

Minutes

Village Board of Trustees

September 16, 2015

A **Special Meeting** of the Village of Horseheads Board of Trustees was held on the above date at 8:00 A.M.

Present were:

Village Board and Staff

Mayor Donald Zeigler
Trustee Ron Swartz
Trustee George Koliwasky
Trustee Brad Lytle

Village Attorney John Groff (by phone)
Village Manager Walt Herbst
Manager's Asst. Rachel Baer

Absent

Trustee Mike Skroskznik

Others Present

Jill Koski, STEG

The purpose of this special meeting is to review a request by Southern Tier Economic Growth to deviate from the normal CDBG loan requirements in order to approve the application from Louie's for an economic development loan to expand their restaurant in Hanover Square.

Village Manager Herbst gave a review of the application. The resolution drafted by Atty. Groff says the Village would be the first lien holder in the event the loan is not paid. STEG changed the wording to read that STEG would be the lien holder.

Jill Koski, STEG - there is no bank involved. I was told STEG is the lender.

(Atty. Groff spoke via speakerphone)

Atty. Groff - not sure what whole loan package is. There may be a number of loans, one from Village and maybe STEG is involved in another loan.

Trustee Lytle - that is not the case. This is the only loan.

Atty. Groff - then why would STEG want first lien position. They aren't the lender. STEG administers on

behalf of the Village. My expectation would be that the promissory note given is going to run from the Feratellas to the Village as the lender. Is that not the case?

Jill Koski - George Miner was going back to our contract agreement with the Village. We're just looking for approval of deviation of loan requirements.

Atty. Groff - Before STEG started doing this the Village was the lender and receiving the security. The Village Board should know what is the Village's lien position for these funds. Are they first? Behind other lenders? Its my impression that the Village will be in the first lien position. If Jill is saying that our funds are going to be secured by a first lien position, I would expect it would be in the name of the Village. But I've not seen any loan documents. I'm not intending to change process. My verbiage essentially reflected what I understood to be procedure being followed. If the loan is fully secured the only question is who is collateralized - Village or STEG - I would defer to Jill I guess.

Jill - There is a clear understanding that the funds do belong to the Village. So I think that is where George changed the language to reflect the fact that the loan is through STEG on behalf of the Village. But we have a contractual understanding that the funds belong to the Village.

After further discussion Atty. Groff recommended changing the language to read "The Village or STEG as agent for the Village" in items #2 and #4. Everyone agreed this was acceptable.

Resolution by Trustee Koliwasky, seconded by Trustee Swartz

WHEREAS, the Village of Horseheads has received and administered a Community Development Block Grant which in part was targeted for economic development in the Hanover Square area, and

WHEREAS, the Village has engaged the services of Southern Tier Economic Growth, Inc. for the administration of a portion of the grant, in particular economic development, and

WHEREAS, Feratella Brothers LLC, d/b/a Louie's Hanover Square, has applied to the Village's agent, STEG, for a loan which has been described as a business expansion project and a business retention project creating two full time and five full time equivalent jobs, and which would allow for the expansion of a highly popular restaurant in Hanover Square with a history of success, and

WHEREAS, the applicant is seeking a loan which deviates from the Village's pre-established lending criteria in the following respects:

- increasing maximum loan amount from \$50,000 to \$150,000
- changing the interest rate from prime minus 2% to a fixed rate of 1%
- increasing the maximum term from 7 years to 10 years
- waiving the maximum limit of Village funds to total project costs of 45%, increasing same to 91%

WHEREAS, professional loan review and administration staff of STEG have reviewed the application and related materials, and have recommended that the loan request be approved with the above eligibility criteria modifications.

NOW THEREFORE BE IT RESOLVED, that the Village of Horseheads Board of Trustees does approve of the loan and the eligibility criteria modifications noted above, and does further authorize STEG to

process and close on the above-noted loan application subject to the following conditions:

1. All other commercial loan eligibility criteria and evaluation criteria are met
2. The Village or STEG as agent for the Village of Horseheads CDBG grant shall have a first lien security interest in all equipment and tangible personal property to be acquired with the loan proceeds.
3. The loan shall be personally guaranteed by the principals of Feratella Brothers LLC, James Feratella, Paul Feratella, and John Feratella.
4. The Village or STEG as agent for the Village will be provided a subordinate lien position on the real property in which the restaurant is located commonly known as 102 S. Main Street, Horseheads, NY.

Trustee Lytle - this doesn't change our normal criteria - just for this loan.

Jill Koski - that is correct.

Trustee Lytle- why are we increasing the 45% so much.

Manager Herbst - usually there is another funding source. Not in this case.

Roll Call Vote:

Mayor Zeigler	Aye
Trustee Swartz	Aye
Trustee Koliwasky	Aye
Trustee Lytle	Aye

Trustee Koliwasky - should we look at changing our usual criteria.

Mayor Zeigler - perhaps look at both sides - find out why people are not using the residential portion of funds.

Jill Koski - finding other examples of revolving loan funds that are more user friendly. You could take a look at that.

As there was nothing further to come before the Board, the meeting was adjourned at 8:36 a.m.

/rmb