.**

Mr. Knight made a motion to approve the minutes for June 9, 2015. Mr. Higginson seconded the motion.

A Mr. Lewis
A Mr. Knight
A Mr. Higginson
A Ms. Harris
A Mr. Pitt

Motion passed 5-0.

3. **Consider a revolving loan application for \$120,000 from Vector Holdings/Computech, 2155 South Orchard Drive, Brett Anderson, applicant.**

Brian Knowlton (representing the applicant) and Brett Anderson (applicant) were present.

Redevelopment Director Chad Wilkinson presented a summary of the staff report (the full staff report follows).

Mr. Brett Anderson, representing Vector Holdings/Computech requests a loan of \$120,000 in order to complete improvements to units 201 and 202 of the existing mixed use building

located at 2155 S. Orchard Drive. There is an existing RDA loan on the property with a current balance of approximately \$154,000 which would be paid off with the purchase of the property by Computech. A condominium plat was recently approved for the property by the City Council. Computech plans to purchase two of the units in the condominium plat for use for their business operations. The company is currently located in Woods Cross and is seeking additional space in order to expand the capabilities of the company.

The applicant proposes to secure the loan with a trust deed on the property which has an appraised value of \$520,000. The applicant has proposed that the RDA loan be in second position to a commercial loan of \$376,000. In the past, the RDA has attempted to maintain a loan to value ratio of 75 percent for revolving loans but has approved exceptions to this policy on a case by case basis. The total of the two requested loans is \$496,000 resulting in a loan to value ratio of 95 percent. This ratio could be lowered to 80 percent by decreasing the RDA loan amount to \$40,000. The applicant could also bring additional equity into the request thereby lowering the requested loan amount, or provide additional collateral.

The Revolving Loan program was primarily created to provide loans for redevelopment in the Historic Downtown of Bountiful. Although not located in the Historic Downtown. The proposed use would provide a much needed commercial use to the mixed use center on Orchard Drive. The previous RDA loan for the property was limited to 76 percent of the value of the property with the combined RDA and commercial loans and was provided to a developer who had a proven track record with the City. A loan of \$40,000 dollars, which would amount to an 80 percent loan to value ratio, will allow the RDA to support this project while maintaining an acceptable level of risk with these public funds.

Recommended Action

Approve a loan to Computech with the following terms:

1. Loan Value: \$40,000
2. Amortization Period: 10 years
3. Call: At end of 5 years
4. Interest Rate: 3%
5. Payment Schedule: Monthly
6. Security: Second Position Trust Deed behind a maximum \$376,000 commercial loan
7. Other: This offer sunsets December 1, 2015, is not assignable, and may not be extended

Mr. Knowlton provided copies of *The Western Planner* for those in attendance and acknowledged an article about Bountiful in that magazine.

Mr. Knowlton expressed gratitude for past assistance from the RDA. He noted that Computech originally applied for a \$120,000 loan based on improvements Mr. Anderson wished to complete in that space, and the appraisal came in just a little low which impacted everything else. Mr. Knowlton acknowledged that \$120,000 is a little high based on the appraisal, and requested consideration of a \$100,000 loan but also expressed appreciation for whatever the RDA can do.

Mr. Anderson gave a brief background of Computech. They have been in business since 1996 and are an IT consulting company working with businesses and government offices to provide equipment and services. Their goal is to grow the business, and they are in need of more space. They currently have six employees and are hoping to hire eight more.

Ms. Harris expressed that she knows Mr. Anderson, and he is a man of integrity and the business is solid.

Mr. Pitt inquired regarding anticipated use of the requested \$120,000 loan amount. Mr. Anderson responded that monies would be used to build out the infrastructure inside the building and create a warm, welcome environment.

