



City of Bloomington Common Council

Legislative Packet

Committee of the Whole

28 March 2007

Office of the Common Council
P.O. Box 100
401 North Morton Street
Bloomington, Indiana 47402

812.349.3409

council@bloomington.in.gov
<http://www.bloomington.in.gov>



Packet Related Material

**Memo
Agenda
Calendar**

Notices and Agendas:

None

Legislation for Discussion:

- **Res 07-03** To Approve Application and Authorize Loan from the Business Investment Incentive Fund (Bloomington Cooperative Services, Inc., Petitioner)
 - EDC **Res 07-01**; Memo from Danise Alano, Director of Economic Development; Application for Loan; Member Loan Program; Near West Side Business Plan; Appendix Material; Business Investment Incentive Fund Guidelines

Contact: Danise Alano at 349-3406 or alanod@bloomington.in.gov

Memo

Chair of Meeting: Councilmember Wisler

**One Item Ready for Discussion at Committee of the Whole on Wednesday,
March 28th**

There is one resolution ready to be discussed at the Committee of the Whole next Wednesday and it can be found in this packet.

Items for Discussion

Res 07-03 Approving \$100,000 BIIF Loan to Bloomingfoods for Converting the Former Encore Café into a Near West Side Grocery

Res 07-03 authorizes \$100,000 15-year loan at 5.42% from the Bloomington Investment Incentive Fund (BIIF) to Bloomington Cooperative Services, Inc (BCS – but better known as Bloomingfoods Coop) to renovate the former Encore Café located 316 West 6th Street and reopen it this summer as a new, west side Bloomingfoods Market and Deli.

History of the BIIF Fund, Its Purpose, Application Procedure and Balance

The BIIF was created in 1986 with some of the money (\$400,000) paid by certain west side industries in lieu of their annexation into the City pursuant to Ord 86-04. The guidelines for the program were initially established by Res 86-06 and then significantly amended in 1999 by Res 99-17. These guidelines, which are included in the packet, offer:

Loans for

- the retention, expansion and attraction of businesses throughout the City as well as in the Areas Intended for Annexation (AIFA);
- for-profit and not-for-profit businesses in the downtown development opportunity overlay (DDOO) district;
- business-supported child care facilities;
- businesses forced to relocate due to public projects; and
- businesses disrupted due to City public works projects;

Small Grants for

- not-for-profits located in the downtown development opportunity overlay (DDOO) district.

Applicants apply for these funds with the Economic Development Director who then submits eligible and complete applications to the Economic Development Commission for formal approval and then on to the Council.

At present, the fund has a balance of \$674,439.81.

Project

BCS is a cooperative with a 30-year history and two other grocery stores in this community. While the Encore Café served as a welcome gathering place in the downtown, it was not profitable. BCS wanted to continue a west side presence and, after conducting a marketing analysis, is planning to renovate the 7,000 s.f. space as a venue for grocery and deli services. Along with making interior improvements, BCS will also construct an awning on West 6th and Madison Streets, add a sidewalk on Madison, and put in angle parking on West 6th. BCS has estimated that the cost of the project will be about \$1.7 million - with about \$423,500 needed for improvements, about \$423,500 needed for equipment, about \$235,500 needed for inventory and the remaining needed for fees, start-up costs, working capital, and other contingencies.

Evaluation of the Application

BCS applied for a loan as a business located in the DDOO District in January and was approved by the Economic Development Commission in March. *See EDC Res 07-01*. The following paragraphs summarize the eligibility and strength of the application based upon the Memo to the Council prepared by Danise Alano, Director of Economic Development, as well as the background material she provided.

Eligibility

- **The loan must go to a for-profit or not-for-profit business owner or owner of commercial property located in the DDOO who demonstrates a commitment to the economic vitality of the downtown.**

The project is located in the former DDOO and introduces a cooperative grocery store that “will help anchor... (the surrounding) neighborhoods by providing job opportunities and a convenient and accessible...(place to shop).” (Please note that Ms. Alano plans to prepare amendments to the Guidelines in the near future that will, in part, acknowledge changes made by the UDO).

- **The loan must be used to acquire land, construct, expand, or renovate a building (including the façade), make infrastructure improvements, or purchase equipment.**
The project includes upgrading the exterior façade, improving and extending the sidewalks, improving the landscaping as well as completely remodeling the interior and purchasing equipment.
- **The amount of the loan is limited to no more than 50% of the first \$100,000 and 20% of the remaining eligible project costs up to a total of \$100,000.**
Eligible project costs are over \$800,000 which more than meets this requirement.

Evaluation Criteria

- **Strength of the business plan or business proposal**
There is a “well crafted plan based upon conservative projections” (which is in this packet) and a history of starting and operating grocery stores that strongly suggests they can “meet the stated minimum projections.”
- **Projected impact on the economic vitality of the downtown**
Although unable to “quantify the overall economic impact on the vitality of the downtown,” the memo “recognizes the need for (a downtown) grocery store.”
- **Use of funds to leverage other funds**
BCS intends to raise \$300,000 through loans from its membership, use approximately \$150,000 in vendor credit, obtain a \$200,000 loan from a national cooperative organization, and seek \$650,000 in loans from local lenders.
- **Nature and extent of security/guarantees**
Since BCS does not own the property (see below), the City will identify inventory and equipment at this location and assets at other locations to secure the loan.
- **Credit history**
BCS has a “solid credit history.”

- **Increases or decreases in the tax base**
The improvements to the real estate along with the payroll for 20 full-time and 20 part-time employees will increase the tax base.
- **Other city or state incentives (e.g. tax abatements)**
BCS may pursue a grant for façade improvements from the Bloomington Urban Enterprise Association which is administered by the City. The owner of the property could also pursue an Enterprise Zone Investment Deduction (EZID) which is a form of property tax abatement. The City and BCS are also exploring the sharing of costs for some of the street improvements.
- **Nature and extent of equity participation**
BCS is a “mutual benefit corporation” which is owned by all of the members and not merely a few partners.
- **Approval of owner of property**
Jim Silberte in is the owner of the property and will provide a letter approving the improvements.
- **Compatibility with historic character of the downtown**
BCS has discussed its plans with Nancy Hiestand who “found no objections” and revealed that the site had been a grocery store with angled parking out front many years ago.

Waivers – 15-Year Term

At BCS’s request, the EDC waived the standard 5-year term of the loan and authorized one for 15 years. Cash flow is “vitally important” during the initial years of an enterprise and the longer period to repay the loan will provide a “greater chance at early success.” Ms. Alano notes that the term of loans will be another aspect of the *Guidelines* she’ll be revisiting when presenting amendments to the EDC in the near future.

Happy Birthday Chris Sturbaum (March 27th)!

**NOTICE AND AGENDA
COMMON COUNCIL COMMITTEE OF THE WHOLE
7:30 P.M., WEDNESDAY, MARCH 28, 2007
COUNCIL CHAMBERS
SHOWERS BUILDING, 401 N MORTON**

Chair: Brad Wisler

1. Resolution 07-03 To Approve Application and Authorize Loan from the Business Investment Incentive Fund (Bloomington Cooperative Services, Inc., Petitioner)

Asked to Attend: Danise Alano, Director of Economic Development
Representative of Petitioner

City of
Bloomington
Indiana

City Hall
401 N. Morton St.
Post Office Box 100
Bloomington, Indiana 47402



Office of the Common Council
(p:) 812.349.3409
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council@bloomington.in.gov
www.bloomington.in.gov/council

To: Council Members
From: Council Office
Re: Calendar for the Week of March 26-30, 2007

Monday, March 26, 2007

5:30 pm Bloomington Human Rights Commission, McCloskey

Tuesday, March 27, 2007

4:00 pm Board of Park Commissioners, Council Chambers

Happy Birthday Chris Sturbaum, Councilmember, District I!

Wednesday, March 28, 2007

2:00 pm Hearing Officer, Kelly

5:00 pm Bloomington Transit Open House for Service Improvements, McCloskey

5:30 pm *Women on Board! - Women's Civic Leadership Development Event* featuring a Keynote Address by State Senator Vi Simpson, Monroe County Public Library, 303 E. Kirkwood Ave.

7:30 pm Common Council Committee of the Whole, Council Chambers

Thursday, March 29, 2007

10:30 am Address Coordination, McCloskey

12:00 pm Bloomington Transit Open House for Service Improvements, McCloskey

6:00 pm Housing & Neighborhood Development Neighborhood Training, Council Chambers

Friday, March 30, 2007

2:00 pm Family Emergency Shelter Committee, McCloskey

Bloomington Public Transportation Corporation

130 West Grimes Lane • Bloomington, Indiana 47403 • (812) 332-5688 • Fax (812) 332-3660

To: Common Council Members

From: Lew May, Bloomington Transit General Manager

Date: March 22, 2007

Re: Open House Meetings

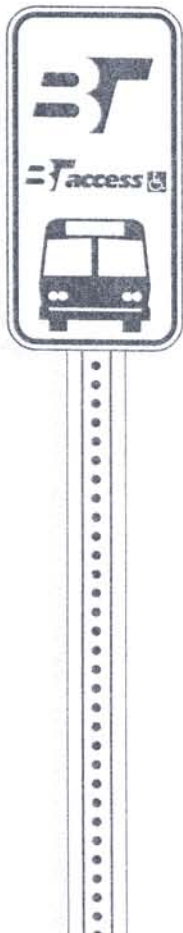
As part of the MPO work program for this year, we are currently conducting an operational analysis for the Bloomington Transit fixed route system. The study purpose is to evaluate the current fixed route system identifying strengths and weaknesses and developing service improvement strategies for the next few years. The consulting firm of Abrams Cherwony & Associates is doing the study for us. As part of the public participation process for the study, we will be holding two (2) open house meetings next week to provide the public an opportunity to share ideas and suggestions for improving Bloomington Transit bus service. These are simply listening sessions to receive feedback from the public as to what transit improvements they would like to see happen in the next few years.

