



LAKE CHAMPLAIN-LAKE GEORGE

**REGIONAL
PLANNING**

BETH GILLES
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REVOLVING LOAN FUND LOAN ADMINISTRATIVE COMMITTEE

Regular Meeting

April 8, 2022 10:00 am

LCLGRP.B Offices

1 Lower Amherst Street, Lake George, NY 12845

Zoom

For log-in information, please contact Beth Gilles at beth.gilles@lclgrp.b.org

AGENDA

1. Welcome
 2. Loan Applications
 - 10:00 - Tamarack Inn
 - 10:20 - Greg Tombs Glassblowing
 - 10:45 – Amanda’s Motel
 - 11:15 – Motel Montreal
 3. Approval of minutes from February 11, 2022 and February 14, 2022 meeting
 4. High Peaks Distilling collateral release request
 5. Black River Valley Natural 6 mo. interest-only extension request
 6. Waiver of appraisal closing requirement for War Cannon Spirits and Lake Motel
 7. COVID-19 Resiliency Fund update
 8. Loan Balance Report
 9. Legal Action discussion – Cooper, Ward, Finnegan
 10. Other
 11. Next meeting
 12. Adjourn
-

Ms. Gilles welcomed everyone to the loan committee meeting on April 8, 2022 at 10:02 am.

MEMBERS PRESENT

Juan Gonzales
Christy Wilt
Chris Hay
Carol Calabrese
Paul Hamilton
Marc Monahan (entered 10:10 am)



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MEMBERS ABSENT

Chad Richards

ALSO PRESENT

Beth Gilles, LCLGRPB

Heather Devitt, MVEDD

LOAN APPLICATION

• Tamarack Inn

Ms. Devitt reviewed the Tamarack Inn loan package that was emailed to the committee. This is a loan request under the COVID-19 Small Business Recovery Loan Fund. John Ferrone and his wife run a restaurant in Lake George, Warren County. This is a \$150,000 loan request for working capital for workforce attraction and retention, including a competitive wage.

Mr. Hay would like clarification from the Ferrone's on their need for the funding. He is unclear who owns the restaurant real estate. Ms. Devitt noted that they own the restaurant, and the restaurant pays rent to the Ferrone's. So, there is no mortgage on the restaurant. Mr. Gonzales noted that they have not paid rent to themselves for 2 years and the maintenance bill has decreased, indicating that they were trying to save and using personal income to keep the business afloat.

The Ferrone's entered the meeting. They provided the history on the business. Mr. Ferrone and his son are in the kitchen and Mrs. Ferrone does the books. They are a seasonal business in Lake George. They exhausted their savings during 2020 to keep the restaurant running. They got PPP so they could keep all their staff with only 50% capacity allowed. They paid their food vendors with the EIDL funds. In 2021, they were open 100% but they still carried debt from 2020. They have changed their operations based on the consumer market changing. The loan will help them cover payroll so they can have a cushion to adjust their operations and be able to attract workforce for the summer with a competitive wage.

Mr. Hay asked if all the vendors are paid. Mr. Ferrone answered yes. They also noted they pay their taxes around Memorial Day. Mr. Gonzales asked how the building looks. They noted there is a new furnace, air conditioning system, and roof that were installed before the pandemic.

Mrs. Ferrone mentioned that they are having issues with staffing.

The Ferrone's exited the meeting.

Mr. Monahan asked about their projections, which includes a cash flow shortage. Ms. Devitt said she worked with the Ferrone's on the projections based on previous years. It comes from compensation to officers last year. It can be reduced to help with cash flow if needed. The COG's are probably too low on their projections. However, they have run a solid business for many years. Mr. Hay noted he was comfortable with the answers to his questions. A discussion on PPP ensued.



Ms. Gilles asked for a motion to approve \$150,000 working capital loan to Tamarack Mountain, Inc. under the COVID-19 Small Business Recovery Program RLF at 0% for the first 12-months and 1.9% for the remaining term, term of 10 years, collateral is a first mortgage on 440 Canada Street, Lake George, NY, personal guarantee from John Ferrone. Also included in the motion is a waiver on the appraisal requirement for closing.

Motion by Mr. Monahan.

Seconded by Mr. Gonzales.

Ms. Gilles noted that we have an assessment on the land and building and its \$868,000.

Hearing no further discussion or any opposed, motion carries.

- Greg Tombs Glassblowing

Ms. Devitt reviewed the Greg Tombs Glassblowing loan package that was emailed to the committee. Mr. Tombs is requesting \$125,000 for equipment and working capital. He would like to purchase new equipment and hire contractors (he rents housing for them as well). He rents a space in North Creek, Warren County and holds glassblowing classes and sell pieces retail.

