



Grand Forks Growth Fund, A Jobs Development Authority Staff Report

Growth Fund Committee – June 17, 2019
JDA – July 1, 2019

APPROVED

Agenda Item: JKV Investments, LLC (on behalf of Ironhide Equipment, Inc.): FlexPACE Loan Request

Prepared by: Andy Conlon, Community Development Specialist
Submitted by: Meredith Richards, Community Development Director

Staff Recommended Action:

1. Approve the request for a \$107,693 FlexPACE loan for the purpose of assisting with construction at a new facility in Grand Forks, ND.
2. Hold a public hearing at the JDA meeting on July 1, 2019.
3. Authorize appropriate JDA officials to execute necessary documents.

Committee Recommended Action:

Council Action: Motion by Weigel, second by Vein to approve. Motion carried unanimously.

BACKGROUND:

JKV Investments, LLC, the real estate holding company for Ironhide Equipment, Inc. (dba Bobcat of Grand Forks), is building a \$5.8 million, 24,000 s.f. facility in south Grand Forks to house a state-of-the-art dealership showroom, service and training facilities, and the company’s corporate headquarters. The company is requesting FlexPACE support on the corporate headquarters portion of the project only, which is an estimated 6,000 s.f. at a cost of \$1,450,000.

Job/Compensation Information: JKV Investments, LLC anticipates this project will create 6 new jobs within the first two years with average hourly earnings of \$19.00 in wages plus \$6.00 in benefits (\$25.00 hourly total), and will retain 20 existing jobs with the same average hourly earnings.

Sources:	
Choice Bank loan	\$3,800,000
USDA loan	\$1,000,000
Owner Equity	\$1,000,000
TOTAL:	\$5,800,000

Uses:	
New Building Construction	\$4,700,000
Land Improvements	\$1,100,000
TOTAL:	\$5,800,000

FlexPACE Interest Subsidy: Bank of North Dakota Grant \$200,000
JDA Loan \$107,693

Terms: Payment and interest accrual will be deferred 77 months, thereafter the loan will be repaid in 12 monthly installments at 1% interest.

Security: Subordinate mortgage on the entire new facility and personal guaranties from principals Jason Vasichек and Kathy Vasichек.

ANALYSIS AND FINDINGS OF FACT:

- As proposed, the requested JDA loan would be subordinate to a Choice Bank mortgage in the amount of \$3,800,000. The JDA's subordinate mortgage would be on the entire facility, not just the corporate headquarters portion. The as-proposed facility has an estimated value of \$6 million, putting loan-to-value at approximately 65%.
- The company meets the Growth Fund's goals, is in a target business sector, and is located within the Grand Forks area.
- Loan terms comply with requirements of the Growth Fund.
- Confidential financial documents are available to Growth Fund Committee and JDA members upon request.

SUPPORT MATERIALS:

- Business Financing Application



BUSINESS FINANCING APPLICATION

Date/Time Field 05/21/2019
Company Name JKV Investments, LLC
Location Grand Forks, ND
Mailing Address 1301 Oldham Ave
City Manvel **State** ND **Zip** 58201

COMPANY DESCRIPTION

JKV Investments, LLC is the real estate holding company for Ironhide Equipment. Ironhide Equipment Inc. is a full service compact and heavy equipment dealership, primarily representing Bobcat and Doosan companies. Our dealership focuses on the sale, service, and rental of these products. They also represent the Ariens/Gravely commercial and consumer line of lawn care equipment, the Mahindra & Massey Ferguson lines of tractors, Vermeer hay and forage products and a portion of the Manitou offering. Support products consist of two trailer manufactures, ABU and Felling, as well as the Protech snow-pusher line and multiple short line attachment manufactures. Ironhide Equipment's four locations do business as, Bobcat of Grand Forks, Bobcat of Devils Lake, Bobcat of Williston, and Bobcat of Bemidji.

PROJECT DESCRIPTION

JKV Investments, LLC is building a 24,000 square foot facility at the southern edge of Grand Forks City limits on a 7 acre site, which will position the Ironhide company well into the future. This facility will relocate a current Ironhide dealership in Grand Forks, but will also house a growing corporate header-quarter presence in Grand Forks. This corporate headquarters (6,000 square feet of 24,000 total square feet) will house six enterprise-wide employees supporting administration and corporate strategy functions across all four locations within the Ironhide company. Also, this location will serve as a state-of-the-art show room for some of Bobcat's newest equipment, and demonstrating lead dealership design features. Lastly, the facility will also serve as a training site for all Ironhide locations and will feature large service bays and a state of the art show room.