Dates/times for these meetings are as follows:

- Wednesday, March 28, 2007, 5 p.m. to 7 p.m.
- Thursday, March 29, 2007, 12 noon to 2 p.m.

The open house meetings will be held there at City Hall in the McCloskey room. Persons interested in attending can come and go at any time during the hours of the meetings. Representatives from Abrams Cherwony & Associates will be on hand at both meetings as well as myself and other BT staff.

Let me know if you have any questions and of course you're welcome to attend either meeting.



RESOLUTION 07-03

**TO APPROVE APPLICATION AND AUTHORIZE LOAN FROM THE BUSINESS INVESTMENT INCENTIVE FUND
(Bloomington Cooperative Services, Inc., Petitioner)**

- WHEREAS, on March 5, 1986 the Common Council of the City of Bloomington established the Bloomington Industrial Incentive Loan Fund (Ordinance 86-04) and approved and authorized Guidelines and Procedures for the use of the Industrial Incentive Loan Fund (Resolution 86-06); and
- WHEREAS, on May 19, 1999 the Common Council in Resolution 99-17 amended the guidelines and procedures to the Industrial Incentive Loan Fund, and renamed the program the Business Investment Incentive Fund; and
- WHEREAS, procedures established by the initial legislation and subsequent amendments require that an application be made to the Economic Development Commission of the City of Bloomington, and following approval by the Economic Development Commission, the application shall be forwarded to the Bloomington Common Council for approval by resolution; and
- WHEREAS, Bloomington Cooperative Services, Inc. (BCS) has filed an application for an Business Investment Incentive Loan, which application was approved by the Economic Development Commission in EDC Resolution 07-01 and forwarded to the Common Council for its approval; and
- WHEREAS, BCS proposes to convert approximately 7,000 square feet of leased space at 316 W. Sixth Street, most recently the Encore Café, into Bloomingfoods Market and Deli West, a downtown neighborhood grocery, remodeling both the interior kitchen and grocery facility and exterior building façade; and
- WHEREAS, according to the application, BCS intends to use the loan to pay part of the costs of renovating its leased facility;

NOW, THEREFORE, BE IT HEREBY RESOLVED BY THE COMMON COUNCIL OF THE CITY OF BLOOMINGTON, MONROE COUNTY, INDIANA, THAT:

SECTION 1. A loan in the amount of one hundred thousand dollars (\$100,000) from the City of Bloomington's Business Investment Incentive Fund is hereby approved and subject to an interest rate of 5.42%. The Controller of the City of Bloomington is hereby authorized to release funds in the amount specified and subject to the specific terms and conditions approved by the Economic Development Commission in EDC Resolution 07-01, together with all terms and conditions contained in Resolution 86-06 and Resolution 99-17.

SECTION 2. The following provision of the Guidelines for the Business Investment Incentive Fund is waived in connection with the loan to Bloomington Cooperative Services, Inc.:

Section III. A., which provides that the maximum term of a loan from the Business Investment Incentive Fund is five (5) years (unless the loan is a bridge disruption loan made under Section II. B. 5), to allow approval of a maximum term for said loan of fifteen (15) years.

SECTION 3 This resolution shall be in full force and effect from the passage by the Common Council of the City of Bloomington and approval by the Mayor.

PASSED AND ADOPTED by the Common Council of the City of Bloomington, Monroe County, Indiana, upon this _____ day of _____, 2007.

DAVID ROLLO, President
Bloomington Common Council

ATTEST:

REGINA MOORE, Clerk
City of Bloomington

PRESENTED by me to the Mayor of the City of Bloomington, Monroe County, Indiana, upon this _____ day of _____, 2007.

REGINA MOORE, Clerk
City of Bloomington

SIGNED and APPROVED by me upon this _____ day of _____, 2007.

MARK KRUZAN, Mayor
City of Bloomington

SYNOPSIS

This resolution approves and authorizes a loan from the City of Bloomington's Business Investment Incentive Fund to Bloomington Cooperative Services, Inc. for the purpose of making capital improvements to the building at 316 West Sixth Street. This resolution also waives the five-year term provision of the Business Investment Incentive Fund Guidelines to allow for a 15-year term in connection with the approved loan to Bloomington Cooperative Services, Inc. The loan is in the amount of one hundred thousand dollars (\$100,000) and subject to an interest rate of 5.42%. It is also subject to all specific terms and conditions contained in the City of Bloomington's Economic Development Commission resolution approving the loan, as well as, the guidelines and procedures contained in Common Council Resolution 99-17.

**RESOLUTION 07-01
OF THE
ECONOMIC DEVELOPMENT COMMISSION
OF THE
CITY OF BLOOMINGTON, INDIANA**

WHEREAS, the City of Bloomington Common Council has established the Business Investment Incentive Loan Fund (the "Fund") and has approved guidelines and procedures for use of the Fund; and

WHEREAS, procedures for the Fund require that an application be made to the Economic Development Commission (EDC) of the City of Bloomington, and following approval by the EDC, the application shall be forwarded to the Bloomington Common Council for approval by resolution; and

WHEREAS, Bloomington Cooperative Services, which operates the Bloomingfoods stores in Bloomington, has filed an application for a loan through the Fund for construction of a downtown grocery store at 316 W. Sixth Street, which has been submitted to the EDC of the City of Bloomington for its approval; and

WHEREAS, the current guidelines for the Fund provide for loans to have terms of five years, and the city administration believes that five years is too short and is planning to submit revised guidelines calling for terms of up to 15 years to the EDC and Common Council in the near future and Bloomington Cooperative Services wishes to obtain a 15 year term;

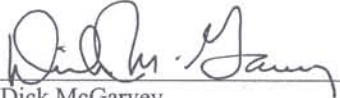
NOW, THEREFORE, BE IT HEREBY RESOLVED that

1. The Economic Development Commission does hereby recommend to the Common Council that it approve waivers of the following provision of the Guidelines for the Business Investment Incentive Fund in connection with the loan to Bloomington Cooperative Services:

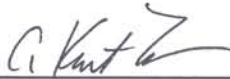
Section III. A., which provides that the maximum term of a loan from the Business Investment Incentive Fund is five (5) years (unless the loan is a bridge disruption loan made under Section II. B. 5), to allow approval of a maximum term for said loan of fifteen (15) years.

2. The Economic Development Commission does hereby recommend to the Common Council that it approve the Business Investment Incentive Loan Fund Application in the amount of \$100,000 to Bloomington Cooperative Services for a maximum term of fifteen (15) years subject to an interest rate of 5.42%, and subject to the waiver of the five-year maximum term provision of Section III.A of the Guidelines described herein. All other provisions of the Guidelines for the Business Investment Incentive Fund shall be in full force and effect with regard to the loan approved herein.

FURTHER, said approval is a commitment preceding the required approval of the City of Bloomington Common Council and the execution of a promissory note, loan agreement, security agreement, and other documents necessary to secure the loan, together with all terms and conditions contained in Common Council Resolution 86-06 creating the Fund and subsequent amendments to the Fund.



Dick McGarvey
President



Kurt Zorn
Secretary

Approved this 5th day of March, 2007.



Memorandum

To: City of Bloomington Common Council
From: Danise Alano, Director of Economic Development
Date: March 16, 2007
Re: **Resolution 07-03: Awarding Bloomington Cooperative Services, Inc. a Loan from the Business Investment Incentive Loan Fund**

The Business Investment Incentive Loan Fund (BIILF) is a revolving loan fund created by the City of Bloomington to provide low interest loans to eligible businesses committed to improving the economic vitality of our community. With certain exceptions, loan proceeds can be used for capital improvement projects and the purchase of eligible equipment.

Bloomington Cooperative Services, Inc (BCS) is a not-for-profit, mutual benefit corporation, dba Bloomingfoods Market & Deli. BCS is seeking a \$100,000 loan towards the remodeling of its building at 316 W. 6th Street (formerly the Encore Café) which will reopen as Bloomingfoods Market & Deli in the late spring or summer of 2007.

On March 5, 2007, the Economic Development Commission of the City of Bloomington voted unanimously to adopt EDC Resolution 07-01 recommending approval of a \$100,000, 15-year loan under the Business Investment Incentive Fund (BIIF) to Bloomington Cooperative Services, Inc. (BCS). The resolution also waived a section of the BIIF Guidelines which provided for a maximum loan term of five (5) years in order that the term of the loan to BCS could be extended at 15 years.

Resolution 07-03: Loan Application Summary

Applicant: Bloomington Cooperative Services
Mailing Address: 525 S. Walker, Bloomington, IN 47403
Property Address: 316 W. 6th Street, Bloomington
Phone: (812) 339-4442 ext 103

Management: George Huntington, General Manager
Spyridon Stratigos, President
Joanne Orrange, Vice President
Donna Stroup, Treasurer
Susan Kornblum, Secretary

Equity Funding:	Cash Reserves	\$300,000
	New Member Equity	\$9,000
	Member Loans	<u>\$300,000</u>
	Total Owner Equity	\$609,000

BIIL Request: \$100,000, 15-year term

Loan Purpose: To assist in the construction and renovation costs associated with converting the former Encore Café into a downtown / Near Westside neighborhood grocery store.

Total Project Costs: \$1,700,000, which includes the costs of construction, equipment and inventory. These costs are summarized in the following table.

Construction	\$423,500
Equipment	\$423,500
Inventory	\$235,500

Source of Repayment: Income generated from operations.

Collateral: under negotiation by City Legal

Personal Guarantee: As BCS is a mutual-benefit corporation, a personal guarantee is determined not applicable.

The Business Investment Incentive Fund Guideline Criteria:

Any qualified for-profit or not-for-profit business owner and/or commercial property owner located within the City of Bloomington's Downtown Development Opportunity Overlay (DDOO) district demonstrating a commitment to the economic vitality of Bloomington's downtown is eligible to submit a loan application for permissible projects as identified by the guidelines.