Mr. Knight clarified a few details of the plans, noting the purchase involves the second floor and that the combination of the commercial and the RDA loan would allow the business to fit into the space. Mr. Anderson affirmed. Mr. Knight asked Mr. Wilkinson about the possibility of upping the loan to 80% instead of 75%. Mr. Wilkinson responded the \$40,000 is 80%. Mr. Knight inquired if the RDA has ever gone higher than that. Mr. Hill responded that the last time was with Xtra Automotive. In light of some recent happenings with the RDA, the recommendation is to be cautious, and 80% is about as high as staff is willing to recommend. Mr. Knight stated that 75% is normal. Mr. Hill agreed and noted that Brian Knowlton had received a prior loan for 76%. Mr. Wilkinson affirmed this was on the same building. Mr. Higginson noted that as the sale goes through, \$154,000 in current loans will be taken off the books and wondered if that had been taken into consideration. Mr. Wilkinson affirmed that had been taken into consideration, but the collateral for the loan is the second floor and that is the security for the loan. Mr. Wilkinson explained that in the past few days there had been talk about refinancing the other loan in order to provide additional monies, essentially entering into a new loan agreement on the remaining two floors. There is some value in those floors, so that's another option, but details would need to be ironed out. Mr. Wilkinson noted there are two options to get the loan to value ratio lowered, one is to bring additional collateral and the other is to bring additional equity from the private individual. A discussion ensued regarding additional collateral, and Mr. Wilkinson said that although they had not had that discussion, it could be considered. He noted that an appraisal had been done on the additional two floors and there could be some additional value there. Mr. Higginson clarified with Mr. Anderson that the RDA council did not have doubts about him personally. Mr. Anderson acknowledged his understanding but noted that as a small business owner it is difficult to come up with extra funds. He further stated that his credit rating is stellar. Mr. Lewis inquired if company financials had been made available to the RDA. Mr. Wilkinson acknowledged that those reports were provided and they looked good. However, this is a loan and the RDA needs to assure there is sufficient collateral.

Mr. Knight stated he is more comfortable staying with the \$40,000, but that is not a reflection on Mr. Anderson or Mr. Knowlton. Ms. Harris asked if the RDA might be comfortable looking at \$60,000. Mr. Knight responded that traditionally that has not been done in the RDA, and it has tried to take a conservative approach. If the RDA were to go higher it would prefer more collateral. Mr. Wilkinson affirmed that has been the policy in the past and that

75% is pretty much the industry standard for loan to value. A discussion ensued regarding consideration of a \$60,000 loan, and Ms. Harris stated she would like to look at that and would be comfortable with that. Mr. Higginson stated he was not comfortable with that high of a loan. Ms. Harris asked the group what they would be comfortable with. Mr. Lewis stated he was comfortable with \$50,000. Mr. Pitt stated that \$60,000 is half of what they requested, and he is excited about a strong IT company coming into town, and he would be interested in bumping the loan amount up somewhat, particularly considering the other two floors as collateral.

Mr. Knowlton stated he does not want to push anything through that the RDA board is not comfortable with. They have worked on a backup plan which Mr. Wilkinson briefly talked about where Mr. Knowlton would retire his current RDA loan and come before the board again and present the concept of retiring the other two floors, taking additional collateral, borrowing the other \$60,000 and working out a transaction with Mr. Anderson to help him finish his space. Mr. Knowlton expressed his desire to help this company get into Bountiful with whatever support the RDA can offer. Mr. Higginson asked if the RDA can reinvest monies if Mr. Knowlton retires the \$154,000 and clears the RDA location for the other two floors. Mr. Wilkinson answered in the affirmative and said that he has done some preliminary work with those numbers.

Mr. Higginson seconded Mr. Knight's motion approving a revolving loan application for \$40,000 for Vector Holdings/Computech, 2155 South Orchard Drive, Brett Anderson, applicant.

Ms. Harris clarified that Mr. Knight had made a motion for a \$40,000 loan. Mr. Knight confirmed the motion. A discussion ensued regarding other options, in particular, moving toward freeing up additional funds in order to invest in this and being responsible, as the RDA, for caring for monies that come in through the RDA. The board affirmed they support Mr. Anderson's business.

Mr. Anderson inquired about the closing date of December 1, 2015 on the offer. Mr. Wilkinson noted that an acceptance needs to occur by December 1, 2015, but the actual loan closing date can occur after that date.

Mr. Pitt verified that Mr. Anderson is a completely separate entity of i4 in order that he not have any conflict of interest. Mr. Anderson affirmed that his company is separate from i4.

Chairman Lewis asked for a vote on the matter.

A Mr. Lewis
A Mr. Knight
A Mr. Higginson
A Ms. Harris
A Mr. Pitt

Motion passed 5-0.

Mr. Wilkinson stated that he will work on the backup plan and try to have it by the next meeting.

4. RDA Director's report and misc. business.

Adjourn

Chairman Lewis ascertained there were no other items to discuss. The meeting was adjourned at 8:17 p.m.



Chad Wilkinson, Redevelopment Director