



**MCEDD Loan Administration Board Meeting
Tuesday, May 30, 2023
8:00am**

Via Zoom: <https://us06web.zoom.us/j/85918018789>
Or call 669-900-6833, Meeting ID: 859 1801 8789

AGENDA

Topic	Estimated Time	Item
Call to Order, Introductions		
Loan Administration Board Minutes <i>March 21 and April 20, 2023</i>	5 minutes	Approval
Interest Rate Policy, 2 nd Draft	5 minutes	Recommendation
New Loan Requests <i>Primitive Pansies</i> <i>15 Mile Ventures LLC</i>	45 minutes	Information
<i>Executive Session per ORS 192.660 (f) (Exempt Documents)</i>		
Regular Session Reconvened		
Loan Actions	5 minutes	Approval
Adjourn		

The meeting location is accessible to persons with disabilities. If you have a disability that requires any special materials, services, or assistance, please contact us at (541) 296-2266; TTY 711 at least 48 hours before the meeting. MCEDD is an equal opportunity employer, lender, and provider.

Executive Session Protocol

MCEDD Loan Administration Board

After discussion agenda items are presented in open session by MCEDD staff, the LAB Chair will state the following: "Pursuant to ORS 192.660(f), Exempt Documents, I call the Executive session of the MCEDD Loan Administration Board to order".

LAB Chair asks all non-staff and non-LAB members to leave the meeting. Staff will explain to visitors where they can wait and that they will be invited into Executive Session when their agenda item will be discussed.

For each discussion item on the agenda for Executive Session, the LAB Chair will follow the following procedural steps:

1. Invite the loan applicant (or their representative) into the Executive Session for the presentation of their loan request. LAB Chair requests a brief presentation from MCEDD staff on a summary of the loan proposal or other discussion item.
2. After presentation of information by staff, the LAB Chair asks if there are any questions for the loan applicant or MCEDD staff.
3. Following questions and discussion by the LAB, the loan applicant (and/or their representative) is asked to leave Executive Session with instruction that they will be invited into the Open session when Executive Session is adjourned.
4. LAB Chair asks LAB members if there is any discussion related to loan request that needs to take place before inviting the next loan applicant or other persons into Executive Session for the next discussion item.
5. Additional discussion between the LAB members takes place then Steps 1-5 are repeated for each following discussion item for Executive Session.
6. At the end of discussion, the LAB chair will close the Executive Session. The LAB moves back to open session. At this point, the LAB Chair asks for a motion on the decision items in open session. Following a proper motion (motion and a second), the LAB chair requests discussion on the motion. Following any discussion, the LAB chair requests a vote ("all those in favor, signify by saying aye" "all opposed signify by saying nay" "any abstentions?"). Staff may ask for a roll-call vote, if the responses are unclear.

**MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
LOAN ADMINISTRATION BOARD MEETING MINUTES**

Tuesday, March 21, 2023 at 8:00am

Virtual Only

ATTENDANCE

BOARD: Scott Clements, Dillon Borton, Joe Dabulskis, AJ Tarnasky , Tom Lannen

STAFF: Carrie Pipinich (Deputy Director), Ami Beaver (Loan Fund Manager), Jill Brandt (Administrative Assistant)

CALL TO ORDER

Scott Clements deferred to AJ, who called the meeting to order at 8:17a.m. A quorum was present.

MINUTES

Joe Dabulskis motioned to approve the minutes from February 21, 2023, as presented. Dillon Borton seconded the motion. All voted in favor, and the motion passed.

LOAN MODIFICATION REQUEST: EDESKE PATISSERIE

Ami asked to present client's request for a six-month extension for interest only payments. This is due to delays getting their shop open.

EXECUTIVE SESSION:

Per ORS 192.660 (f) Exempt Documents, the MCEDD Loan Administration Board moved into Executive Session at 8:17 am.

Regular session resumed at 8:20 am.

LOAN ACTION: EDESKE PATISSERIE

Change in Terms:

- Loan Payment: \$889.24 (*twelve months of interest only payments followed by 47 monthly payments of \$889.24 with the remaining balance due the 60th month.*)

Scott Clements motioned to approve the request to extend interest only payments for 6 months. Tom Lannen seconded the motion. All voted in favor, and the motion passed.

FUNDED LOAN UPDATES: LDB Beverage Company

Ami announced that LDB Beverage has paid off their loan.

INTEREST RATE POLICY

The Interest Rate Policy table in the packet was developed as a result of the February 21st meeting discussion and is presented here today for discussion and approval. The proposed structure puts into policy the practice that staff has been using to inform proposed rates for loan clients and leverages the approach for other loan funds supported by MCEDD staffing as a starting point.