(Note: The recent adoption of the Unified Development Ordinance renders the DDOO defunct. Staff is currently revising the BIIF guidelines and will bring revisions forward to the Council in the near future.)

BCS is a mutual benefit corporation, which is a member-owned, member-governed business entity that operates for the benefit of their members according to common principles agreed upon by the cooperative community. BCS' Near Westside Grocery will contribute to the continued economic growth and vitality of the Downtown and Near Westside neighborhoods. A grocery store will help anchor these neighborhoods by providing job opportunities and a convenient and accessible source of groceries for neighborhood residents. Under these conditions, BCS qualifies for a loan as an eligible not-for-profit business.

The guidelines require the facility to apply loan proceeds to qualified capital improvement costs associated with a qualified project including construction, expansion, or renovation of buildings; purchase of equipment; facade improvements; or infrastructure improvements.

The BCS project involves an upgrade of the exterior façade, sidewalk and landscaping improvements, a complete interior remodel of the facility, and the purchase of new equipment. BCS has provided a detailed list of project costs including construction and equipment costs of \$423,500 each for a total of \$847,000.

The Guidelines require the consideration of certain factors when evaluating any eligible loan application under this section. These factors shall include but are not limited to the following (the guideline criteria are in italics, with the BCS applicability following in regular typeface.)

- 1) *Strength of business plan or business proposal.* The BCS business plan is a well-crafted plan based on conservative projections. Given the quality of the plan and BCS's prior experience and success in operating two successful and profitable groceries in Bloomington, we believe their plan will meet the stated minimum business projections.
- 2) *Overall projected impact on the economic vitality of the downtown.* Although we are unable to quantify the overall economic impact on the vitality of the downtown, the City recognizes the need for a grocery store to provide a convenient, accessible grocery venue for the growing number of neighborhood residents.

- 3) *Use of funds to leverage other sources of capital including venture, conventional, and grant funds.* BCS has already secured a substantial portion of the total \$1.7 million project costs, including a portion from loans from individual co-op members. The Investment Incentive Loan would provide BCS with an important supplement to their member grants and institutional lender contributions.
- 4) *Nature and extent of security/guarantees.* BCS does not own the property of this project, therefore other assets must be identified to secure the loan, such as the inventory and equipment associated with the project, as well as with BCS' other businesses, the Eastside and downtown groceries. With assistance of the City Legal Department, the security interest is being negotiated with BCS and its other lenders. The City will be party to an intercreditor agreement.
- 5) *Credit history.* The financial statements and history provided indicate a solid credit history.
- 6) *Expected tax base increases or decreases as a result of the project.* With 20 full-time employees, 20 part-time employees and significant property improvements, we believe the tax base will be enhanced as a result of this project.
- 7) *Any proposed tax abatements or other city/state sponsored incentives expected to be received for the proposed project.* 316 W. Sixth Street is located within the Bloomington Urban Enterprise Zone. The Zone's managing Bloomington Urban Enterprise Association is an independent 501(c)(3) with a management services agreement with the City's Housing and Neighborhood Development department for staffing services. The BUEA administers façade improvement grants in the Zone, which BCS may pursue. Additionally, the State of Indiana offers the Enterprise Zone Investment Deduction (EZID) for investments made in the Zone. BCS may be pursuing the EZID.

Finally, the nature of the façade improvements to the Bloomingsfoods' building makes possible beneficial public improvements, specifically related to parking, sidewalks and landscaping. The re-installation of a sidewalk on Madison Street adjacent to the building is an important improvement to the City, providing enhanced pedestrian accessibility on Madison Street. Additionally, there is the potential of creating additional parking spaces downtown, because of proposed tandem changes to the on-street parking layout on both Sixth and Madison Streets. The City and BCS are negotiating possible City assistance in labor and/or materials to effect these improvements to the public right of way.

- 8) *Nature and extent of equity participation by principal owner(s).* Because the organization is a mutual benefit corporation, commonly called a cooperative, it is actually owned by all of its members collectively. There are no principal owners with equity participation.
- 9) *If applicant is not owner of property/building then approval of said owner is required.* BCS has the explicit consent of the property owner, Jim Silberstein, and will provide a letter of approval to the City.
- 10) *Compatibility of façade projects and new construction in the Downtown Development Opportunity Overlay (DDOO) district with the historic character of downtown Bloomington. (Projects involving the demolition or removal of structures listed on the Local Historic register, or eligible for listing on the National Historic Register or that are contributing structures listed within a nationally or locally designated historic district will not be considered.)* There will be no demolition or removal of façade structures. BCS has discussed its improvements with the City's historic preservation officer who found no objections. Additionally, a review of the history of the site reveals that it was once a downtown grocery, interestingly once with angled parking in front.

The Guidelines provide for a maximum term of five (5) years, except in the case of a bridge disruption loan.

BCS is not eligible for nor seeking a bridge disruption loan. However, BCS is seeking a fifteen-year term, which will require the EDC to waive this provision of the guidelines. That the BIILF is restricted to only up to a five-year term is a commonly heard issue as Staff has discussed the BIILF with other businesses, and in fact is one of the revisions we will be proposing to the Commission in a future Commission meeting. However, because of the short timeline associated with this loan application, Staff suggests a waiver of this provision, with more permanent and comprehensive Guideline revisions to follow.

In a written request accompanying the original loan documents, BCS explains that the initial years are the most crucial for any business and cash flow is vitally important, especially in the grocery industry where inventory is in constant flux. BCS maintains that a longer term on the loan will ease their cash flow and provide the project with a greater chance at early success. In addition, should BCS require the full term to repay the loan, the interest received on the loan will be greater, providing a greater pool of funds for other projects to enhance the economic vitality of the community. The Office of the Mayor and the Economic Development Staff support the waiver of the five-year term, and approval of a 15-year term for the BCS loan. In addition, the Economic Development Commission waived the five-year term limit in their Resolution 07-01.

The 5.42% interest rate is applicable to any loan period for this loan.



**CITY OF BLOOMINGTON
BUSINESS INVESTMENT INCENTIVE FUND
APPLICATION – Part 1**

RECEIVED

FEB 21 2007

OFFICE OF THE MAYOR
BLOOMINGTON, INDIANA
Rev. 04/05

Please attach additional sheets if necessary.

APPLICANT AND LOAN/GRANT INFORMATION

Applicant name(s) Bloomington Cooperative Services d.b.a. Bloomingsfoods Market
 Applicant Phone: 339-4442 x103 Applicant Email: gm@bloomingsfoods.coop Deli
 Applicant Address: 525 S. Walker & Administrative Offices
Bloomington, In. 47403 Retail location → 3220 E. Third St.
Bloomington, In. 47401

Total amount requested \$100,000 Date 1/1/07

Purpose of loan/grant To assist in the conversion process of
the Encore Cafe into a downtown/near westside
neighborhood grocery - Bloomingsfoods Market & Deli - Near Westside

Total project cost \$1.7 million (includes construction, equipment, inventory)

For loan applicants only: List types and fair market value of the collateral or other repayment sources (accounts receivable, guarantees, etc.): _____

Loan/Grant Eligibility – please check one. (Please refer to Business Investment Incentive Loan Fund Program Description for other terms of permissible use of funds and eligibility.)

<input type="checkbox"/>	Business retention, expansion attraction	Loan requires total project cost minimum of \$250,000. Maximum loan amount is \$100,000 or 20% of total project cost, whichever is less.
<input checked="" type="checkbox"/>	Businesses in the Downtown Development Opportunity Overlay	Loan maximum amount is 50% of total project cost for projects with total cost at or under \$100,000, and 20% of any remaining project costs over \$100,000. Total loan amount maximum is not to exceed \$100,000.
<input type="checkbox"/>	Businesses in the Downtown Development Opportunity Overlay	Non-profit grant provides matching grant funds. Non-profit organization must have retail or commercial activity as its primary purpose. Maximum matching grant is 50% of total qualified project costs. Total grant is not to exceed \$25,000. One grant disbursement allowed every five years per eligible non-profit organization. Grant funds are in lieu of loan funds.
<input type="checkbox"/>	Business-supported child care facility	Loan requires total project cost minimum of \$250,000. Maximum loan amount is \$100,000 or 20% of total project cost, whichever is less.
<input type="checkbox"/>	Public-purpose induced business relocation	Loan requires total project cost minimum of \$250,000. Maximum loan amount is \$100,000 or 20% of total project cost, whichever is less. Maximum loan amount may be waived if dictated by public policy.
<input type="checkbox"/>	Business disruption bridge loan	Loan maximum amount of \$150,000 per public works project, \$35,000 limit for each qualified applicant.

Have you been denied by any other lending institutions for this project? ___Yes No

Have you ever be turned down for a business loan? ___Yes No

If yes, institution's name _____

Date of denial _____ Amount requested _____

Reason stated for denial _____

Do you have plans over the next 6 months to apply for any funding from other financial institutions/lenders? (Please check one) ___Yes No

If yes, please explain _____

Name of financial institution/lender _____

Projected application date _____ Amount _____

Reason _____

RECEIVED

FEB 21 2007

**OFFICE OF THE MAYOR
BLOOMINGTON, INDIANA**



**CITY OF BLOOMINGTON
BUSINESS INVESTMENT INCENTIVE FUND
APPLICATION – Part 2**

BUSINESS INFORMATION

(former Encore Cafe location)

Business name Bloomingfoods Phone 333-7312

Business address 316 W. Sixth St. ; Bloomington, In. 47404

Type of business (please check one) Retail Service Manufacturing Wholesale

Business start-up date May 2007 Federal Tax ID number _____

Business legal structure (Please check one)

Sole Proprietorship General Partnership LLC C Corp. S Corp. Mutual Benefit corporation -

Date of incorporation 1976 State Indiana NAICS code _____

see Business Plan for Cooperative Business structure explanation.