Mr. Hay is concerned with his residency in Arizona and his lack of consistent personal cash flow. Ms. Devitt noted that he comes here in April and stays through October. Mr. Hay is also concerned that the collateral is glassblowing equipment and glassblowing raw materials. There is not a lot of useable collateral. Ms. Devitt noted there is a high demand for glass blowing equipment. Mr. Monahan is concerned that there isn't a full business located in our region, even though Ms. Gilles noted that Mr. Tombs provided Articles of Organization that were filed in Warren County. Mr. Monahan also noted his personal debt.

Mr. Tombs gave an overview of his business. It's a seasonal business. He offers free glassblowing classes to students from Johnsbury School. He will have two additional instructors this year and packaging and gallery employees. He is in the waterfront park on the Hudson River. Materials and equipment are expensive. His goal this year is to double his profits from last year. The furnaces must be on 24/7, so when he's not teaching, he makes glass for retail. The goal of the loan is to cover payroll and invest in new equipment and allocate money for operating expenses.

Mr. Hay asked about his operations in Arizona and if all the loan proceeds will be used for the NY process. Mr. Tombs noted he bought a building last year in Arizona. They are separate enterprises. Our loan is dedicated to the NY staff, equipment, and operating expenses (he goes through 1000 gallons of propane a week). Mr. Hay asked about his personal tax returns and where his personal income comes from, which does not look consistent. Mr. Tombs believes the overall earnings of the business are substantial.

Mr. Monahan noted a significant jump in sales from 2020 and YTD and asked for clarification. Mr. Tombs said the YTDs include 2021. He said he did better working in North Creek than at the Gideon Putnam the year before. He hired another instructor last year and saw a huge jump in class revenue. He expects sales to grow this year by 25%.



Mr. Gonzales asked about the storage and security of the equipment and inventory. Mr. Tombs noted that he has 1000 sq. ft. of secure storage in North Creek with security cameras and locks.

Mr. Tombs exited the meeting.

Mr. Monahan is concerned that the Schedule C of his tax return notes the business address is Arizona.

Mr. Hay said Mr. Tombs didn't elaborate on his personal income stream and didn't have a good answer for its inconsistency. Mr. Monahan noted the 2021 numbers are unverified until it is put in a tax return.

Ms. Gilles summarized that there are issues with insufficient cash flow and lack of collateral.

Ms. Devitt asked if the Committee would consider a lower amount loan. Mr. Hay is concerned that without the full loan amount, the business may not realize the financial results needed to pay back the loan. A discussion on Mr. Tombs personal cash flow ensued.

Ms. Gilles asked for a motion to deny the loan to Gregory Tombs Glass blowing Studio, LLC for insufficient cash flow and lack of collateral.

Motion made by Ms. Wilt.

Seconded by Mr. Hay.

Hearing no further discussion or any opposed, motion carries.

- Amanda's Motel

Ms. Devitt noted Mr. Milne is purchasing the Amanada Village Inn in Saranac Lake from the current owners, who have not been running it because they are seniors and have been afraid of COVID-19. They don't have the resources or ability to keep up with the cleaning requirements. They were not taking bookings and left the "no vacancy" sign on. Mr. Milne is looking to make it a contactless and automated hotel. The loan will be used to help with the purchase of the business. He has experience in the hospitality industry. He's looking to have a co-manager with another local hotel, update website, start online booking (not currently available) and use social media marketing.

Mr. Monahan asked if we have copies of the commitment letter from Community Bank. Ms. Devitt replied that we do not. He is concerned that we don't have good historical numbers and no 2021 tax returns. Ms. Devitt noted that the previous owners' numbers from 2020 wouldn't show a good business because they were staying closed.

Mr. Hay believes that the projections may be overstated in revenue and understated in debt payments. He also noted that the collateral is weak is at a third position. He would like to know if Community Bank and DANC have committed to the loan. He also would like clarification on Mr. Milne's association with the other businesses listed in his tax returns.

A discussion ensued on the projected cashflow, specifically the debt payments to Community Bank and DANC.

Mr. Milne entered the meeting. His project includes the purchase of the motel. He has spent his career in the hospitality industry. He began working at a hotel in Saranac Lake and staying in the area. He mentioned the current owners are no longer interested in running the hotel due to COVID. He would like to bring technology to the hotel to reduce human contact points.



