



**Cloquet Economic Development Authority
MEETING AGENDA**

**Wednesday April 2, 2025
8:00AM
CLOQUET CITY HALL**

ACTION TAKEN

1. **Call Meeting to Order** _____
2. **Announcements, Adjustments, Correspondence, and Other Comments** _____
 - *Happy Birthday to Cloquet EDA President Dave Manderfeld!*
3. **Public Comments?** _____

Please give your name, and address. Visitors may share concerns on any issue which is not already on the agenda. The Chair reserves the right to limit an individual's presentation if it becomes redundant, repetitive, irrelevant, or overly argumentative. All comments will be taken under advisement by the Commission. No action will be taken at this time. Public Comments will be limited to 10 minutes per topic or 30 minutes total. The Commission may request an item be placed on a future agenda for further discussion as part of the regular meeting.
4. **Approval EDA meeting minutes** _____
 - a. March 5, 2025
5. **Monthly Financials** _____
 - a. February 2025
6. **Action Items:**
 - a. **JBB Group LLC - Gap Financing Loan Request** _____

*Please call Neil directly otherwise he will call into the council phone
Neil Sample, Vice President of Business Services Members Cooperative Credit Union
(the city's Underwriting Reviewer)*
7. **EDA Informational Updates** _____
8. **Adjourn** _____



**CLOQUET ECONOMIC DEVELOPMENT
AUTHORITY**

101 14th St., Cloquet, MN 55720
March 5, 2025

MINUTES OF THE CLOQUET EDA MEETING

EDA Members Present: Dave Manderfeld, Aaron Peterson, Mark Lanigan, Sue Ryan (EDA Commissioners)

Ex-Officio Staff/Staff Members/Others Present: Tim Peterson, Holly Hansen (City of Cloquet), Kelly Zink (Chamber)

EDA/Ex-Officio/Staff Members Absent: Lyz Jaakola, Lara Wilkinson, Jenny Blatchford (EDA Commissioners), Katie Bloom, (City of Cloquet), Ryan Pervenance (Carlton County)

1. CALL TO ORDER

The meeting was conducted in person at Cloquet City Hall and the meeting was called to order at 8:06 a.m.

2. ANNOUNCEMENTS, ADJUSTMENTS, CORRESPONDENCE AND OTHER

President Manderfeld noted that Mike Schultz, VP of Manufacturing Sappi would be providing a Cloquet Mill update under Action Items.

3. PUBLIC COMMENTS

None.

4. APPROVAL EDA MEETING MINUTES

FEBRUARY

President Manderfeld asked for any corrections, additions, or deletions to the February 5, 2025 Cloquet EDA Meeting Minutes. Hearing none, he asked for a motion.

Motion: Commissioner Lanigan moved, and Commissioner Peterson seconded, that the EDA approve the February 5, 2025 Cloquet EDA Meeting Minutes. (Motion passed 4-0).

5. APPROVAL OF MONTHLY FINANCIALS

JANUARY

There was a slight increase in fund balance in Fund 201, an increase in Fund 202 with quarterly interest into the fund and charges for loan satisfactions, no change in Fund 203 due to missed loan payment, an increase into Fund 206 due to a building sale with a grant lien on it, and no change in fund balance for Fund 207.

The total outstanding loan balance is \$1,453,005.70 (8 business loans) with monthly repayments of \$9,001.85 with one loan deferral and two interest only short term housing loans. The building

formerly owned by the city and sold to a developer in 2012 located at 1111 Cloquet Avenue has sold, however the loan payment will continue under original ownership until the term is complete in 2027 per the original terms of that deal, they missed a loan payment and have been put on autopay. The two city/EDA housing rehab/development projects with loans are interest only with a balloon at the end, therefore those totals remain unchanged as those developers are making interest only payments for 16 months. There is also a 16 month deferral for the Hotel Solem adaptive reuse project that is in place. President Manderfeld asked for any corrections or questions on the financials? Hearing no other comments, he asked for a motion.

Motion: Commissioner Ryan moved, and Commissioner Peterson seconded, that the EDA approve the January Financials. (Motion passed 4-0).

6. ACTION ITEMS:

A) Sappi North America / Sappi Cloquet Mill Updates, Mike Schultz, Vice President Manufacturing Sappi North America, Inc.

Mike Schultz, Vice President Manufacturing Sappi North America in the Portland, Maine office and former Cloquet Sappi Mill Managing Director and Cloquet EDA Commissioner introduced himself. He shared updates on the market that Sappi serves stating that the Somerset Mill produces graphic paper and will be moving away from marketing products into bleach boards and packing products. This shift will move paper to Cloquet and will retain the pulp production. The tariffs will have a substantial negative impact on business as the source material Sappi purchases in wood comes from Canada. Shifting graphic paper to Cloquet will help sustain the Cloquet Mill. The Cloquet Mill is stable and has undergone substantial reinvestment. Sappi remains privately owned versus investor owned which so many of its competitors have been leading to several closures e.g. Wisconsin Rapids Mill.

Finding people and connections into the high schools and tech schools has remained challenging along with the caliber and skillset of candidates has changed dramatically. People are willing to abruptly leave. Mr. Schultz sought interest in connecting with Cloquet Public Schools.

B) Small Cities Development Program (SCDP) Request - Carlton County Historical Society (CCHS)

Ms. Hansen provided an overview of the grant application request by CCHS for their building located at 406 Cloquet Avenue, the historic Shaw Memorial Library. The project they are seeking improvement for is to replace the ADA accessible entry door and ceiling repair in the ash room. The scope of this project would fit the city's \$10,000 grant goal plus 30% match.



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March 5, 2025

President Manderfeld inquired about broader building needs, Ms. Hansen stated that they have been identifying facility maintenance needs with Kraus Anderson. President Manderfeld asked for a motion to approve.

Motion: Commissioner Peterson moved, and Commissioner Lanigan seconded allocating \$10,000 in SCDP grant funding for 406 Cloquet Avenue the historic Shaw Library (now CCHS). (Motion passed 4-0).