Discussion: Scott requested more information. Dillon expressed concern with the numbers on the excellent tier, commenting that 2.0 to 4.5% over prime was much too generous for MCEDD to offer. Commercial banks offer a maximum interest rate of prime + 2.75% for excellent credit. MCEDD loans are for startups or folks who are denied at the bank. MCEDD should not be competing with the commercial banks' interest rate minimally equal to the bank, but preferably higher. He suggested that the entry point be at the middle tier of prime +4-6% for the applicants with excellent credit. AJ agreed.

AJ was also concerned that these rates are fixed over the term of the loan and do not account for interest rate increases over time. He noted that the approach uses an interest rate that is variable to fix an interest rate for an extended period and so does not account for any increases in rates over the life of the loan. There should be some way to address how long we commit to that rate or take into account the term of the loan when setting the rate.

AJ requested tabling this discussion until he and Dillon can meet with Jessica to discuss these concerns. All were in favor. AJ asked Ami to relay the meeting request to Jessica. Ami agreed.

ADJOURN

AJ Tarnasky adjourned the meeting at 8:26 a.m.

Respectfully submitted by Jill Brandt, Administrative Assistant

**MID-COLUMBIA ECONOMIC DEVELOPMENT DISTRICT
LOAN ADMINISTRATION BOARD
MEETING MINUTES**

Thursday, April 20, 2023 at 9:00am
MCEDD Conference Room and Virtual via Zoom
802 Chenowith Loop Rd.
The Dalles, OR 97058

ATTENDANCE

BOARD: Scott Clements, AJ Tarnasky, Steve Kramer, Les Perkins

STAFF: Jessica Metta (Executive Director), Ami Beaver (Loan Fund Manager), Jill Brandt (Administrative Assistant)

Jessica welcomed the Board members to the meeting. The pastries were from our loan client Edeske that is just getting ready to open their shop in Hood River. Edeske also makes Hungarian chocolates and macaroons. Ami added that they have an online menu with fabulous holiday desert creations that will be made to order for pickup.

CALL TO ORDER

Scott Clements called the meeting to order at 9:03 a.m. A quorum was not present.

MINUTES

Minutes of the previous meeting were not approved due to lack of quorum.

LOAN PORTFOLIO UPDATE

Jessica began the discussion by putting the Trial Balance report up on screen. The Trial Balance shows all the loans that are outstanding. There are ten to twelve different funds, as the report shows. The Available to Loan amount is quite large, and this number is provided to the full Board at their quarterly meetings. The total available to loan is \$6.3 million, which includes the \$1.3 million in the Attainable Housing fund. This leaves approximately \$5 million for business lending.

The other large sum to note that shows up in this report is the USDA National Scenic Area fund, which are not MCEDD funds to loan but is earmarked for the OIB and WIB portfolios. The balance shows up in MCEDD's funds because MCEDD was the applicant to the USDA. Once these funds have revolved, they can be transferred to the OIB and WIB accounts. Scott asked if the final amount they receive depends on what they can lend out. Jessica said yes. This USDA money has a deadline of September, and we plan to ask for an extension.

Jessica pointed out that the area for concern was the IRP accounts # 320, #321 and #322. These dollars are a loan that MCEDD is required to pay back. The interest is used to cover the expenses and the loan payment. Getting these funds out has been an ongoing focus.

AJ asked what was being done with the money that was not loaned out that MCEDD pays 1% interest on. Jessica explained that it has been moved into an LGIP account and is making good (4%) interest. This is not enough to make the loan payment, but the interest is helpful. AJ asked what the total amount of the loan payment was, and the amount of the loan payment. Jessica replied the loan was for \$1.7 million with an annual payment of \$120,000.

DELINQUENCY REPORT

Jessica put the delinquency report up on screen for discussion.

EXECUTIVE SESSION

Per ORS 192.660 (f) Exempt Documents, the MCEDD Loan Administration Board moved into Executive Session at 9:12 am to discuss the report.

Regular session resumed at 9:27am.

PIPELINE & MARKETING/ OUTREACH DISCUSSION

Ami mentioned a few potential clients currently in the pipeline, some larger and some microloans. Jessica spoke next on marketing outreach efforts, which have been focused on the series of Pub Talks on the Washington side that are partnered with the Chambers and the SBDC. The most recent pub talk last Tuesday was at Everybody's Brewing in White Salmon. Jessica's presentation for MCEDD loans was illustrated by Trina Alexander from Grateful Vineyard, who expressed her appreciation for MCEDD's lending that helped her business get started. Grateful Vineyard also had an MHEA loan as it has expanded into hard cider and beer production, and an expanded tasting room in Parkdale.

