

FREDERICKSBURG
ECONOMIC
DEVELOPMENT
AUTHORITY

706 Caroline Street
Fredericksburg, VA 22401

(540) 372-1216
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ECONOMIC DEVELOPMENT AUTHORITY MINUTES (EDA)

November 23, 2022

8:00 a.m. • EDA Special Meeting
Visitor Center, 706 Caroline St.

The Economic Development Authority of the City of Fredericksburg, Virginia met in special session on Wednesday, November 23, 2022 beginning at 8:00 a.m. at the Visitor Center, 706 Caroline St.

EDA MEMBERS PRESENT. Will Mackintosh Chair, presiding (via Go to Meeting). Lee Murray, Beth Black, Mitzi Brown and Susan Richey.

ABSENT. Chris Waller and Suzy Stone.

ALSO PRESENT. Department of Economic Development and Tourism: Bill Freehling, Director; Amy Peregoy, Economic Development Specialist.

DETERMINATION OF QUORUM. Susan Richey.

AGENDA.

MOTION by Beth Black, seconded by Susan Richey, the agenda was approved: Ayes (5); Nays (0); Absent from Meeting (2-Waller & Stone).

OLD BUSINESS.

Visitor Center Discussion – Mr. Freehling stated the resolution before you today formally authorizes the Fredericksburg EDA to borrow \$600,000 from Community Bank of the Chesapeake to purchase the property at 706 Caroline Street in Fredericksburg.

MOTION by Beth Black, to adopt Resolution 22-18 upon motion duly made, seconded by Mitzi Brown and unanimously carried the Economic Development Authority of the City of Fredericksburg, Virginia (“EDA”) hereby adopts the following resolution and makes the certifications set forth below in favor of COMMUNITY BANK OF THE CHESAPEAKE (together with its successors and assigns hereafter collectively, the “Lender”):

A. WHEREAS, the EDA was formed pursuant to the laws of the State of Virginia by resolution of the City Council of the City of Fredericksburg, Virginia; and

B. WHEREAS, the EDA has adopted that set of By-Laws dated November 10, 1992, for the operation of the EDA; and

C. WHEREAS, the EDA desires to open and maintain a commercial loan in the sum of SIX HUNDRED THOUSAND DOLLARS AND 00/100 (\$600,000.00) from the Lender for the purposes of purchasing 706 Caroline St., Fredericksburg, VA 22401, the primary terms of which loan are as stated on the attached Term Sheet; and

D. WHEREAS, this Resolution No. 22-18 has been adopted at a duly called meeting of the Members of the EDA held on November 23, 2022, at which a quorum of the Members of the EDA voted in favor of obtaining said loan and passed this Resolution as set forth herein;

NOW, THEREFORE, the EDA agrees as follows:

RESOLVED, that the EDA borrow the sum of SIX HUNDRED THOUSAND DOLLARS AND 00/100 (\$600,000.00) (the “Loan”) from the Lender for the purpose of purchasing 706 Caroline St., Fredericksburg, VA 22401 as aforesaid; and

RESOLVED, that Will Mackintosh in his capacity as Chair of the EDA and Lee Murray in his capacity as Treasurer of the EDA be and they are hereby authorized, empowered and directed on behalf of the EDA to agree to and execute in the name of the EDA any and all documents required by the Lender or its counsel to evidence and secure the Loan, including by way of example but not limitation, a loan agreement, a promissory note and security agreement (collectively the “Loan Documents”); Ayes (6); Nays (0); Absent from Meeting (2-Waller & Stone).

ADJOURNMENT. There being no further business to come before the Economic Development Authority at this time, Chair Mackintosh declared the meeting officially adjourned at 8:04 a.m.


Susan Richey, Secretary

CERTIFICATE OF RESOLUTION 22-18 OF THE
ECONOMIC DEVELOPMENT AUTHORITY OF THE CITY OF
FREDERICKSBURG, VIRGINIA, AUTHORIZING A LOAN IN THE AMOUNT OF
\$600,000.00 FROM COMMUNITY BANK OF THE CHESAPEAKE

Proposed by: Black
Seconded by: Brown

Upon motion duly made, seconded and unanimously carried the Economic Development Authority of the City of Fredericksburg, Virginia ("EDA") hereby adopts the following resolution and makes the certifications set forth below in favor of COMMUNITY BANK OF THE CHESAPEAKE (together with its successors and assigns hereafter collectively, the "Lender"):

Preamble (Explanatory Statement)

A. WHEREAS, the EDA was formed pursuant to the laws of the State of Virginia by resolution of the City Council of the City of Fredericksburg, Virginia; and

B. WHEREAS, the EDA has adopted that set of By-Laws dated November 10, 1992, for the operation of the EDA; and

C. WHEREAS, the EDA desires to open and maintain a commercial loan in the sum of SIX HUNDRED THOUSAND DOLLARS AND 00/100 (\$600,000.00) from the Lender for the purposes of purchasing 706 Caroline St., Fredericksburg, VA 22401, the primary terms of which loan are as stated on the attached Term Sheet; and