C) Federal EPA Brownfield Grant Redevelopment Planning Funds, Josh Bergstad, ARDC Principle Planner—Regional Planning

Josh Bergstad from the Arrowhead Regional Development Commission (ARDC) joined the meeting virtually and provided a presentation overviewing the federal EPA grant award for brownfield assessments to ARDC and work conducted over the past five years across the Arrowhead Region and several properties that also used these funds in Cloquet. In the final year of the grant work is shifting to redevelopment planning and he reviewed the proposed redevelopment planning scope set for use on the Brenny Dahl Block plant site in an effort to assist with supporting the site for future redevelopment of the property offering \$105,000 in grant funds. Mr. Manderfeld asked about the responsibilities of owners and clean up funding opportunities. Mr. Bergstad reviewed some of the state grant programs that support clean up. Mr. Bergstad was thanked for his presentation.

D) Cloquet Child Care Action Plan, Zane Bail, Chief Operating Officer—Northland Foundation

Zane Bail from the Northland Foundation joined the meeting virtually and provided an overview of the mission of Northland Foundation stating that as an organization they house the Northland Small Business Development Center (SBDC) and support business start-ups and gap financing as they are also a community development financial institution (CDFI). Their partner institutions around the state are various Minnesota Initiative Foundations.

Northland Foundation also supports programming for youth and seniors which dovetails into the conversation today. Child care wayfinder resources have been developed. On Monday this week you may have noticed on the news a feature called “a day without child care” which drew attention to the challenges structurally of staffing and providing affordable child care. The state of Minnesota is conducting listening sessions working to modernize regulations last written in the 1980s.

Northland Foundation has received several grant programs from the state of Minnesota DEED office and has done several projects in Cloquet including supporting the relocation of Lil Lumberjacks from the high school over to the Miners property with a \$40,000 grant. Northland Foundation was involved in the last child care planning effort with Carlton County and helped



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provide technical assistance in partnership with First Children's Finance and Child Care Aware. This weekend at the DECC in Duluth Northland Foundation will be providing child care training for over 250 registrants.

Ms. Hansen called for assistance in crafting direction after receiving concerns from Cloquet businesses. Northland Foundation examined concepts and proposes a not to exceed grant of \$29,000 utilizing Northspan to facilitate a Cloquet Child Care Action Plan that would be done over a one year period. Ms. Hansen asked the EDA for feedback as child care is a listed 2025 goal and thanked Ms. Bail for the grant opportunity. She clarified that a steering committee of child care and governmental staff would be pulled together to direct the initiative and would be reported out to the EDA. EDA provided feedback that this would be valuable to proceed with. President Manderfeld asked for a motion to approve.

Motion: Commissioner Ryan moved, and Commissioner Peterson seconded to proceed with a grant from Northland Foundation to develop a Cloquet Child Care Action Plan. (Motion passed 4-0).

E) Request General Authorization to order Ownership and Encumbrance reports; and property appraisals on select distressed properties

At last month's EDA meeting, staff sought direction on ways to move forward with various recommendations contained in the October 2024 Cloquet/Scanlon Housing Study. Through that process staff sought input on distressed properties. Cities/EDA's can purchase blighted properties, they do not just have to be hazardous (structurally or physically) for the possibility of housing redevelopment. Prior to doing so in an effort to clearly understand property structure and liabilities related to potential acquisition cities/EDA's must order: ownership and encumbrance reports (about \$80 each) and then secondly property appraisals (estimated by the city's appraiser at \$1,200 each). If EDA provides staff authority to determine select distressed properties, 3-4 homes would be evaluating using Fund 202. Select properties would be recommended by staff, no properties have been selected at this time. If authorized staff will generally screen for vacant properties, with utilities that are on or off, or could be structural ownership distressed. At a future EDA meeting, a closed session will be held to review, discuss, and consider select blighted properties for purchase for housing redevelopment based on the appraised value noting that if offers are not accepted that in the future the city may proceed with recommendation of eminent domain proceedings to do so. Coming out of that closed meeting session, per Mn. Stat. 13D.05, the EDA would then name properties to pursue for housing redevelopment. The process from there is the EDA could be successful in property acquisition, or may not, but would pay for the process. If acquired, the EDA would proceed to city council for authorization/discussion on the city's use of SAHA funds (Fund 207) to demolish/clear homes on these properties so that they are cleared for redevelopment. Lastly, the EDA would prepare Request for Proposals to contractors for redevelopment into housing. President Manderfeld asked for questions? Hearing none he asked for a motion to approve.



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**Motion: Commissioner Lanigan moved, and Commissioner Petetrson seconded,
(Motion passed 4-0).**

7. EDA Informational Updates

CHAMBER

Kelly Zink provided the update that the next Chamber Chat luncheon will be on Thursday March 13th at Carmen's, the Home Show will be March 14th and 15th at Black Bear Casino and Resort, and the Annual Meeting of the Cloquet Area Chamber of Commerce will be on Thursday April 24th at the Black Bear Casino and Resort.

CITY

Ms. Hansen shared that the city will be scheduling the property closing for lot sales in the Cloquet Business Park with JBB LLC who this spring will begin construction on a 6,400 square foot facility for Collins Roofing and Sheet Metal. Staff has initiated several private property owner meetings to inquire and assist with future development plans. The Cloquet Economic Development Partnership will meet at City Hall on Tuesday March 11th with the city hosting lunch. The Cloquet HRA has launched a new website, be sure to check it out: <https://www.cloquetcarltonhra.org/>. And lastly, the Pine Journal and Fox have done recent articles and interviews on the Hotel Solem Redevelopment project into Solem Apartments.

Adjourn

President Manderfeld adjourned the meeting at 8:58 a.m.

Respectfully submitted,

Holly Hansen, Community Development Director



Community Development Department
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Phone: 218-879-2507 • Fax: 218-879-6555

To: City of Cloquet Economic Development Authority (EDA)
From: Holly Hansen, Community Development Director
Date: March 25, 2025

ITEM DESCRIPTION: EDA Review of Monthly Financial Statements (February 2025)

EDA Requested Action

The EDA is asked to approve the February 2025 EDA financials.

Monthly Review

Attached the EDA members will find the February 2025 cash balances and loans for economic development.