FINANCING DESCRIPTION

Total project cost is \$5,800,000 which includes \$4,700,000 for the construction of the building and \$1,100,000 for the purchase of the land. The borrower will be injecting \$1,000,000 and is also seeking a 10 year 0% interest loan from the USDA through the Nodak Electric Cooperative. Choice Bank will be financing the remaining \$3,800,000 via a construction loan that will be rolled into a permanent financing package. Terms will be a fixed rate for 5 years with a 20 year amortization and monthly principal and interest payments. This request is for a FlexPACE buydown on only the corporate headquarter portion (6,000 square feet), a project amount of \$1,450,000. Ironhide is requesting a loan of \$107,692.28 from the Grand Forks JDA to leverage the Bank of North Dakota FlexPACE program in the amount of \$200,000.

EMPLOYMENT DESCRIPTION

Full - time Equivalents ¹	NUMBER	AVERAGE COMPENSATION/HR		
		EARNINGS ²	BENEFITS	TOTAL
EXISTING <i>at time of application</i>	20	\$ 19.00	\$ 6.00	\$ 25.00
CREATED <i>within 2 years of project completion</i>	6	\$ 19.00	\$ 6.00	\$ 25.00

Neither created nor retained (FlexPACE only)

¹ "Full-time Equivalent" positions work at least 32 hours/week
² "Earnings" include wages, salary, bonuses, commissions

List Position(s) Created:

Service Underwriter
Technicians
Parts Specialist
Rental Specialist
Administration

List Position(s) Retained:

Branch Manager
Service Manager
Sales Specialists
Parts Coordinator
Rental Coordinator
Technicians
Dealer Support Personnel

Company Provided Benefits: *(check all that apply)*

INSURANCE : Health Dental Vision Life Disability
 LEAVE : Vacation Sick Leave Paid Holidays
 ALLOWANCES : Housing Transportation
 OTHER : Profit Sharing Employee share payroll tax Other

USES AND SOURCES OF FUNDS

Uses

FIXED ASSETS

Aquisition		
Land Improvements	\$ 1,100,000.00	
New Building Construction	\$ 4,700,000.00	
Building Improvements		
Purchase of Machinery/Equipment		
Contingency		
Total Fixed Assets		\$ 5,800,000.00

OPERATING CAPITAL

Inventory		
Other		
Total Working Capital		
Total Uses		\$ 5,800,000.00

Sources

EQUITY FINANCING

Owner Equity	\$ 1,000,000.00
Other Equity	
Total	\$ 1,000,000.00

DEBT FINANCING

	Rate (%)	Months Amortized	Term Months	Amount
Growth Fund <i>(not PACE)</i>				
Bank: Choice Bank	4.65 %	240	120	\$ 3,800,000.00
Other: USDA	0.00 %	120	120	\$ 1,000,000.00
Other:				
Other:				
Debt Financing Total				\$ 4,800,000.00
Total Sources				\$ 5,800,000.00

Total Surplus/(Deficit) of Funding **\$ 0.00**

Source	Rate (%)	Months Amortized	Term Months	Amount
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PACE Financing (Internal Use)

Source	Rate (%)	Months Amortized	Term Months	Amount
Bank of North Dakota:	0.00 %	0	77	\$ 200,000.00
Bank of North Dakota:				
Grand Forks Growth Fund:	1.00 %	12	89	\$ 107,692.28
Grand Forks Growth Fund:				
			Total PACE	\$ 307,692.28

Special Conditions

VALUATION & SECURITY

REAL ESTATE

VALUE \$ 6,000,000.00

Describe how value was determined (Please attach supporting documentation .)

Estimated based on cost - appraisal has been ordered

DEBT SUPERIOR TO GROWTH FUND

Existing:

Proposed: \$ 3,800,000.00

List creditors and amounts superior to Growth Fund.