List Company Officers and Directors

Name	Position in business	% Ownership
1. <u>Spyridon Strategos</u>	<u>President</u>	
2. <u>Joanne Orrange</u>	<u>Vice President</u>	
3. <u>Donna Stroup</u>	<u>Treasurer</u>	
4. <u>Susan Kornblum</u>	<u>Secretary</u>	
5. _____		

How many days a week will the business be open? Seven

Number of hours worked per week by owner _____

Current Number of Employees

Part-time ___ @ Hourly rate range \$_____ Hours worked per week _____
 Full-time ___ @ Hourly rate range \$_____ Hours worked per week _____
 Family ___ @ Hourly rate range \$_____ Hours worked per week _____
 Applicant(s) ___ @ Hourly rate range \$_____ Hours worked per week _____

Do you provide/plan on providing health benefits to your employees? Yes No

If yes, what plans and what cost is/will be involved?

Major Medical plan w/ Anthem - we currently pay 100% of premium for F.T. staff (32+ hours/wk.)

Projected Number of Employees

List approximate number of additional (new) positions that will be available once you receive the loan/grant. 20 Part-time 20 Full-time

Business Credit References (please attach additional sheets if necessary.)

1. Name United Natural Foods Incorporated
 Address P.O. Box 706 Kenne, New Hampshire 03431
 Phone 1-800-451-2525 Account # 26011 ; 28390

High credit _____ Contact person _____

2. Name Indianapolis Fruit

Address 4501 Massachusetts Ave. Indianapolis Indiana

Phone 317-546-2425 Account # 510131

High credit _____ Contact person A/P Dept. - Joan

3. Name Piazza Produce

Address P.O. Box 68931 Indianapolis, Indiana 46268

Phone 1-800-772-7255 Account # BLDELI

High credit _____ Contact person _____

Bank Information

Name Irwin Union

Address 300 W. Sixth St. Bloomington, Indiana 47404

Phone 812 330-1250 Account # _____

Contact person Sarah Rogers

Do you currently have bank financing? Yes If yes, account # _____

Amount of loan \$650,000 Structure of repayment 10 yr. note

What assets are securing this loan? Equipment, fixtures, inventory

Accountant Information

Name Watkins Accounting Phone 339-0016

Address 113 E. 19th St. Bloomington, Indiana 47408

Attorney Information

Name Thomas McGlasson Phone 332-4431

Address 205 S. Walnut #3 Bloomington, Indiana 47408

Is your business current on all local, state and federal taxes? Yes

If no, explain _____



**CITY OF BLOOMINGTON
BUSINESS INVESTMENT INCENTIVE FUND
APPLICATION – Part 3**

*N/A Cooperative
Business
Structure*

PERSONAL FINANCIAL INFORMATION

(This section must be completed on an individual basis for all principals/co-makers. Please attach additional sheets if necessary.)

Full name _____, _____, _____
Last First Middle

Present address _____

Phone _____ E-mail _____

Previous address _____

Social security number _____ - _____ - _____

Last grade completed _____ Are you currently an enrolled student? _____

Name of school _____

Area of study _____

Are you the head of household? ___ Yes ___ No

Total in household, including applicant _____

List all current dependents

	Name	Age
1.	_____	_____
2.	_____	_____
3.	_____	_____
4.	_____	_____

Do you have insurance? ___ Yes ___ No

If yes, what kind and who is the provider? _____

Present employer _____

Address _____

Supervisor's name _____ Phone _____

Applicant's current monthly income		Applicant's current monthly expenses		
Sources of Income	Amount	Creditor	Account #	Amount
Salary	\$			\$
Bonus and Commissions	\$			\$
Dividends	\$			\$
Real Estate Income	\$			\$
Other	\$			\$

Personal References (Please attach additional sheets if necessary.)

Name	Address	Phone
1. _____	_____	_____
2. _____	_____	_____
3. _____	_____	_____

Are you a co-maker, endorser, or guarantor on any loan or contract?

If yes, payment amount \$ _____ Current loan balance _____

Do you currently have any bills that are more than 30 days past due? ___Yes ___No

If yes, please explain _____

Are all of your financial obligations listed? ___Yes ___No

Are there any suits or judgments currently pending against you, including possible child support issues? _____

Have you (or your business) ever filed a petition for bankruptcy or creditor protection? ___Yes ___No If Yes, provide information below:

Month of filing	Year of filing	State of filing
-----------------	----------------	-----------------

Are you current on child support? ___Yes ___No ___N/A

Have you ever committed a felony? ___Yes ___No

Are you currently on probation? ___Yes ___No

If yes, name of probation officer _____

Expected length of probation period _____



CITY OF BLOOMINGTON BUSINESS INVESTMENT INCENTIVE FUND APPLICATION

CERTIFICATION

The loan applicant herein certified that:

- To the best of the applicant's knowledge and belief, the data presented in this loan application is true and correct, and is provided for the purpose of obtaining or maintaining credit.
- The purpose described in this application has been duly, and legally authorized by the applicant.
- Upon approval of the funds requested, the applicant is willing and is duly and legally authorized to enter into a legally binding loan commitment and will comply with all of the provisions and conditions of any loan agreement.
- The applicant hereby authorizes the Loan Review Committee, its authorized agent and representatives, to investigate the applicant's credit worthiness, credit capacity, or business affairs.
- The applicant hereby authorizes any person, business, and/or financial institution having information pertaining to the applicant's credit worthiness credit capacity, or business affairs to release the same to the Loan Review Committee, its authorized agents or representatives.
- The applicant agrees to hold harmless the City of Bloomington, its officers, agents, and the City of Bloomington Loan Review Committee members and their respective organizations from liability as a result of actions and outcomes taken during or after the loan review process.
- I further certify that the individual(s) applying for the Business Investment Incentive Loan Fund are not in arrears on any payments, fees, charges, fines or penalties owed to the City of Bloomington, Indiana, including, but not limited to, City of Bloomington Utilities, Bloomington Transit, and any other City of Bloomington departments, boards or commissions.

<p><u>Bloomington Foods</u> Company Name</p> <p><u>[Signature]</u> By (Applicant's signature)</p> <p><u>George Huntington</u> Printed Name</p> <p><u>General Manager</u> Title</p> <p><u>2/7/07</u> Date</p>	<p>_____ Company Name</p> <p>_____ By (Co-applicant's signature)</p> <p>_____ Printed Name</p> <p>_____ Title</p> <p>_____ Date</p>
--	---

Please return this completed application along with \$100.00 processing fee (if applicable) and appropriate attachments to:

Office of the Mayor, Economic Development
City of Bloomington
PO Box 100
Bloomington, IN 47402

CREDIT REPORT AUTHORIZATION AND RELEASE

Authorization is hereby granted to the City of Bloomington to obtain a standard factual data credit report through a credit reporting agency chosen by the City of Bloomington.

My signature below authorizes the release to the credit-reporting agency a copy of my credit application and authorizes the credit-reporting agency to obtain information regarding my employment, savings accounts, and outstanding credit accounts (mortgage, auto loans, personal loans, charge cards, credit unions, etc.) Authorization is further granted to the reporting agency to use a photo static reproduction of this authorization if necessary to obtain any information regarding the above-mentioned information.

Any reproduction of this credit report authorized and release made by reliable means (for example, photocopy or facsimile) is considered an original.

N/A

1. _____
Borrower's signature Date

SSN _____

2. _____
Borrower's signature Date

SSN _____

AFFIDAVIT OF CHILD SUPPORT PAYMENTS

Comes now, _____, after being first sworn upon his/her oath now deposes and says as follows:

N/A

1. I am eighteen (18) years of age, I make the following representations on my personal knowledge and I am competent to give the testimony herein.
2. I am not currently delinquent in child support payments.

I swear or affirm under the penalties for perjury that the above and foregoing statements are true to the best of my knowledge.

1. _____
Borrower's signature Date

2. _____
Borrower's signature Date

BUSINESS PLAN CONTENTS

- I. Summary**
 - A. Business description
 - 1. Name
 - 2. Location and facility description
 - 3. Product(s)
 - 4. Market and competition
 - 5. Management expertise
 - B. Business goals
 - C. Summary of financial needs and application of funds
 - D. Earnings, projections, and potential return to investors

- II. Market Analysis**
 - A. Description of total market
 - B. Industry trends/Target markets
 - C. Competition

- III. Products or Services**
 - A. Description of product line or services
 - B. Proprietary position: patents, copyrights, and legal/technical considerations
 - C. Comparison or competitors' products or services

- IV. Manufacturing Process (if applicable)**
 - A. Materials
 - B. Source of supply
 - C. Production methods

- V. Marketing Strategy**
 - A. Overall strategy
 - B. Pricing policy/Sales terms
 - C. Method of selling, distributing and servicing products

- VI. Management Plan**
 - A. Form of business organization
 - B. Board of Directors composition
 - C. Officers: Organization chart and responsibilities
 - D. Résumés of key personnel
 - E. Staffing plan/number of employees
 - F. Facilities plan/planned capital improvements
 - G. Operating plan/Schedule of upcoming work for next one to two years

- VII. Financial Data**
 - A. Financial history (three years to present)
 - B. Three year financial projections (first year by months; remaining years quarterly)
 - 1. Profit /loss statement and balance sheet
 - 2. Cash flow chart
 - 3. Capital expenditure estimates
 - C. Explanation of projections

NEIGHBORHOOD GROCERY

Creating a grocery store on 6th Street is an opportunity to grow our business in a healthy and sustainable way and better serve our member-owners:

We will continue our commitment to the development of a local and regional network for the production and distribution of food and goods to the Bloomington community.

With the help of a dedicated and knowledgeable staff, our shoppers will be prepared to make informed decisions about the products we offer.