CASH BALANCES

The summary of February 2025 financials **which currently total \$902,291.04** are:

- **Fund 201 (LDO-Loan)/ Fund 201 (LDO-Project/Loan)** there is an **increase** in the fund balance due to business loan repayments and payoff of the Lagom Development loan for 217 3rd Street.
- **Fund 202 (Fed CDBG)** there was a slight decrease for a MnP city check charge due to being received late.
- **Fund 203 (ED)** there is **no change** to the fund balance as the one business loan fund in this category missed payment this month. Staff continues to work with their accounting department to set up a bank withdraw.
- **Fund 206 (Revolved Phase 3 SCDP loan repayments)** there is an **no change** in fund balance but we note that the city has received an application from CCHS.
- **Fund 207 (Housing Trust Fund)** there is **no change** in fund balance as statewide affordable housing aid (SAHA) payments are received with February and July local government aid (LGA) disbursements to the city from the state.

LOAN STATUS

The total outstanding loan balance for City funds is \$1,396,517.47 (7 business loans) with monthly repayments of \$9,001.85 with one loan deferral and one interest only short term housing loan. There is a delinquent business loan this month and city has set up ACH payments. The building formerly owned by the City and sold to a developer in 2012 located at 1111 Cloquet



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Avenue has sold, however the City's loan payment will continue under original ownership until the term is complete in 2027 per the original terms of that deal.

Policy Objectives

As a standalone EDA, the monthly financial statements must be reviewed and approved by the EDA.

Financial Impacts

None at this time.

Staff Recommendation

Staff recommends that the EDA move to approve the February 2025 EDA financial statements.

Supporting Documentation

- February 2025 Cash Balances; February 2025 Loan Balances

City of Cloquet
Cash Balances
February 2025

		Current Month	Previous Month
201	LDO Loan (EDA) - Loan	\$71,328.22 ¹	\$13,957.21
201	LDO Loan (EDA) - Project/Loan	\$0.00	\$0.00
202	Federal CDBG Loan (EDA)	\$331,389.61 ²	\$331,409.61
203	Economic Development Loan (City)	\$352,587.62	\$352,587.62
206	Revolving SCDP (EDA)	\$17,365.59 ³	\$17,365.59
207	Housing Trust Fund (City)	<u>\$129,620.00</u>	<u>\$129,620.00</u>
		<u>\$902,291.04</u>	<u>\$844,940.03</u>

206 Commercial Grant Awards:

None

Monthly change explanations:

- 1 - Loan repayments - (Lagom Development loan for 217 3rd ST paid off with house sale)
- 2 - Hieb project at 905 Cloquet Ave (Allete Service Charge city check)
- 3 - \$10,000 held for Carlton County Historical Society

**Community Development
Loan Balances
February 2025**

Loan	Loan Date	%	Loan Amount	Monthly Payment	Maturity Date	Balance	*Exp. UCC or FF
Fund 201 (EDA LDO Fund)							
Boss Builders LLC	7/1/2024	4.00%	\$ 155,000.00	\$ 516.67	1/1/2026	\$ 155,000.00	***
C&C Holdings LLC	7/24/2024	2.00%	\$ 924,500.00	\$ 6,250.00	7/24/2044	\$ 924,500.00	**
Lagom Restoration LLC	12/21/2023	4.00%	\$ 56,000.00	\$ 186.67	6/25/2025	\$ -	Paid off 2/3/25
Fund 201				\$ 6,953.34		\$ 1,079,500.00	
Fund 202 (EDA CDBG Fund, all loans are repaid into Fund 201 LDO to revolve restrictions once loaned, interest accrues into 202)							
C&C Holdings LLC	7/24/2024	2.00%	\$ 211,500.00	\$ -	7/24/2044	\$ 211,500.00	**
GCL Development Group LLC	6/12/2020	2.25%	\$ 75,000.00	\$ 388.36	7/1/2040	\$ 60,729.01	
North Country Dental LLC	8/3/2020	2.00%	\$ 20,000.00	\$ 390.79	7/1/2025	\$ 2,331.02	7/24/2025
WebMed, LLC	12/11/2020	2.00%	\$ 20,000.00	\$ 391.56	12/15/2025	\$ 4,264.27	12/8/2025
Hieb Properties LLC	8/19/2024	4.00%	\$ 20,434.00	\$ 279.31	8/19/2031	\$ 19,301.93	
Fund 202 into 201				\$ 1,450.02		\$ 298,126.23	
Fund 203 (City)							
CMW Retail Properties	7/1/2012	1.00%	\$ 100,000.00	\$ 598.49	8/1/2027	\$ 18,891.24	Dec '24 - Mar '25
Fund 203				\$ 598.49		\$ 18,891.24	
Fund 206 (EDA SCDP Fund no current funds from 208 City SCDP)							
Fund 208				\$ -		\$ -	
Total Community Development Loans Outstanding				\$ 9,001.85		\$ 1,396,517.47	

Notes:

* Can re-file continuation within 6 months of expiration.

** 16-month loan deferral through Nov 2025

***Housing rehab/development short term loans making interest only payments with a balloon at the end of the term



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REQUEST FOR ECONOMIC DEVELOPMENT AUTHORITY ACTION

To: Cloquet Economic Development Authority
From: Holly Hansen, Community Development Director
Date: March 27, 2025

ITEM DESCRIPTION: City of Cloquet Gap Financing Loan to JBB Group LLC

Overview

Neil Sample, Vice President of Business Services from Members Cooperative Credit Union (MCCU) will join the Cloquet EDA meeting by phone on April 2nd to provide an overview of the loan request as the city's new underwriting team. I've attached a redacted version of their loan review. MCCU, city staff and the primary project lender Frandsen Bank & Trust (FB&T) jointly met to brainstorm and structure this deal.

EDA Commissioners employed at MCCU are clear to vote on this item as this is simply a hired credit service review by the city while EDA Commissioners employed at FB&T should recuse themselves from this vote as there is a project credit interest with this project.

***Please dial in MCCU for Teleconference for this Loan Review**

Proposed Action

MCCU underwriting and staff advise the EDA recommend approval to Cloquet City Council as an action item at their April 15th meeting of a gap financing subordinate loan to JBB Group LLC, a holding company entity created for this project, in the amount of \$149,000 from Fund 203 (City of Cloquet fund) for a term of 20 years, at an interest rate of 4% in the form of a loan participation with FB&T which will be collateralized on the completed 8,455 SF industrial building (6,400 SF main level as well as a 2,055 SF Office mezzanine) at 533 Commerce Way in the Cloquet Business Park.