D. WHEREAS, this Resolution No. 22-18 has been adopted at a duly called meeting of the Members of the EDA held on November 23, 2022, at which a quorum of the Members of the EDA voted in favor of obtaining said loan and passed this Resolution as set forth herein;

NOW, THEREFORE, the EDA agrees as follows:

RESOLVED, that the EDA borrow the sum of SIX HUNDRED THOUSAND DOLLARS AND 00/100 (\$600,000.00) (the "Loan") from the Lender for the purpose of purchasing 706 Caroline St., Fredericksburg, VA 22401 as aforesaid; and

RESOLVED, that Will Mackintosh in his capacity as Chair of the EDA and Lee Murray in his capacity as Treasurer of the EDA be and they are hereby authorized, empowered and directed on behalf of the EDA to agree to and execute in the name of the EDA any and all documents required by the Lender or its counsel to evidence and secure the Loan, including by way of example but not limitation, a loan agreement, a promissory note and security agreement (collectively the "Loan Documents");;


IN WITNESS WHEREOF, the undersigned has caused this Certificate of Resolution to be signed on the 23rd day of November, 2022.

AYES: 5

NAYS: 0

ABSENT FROM MEETING: 2

Economic Development Authority
of the City of Fredericksburg, Virginia
By:



Susan Richey (signature), Secretary



November 4, 2022

Economic Development Authority of the City of Fredericksburg, Virginia
C/O Lee Murray
706 Caroline St
Fredericksburg, VA 22401

RE: Loan Approval / Commitment

Dear Mr. Murray,

Thank you for allowing us an opportunity to participate as your lender for your commercial mortgage loan request. We are pleased to inform you that Community Bank of the Chesapeake has approved your loan request subject to the following terms and conditions:

Borrower(s): Economic Development Authority of the City of Fredericksburg, Virginia

Amount: \$600,000.00

Loan Fee: \$1,500.00

Documentation Fee: \$750.00

Purpose: Purchase commercial Real Estate in Fredericksburg

Term and Maturity: Term: 312 months (Interest only payment: 12 months)
Amortized Term: 300 months

Interest Rate: Adjustable-Rate Mortgage with initial rate 5.49%. Subject to a rate adjustment every 5 years to adjust to the Treasury Constant Maturity 5 Year plus a margin of 3.00%, subject to a floor of 5.49%. (Estimated monthly payment of \$3,125.00)

Repayment: 12 Monthly payments of interest only, followed by Monthly payments of principal & interest to include or not to include the escrows on real estate taxes and insurance.

Would you like Community Bank to escrow for taxes and insurance?
Yes No

Funds for Escrow: The proposed credit facility is a commercial amortizing loan, secured with a 1st lien on real estate. The Borrower can elect to pay to lender on the day due under the Note, until the Note is paid in full, a sum (the "Funds") to provide for payment of amounts due for: (a) taxes and assessments and other items which can attain priority over the Deed/Indemnity Deed of Trust as a lien or encumbrance on the Property; (b) premiums for any insurance required by Lender.

The amount of the monthly payment for escrowed taxes and insurance will be added to the amortized principal & interest payment. Upon payment in full of all sums secured by the Deed/Indemnity Deed of Trust, Lender shall promptly refund to Borrower any Funds held by Lender.

Collateral:

1st Lien Purchase Money Deed of Trust and Assignment of Rents and Leases
on: 706 Caroline Street Fredericksburg, VA 22401

The loan-to-value ("LTV") ratio shall not exceed 80% of the lesser of the purchase price or appraised value, not to exceed \$600,000.00.

Prepayment Penalty: Type: 3-2-1 Option: The Financing is subject to a prepayment penalty during the first three (3) years of the Financing Term. The Prepayment penalty shall only apply if the Amount Financed is prepaid in whole (100%). The Prepayment penalty will be determined on a sliding scale as follows: a. If the Prepayment occurs within the first calendar year measured from the date of Closing, the prepayment penalty fee shall equate to Three Percent (3%) of the then outstanding principal balance of the Loan; b. If the Prepayment occurs within the second calendar year measured from the date of Closing, the prepayment penalty fee shall equate to Two Percent (2%) of the then outstanding principal balance of the Loan; c. If the Prepayment occurs within the third calendar year measured from the date of Closing, the prepayment penalty fee shall equate to One Percent (1%) of the then outstanding principal balance of the Loan; d. If the Prepayment occurs after the third calendar year measured from the date of Closing, no prepayment penalty fee shall be due.

Costs: The Borrower is responsible for any additional fees associated with third parties to include but not limited to Good Standings, Flood Certificates, Evaluations, Appraisals, Appraisal Reviews and Tax Monitoring, whether or not the loan closes.