With an emphasis on customer service, our member-owners will enjoy shopping and new customers will want to return. The store will be a friendly and welcoming place to shop.

We will continue to support the arts.

Our new grocery will be part of a vibrant and sustainable downtown community. Residents will be able to purchase many of their basic needs within walking or biking distance of their homes.

We want to rediscover the ability food has to bring people together by creating a place to see friends and foster the meaningful relationships that hold communities together.

We will reach more people and grow our membership. Increased membership & member investment strengthens our entire organization and our presence in the community.

This is an opportunity to contribute to a business that is financially viable and sustainable, strengthening our organization and allowing us to better achieve our goals.

THE SEVEN COOPERATIVE PRINCIPLES

Voluntary and Open Membership
Democratic Member Control
Member Economic Participation
Autonomy and Independence
Education, Training, and Information
Cooperation Among Cooperatives
Concern for Community

BCS BASICS

At the end of the most recent fiscal year, BCS reported nearly 6,000 members, over \$12 million in sales and an annual payroll of more than \$2 million.

The co-op continues to provide southern Indiana with locally grown, nutritious, and naturally produced foods and emphasizes consumer education, community involvement, and excellent customer service.

CONTACT US

Please contact us to request more information. We will be happy to send you an information packet that includes a disclosure statement, a sample promissory note, and a copy of our member loan application.

812.339.4442

Steve Stroup - Member Loan Coordinator
community@bloomingfoods.coop

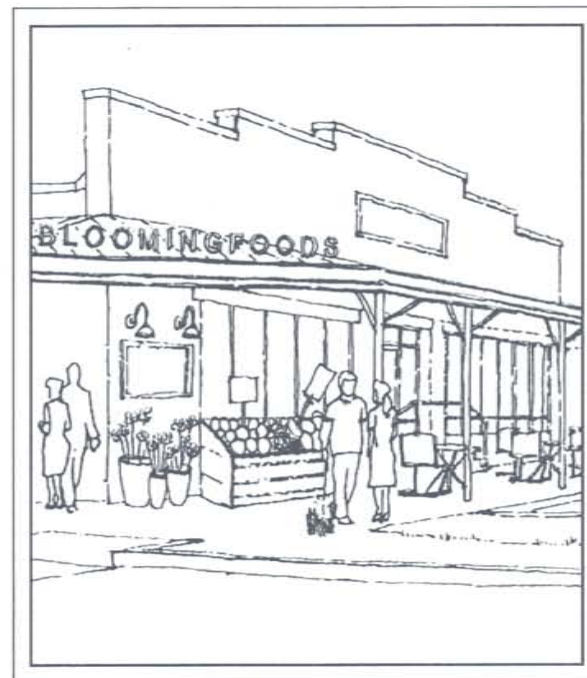
Jennifer Hileman - Project Manager
west@bloomingfoods.coop



Bloomington
MARKET AND DELI

Bloomington Cooperative Services, Inc.

MEMBER LOAN PROGRAM



Bloomington Market and Deli West

316 West 6th Street
Bloomington, Indiana 47404
812.339.4442

www.bloomingtonfoods.coop

Bloomingfoods was started by people just like you. In November of 1975, our founders received a \$30,000 loan from local resident, Cathy Canada, to open a member-owned grocery cooperative. This generous loan, along with bank support and 'sweat equity' made Bloomingfoods a reality.

Thanks to member support, Bloomingfoods opened its doors in July of 1976. Thirty years later member-owner participation is still an essential part of making our neighborhood grocery flourish.

WHO CAN PARTICIPATE?

Bloomingfoods offers all current members who reside in the state of Indiana the opportunity to participate financially in this project. Interested members should review this brochure and contact us to request a disclosure statement describing the program and risks in greater detail.

HOW WILL WE USE THE FUNDS?

Funds loaned to the co-op will be used to convert the Encore Cafe into a neighborhood grocery store and cafe at 316 West 6th St.

The co-op will borrow from several sources. Lenders include the National Cooperative Development Fund, local lending institutions, and our member-owners.

Member-owner contributions help the cooperative leverage financing from conventional lenders while reducing our outside debt.

Funds will be used for construction, equipment purchases, professional fees, staff wages and benefits as we prepare for opening day.



Loan Terms, Considerations, and Conditions

LOAN TERMS

The ability of member-owners to contribute to a project like this is part of the cooperative difference. Cooperatives have a unique ability to raise loan funds directly from member-owners and position the organization for success.

Bloomingfoods has a goal of raising \$300,000 in funding from members. Each member will negotiate the specific terms of their loan to the co-op and will be issued a promissory note with a principal amount equal to the loan.

Notes will contain the following terms:

- Member Loans will have a minimum amount of \$1,000 with the goal of an average loan equal to between \$3,000 - \$5,000.
- Interest on the loans will be from 2-4%
- Interest rates, once negotiated, will remain fixed for the length of the note.
- Loans will mature no sooner than four years and no later than seven years.
- Interest will be calculated annually and will be paid, along with the principal, when the loan becomes due.
- Principal amount, interest rate, and maturity date will be negotiated and mutually agreed upon by each member and Bloomington Cooperative Services, Inc.

LOAN CONSIDERATIONS

Each interested member-owner will negotiate specific terms for their loan with a designated BCS representative.

The financial history of BCS indicates that we are a successful, enduring, and growing enterprise with an excellent credit rating. BCS tracks financial performance carefully. Board, management, and staff regularly review statements, track progress, and respond to trends.

We believe this is a wonderful opportunity and a great project. Interest expressed by our membership, professionally prepared market studies, and extensive financial models all indicate that a grocery at this location will contribute to the long term financial health of the cooperative, strengthening the organization and allowing us to better serve our membership.

Our projections show that we can generate sufficient earnings to pay principal and interest on member loans. There is however the possibility of unforeseen complications and events that are beyond the control of management and the Board of Directors.

The loans are unsecured, which means they are not backed by any property pledged as collateral. They are subordinated loans. In the event that we experience cash flow problems, we are obligated to repay our loans to other lending institutions before repaying member loans.

There is more information regarding the nature of these loans included in the disclosure statement that we can provide to you. Please contact us for more information.

LOAN CONDITIONS

The promissory notes described in this brochure are offered at face value and are not transferrable. No market for these notes exists and none will develop. Members of the cooperative who currently reside in the state of Indiana and are at least 21 years of age are eligible to contribute to the member loan program.

Prior to the acceptance of any loan, BCS will require that each member review the complete disclosure statement.

Bloomington Cooperative Services, Inc.

Member Loan Program

Disclosure Statement



Bloomingsfoods Market and Deli West

319 West 6th Street
Bloomington, Indiana 47404
telephone - 812.339.4442
fax - 812.339.4104
email - west@bloomingsfoods.coop

Introduction

In 2005 Bloomington Cooperative Services, Inc. (hereafter, BCS) hired a market and location analyst to conduct a study of the trade area where the Encore Café currently operates. The findings were conclusive and the recommendation unequivocal: the site is ideal for a grocery. Our restaurant was successful on many levels, but was a financially unsustainable model when operated in accordance with our mission statement and ends policies.

The Encore Café was a wonderful place, offering quality foods and beverages, serving as a highly popular community gathering place, and offering a space for local artists and musicians. However, we struggled to be profitable and continuing operations would have weakened our organization.

Bloomingfoods is dedicated to offering quality food for a fair price. We endeavor to pay our staff a living wage. Full-time staff receive fully paid health benefits and vacation time. Our commitment to these core values has made it hard to operate the Encore Café as a profitable business.

In light of these various considerations, we believe that operating a grocery located at 6th and Madison will better serve the member-owners of BCS and allow our co-op to grow in a healthy way that supports our growing downtown community.

In order to realize the dream of a re-invented site, we invite our members to participate financially in this project by entering into negotiations for a loan to their co-op. The estimated cost of this project is between \$1,500,000 and \$2,000,000. Our goal is to negotiate with our members to obtain at least \$300,000 in member loans to support this endeavor.

Commercial and cooperative lenders are ready and willing to help us with the financial burden of this project, but an essential part of the cooperative difference is the ability of our member owners to raise capital in support of a project. Our strength in in our community - our membership. Your participation is just another way that we are able to be a strong business rooted in the local economy.

Potential lenders must understand that there are risks involved in the project. Those risks are out-



*Research reveals Stogsdill's Supermarket at 6th and Madison from the 1930's into the 1950's.
Photo courtesy of the Monroe County Historical Society*

lined in this document. The board and management of BCS are working diligently to create a well-conceived and conservative plan to achieve a successful outcome. However, member loans are unsecured, subordinated and do involve risk. Your task is to assess the plan presented here and judge how well the board and management have balanced risk with projected benefits before you enter into negotiations to make a member loan.

Our Project

There is a strong and growing interest in our community in healthy and locally grown foods. Members of Bloomingfoods and the community have been very vocal about seeing a Bloomingfoods grocery on the near west side - many of them citing the Encore Café as an excellent location. Additionally, the City is interested in seeing a grocery store in the 'Downtown Core.'

Everyone we talk to is excited about this idea and ready to make it happen. We see this as an opportunity to use a facility we already control to grow and better serve our community. Our market studies tell us this is a trade area able to support a grocery.

We intend to develop the store in a compact urban form with a focus on being a neighborhood store, allowing residents to purchase basic needs within walking or biking distance of their homes or workplace. Our Board of Directors and management team believe these ideas are in agreement with our community oriented business model and our mission statement.

We will continue our commitment to the development of a local food economy. Fostering strong relationships with local suppliers, and educating our staff and customers about healthy and sustainable options are examples of ways we envision doing this.