Background

On March 12th the city sold Lot 1 and Lot 2, Block 5, Cloquet Business Park to JBB Group LLC support the pending construction of a 8,455 SF manufacturing and office facility, on the Property which will be leased to The Companies LLC, a Minnesota limited liability company, d/b/a Collins Roofing and Sheet Metal. At closing the bank and owner consulted city staff to inquire about gap financing as the proposed building's appraisal came in below the actual cost of construction. The realities of new construction include higher costs to construct versus the



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appraised completed value as real estate is a long-term investment. As such the primary lender has maximized their loan to value ratio and inquired with the city for assistance on the project.

Business owner Jeff Collins started Collins Roofing and Sheet Metal in 2011 which installs all things metal roof related and self-manufactured steel roofing systems and trims for residential, commercial, and industrial roofs offering customization. His business is located in Hermantown and is owned with his business partners are Brian Spender and Brandon Jones. Their residential products include: asphalt shingle roofing, metal roofing, metal shingle roofing, and stone coated roofing. Commercial products include: multi-family roofing, low slope roofing, sheet metal roofing, and commercial roof service.

Policy Objectives

LAND USE & ECONOMIC DEVELOPMENT

The Cloquet Economic Development Authority (EDA) reviews all projects with proposed financial assistance, along with proposed projects and lot sales in the Cloquet Business Park for vision alignment with City of Cloquet goals. The 2025 Cloquet EDA Goals/Work Plan prioritizes the sale of land in the Cloquet Business Park for development:

Goal #4 – Develop the Cloquet Business Park

Increase business and employment opportunities within the Cloquet Business Park while broadening the commercial/industrial sector and tax base.

The intent of the City of Cloquet's Office/Manufacturing zoning district is to establish a suitable area or areas within the city in which light industrial and limited commercial uses can co-exist in an attractive environment and be compatible with each other and with adjacent business or residential neighborhoods.

CITY ASSISTANCE THRESHOLDS

After discussion with JBB Group LLC, the decision was made to stay below the threshold of the state of Minnesota's business subsidy law to limit the number of required meetings and further agreements (Mn. Stat. 116J.993, a business subsidy is \$150,000 or more). As such the city is being asked to loan \$149,000 and ownership increased their equity into the project.

Financial Impacts

The cost of constructing this proposed building is \$1.7 million. The appraised completed value for the property is \$1.3 million. The primary lender and city have proposed to combine to provide 86.46 loan to value and the owner increased equity injection into the project. The credit scores of the three owners of JBB Group LLC are excellent and demonstrate debt repayment paired with business cash flows and personal net worth.

COLLATERAL SUMMARY (City of Cloquet EDA)				
Loan Number	Loan Balance	Description	Collateral Value	Collateral LTV
City of Cloquet EDA	\$149,000.00	533 Commerce Way	\$1,300,000	
FB&T	\$975,000.00	Prior Liens		
Total	\$1,124,000.00		\$1,300,000	86.46 %



MCCU Collateral Commentary:

Subject collateral is subordinate to primary lender on a proposed industrial property located at 533 Commerce Way, Cloquet, MN. The subject property is currently a 1.91-acre vacant industrial lot that the borrower intends to construct a new 8,455 SF industrial building. The new building will contain 6,400 SF main level as well as a 2,055 SF Office mezzanine. The property will be about 49% office space and 51% warehouse. Upon completion of the property, the borrower is considering leasing out approximately 600 SF of office space for \$2,000 per month. The lead lender has obtained an appraisal with an as complete value of \$1,300,000. An appraisal review, site plans, building specs, an environmental risk assessment questionnaire, a flood certificate and a sworn construction statement were obtained by the lead lender as well.

MCCU Business Cash Flow Comments:

JBB Group LLC will be the real estate holding company and primary borrower for the proposed construction project. This entity was created for this project and will receive rents per the signed lease agreement with the corporate guarantor. The commencement date of said lease is January 1, 2026. There will be additional space available to be tenant occupied, but at this time, it is unknown if the borrower will lease out the space. The rental income included in the review is only the rents from the corporate guarantor. The proposed debts include the loan with FB&T of \$975,000 and the proposed loan with the City of Cloquet.

Business cashflows for 2023 and 2024, as well as the projected income for 2025 and 2026 were included in this review. The business increased their sales and net income per the 2024 profit and loss statement and anticipate this to continue in the coming years. It is assumed that the projected increase in revenues is due to the proposed construction project. The 2024 net income increased by 57.97% to and is projected to increase by 196.20% in 2025 and 27.19% in 2026. These projections included increases in projected operating expense, as well as interest expense. The rental expenses increase dramatically in 2026, which is the commencement of the lease for the proposed constructed space with the borrowing entity. Existing business and personal debt were reviewed by the primary lender and MCCU.

MCCU City Loan Comments:

Strengths

- Borrower has strong current and projected primary DSCR
- Global cash flow is strong
- Guarantors have strong credit scores
- Borrower has extensive experience in the industry

Weaknesses

- Borrower is acting as their own general contractor
 - Partially mitigated by the experience of the borrower/guarantors
- Loan to value exceeds 80%



- Partially mitigated by the LTV being less than 90% LTV - understood as the gap financier.
- Borrower/Guarantor is dependent on success of this business, no outside income
- Some of the borrower's equity injections come in the form of work to be completed:
 - If the loan must be foreclosed upon prior to construction completion and that equity has not been built in yet, it is quite possible the loan will be underwater and there will not be a collateral margin to cover the City's loan.
 - Partially mitigated by the borrower's ability to complete the work.
 - Partially mitigated by FB&T requiring some cash equity up front to start the project.
 - Partially mitigated by FB&T using bank funds first.
 - The city can either accept the risk or require the owner equity up front.
- Guarantor lacks liquidity, borrowers will deplete funds to use them as a down payment and may have to use short term financing
 - If construction costs exceed the budget/sworn construction statement, the borrowers will likely need additional financing which increases the risks and complexity.

City Loan Fund:

The loan will be made from Fund 203 which has an available cash balance of \$356,978.56. Eligible businesses for this fund include any new or expanding manufacturing business, distributing, warehousing, packaging and processing facilities, office, industries (including corporate, professional and technical), and retail that create or retain permanent jobs and demonstrate a significant payroll and other long term economic benefits to the City of Cloquet.