Creditor	Amount
Choice Bank	\$ 3,800,000.00
USDA does not take a 2nd mortgage on the property	
Total: \$ 3,800,000.00	

Proposed Growth Fund Loan to Value 65.13 %

Equipment

VALUE

Describe how value was determined (Please attach supporting documentation .)

DEBT SUPERIOR TO GROWTH FUND

Existing:

Proposed:

List creditors and amounts superior to Growth Fund.

Creditor	Proposed:
Total:	

Proposed Growth Fund Loan to Value

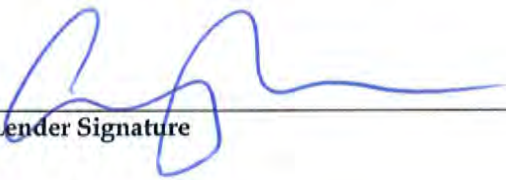
Equity

Equity source(s) description. Describe source(s) of equity for the project including how it will be obtained and appraised.
 Equity of \$1,000,000 will come from cash reserves of the borrower

Guaranty(ies)

Name Jason Vasichek	Amount \$ 4,907,692.28
Name Kathy Vasichek	Amount \$ 4,907,692.28

The undersigned affirms that (s)he has reviewed the **uses and sources of funds** and statements of **valuation and security** contained herein, and that they accurately represent project financials in substance and in fact.



 Lead Lender Signature

5.30.19

 Date

COMPANY INFORMATION

Contact Person: Jason Vasichek **Title:** President/Owner
Phone: 218-779-8364 **Email:** jasonv@goironhide.com
Federal Tax ID 45-0455899 **Federal Employer ID** _____
State Employer ID _____
Legal Structure Limited Liability Corporation
Business Type Other **Established** _____
Maturity of Company Established (5+ years)
Location (s) Grand Forks, ND Devils Lake, ND Williston, ND Bemidji, MN

Major Customers

Name	Location	Percentage
Construction and Agricultural		85.00 %
Municipalities		10.00 %
Landscaping		5.00 %

Major Suppliers

Name	Location	Percentage
Bobcat		70.00 %
Dooson		20.00 %
Gravelly		5.00 %
Mahindra		3.00 %
Jason Vasichek		50.00 %

REQUIRED ENCLOSURE

Balance sheets
Income statements
Statements of changes in financial position
Notes to financial statements

If unaudited, the statements must be signed and dated by an authorized financial officer of the company.

OR

Federal Tax Returns for the past three years if applicant does not have audited or reviewed financial statements.

Comments

- Most recent **Interim Financial Statements** (balance sheets, income statements)

Comments

- Signed **Personal Financial Statement** as of the date of the application for any person with a 20% or more ownership interest in the company.

Comments

- Pro Forma** balance sheet, income statement, and cash flow statement for the 24 months following loan closing that show the financial position of the business including proposed financing.

Comments

- Key person insurance** to secure loans; include supporting information as available.

Comments

- Information concerning any pending or threatened **litigation** or administrative proceeding, or any administration orders, judgments, or injunctions.

Comments None

- Commitment Letter** from your bank regarding any financing it will provide for this project.

Comments

- Copy of the **last commitment letter** from your bank indicating your working capital line of credit.

Comments N/A

This application is required to assess the applicant firm's qualifications for a Growth Fund business incentive loan. As these loans are made with public funds, this application is public record and will be discussed at public meetings. There are, however, exemptions that limit public disclosure regarding (1) the identity, nature, and prospective location of the applicant when such has not been previously publicly disclosed; and (2) subsequent to this, trade secrets and commercial or financial information, marketing strategies and other marketing information that would cause a substantial risk of competitive injury if disclosed. (See North Dakota Century Code §44-04-17 through §44-04-20.)

The undersigned affirms that (s)he is duly authorized to submit this application and the information contained herein; that (s)he has read the same and is familiar with the statements contained herein; and that (s)he verifies the same are true in substance and in fact.

X 

Authorized Signature
Officer or Owner

5/31/19
Date

Authorized Signature (Officer or Owner)

Title:

I hereby authorize the lender(s) named herein, and their authorized agents, to release information relevant to this application to the Grand Forks Growth Fund and the Grand Forks Region EDC. I further authorize the Grand Forks Growth Fund and Grand Forks Region EDC, and their authorized agents, to release information regarding the status of this application to those lenders. This information will be used to assess eligibility for Growth Fund assistance.