Adverse Change: Should there be any material change, financial or otherwise to the borrower or contemplated collateral, Community Bank of the Chesapeake, at its sole discretion, is not obligated to close the loan.

Survival of Terms: The terms and conditions of the commitment shall survive the closing provided that if any of the terms and conditions of this commitment shall conflict with any of the terms and conditions of the documents evidencing or securing the loan, the terms and conditions of the loan documents shall prevail.

Loan Conditions:

- 1) Settlement is required by a settlement agent. Please provide your agent's contact information:
 - a. Settlement Agent Name: DAVID P. NELSON
 - b. Phone Number: 202-312-5109
- 2) If escrow is selected, we require copies of the county tax bill and annual insurance premium bill. If escrow is not selected, the borrower shall be responsible for annual property taxes and insurance premium payments for the life of the loan.
- 3) Borrower(s) and guarantor(s) will furnish Lender with financial statements in form and substance satisfactory to Lender, which shall include, but not limited to:
 - Accountant Prepared Financial Statements (i.e.: Compiled, Reviewed, or Audited, as applicable) are due within 60-days after completion.
 - Current New Leases and/or Current Addendums are due on an annual basis.
 - A current Debt Service Schedule is due on an annual basis.

- 4) Borrower(s) and/or Guarantor(s) are to open and maintain operating account(s) at Community Bank of the Chesapeake during the life of the loan relationship.
- 5) Borrower will maintain and furnish Lender with evidence of Worker's Compensation Insurance, Hazard Insurance, and General Liability Insurance policies (as applicable) in such form and substance as is satisfactory to Lender. Please provide your agent's contact information:
 - a. Company Name: VIRGINIA RISK SHARING ASSOC. (VRSAP)
 - b. Agent Name: KAREN NUCKOLS
 - c. Phone Number: 804-237-7321
 - d. Policy Number: P-2022-2023-VRSAP-0760-1
- 6) The National Flood Insurance Reform Act requires that we track the flood zone status of all loans secured by real estate. If the property that serves as collateral for this loan is in a flood zone now or at any time during the life of the loan, the Bank would require flood insurance.
- 7) The Bank may require an environmental ASTM transaction screening, a VISTA environmental questionnaire, and/or an Environmental Indemnification Agreement in connection with the proposed transaction. If so, the borrower shall reimburse the Bank for costs.
- 8) Properly recorded/certified Articles of Organization of Charter and/or Operating Agreement on entity borrowing and/or guaranteeing and any amendments thereto are required.
- 9) A copy of the entity's Resolution to Borrow (i.e.: Corporate, Partnership, etc.) is required to verify who is authorized to sign on behalf of the entity and how many authorized signers are required.
- 10) Prior to closing, borrower will furnish the Bank with a commitment to issue an American Land Title Association (ALTA) Mortgagee's policy of title insurance in form and substance satisfactory to Lender.
- 11) An Abstract Summary / Title Rundown, from an abstract company acceptable to the Bank, is required to confirm clearance of prior encumbrances, paid taxes, judgments, etc.
- 12) The Appraiser shall furnish the Bank with an appraisal on the mortgaged real estate, evidencing a minimum value that equates to no more than an 80% LTV. The appraisal must conform to USPAP guidelines. The appraisal must be prepared by a Bank approved appraiser and be addressed to and for the benefit of the Bank.
- 13) A copy of the borrower's Sales Contract for the purchase of the real estate as well as any subsequent addendums is required to be submitted to the Bank.
- 14) A copy of the signed/executed lease(s), with no substantial changes from the anticipated lease on file with CBTC, are required to be submitted prior to loan closure, if applicable.
- 15) During the term of the loan, the borrower shall not: 1. Place or create any financing with any other financial institution on the collateral or the property or 2. Permit any other lien to attach to the collateral or the property other than the loan and the lien of the real property taxes not yet due and payable.
- 16) During the term of this borrowing relationship, the borrower(s) and guarantor(s) cannot reassign any business owned/titled assets by any of the borrowing/guaranteeing entities involved without first obtaining prior approval from Community Bank of the Chesapeake.

This loan is approved subject to the terms and conditions as stated above. We have gone into detail in this letter as our objective is to outline and highlight the main points for your consideration. However, there may be additional covenants, terms and conditions. We will have any such changes available for your review prior to closing upon your request. Please review the terms and conditions as listed in the proposal above and if satisfactory sign and return to us by November 16, 2022. This commitment will expire if not settled by 1/1/2023.

You may contact me at 540-672-8665 if you have any questions.

Sincerely,



Philip Pierce
Business Development Officer

PP/kem

The borrower(s) and guarantor(s) agree to the terms of the above loan commitment as issued by the Community Bank of the Chesapeake on November 4, 2022.

Borrower(s):

Economic Development Authority of the City of Fredericksburg, Virginia

By: Willie Morris Date: 11/8/22

Authorized signer for Economic Development Authority of the City of Fredericksburg, Virginia