We hope to create a neighborhood grocery much like those of your childhood. A friendly and welcoming space. A member recently shared this memory with us -

"As a 64-year-old, I well remember the neighborhood groceries on the eastside of Indianapolis where I grew up. We "traded" at Webbers. . . you could call in your order. . . or as a kid, I could go in, taking a list from my mother, and they would fetch me the items. . . When a supermarket--Standard--opened down the street from us, the first time I went in there, it was so overwhelming and scary. There was no one to get your food for you and I didn't know what to do. Nobody knew who I was or cared.

We also had another smaller grocery between our house and school, Peppers, and the family lived behind the store. We simply called it the "Little Store," and it was the favorite place to get candy and ice cream going home from school." - Betsy C.

We want to rediscover the ability food has to bring people together by creating a place to see friends and foster the meaningful relationships that hold communities together. We believe that with your help, a Bloomingfoods at 319 West 6th Street will help us to make this dream a reality.

The History of BCS

A Food Co-op Starts in Bloomington

Bloomingfoods was started by folks just like you. In November 1975, our founders received a \$30,000 loan from local resident, Cathy Canada, to open a member-owned food cooperative.

The group found a vacant 2-story limestone garage at 419 East Kirkwood Avenue, a building that was originally a carriage house. Over the next eight months, nearly 150 people contributed to building a grocery store.

When Bloomingfoods opened on July 24, 1976, many community members felt a real sense of ownership. The Bloomingfoods community was vibrant, and in its first year of operation, sales totaled approximately \$211,000. By 1990 Bloomingfoods had posted annual sales of \$1.3 million and had accumulated \$100,000 in the bank.

At this point, it became obvious that the co-op was outgrowing the Kirkwood Store facility. Inadequate parking and two-floor shopping would



make it hard to sustain the co-op's growth rate. Then, as now, there was pressure from national chains, and it was believed that we had to respond quickly to preserve and grow our market. Rather than abandoning the original location, however, the Board decided to open a second co-op store.

A Second Store – Bloomingfoods East

Work on a second store began in earnest when a site was identified on East Third Street. The co-op had a nice savings of \$100,000, as well as a loan from a local lender. Bloomingfoods set out to convert the building into a grocery store.

On November 1, 1991, Bloomingfoods East opened for business to very positive community and member reaction. Unfortunately, remodeling costs had exceeded estimates and we were counting on strong sales as a counterbalance and although growth was steady, it was slow.

Changes were made in almost all aspects of the co-op's operations, the most significant being the conversion from a fee-based membership system to an ownership-based one. In 1992, members approved the change that would require each member-owner to invest a \$90 refundable equity deposit in the co-op. This investment provided the co-op with a base of capital upon which its future could be built.

In 1992, sales doubled to \$2.5 million, but we were in our second year of "negative profits." The cost of maintaining two stores and meeting our bank debt could not be met by our sales. This is not unusual but we had failed to plan for this situation.

The co-op launched a member loan program, and once again member-owners demonstrated their commitment to the co-op by loaning nearly \$60,000. With this support we were able to recover and thrive.

Bloomingfoods Grows!

By the late 1990's Bloomingfoods had repaid all of the member-owner loans. A growing interest in natural foods among mainstream shoppers, as well as a reputation for excellent customer service, quality products, and community involvement had resulted in significant growth and financial stability for the co-op.

Patronage rebates were distributed to members 4 out of 5 years, indicating the financial success of the co-op. In all, the focus had shifted from crisis management to longer-term planning and maximizing productivity and internal efficiencies.

In 2002, the co-op took another bold step by expanding once again. Members had long advocated that Bloomingfoods open a restaurant, as well as establish a presence on Bloomington's west side. In May 2002, the co-op purchased the Encore Café, on West Sixth Street. Several months later, BCS began operating the Theater Café at the Buskirk-Chumley Theater.

The co-op had been facing the need to improve food production capacity for several years. With dramatic growth in our Deli department at the East Store, as well as an increasing demand for catering and special events, we needed to find a way to sustain growth. The Encore Café was able to be the food production facility for the Kirkwood Store and the Theater Café.

Looking to the Future

The Encore and Theater Cafe were very successful in many ways. We were able to connect with the community, support the arts, and provide healthy and high quality prepared foods at a fair price.

We had dedicated customers and an amazing staff but operating a restaurant that paid fairly, offered benefits to staff, and used high quality and local foods proved unsustainable. Although it contributed to many of our higher values, our Board of Directors determined that it was not financially sustainable to continue operations.

Today we find ourselves at a crossroads. We are blessed to have a wonderful location and much support from the community. The concept of a Neighborhood Grocery Store appeals to member-owners, neighborhood associations, and the City of Bloomington. Our substantial research and planning reveals the creation of a Neighborhood Grocery downtown to be a successful project.

We have learned much from the past. Our board and management team have spent the last 10 months first exploring the feasibility of and then planning for the creation of a grocery store at this location. Careful consideration has been given to the effect that such an endeavor will have on our other grocery operations and the organization's potential for future growth.

The professional market analysis and sales projections reflected in our planning documents are conservative. Although some believe that we may well achieve sales levels better than what we have forecast, we believe it is better to plan for something that is realistic and achievable.

Our cost estimates are likewise conservative. Co-op development specialists have advised us to assume that although we might be able to build our store for less money, it is far better to budget conservatively and have a successful project.

We look forward to the opening of our third grocery location and appreciate the support of our member-owners as we continue to grow in ways serve our membership and our community.

Bloomingfoods Market and Deli West 319 West 6th Street - opening Spring 2007

With just about 7,000 sq ft of interior space we are taking a careful look at what being a neighborhood grocery means. Convenient location and friendly staff are just part of the equation. Great food will make all the difference.

Much like our other stores there will be a focus on fresh, local, organic, and natural options. Wonderful produce, dairy and meats, and a deli complete with hot and cold foods that are ready to eat. You can get a sandwich and a snack for lunch or stop in after work to shop our bulk section for the ingredients of a wonderful dinner.

Here is a summary of what we hope to offer-

- a full grocery selection providing high quality and price conscious options to meet the needs of our diverse community

- high quality prepared foods that provide healthy meal options for our shoppers

- a cafe with seating for dine-in customers

- the freshest local and organic produce possible

- meats and cheeses that taste good and are healthy for our customers and the planet

- a bulk section that features staples, herbs and spices, coffee and tea, and unique items our customers know and love

- a wellness department with items to keep our customers healthy inside and out

- a beer and wine department featuring a selection of local and unique products

- an environmentally friendly selection of basic household items

In addition to the great food inside- the city has approved our plans to build an awning and create a vibrant outdoor space. It will allow us to expand our seating during warmer months as well as create an outdoor marketplace full of wonderful things. We hope this will contribute to the vibrant downtown street scene as well as offer a place to stop along the 'B-Line trail.'

Key Personnel

George Huntington General Manager

George has been the General Manager of Bloomingfoods for more than 12 years. During that time Bloomingfoods has grown from 500 to over 5,000 members and annual sales have grown from \$2.5 million to \$12 million. During his time with BCS, George has served as the President of CGA Midwest and collaborated with other co-op stores to develop the CAP program. He currently serves in our community on The Lotus Board, and the Bloomington Commission on Sustainability.

Spyridon Stratigos Board President

'Strats' has served on our BOD for the last three years and as President for one. He is working closely with our team as an advisor, overseeing the development and use of the communications plan.

Strats was part of the cooperative effort to open a vegetarian restaurant in 1969 and continued on to be involved with 5 more ventures. Strats has over 35 years of food service experience, 25 as an owner and manager. Currently he is using his MA in Applied Linguistics as an instructor at IU in the Center for English Language Training. He enjoys acting and organic gardening.

Jennifer Hileman Project Manager

Jennifer is currently the Systems and Planning Coordinator for BCS. She has been a member and employee of Bloomingfoods since 1998, spending 5 years in the stores as a stocker, a department manager, and the point of sale coordinator before joining the administrative team.

Jennifer's current work involves business planning and project development and she will be coordinating the efforts of our team on this project.

Prior to working for BCS, she has worked at an eclectic little toy store, a yarn store, a big conventional grocer and studied at the IU Jacob's School of Music.

Jason Hill Store Manager

Long-time Bloomingfoods member, shopper, and volunteer, Jason has been a retailer of one sort or other for most of the last 12 years and a manager for almost as long. Jason will be hiring staff, filling the shelves, and working to open up the grocery store. He worked for Big Red Liquors, playing a lead role in the opening of their new Columbus facility and as store manager of their downtown Bloomington site (where he also supervised a major renovation). In addition, he has worked in restaurants, hotels, a phone center, and even a pawn shop.

Steve Stroup Member Loan Coordinator

Steve has been with Bloomingfoods for just over a year. As part of our Marketing and Membership team, his work focuses on communications with our membership and the community.

Steve is a wonderful communicator and brings his positive energy to this project. Previously, Steve was at IU as the Director of the ERIC Clearinghouse in Reading, English, and Communication.

Bill Gessner Expansion Services, CDS

Bill Gessner is a nationally recognized consultant in the area of cooperative grocery expansions. Bill works with our BOD, General Manager, and Project Manager in preparing for the conversion process. He shares his experience of assisting in over 150 retail and wholesale growth/relocation projects over more than 20 years.

Stephen Wolfe Financial Services, CDS

Stephen Wolfe is an accountant specializing in financial modeling for expansion projects. He is currently the CFO of the National Cooperative Grocers Association.

P.J. Hoffman Store Design, UNFI Inc.

P.J. Hoffman is an expert in store design, equipment needs and acquisition, traffic flow, and safety

considerations. He works closely with the project manager, architects, and engineers to ensure proper store design.

Kirkwood Design Studio Architect

Bloomington based design firm KDS will be working with us to design the finished look of the space including all the construction drawings, lighting plans, and decor.

Meyer Najem General Contractor

Indianapolis based Meyer-Najem will be coordinating the building of our grocery store. Other local projects include the Oliver Winery tasting room and the Stoneage Institute.