Scott raised some questions about multiple loans for a single client done through the different loan boards. Jessica explained that MCEDD staff ensure that the collateral will cover both loans. Scott was concerned that sharing collateral might create some misunderstanding if there is not full disclosure. Jessica referred to the most recent example of this, Gorges Brewing who has obtained both OIB and LAB loans with the added partner of Business Oregon. Jessica reassured Scott that because MCEDD staff both boards, all the information is accessible for both loans.

AJ noted that there is no way to control or monitor when a client has taken out another loan elsewhere. Generally, the bank will discover this has happened through loan monitoring – from the financial statements that clients are required to submit periodically. Sometimes a much larger loan may warrant an intercreditor agreement, but this is not common. He felt that because MCEDD's Boards are better off than the bank because they share staff and talk with each other. UCC filings and credit reports are additional ways of monitoring that rely on more than just client reporting.

Steve Kramer pointed out that both he and Ken Bailey are both on the MHEA Board also.

Jessica added that the other ongoing marketing effort has been flyers distribution at local area banks, with some assistance from OIB Board members for The Dalles areas banks.

AJ offered Barbara's name as the Umpqua banker contact to reach out to in Goldendale.

Jessica said that the SBDC and the local banks continue to be the main sources of referrals.

INTEREST RATE POLICY: 2ND DRAFT

Jessica noted that this new draft cannot be approved today without quorum. After the Board's discussion in March, Jessica met with AJ and Dillon. After discussion the table was revised to reflect the Treasury rate rather than the Wall Street prime rate because it has a longer index.

AJ explained that there are Treasury Rates with various length terms, so the length of our proposed loan term can be matched. Prime rate can change overnight while Treasuries reflect what the market is doing more long-term. Jessica put the adjusted table up on screen. AJ explained that this change is better for the customer too.

The updated interest rate table will come back for the vote when the LAB has quorum. AJ pointed out that the LAB can always change this chart at any time.

GOOD OF THE ORDER

Scott thanked Steve and AJ for coming out in person, and thanked Jessica for the refreshments.

ADJOURN

Scott Clements adjourned the meeting at 9:42 a.m.

Respectfully submitted by Jill Brandt, Administrative Assistant

Memorandum

To: MCEDD Loan Administration Board
From: Jessica Metta, MCEDD Executive Director
Re: Interest Rate Review, 2nd Draft
Date: April 13, 2023

Overview

At the February 21, 2023 Loan Administration Board meeting, there was some discussion of interest rates that MCEDD charges. While the Revolving Loan Fund plans for Oregon Investment Board and Mount Hood Economic Alliance have a rate table, the Revolving Loan Fund plans for MCEDD loan funds do not. Staff feel like adoption of a table as part of an Interest Rate Policy would be helpful for staff and brings the suggestion below for LAB consideration.

The Board discussed a draft on March 22, which staff has since updated with the help of Board Members AJ Tarnasky and Dillon Borton.

SECOND DRAFT MCEDD Interest Rate Policy

Interest rates will be set based on staff analysis of cash flow and risk. Interest rates will generally be fixed for the term of the loan. MCEDD does not provide a variable or floating interest rate. Rates may vary between individual loans or be stepped to allow for specific circumstances.

MCEDD Staff Risk Category	Margin	Index – US Treasury*	MCEDD Interest Rate*
Low	4.0-5.5%	3.5	7.5 to 9.0%
Medium	5.5 to 6.5%	3.5	9.0 to 10.0%
High	6.5 to 8.5%	3.5	10.0 to 12.0%

*The US Treasury rate would be set based on the term of the loan and is subject to change. When the US Treasury rates changes, so do MCEDD interest rates.

Default Interest Rate: Upon default, including failure to pay upon final maturity, the interest rate on a loan agreement may increase by up to five (5) percentage points per annum based upon a year of 365 days.

Performance Interest Rate: As a performance incentive, MCEDD may authorize a reduction in the interest rate over the course of the loan, provided all loan payments are made on time, as agreed and all other loan requirements are met. This rate reduction option will generally be used with loans that are scheduled at a higher interest rate due to their risk rating since regular loan payments, communication with MCEDD staff and the lending relationship with MCEDD may mitigate factors initially contributing to a higher risk rating and higher initial interest rate.