Mr. Monahan asked about the projections. Mr. Milne stated that he came to the projections based on his experience in the industry. He also used comps from local hotels. He noted the historical numbers are skewed because of no online reservations. He said he believes the projections are conservative, and that the 2023 winter games are coming. He noted they are seeing 80% occupancy in the off season. He's seeing a lot of potential in increasing occupancy.

Mr. Monahan asked about his vision for the motel. Mr. Milne is going to update the bedding, décor, TV's with Hulu and Roku, outdoor motel aesthetics, laundry area and equipment, bathrooms and paint everything a more modern color pallet. The plan for the house is to rent it.

Mr. Hay asked about Mr. Milne's work with other businesses. Mr. Milne responded that he has a small ownership in a local hotel but is no longer involved in its operations. He also has a hotel company with a partner. Mr. Milne is piloting this technology for their other hotels.

Mr. Hay asked if Community Bank and DANC have issued commitment letters. Mr. Milne answered yes. This loan is the last piece he is waiting for.

Mr. Monahan asked if an appraisal has been completed. Mr. Milne answered no. It has been ordered, but appraisals are backlogged. The purchase price is \$550,000.

Mr. Milne exited the meeting.

The Committee discussed the risk of the third position. If the Community Bank loan is SBA, then it creates more risk for our position. The Committee has collateral concerns.

Mr. Monahan asked about the other owner. She is a silent partner who has invested.

Ms. Calabrese asked if there is any other collateral that could be offered. He did not offer any personal collateral. A long discussion on Mr. Milne's personal finances ensued, including his personal investment in the purchase of the hotel.

The Committee decided that they would like Ms. Gilles to speak with Mr. Milne and see if he has any personal assets he would be willing to pledge as collateral and then bring the loan back to the Committee for further discussion. They would like to know if his marketables are retirement assets. They would also like to see commitment letters from Community Bank and DANC.

- Motel Montreal

Ms. Devitt reviewed the loan package that was emailed to the committee. The Gregor's own 3 hotels in Lake George; Motel Montreal, Lakehaven Motel and Sundowner Motel. They are asking for \$450,000, \$150,00 for each motel for payroll while they renovate the motels. They are also purchasing incidentals for the motels to updated bedsheets, furniture, etc. They are also adding insulation so they can make year-round hotels. They are offering a first mortgage on Motel Montreal. It is paid off and assessed at \$1.5M.

Mr. Monahan stated that Mr. Gregor is a proven operator. He is also an attorney by trade, so they have additional income. They live in Lake George, so they are onsite, hands-on owners.

Mr. and Mrs. Gregor entered the meeting. Mr. Gregor spoke about his three hotels. During 2020, he identified that guest needs and wants changed, and they are looking for a more self-contained hotel. The hotels had the standard, Lake George motel rooms. They've made it more Adirondack-y. They have



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created larger, family suites so they can increase their price points and follow trends of vacationers. They are buying their materials locally.

Mr. Monahan asked about the staffing for the motels. The Gregor's responded that with the year-round rooms, they are looking to have year-round staff. He believes that they will get local employees when they can offer them year-round employment. They also have local high schools' kids. They also have some J-1 visas workers. Mr. Gregor noted that it is very unreliable right now and you're not sure how many workers you are going to get. Their focus is to recruit and retain local workers.

Mr. Hay asked about the renovations during the busy season and maximizing revenue. Mr. Gregor noted that Sundowner will be complete, so they will drive visitors to there. There is an area of the Motel Montreal that is more secluded with the least revenue making rooms, so they will work on those during the season.

The Gregor's exited the meeting.

Mr. Hay asked if we are able to do the whole \$450,000 in one loan. Ms. Gilles responded yes; the Loan Committee has the ability to approve a loan up to 25% of the capital base. The Executive Committee will also have to approve funding above \$150,000 to one borrower. He commented that they have good financial strength and a good sense of the market. Mr. Gonzales agreed.

Ms. Devitt noted that we have a first on the mortgage so there is good collateral.

Ms. Gilles asked for a motion to approve \$450,000 working capital and fixed asset loan to Motel Montreal, LLC under the COVID-19 Small Business Recovery Program RLF at 0% for the first 12-months and 1.9% for the remaining term, term of 10 years, collateral is a first mortgage on 3 Lake Avenue, Lake George, NY, personal guarantee from Robert Gregor and Nerisha Gregor. Also included in the motion is a waiver on the appraisal requirement for closing.

Motion made by Mr. Gonzales.

Seconded by Mr. Hay.

Hearing no further discussion and no opposed, motion carries.