Pete Davis Market and Site Analyst

Pete Davis brings over 30 years of experience and expertise in retail market research, site analysis, location research and strategy planning. Since 1977 he has been consulting in almost all aspects of the retail environment. His specialty for the past 15 years has been in the field of natural food, specialty food, and cooperative grocery stores.

Board of Directors

Bloomington Cooperative Services is governed by a seven-member board democratically elected from BCS's membership.

The board's duties are to represent the membership, vision the future of the co-op, set policy, hire and use policy governance to monitor the general manager, and maintain fiduciary responsibility for BCS.

Current members of the Board:

Carol Bridges (2007)
Susan Kornblum (2007)
Joellan Muyskens (2008)
Joanne Orrange (2007)
Spyridon 'Strats' Stratigos (2008)
Donna Stroup (2008)
Matthew Turissini (2007)

Co-op Structure and Mission

BCS is a member-owned cooperative. BCS is governed by the cooperative principles defined by the International Cooperative Alliance:

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Cooperation among Cooperatives
- Concern for Community

Bloomingfoods is a member-owned grocery providing southern Indiana with healthful, high-quality, and environmentally sound products at a fair price. We promote locally grown, nutritious and naturally produced foods. We emphasize consumer education, community involvement, and excellent customer service.

Member Loan Information

BCS intends to negotiate with its members to obtain at least \$300,000 toward this project in unsecured, subordinated member loans. This source of funds represents approximately 17% of the total project cost. BCS is willing to negotiate loans as small as \$1,000, with the goal of an average loan equal to \$3,000 - \$5,000.

Each of the terms of the Promissory Note is subject to negotiation between BCS and the applicable member. We hope to negotiate interest rates for the loans at rates ranging from a fixed rate of 2% per annum to a fixed rate of 4% per annum. Interest will be calculated annually and will be paid, with the principal amount of the loan, when the loan becomes due. BCS will also individually negotiate loan maturity dates, with a goal of having most member loans carry a 4, 5 or 7 year term.

Each lender will be notified when a loan reaches maturity. The note states that unless the co-op is notified within 15 days, the loan will be automatically renewed at the interest rate in effect on that date for the same term as the original loan. If the lender chooses to terminate the loan at the maturity date, the Co-op will pay the principal and all interest due when a replacement loan is secured. Member loans will be used solely to finance the expansion and renovation project. These loans will increase the Co-op's ability to leverage outside financing, while at the same time increasing

the amount of funds available for the project. The BCS Board of Directors encourages members to support the project through loans as a chance to act in a socially responsible, community-minded manner by promoting the growth of our cooperative.

Suitability Standards

Member loans are offered only to persons who are members of the cooperative and who are residents of the state of Indiana. All persons must make loans for their own account and not for resale. These loans cannot be sold, transferred, or assigned except by operation of law. As a result, the note representing the loan can only be transferred pursuant to the laws of inheritance, divorce laws or other laws under which assets are involuntarily transferred. Each member who negotiates a loan should do so on the belief that he or she will only be able to receive a return of his or her loan when BCS is able to repay such loan.

Plan of Distribution

The member loans will be issued through: Spyridon 'Strats' Stratigos, Board President; George Huntington, General Manager; Jennifer Hileman-Reinhart, Project Manager; Steve Stroup, Member Loan Coordinator; and Dean Decker, Chief Accountant. No other person is authorized to issue a promissory note. Contact with appropriate BCS personnel can be made in the following ways:
Phone: 812-339-4442

Mail: Bloomington Cooperative Services, 525 South Walker Street, Bloomington, IN 47403

Email: community@bloomingfoods.coop

No person is authorized to make any representation regarding the Member Loan Program other than those contained in this Disclosure Statement. Only the representatives contained herein may be relied upon as authorized.

This information is provided on a confidential basis for the benefit of members of BCS. It is issued to such persons only in connection with the negotiation of loans from members of BCS. This memorandum may not be reproduced or redistributed without the consent of BCS.

Except as otherwise noted herein, no literature in any form is authorized to be used in connection with this offering.

No persons are authorized to make representations regarding this offering other than those contained in this Disclosure Statement. No other representative may be relied upon as authorized.

Declaration of Risk

The financial history of BCS indicates that we are a successful, enduring, and growing enterprise with an excellent credit rating. Our projections show that we expect to generate sufficient earnings to pay the principal and interest on member loans.

However, we are obligated to inform Members that this loan does involve a degree of risk. Consequently, this loan is suitable only for persons who understand the nature of the risks involved, who are in a position to assume such risks and have no need for liquidity in any funds loaned to BCS. The transferability of the Notes negotiated with BCS's members is restricted as described in this Disclosure Statement.

The Member Loans to be negotiated between BCS and its various members will not be secured by the pledge of any of BCS' assets. Instead, the Loans will be unsecured and will become a general obligation of BCS. In addition, the Member Loans will be subordinated to the claims of all other creditors of BCS, whether secured or unsecured. However, as a debt obligation of BCS, the Members Loans will have priority for repayment over any equity interests in BCS, such as the refundable membership fees paid by each member of BCS.

Listed below are specific risk factors of which BCS is aware; however, there may be additional unrecognized risks.

- **General Risks**
There are general risks associated with any undertaking of this scope, many of which are beyond the control of management and the board of directors. The likelihood of success must be considered in the light of difficulties, complications, delays and unforeseen expenses that may be encountered in such an effort.
- **Competition**
The retail food industry is highly competitive. Many of the Cooperative's potential competitors are owned by large, diversified companies with resources far greater than ours.
- **Reliance on Key Personnel**
BCS relies on its management, staff, and board of directors, none of whom have any legal obligations regarding length of service with the cooperative.
- **Uncertain Ability to Meet Cash Obligations**
There can be no assurance that the financial projections contained herein will be realized.
- **Unsecured and Subordinated Obligations**
The Member Loans to be negotiated by BCS are not secured by any property pledged to secure repayment and are subordinate to the claims of other secured and unsecured lenders. The BCS primary lender will retain the right to approve repayment of member loans.
- **Non-Liquidity**
These notes cannot be sold, assigned or transferred to another person, but may only be transferred by the operation of law. These notes are not payable upon demand. The lender must be prepared to hold these notes for the term of their maturity.

Summary of Lender's Agreement

The following is a summary of the terms and conditions of the agreement between the member lender ("Lender") and Bloomington Cooperative Services, an Indiana cooperative corporation ("BCS"). When signing the Lender's Agreement, each member lender will be agreeing to the terms and conditions listed here.

1. **Acknowledgment of Receipt:** By executing a Promissory Note, each lender will acknowledge receipt of this Bloomington Cooperative Services Member Loan Program Disclosure Statement.
2. **Restrictions on Transfer:** By signing the Lender Agreement, each Lender will be acknowledging and agreeing that he or she understands that the Note representing the loan to BCS contains restrictions on transfer that permit the Note to be transferred only by the operation of law (i.e., through inheritance, under applicable divorce laws or other laws under which assets are involuntarily transferred.) Each Lender will be agreeing that it is unlikely that they will be able to transfer the Note. In addition, the Notes representing the Member Loans have not been registered under applicable federal and state securities laws and that transfers of the Note may also be restricted under such laws.
3. **Representations:** Each Lender must represent and warrant that:
 - a. All information provided to the Cooperative concerning Lender is true and correct in all respects as of the date thereof;
 - b. Lender is at least twenty-one (21) years of age and of sufficient legal capacity to execute this agreement;
 - c. Lender is acquiring the Note of the Cooperative for his or her own account for loan and not for the account of another nor with a view to or for re-sale in connection with any distribution or public offering of Notes and that it is the intent of the Lender to hold the Note until its maturity.

Sources

			Key assumptions
Cash Reserves	300,000	17.03%	
New Member Equity	9,000	.51%	100 new members at \$90
Member Loans	300,000	17.03%	4,5 or 7 years at 2, 3, or 4%
Owner's Contribution	609,000	34.57%	
Vendor Credit	151,875	8.62%	75% of inventory
Free Fill	50,625	2.87%	
City/Community	100,000	5.68%	15 years at 5%
Subordinated Debt	302,500	17.17%	
NCDF	200,000	11.35%	5 or 7 years at 8.5%
Local Lenders	650,250	36.91%	5 or 7 years at 8.5%
1st Position Debt	850,250	48.26%	
Total Sources	1,761,750	100%	

Uses

			Key assumptions
Remodel Grocery Facility	292,500	16.60%	\$65 sq.ft x 4900 sq.ft
Remodel Kitchen Facility	125,000	7.10%	\$50 sq.ft x 2100 sq.ft
Equipment Grocery	292,500	16.60%	\$65 sq.ft x 4900 sq.ft
Equipment Kitchen	125,000	7.10%	\$50 sq.ft x 2100 sq.ft
Inventory Grocery	202,500	11.49%	\$45 sq.ft
Inventory Kitchen	15,000	.85%	estimated
Fee's	105,250	5.97%	consulting, architect, legal etc.
Start-Up Promotion	15,000	.85%	
Start-Up Staffing	50,000	2.84%	projected pre-opening labor expense
Business Disruption	108,000	6.13%	3 months sales - 180,000 x 60%gpm
Holding/Site Costs	50,000	2.84%	rent, utilities, insurance
Interest During Project	11,000	.62%	
Working Capital - 1st year	140,000	7.95%	allowance to cover first year losses
Subtotal Uses	1,531,750	86.94%	
Overrun Allocation	230,000	13.06%	
Total Uses	1,761,750	100%	

Co-op Financial Statements

Income Statements - Historical	2002	2003	2004	2005	2006
Revenue	7,089,498	8,437,667	9,372,645	10,482,328	11,192,218
Cost of Goods	4,513,623	5,143,185	5,780,359	6,445,919	6,901,050
Gross Profit	2,575,875	3,294,482	3,592,286	4,026,409	4,291,168
Personnel	1,618,533	2,220,641	2,373,231	2,696,188	2,967,886
Member Discounts	67,465	78,918	96,278	109,398	110,448
Other Operating Expenses	715,004	969,866	1,112,871	1,154,903	1,212,834
Subtotal - expenses	2,401,002	3,269,425	3,582,380	3,960,489	4,291,168
Income pre-tax/patronage rebate	174,873	25,057	9,906	65,920	0

The acquisition of the Encore in 2003 had an effect on the organization's overall profitability that can be seen here. Our grocery operations have maintained profitability over the last four years with only slight fluctuations in their overall performance. We believe that a return to operating only grocery stores will be a return to our core competency and we will be able to operate our business according to our values and mission in a financially sustainable manner.