City Underwriting Team/Staff Recommendation

MCCU Commercial Credit Analyst's Recommendations/Conditions for Approval:

- Commercial Credit Analyst recommends approval as presented
- The Companies LLC to guarantee this loan
- FB&T will originate the loan and the City will purchase as a participation (city attorney will be asked to review participation documents from FB&T to be executed by Mayor and City Administrator on behalf of city loan Fund 203)
- Obtain title insurance and a closing protection letter
- Collect property insurance prior to closing
- Require that the sworn construction statement be signed
- Require bank funds be used prior to City funding (Acknowledge that FB&T is accepting some owners' equity in the form of work to be completed by the borrower and it may not come in until after FB&T and the City have funded their loans. This poses a risk to the city if the borrower doesn't finish the work as expected.)



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CONSTRUCTION OF 533 COMMERCE WAY	
Land Acquisition	\$30,000
Building Cost	\$1,670,000
Equipment	-
Architectural/Engineering	-
Financing Costs	-
Contingencies	-
Other	-
TOTAL	\$1,700,000

SOURCES AND USES CONSTRUCTION OF 533 COMMERCE WAY		
34%	Developer Equity	\$576,000 (business cash, personal injections as well as the operating line of credit if need be)
57%	Bank Loan	\$975,000
9%	City of Cloquet Gap Financing Loan	\$149,000 (\$903/month payment, 20-year term 4% interest rate loan participation format with FB&T)
	TOTAL	\$1,700,000

Staff was involved in the review and project structuring related to the use of city funds and recommend conditions for approval per the terms of the city's underwriting team.

Supporting Documents Attached

- MCCU credit review with personal financials redacted
- FB&T commitment to loan participation project
- Building plans/Approved City Site Plan
- Fund 203 loan flyer



Members Cooperative Credit Union
Enhanced Credit Union Loan Presentation

LOAN INFORMATION			
Borrower:	JBB Group LLC	Loan Review Date:	03/20/2025
Industry:	531120 - Lessors of Nonresidential Buildings (except Miniwarehouses)	Loan ID (# or Workflow):	City of Cloquet EDA

GUARANTOR INFORMATION			
Person/Business	Ownership Percentage	Guarantee Percentage	Title/Management Role
Spender, Brian	33.33%	100.00 %	Partner
Collins, Jeffrey	33.34%	100.00 %	Partner
Jones, Brandon	33.33%	100.00 %	Partner
The Companies LLC	0.00%	100.00 %	Operating Entity

Transaction Summary (Proposed):

Loan request of \$149,000 to provide gap financing for a construction project in the Cloquet Business Park at 533 Commerce Way. The proposed loan will be originated by Frandsen Bank & Trust and the City of Cloquet will purchase 100% of the loan as a participation.

The proposed loan with the City will have a term and amortization of 20 years and an interest rate of 4.00%.

The primary loan for this project will be held with Frandsen Bank & Trust and will be for \$975,000. The remaining costs will come from the borrower/guarantors and this subject loan.

The loans originated using the City's Economic Development Program are intended to encourage the creation of quality jobs and increase new property tax opportunities within the City of Cloquet. Per the borrower's Impact on Community Jobs and Revenue statement, the project is estimated to bring an additional \$30,000 in property taxes per year and will create high paying jobs with additional benefits such as dental insurance, health insurance, company provided HSA, retirement, paid vacation and paid holidays.

Frandsen Bank & Trust has stated the order of advances will be, a portion of the owner's equity, bank loan funds, and then city funds, however, some of the owner equity will be injected down the road as they plan to do some of the work themselves, including all of the metal roofing and siding for the building.

Member Background:

JBB Group, LLC is a newly formed real estate holding company for a new building project in the Cloquet Business Park. The business is owned by Jeff Collins, Brian Spender and Brandon Jones 33.3% each.

The building will be primarily focused on space for The Companies LLC dba Collins Roofing and Sheet Metal and house material, equipment, vehicles, and office space for them. There will be about 5% to 10% of the building reserved as rental space for another tenant.



Members Cooperative Credit Union
Enhanced Credit Union Loan Presentation

The Companies LLC was created on 11/4/2011 by Jeffrey Collins. The business runs as a dba under the name Collins Roofing and Sheet Metal. The Companies LLC has recently changed their business structure, this update includes the following:

- Jeff Collins closed out the HVAC company in FY 2023
- They added two new owners to the business: Brian Spender and Brandon Jones
- The Metal Roofing division has branched out into the commercial sector with projects closer to the Twin Cities Metro area with anticipated increases in revenues as they extend their reach.

The ownership structure per the 2023 taxes is Jeffrey Collins (60%), Brian Spender (20%), and Brandon Jones (20%)

PROPOSED LOANS						
Loan Number	Borrower Name	Original Amount	Interest Rate	Term (Months)	Amortization (Months)	Collateral Description
City of Cloquet EDA	JBB Group LLC	\$149,000.00	4.00 %	240	240	533 Commerce Way

QUICK VIEW OF REPAYMENT SOURCES

Source of Repayment:

- Business Cash Flow
- Guarantors
- Collateral Liquidation

PRIMARY CASH FLOWS - JBB Group LLC					
Entity	Metric		12/31/2024	12/31/2025	Projected
JBB Group LLC	EBITDA		\$0	\$0	\$105,600
PRIMARY DSCR (Actual)			0.00	0.00	0.89

PRIMARY CASH FLOWS - The Companies LLC					
Entity	Metric	12/31/2023	12/31/2024	12/31/2025	Projected
The Companies LLC	EBITDA	\$275,214	\$319,705	\$925,300	\$1,176,294
PRIMARY DSCR (Actual)		5.14	5.97	17.28	21.97

COLLATERAL SUMMARY (City of Cloquet EDA)				
Loan Number	Loan Balance	Description	Collateral Value	Collateral LTV
City of Cloquet EDA	\$149,000.00	533 Commerce Way	\$1,300,000	
FB&T	\$975,000.00	Prior Liens		
Total	\$1,124,000.00		\$1,300,000	86.46 %



Members Cooperative Credit Union
Enhanced Credit Union Loan Presentation

Strengths, Weaknesses and Recommendations

Strengths and Weaknesses:

Strengths

- Borrower has strong current and projected primary DSCR
- Global cash flow is strong
- Guarantors have strong credit scores
- Borrower has extensive experience in the industry

Weaknesses

- Borrower is acting as their own general contractor
 - Partially mitigated by the experience of the borrower/guarantors
- Loan to value exceeds 80%
 - Partially mitigated by the LTV being less than 90% LTV - understood as the gap financier.
- Borrower/Guarantor is dependent on success of this business, no outside income
- Some of the borrower's equity injections come in the form of work to be completed:
 - If the loan must be foreclosed upon prior to construction completion and that equity has not been built in yet, it is quite possible the loan will be underwater and there will not be a collateral margin to cover the City's loan.
 - Partially mitigated by the borrower's ability to complete the work.
 - Partially mitigated by Frandsen requiring some cash equity up front to start the project.
 - Partially mitigated by Frandsen using bank funds first.
 - The city can either accept the risk or require the owner equity up front.
- Guarantor lacks liquidity, borrowers will deplete funds to use them as a down payment and may have to use short term financing
 - If construction costs exceed the budget/sworn construction statement, the borrowers will likely need additional financing which increases the risks and complexity.



Members Cooperative Credit Union
Enhanced Credit Union Loan Presentation

Commercial Credit Analyst's Recommendations/Conditions for Approval:

- Commercial Credit Analyst recommends approval as presented
- The Companies LLC to guarantee this loan
- Frandsen Bank & Trust will originate the loan and the City will purchase as a participation
- Obtain title insurance and a closing protection letter
- Collect property insurance prior to closing
- Require that the sworn construction statement be signed
- Require bank funds be used prior to City funding (Acknowledge that Frandsen is accepting some owners' equity in the form of work to be completed by the borrower and it may not come in until after Frandsen and the City have funded their loans. This poses a risk to the city if the borrower doesn't finish the work as expected.)

Officer Comment

3/24/2025

JBB Group, LLC & The Companies LLC

Sarah Boynton

This officer comment is supplemental information for the Credit Presentation approved on 3/12/2025.


The appraisal that was obtained on 2/17/2025 valued the as completed construction project at \$1.3MM. Due to this being less than the anticipated construction costs the owners have decided to source additional funding for the project.

Holly Hansen, the Community Development Director, has already worked with JBB Group for the land purchase for this project and is also helping with the new request for an Economic Development Funds to backfill the difference in funding.

The City of Cloquet has proposed \$149,000.00 on an 2nd mortgage at 4% for 20 years. The loan will be serviced by FB&T as a 2nd loan and will be fully participated out to the City of Cloquet.

This additional \$149,000.00 will assist JBB Group with the additional funding needed for the construction of their project located in the Cloquet Industrial Park.

All other terms and conditions of the approved Credit Presentation on 3/12/25 will remain the same.


3/24/2025





SCALZO ARCHITECTS, LTD.
4731 Gladstone Street
Duluth, Minnesota 55804
Tele: 218.722.4319
Fax: 218.722.3535

I hereby certify that this plan, specification, or report was prepared by me or under my direct supervision and that I am a duly licensed Architect under the laws of the State of Minnesota.

William B. Scalzo
WILLIAM B. SCALZO

DATE: OCTOBER 24, 2024
LICENSE NO: 18130

PROJECT:

**COLLINS ROOFING
AND SHEET METAL**
CLOQUET BUSINESS PARK
CLOQUET, MINNESOTA

OWNER:
COLLINS ROOFING
AND SHEET METAL
4181 THUNDERCHIEF LANE
DULUTH MINNESOTA 55811

SITE PLAN

REVISIONS:

- REVISION DECEMBER 26, 2024
- REVISION JANUARY 21, 2025
- REVISION JANUARY 31, 2025

DATE: OCTOBER 24, 2024
DRAWN: AWS, SLR
CHECKED: WBS
PROJECT: 2423

0 2"
FULL SCALE

SHEET NO.