APPROVAL OF MINUTES FROM FEBRUARY 11, 2022 AND FEBRUARY 14, 2022 MEETING

Ms. Gilles asked if there are any changes to the February 11, 2022 and February 14, 2022 minutes.

Hearing none, she asked for a motion to approve both sets of minutes as mailed.

Motion by Ms. Wilt.

Seconded by Mr. Gonzales.

Hearing no further discussion and no opposed, motion carried.

HIGH PEAKS DISTILLING COLLATERAL RELEASE REQUEST

Ms. Gilles informed the committee that Mr. Carr paid off the loan yesterday, so the collateral release is no longer needed.



BLACK RIVER VALLEY NATURAL 6 MO. INTEREST-ONLY EXTENSION REQUEST

Ms. Gilles stated she was contacted by James Munn about an extension of the interest-only period by six-months. The Committee was sent the required financials for consideration. Mr. Hay stated that the financials don't show that he can support full payments, so an additional 6 months may help him get back on his feet.

Mr. Hay made a motion to approve the six-month interest-only extension for Black River Valley Natural. Seconded by Mr. Gonzales.

Hearing no further discussion and no opposed, motion carried.

WAIVER OF APPRAISAL REQUIREMENT FOR WAR CANNON SPIRITS AND LAKE MOTEL

Ms. Gilles informed the Committee that requiring appraisals for closing is dragging out the closing of our loans. Appraisers are backlogged and can't get the work done for several months. She asked for a waiver of appraisal on 43 Porter Mill Road for the War Cannon Spirits loan. Mr. Besignano has ordered the appraisal, but it will not be done until June and he needs our loan to open in May. Same with Lake Motel, we can't get appraisals in a timely manner. Ms. Gilles reminded the Committee that the Lake Motel collateral is a second mortgage on the property, which has a 2017 appraisal of \$3.5M. There is over a million in equity remaining.

Ms. Calabrese recused herself from the vote and discussion.

Ms. Gilles asked for a motion to waive the requirements for the loan closing.

Motion by Mr. Hay.

Seconded by Mr. Gonzales.

Hearing no further discussion and no opposed, motion carried.

COVID-19 RESILIENCY FUND UPDATE

Ms. Gilles informed the Committee that since the grant for the COVID-19 funds is winding down, she has asked for loan funding in advance for the loans that are being considered this month at the counsel of EDA staff. The loans must be closed within 30 days.

LOAN BALANCE REPORT

Ms. Gilles reviewed the loan balance report sent to the Committee. For RLF 1, she noted that Desiree Diskin/All About You and Joe Brand/Brand Redemption Centers are significantly delinquent, so staff have begun the noticing procedures. Audino Trailhead, High Peaks Distilling and Thomas Barber all paid off. Washington County Agri-Park is now current on both loans. In RLF 2/3 everyone is current except Finnegan. In RLF 4, A&S Customs and the Fort William Henry paid off and Adk Meat and Cooper Logging remain defaulted. All loans in RLF 5 and SBLF are current. Joe Brand's loan in the IRP is delinquent, all other loans are current.

LEGAL ACTION DISCUSSION – COOPER, WARD, FINNEGAN

Ms. Gilles noted that Anton Cooper's property taxes are due to Warren County by July. Our attorney suggests holding off until the last minute to pay them.



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Ward – we have taken ownership of the property and paid the \$6,000 in back taxes to the Town and County. We are getting ready for sale.

Finnegan – we have filed a motion, but it is stuck in the backlog of the court system.

OTHER

Ms. Gilles stated that the Scarlotta Car Hop closing is scheduled for April 12. She has hired someone to run the loan fund and he will start of April 11.

Ms. Gilles told the Committee that she received a loan request for short-term rental renovations. She asked the Committee if they believe short-term rentals meet the economic development requirements of our fund. A discussion ensued. Ms. Wilt does not believe it meets the requirements, as short-term rentals are not economic development or job creation. She is afraid people will try to use the money to fix up their houses, which is not the purpose of our fund. Mr. Hay noted that to be considered, there would have to be a documented history of rentals with a commercial purpose. The Committee agreed. Ms. Calabrese also noted that as a community fund, we need to ensure the loans we are giving are to the benefit of the community.

NEXT MEETING

Next meeting is April 14, 2022 at 12:30 pm. We will look at three loans and re-discuss Amanda's Motel. Beyond the three for April 14, there are five other loans in the underwriting process.

With no further discussion, Ms. Wilt made a motion to adjourn. Mr. Hamilton seconded. Meeting adjourned at 12:20 pm.

Respectfully submitted by Beth Gilles, Director, LCLGRP.B.