X 

Authorized Signature
Officer or Owner

5/31/19
Date



Corporate Office
Grand Forks
3903 Gateway Dr.
Grand Forks, ND 58203
☎ 701.772.5006 | 📠 701.772.5014

Deville Lake
705 12th Ave. SE
Deville Lake, ND 58301
☎ 701.662.5331 | 📠 701.544.0201

Williston
13878 W. Front St.
Williston, ND 58802
☎ 701.572.5050 | 📠 701.572.5077

Bemidji
3616 Irvine Ave NW
Bemidji, MN 56601
☎ 218.751.4660 | 📠 218.444.9542

Company Name: Ironhide Equipment Inc. D.B.A. Bobcat of Grand Forks
Location: Grand Forks, ND

Ironhide Equipment Inc. was established in 2000 with the opening of Bobcat of Grand Forks, in Grand Forks North Dakota. Ironhide Equipment currently operates four dealerships, Grand Forks, Devils Lake, Williston ND and Bemidji, Minnesota. All locations are full service compact and heavy equipment dealerships primarily representing Bobcat and Doosan companies. Dealership focus is on the sale, service, and rental of these products.

Ironhide Equipment in Grand Forks has incurred steady growth over the past nineteen years. This location started with three employees and has grown to the current level of fifteen dealership personnel and five enterprise employees, enterprise personnel provide administrative and management support to all locations. Most employees are married, own homes, and have children in the school districts. Income for dealership employee average is \$57,000 and enterprise average are \$84,000.

Ironhide Equipment personnel are very involved in the community and are members in the Chamber of Commerce, Forx Builders, Builders and Traders and other surrounding community organizations. Ironhide Equipment is a proud supporter of University of North Dakota athletics. The dealership also donates the use of equipment to support community events and functions regularly.

The current facility orientation consists of two buildings. The original building a 10,000 sq./ft facility which hosts rental, parts, equipment sales and a repair shop along with corporate support. As a result of growth and the need for additional personnel an additional service repair shop had to be leased, the additional facility is located across the lot of the original location is approximate 3,500 sq./ft. The two-facility layout is inefficient for parts and communication flow along with to short of side walls to accommodate the heavy equipment line.

The Grand Forks location currently operates as headquarters which facilitates central purchasing for the corporation. The size of the company as a whole enables bulk purchasing of usables, attachments, parts and accessories. The bulk products are shipped into Grand Forks broke down and redistributed to the companies three outlying locations. The current footprint and facility are unable to support this practice because of size and lot area constraints.





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The new facility will be approximately 24,000 square ft. of which approximately 18,000 sq. ft. dedicated for dealership retail activities and approximately 6,000 sq. ft. dedicated to Ironhide Corporate Support Center it will be located on approximately seven acres of land located along I 29 South of Grand Forks. The building is constructed with durable pre cast design. The design will utilize LED lighting, motion technology and insulated concrete panels to maximize energy efficiency; estimated energy savings compared to the current facilities is 30%. The building will also feature large areas of glass in the showroom, shop and work spaces to provide customers and employees a comfortable and professional place to do business.

The Corporate support center will office executive and administrative staff responsible for supporting Ironhide's dealer network. The area is designed with a training rooms to be utilized for ongoing multi location employee training as well as hosting regional customer training events dedicated to safety, technology, and equipment maintenance.

Ironhide Equipment was ranked the number one performing Bobcat dealer in 2018 as a result of this accomplishment along with the proximity of the location to Bobcat Company headquarters located in West Fargo, ND Bobcat has identified the new facility for the location of its inaugural "Go Orange" showcase dealership.

The Go Orange facility branding approach is an essential part of becoming a Bobcat dealership. Bobcat Company will brand the facility bold, energetic graphics and dynamic materials that are designed to transform the customer experience by extending the design, technology and other premium qualities of Bobcat brand. Ironhide will be responsible to host potential new dealer candidates from around the country multiple times per year along with hosting executives and employees from Doosan Corporation the parent company of Bobcat Company.

Ironhide Equipment company is building this facility as its headquarters for growth. The overall trend in the equipment industry is consolidation of independently owned dealerships to single owner multi location organizations. The facility is essential to Ironhide is positioning itself to acquire future locations and opportunities.