Z1

LEGEND

- SHRUB
- 17 OVERSTORY TREE - 2-1/2" DIAMETER
- 7 CONIFERS - 6 FEET TALL

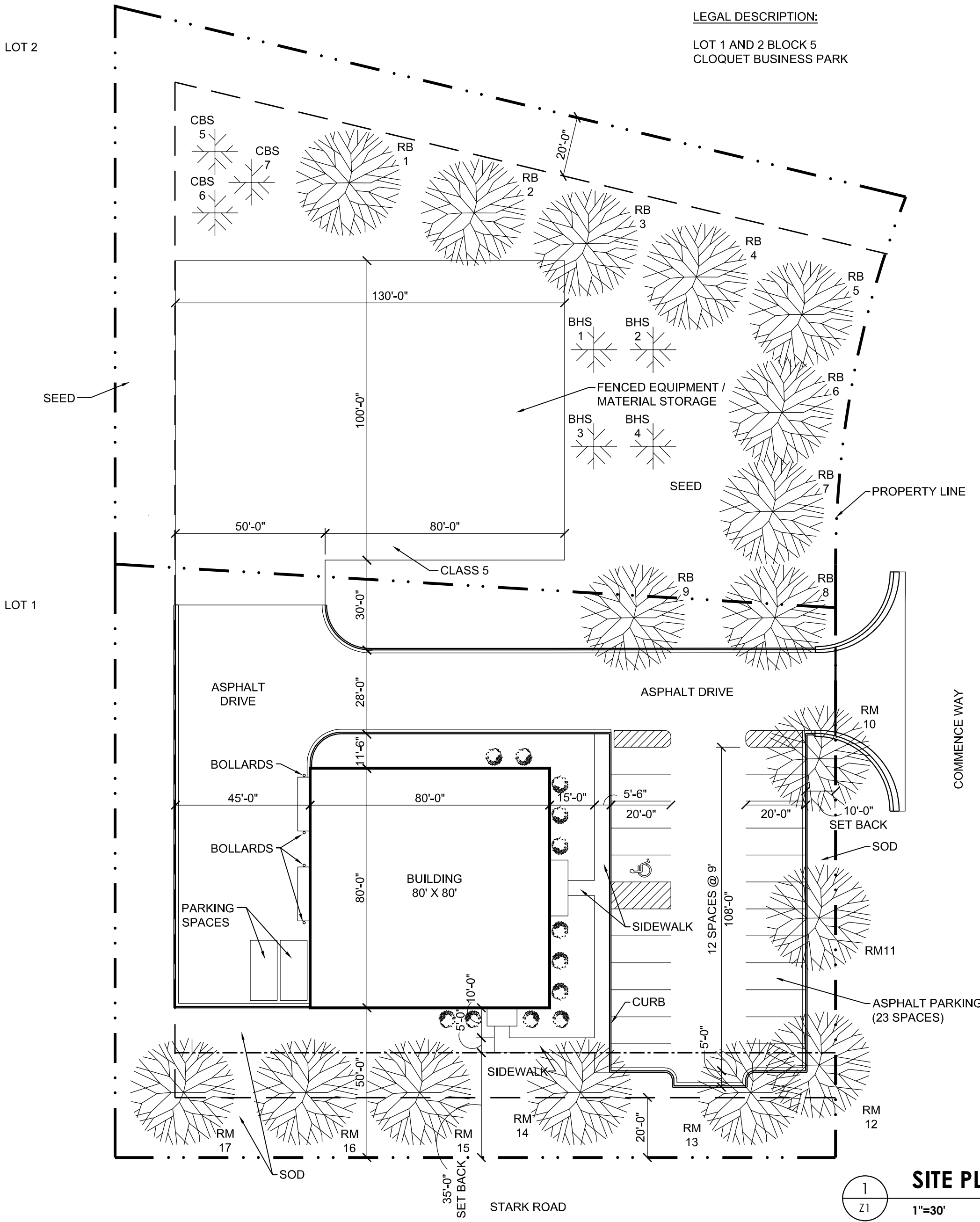
TREE LEGEND

- RO RED OAK
- RM RED MAPLE
- RB RIVER BIRCH
- CBS COLORADO BLUE SPRUCE
- BHS BLACK HILLS SPRUCE

PARKING TABULATION		
OFFICE	4400 SF / 250 = 17.6	
MANUFACTURING	2000 SF / 350 = 5.7	
WAREHOUSE	2000 SF / 2000 = 1	
TOTAL		24.3

PROPERTY SIZE 1.92 ACRES (83,635.2 SF)

IMPERVIOUS SURFACE 37,807 SF / 83,635.2 SF = 45.2%
BUILDING COVERAGE 6,400 SF / 83,635.2 SF = 7.6%



1
Z1
SITE PLAN
1"=30'





Cloquet, Minnesota

Economic Development Loan Program

(Fund 203)

OVERVIEW

The Cloquet Economic Development Loan Program was created in 2000 to achieve local goals for development in the community. While all businesses are eligible, the program was created to respond to needs from the commercial/retail business sector. This flexible source of loan funds in collaboration with local lenders provides gap financing to businesses on relocation/expansion projects that encourage the creation of quality jobs and increase new property tax opportunities within the City of Cloquet.

ELIGIBLE BUSINESSES

Any new or expanding manufacturing business, distributing, warehousing, packaging and processing facilities, office, industries (including corporate, professional and technical), and retail that create or retain permanent jobs and demonstrate a significant payroll and other long term economic benefits to the City of Cloquet.

USE OF PROCEEDS

Eligible activities for assistance include:

- Equipment and machinery.
- Furniture, fixtures and inventory.
- Land and building acquisitions.
- New building construction or building renovation.
- Building expansion or site improvements.

Ineligible use of proceeds:

- Loans may not be used to service or refinance any existing debt.
- Not-for-profit businesses are not eligible.
- Personal property items.
- Working capital.
- Previously completed or started projects.

CONTACT

Additional information and application may be obtained online at www.cloqueteda.com or from:

Holly Hansen, Community Development Director
101 14th ST
Cloquet MN 55720
Ph: (218) 879-2507 ext. 4
Email: hhansen@cloquetmn.gov

LOAN TERMS AND CONDITIONS

Loan Terms

- Final loan terms/rates are determined by agreement between the participating lender and City on a case-by-case basis.
- Interest rates shall generally be at Wall Street Journal prime rate -1 with a minimum of 2.5% (based on credit and project risk); fixed for the term of loan.
- Terms shall generally be: 3-5 years on leasehold improvements, office equipment and inventory; 5-10 years on manufacturing machinery and equipment; and 15-20 years on real estate (land, buildings, and site improvements) or for terms consistent with and/or required under Federal SBA guidelines or other State and Federal lending requirements.

Loan Conditions/Amount

- The loan fund shall not provide gap financing exceeding 25% of the total project cost and total public funding (government) will not exceed 50%.
- Job creation and retention as well as compliance with business subsidy is required.
- Relocation of business outside of Cloquet Area requires immediate and full loan repayment.
- Minimum equity participation shall be 10%.
- Qualifying private projects utilizing a private project labor agreement (PLA) with the Duluth Trades Council will be reviewed for an increase of 15% of requested City funding.

Loan Security/Collateral

Loans must be secured by collateral sufficient enough to assure repayment. Acceptable security could include a mortgage or land, building and/or equipment; and in some projects assignment of accounts receivable. A personal guarantee from each major principal in the company is a requirement. A life insurance policy matching the City's loan and naming the City of Cloquet as beneficiary may be required from each major principal in the company.

Origination and Closing Costs

An application fee of \$800 is due on the date of application. There are no service fees. The business must pay all loan administrative and closing costs on the date of the loan closing.



AGENDA INFORMATIONAL UPDATES 3-27-25

CHAMBER

- The next **Chamber Chat luncheon** will be on Thursday April 10th at Hank's from 11:30a.m.-12:30p.m.
- The **Annual Meeting of the Cloquet Area Chamber of Commerce** will be on Thursday April 24th at the Black Bear Casino and Resort

COUNTY

- None provided.

CITY

- The city closed on the lot sales in the Cloquet Business Park with JBB LLC who this spring will begin construction on a 8,455 square foot facility for Collins Roofing and Sheet Metal.
- Staff has initiated several private property owner meetings to inquire and assist with future development plans.
- Staff met with Stantec and Brenny Dahl on March 25th to review brownfield redevelopment planning project findings to date and determine next steps.
- Staff has been working with Northspan to schedule the first Cloquet Child Care action meeting targeting April 29th.
- PLEASE JOIN US IN PARTNERSHIP WITH BOLDT CONSTRUCTION FOR CLOQUET CLEAN UP DAY SATURDAY APRIL 26TH FROM 9:30AM – NOON!
- Staff has outreached to West End property owners to enlist their cooperation on ensuring storefront spaces are clean and posted for rent.



CLOQUET RIVERFRONT AREA CLEAN UP

April 26th
9:30am-12:00pm
Dunlap Island Park Shelter
Beverages & Snacks Provided!

BOLDT
BUILD BOLDLY

*If inclement weather occurs on April 26th, a make up day is scheduled on April 30th, from 4:00pm – 6:00pm.
All those RSVP's prior to the 26th will be notified if the date should change.*

Scan QR Code to RSVP



COMMUNITY DEVELOPMENT DEPARTMENT

101 14th ST • Cloquet MN 55720

Phone: 218-879-2507 • Fax: 218-879-6555

MEMO

DATE: March 26, 2025

TO: West End Business District Property Owners

RE: **Effectively marketing available commercial storefront space “For Rent” with property owner contact information**

FROM: Holly Hansen, Community Development Director hhansen@cloquetmn.gov; 218-879-2507 x4



Example of storefront space For Rent signage at 905 Cloquet Avenue.

I hope you are well as we roll forward into 2025! If you don't know me allow me to introduce myself, I'm Holly I work for the City of Cloquet and facilitate the Cloquet Economic Development Authority (EDA) and direct the Community Development Department. I'm sure you are all aware that recently the city was able to leverage federal funding via the State of Minnesota DEED office for new streetlights in the West End Business District, enlisted the help of USG to create a business district sign, utilized Artists on Mainstreet funding for the district, and have heavily invested into city parks, streetscaping, and parks maintenance.

Whether we live, work, or play in Cloquet we are all part of this community and are part of its respectful care and success. This week I've received a call from a current West End Business District owner with concerns over available storefronts not being used, nor advertised “For Rent” with a sign and property contact information. The statement was also made that some inactive storefronts are simply storing items and nothing is cleared at all to make it available for business rental prospects. Last month I received a call from a different business owner in the district expressing the very same concern. As such **I'm outreaching to all of you to enlist your help, cooperation, increase awareness on this issue, and respectful care to market vacant storefronts to interested potential businesses for the betterment of this community we are part of and help activate this quiet business district area.**

If you have an unused, underused, or only an occasionally used storefront, please ensure that it is cleaned out/cleared and posted in the window or doorway “For Rent” with your contact information. Also, feel free to send me property photos and information on square footage, other space information, and your contact information and I'll help upload those into the Northland Connection website for property searches and can promote available space on social media as well. Please contact me directly with any questions or concerns. Thank you!

Join us! **CHAMBER CHAT**

11:30-12:30



JAN - RIVER INN
FEB - PERKINS
MARCH - CARMENS
APRIL - HANK'S
SPORTS BAR & GRILL
MAY - PEDROS
JUNE - GORDYS /
WARMING HOUSE

JULY- SAMMY'S PIZZA
AUGUST - B&B MARKET
@CLOQUET CHAMBER
SEPT - RENDEZVOUS
OCT - BUFFALO HOUSE
NOV - THE JACK
DEC - HOLY SMOKES

2ND THURSDAY

**BRING A FRIEND - ENJOY LUNCH FROM THE MENU
- AND GET READY TO MEET YOUR NEW BEST
CUSTOMER AND MAKE SOME VALUABLE
CONNECTIONS!**



YOU'RE CORDIALLY INVITED!

Annual Meeting & Banquet

April 24, 2025 - 4:30pm

Black Bear Casino Resort - Otter Creek Event Center
1789 Hwy 210, Carlton

SOCIAL HOUR - 4:30PM

AWARDS & RECOGNITION CEREMONY

****Small & Large Business of the Year****

**DINNER, ENTERTAINMENT, DESSERTS
& NETWORKING**

\$60 PER PERSON

Please RSVP to the
Chamber by Monday,
April 14, 2025

chamber@cloquet.com



PLATINUM - \$1750

- 8 tickets and reserved seating to the event, \$480 value
- Logo on all pages of slideshow
- Logo on your employee nametags
- Logo on all table signs
- Logo on all printed pieces for the event
- Logo and thank you in monthly newsletter as a sponsor
- Mentions during the event as a platinum sponsor
- Logo and mentions in pre-promotion advertising
- Logo and table signage at the event
- Opportunity to display products and/or services offered
- Opportunity for company representative to speak at event

GOLD - \$1200

- 8 tickets and reserved seating to the event, \$480 value
- Logo on all printed pieces for the event
- Logo and thank you in monthly newsletter as a sponsor
- Mentions during the event as a gold sponsor
- Logo and mentions in pre-promotion advertising
- Logo and table signage at the event
- Opportunity to display products and/or services offered

SILVER - \$650

- 4 tickets and reserved seating to the event, \$240 value
- Logo on all printed pieces for the event
- Logo and thank you in monthly newsletter as a sponsor
- Mentions during the event as a sponsor
- Logo and mentions in pre-promotion advertising
- Logo and table signage at the event

BRONZE - \$400

- 2 tickets and reserved seating to the event, \$120 value
- Thank you in monthly newsletter as a sponsor
- Mentions during the event as a sponsor
- Mentions in pre-promotion advertising
- Table signage at the event

CLOQUET AREA CHAMBER OF COMMERCE
72ND ANNUAL MEETING & BANQUET



PLEASE CONTACT US IF
YOUR BUSINESS WOULD
LIKE TO DONATE AN ITEM
OR BASKET FOR THE
SILENT AUCTION!



THURSDAY - APRIL 24, 2025
BLACK BEAR CASINO RESORT
OTTER CREEK EVENT CENTER
4:30PM - SOCIAL HOUR
6:00PM - WELCOME

CLOQUET AREA CHAMBER OF COMMERCE 72ND ANNUAL MEETING & BANQUET

PLATINUM SPONSORS



GOLD SPONSORS



SILVER SPONSORS



BRONZE SPONSORS

Minnesota Energy Resources

Northwoods Credit Union

Pine Journal