Income Statements - Projected	2007	2008	2009	2010	2011
Revenue	11,213,878	13,488,968	14,341,187	15,033,947	15,668,427
Cost of Goods	6,889,101	8,636,603	9,182,425	9,626,210	10,032,713
Gross Profit	4,324,777	4,852,365	5,148,762	5,407,737	5,635,714
Personnel	2,912,123	3,048,308	3,297,098	3,338,036	3,453,649
Member Discounts	123,321	124,175	130,954	137,425	143,922
Other Operating Expenses	1,494,655	1,388,762	1,652,373	1,606,106	1,645,248
Subtotal - expenses	4,530,099	4,561,245	5,080,425	5,081,567	5,242,819
Income pre-tax/patronage rebate	(205,322)	291,121	78,337*	326,170	392,895

* Projections reflect a reinvestment in our East Third Street Store during fiscal year 2009.

Condensed Member Loan Information

This information is provided on a confidential basis for the benefit of members of Bloomington Cooperative Service, Inc. It is issued to such persons only in connection with a private placement of certain promissory notes as mentioned within. This document may not be reproduced or distributed without prior consent from Bloomington Cooperative Services, Inc.

This loan involves a degree of risk. This loan is suitable only for persons who understand the nature of the risks involved, who are in a position to assume such risks and have no need for liquidity in any funds loaned in this offering. These loans cannot be sold, transferred, or assigned except by operation of law.

Except as otherwise noted herein, no literature in any form is authorized to be used in connection with this offering. No persons are authorized to make representations regarding this offering other than those contained in this Disclosure Statement. No other representative may be relied upon as authorized.

To participate in our Member Loan Program please contact:

Steve Stroup, Member Loan Coordinator
812,339.4442 ext.102
community@bloomingtonfoods.coop

or by mail:

Bloomington Cooperative Services
Attention: S.Stroup - Member Loan Program
525 South Walker Street
Bloomington, IN 47403

For more information about our the opening of our new store, please contact:

Jennifer Hileman, Project Manager
812.339.4442 ext.107
west@bloomingtonfoods.coop

Jason Hill, Store Manager
812.339.4442 ext.211
jason@bloomingtonfoods.coop

To contact the General Manager of BCS:

George Huntington
812.339.4442 ext 103
gm@bloomingtonfoods.coop

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FEB 21 2007

**OFFICE OF THE MAYOR
BLOOMINGTON, INDIANA**



Near West Side Grocery Business Plan

Bloomington Cooperative Services

2006 - 2007

Executive Summary

Bloomington Cooperative Services (BCS) was started in 1976 to serve the member-owners and the community and incorporated as a not for profit corporation in the state of Indiana. The business is one of about 300 natural foods cooperatives in the nation. Now in our 30th year of business, we are community owned by nearly 6,000 people. The total equity investment of our member-owners is currently over \$550,000.

BCS currently operates four retail locations:

Two retail grocery operations as Bloomingfoods Market and Deli -

Downtown Store: 419 East Kirkwood Avenue (retail - 1,700 sqft, total - 2,800 sqft, opened in 1976)

East Store: 3220 East Third Street (retail - 6,000 sqft, total - 9,000 sqft, opened in 1991)

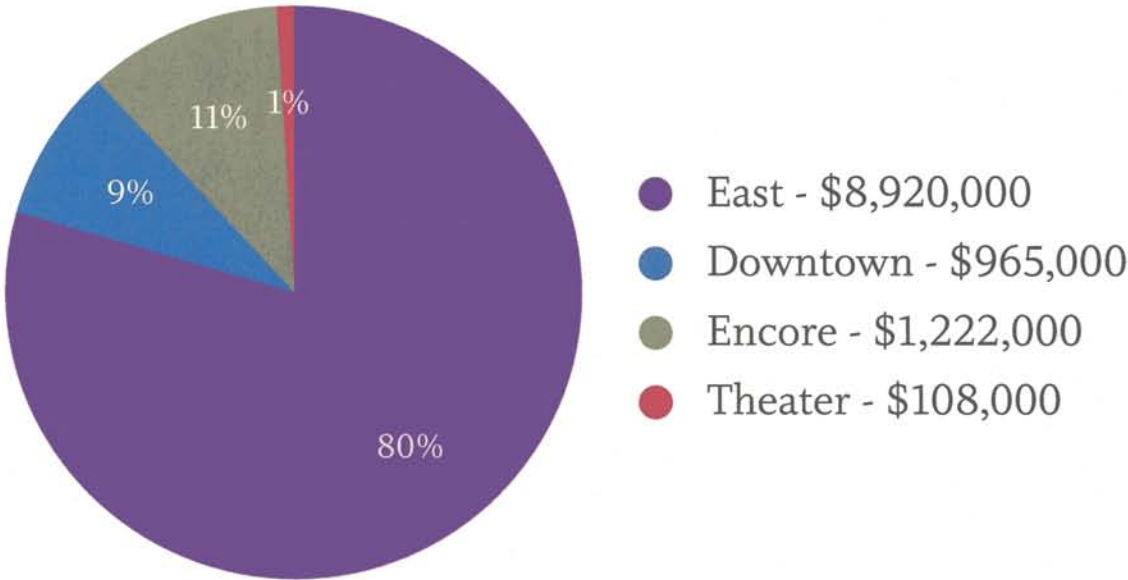
Two Cafe locations:

Encore Cafe: 316 West Sixth Street (retail - 4,900 sqft, total - 7,000 sqft, BCS operated beginning 2002)

Theater Cafe: 114 East Kirkwood Avenue (500 sqft, opened in 2002)

The Co-op Administrative Office is located offsite. Recently a fire damaged our space. We are currently located at 2nd and Walker as we search for a permanent location.

In fiscal year 2006, our businesses had a combined sales volume of over \$11 million.



The co-op has maintained growth in an increasingly competitive marketplace. Our position as a provider of healthy food and high quality goods is important to our community. Opening a new location increases our ability to provide the food and goods our community, our customers, and our member-owners want to buy.

The cooperative business model is unique - our owners shop in the store. Each person can own one share and has equal voting rights. The member-owners elect a board of directors who in turn hire a general manager. While member-owner purchases account for roughly 70% of our sales, our doors are open to all and everyone is welcome to shop.

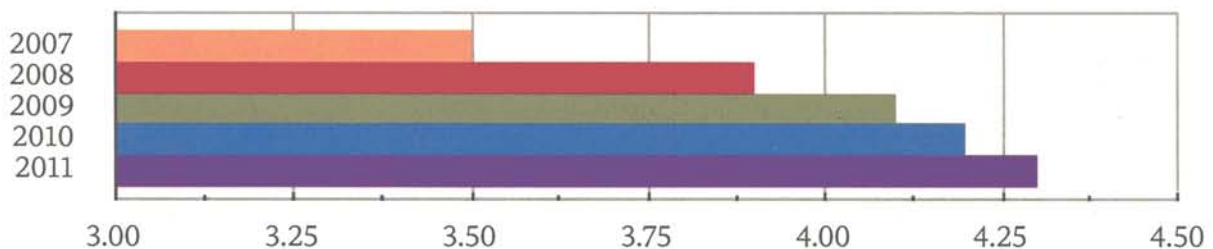
When the co-op is profitable, we return the surplus to our owners in amounts that are based on how much each individual shops. This ownership structure provides a way for people to have meaningful participation in the business and be more than just a customer.

BCS has investigated opportunities for growth and we believe a grocery store on the near west side is our best course of action at this point in time. Our profitability has been strong for the past decade, often experiencing upwards of 15% growth at our operations. Recently, however, performance of the Encore Cafe has limited the overall performance of our organization. The decision has been made to look at ways BCS can maintain a presence at that location, and better meet the needs of our shoppers and the community.

We believe that a store on the near west side of Bloomington will improve the services we offer to our membership and the community while growing our presence in the marketplace. Recent member surveys indicate support from our current membership. We have received letters of support from several neighborhood associations within just a few blocks of the location. A recent newspaper article highlights priorities that the City of Bloomington has put forth for the next year, including "Identify a public-private partnership to build a downtown grocery store."

The results of our recent market study indicate there is a demographic profile in the trade area for this location that would support the kind of grocery store Bloomingfoods would operate. The majority of residents have a college degree and work a 'white collar' job. These are two key characteristics found in the populations interested in healthy food options.

Demographic information about the trade area for the new grocery store reflects a annual median household income of \$22,124. This suggests a high concentration of students and young people. We believe that the average annual sales penetration would be approximately \$130 per capita. Sales projections have been adjusted to reflect the population characteristics represented within the trade area as well as key site characteristics such as parking and the size of our location. Sales forecasts reach a maturity in year two at \$3.9 million. Projected sales for the first five years are as follows:



Initial plans for the 7,000 square foot store feature fresh foods that provide healthy meal options for shoppers who want to cook at home, as well as for our customers who wish to dine in.

Our cafe will feature:

- fresh bakery items and fair trade coffee
- made to order sandwiches
- hot food and a salad bar - in the spirit of the Encore Cafe tradition

Our grocery store will include:

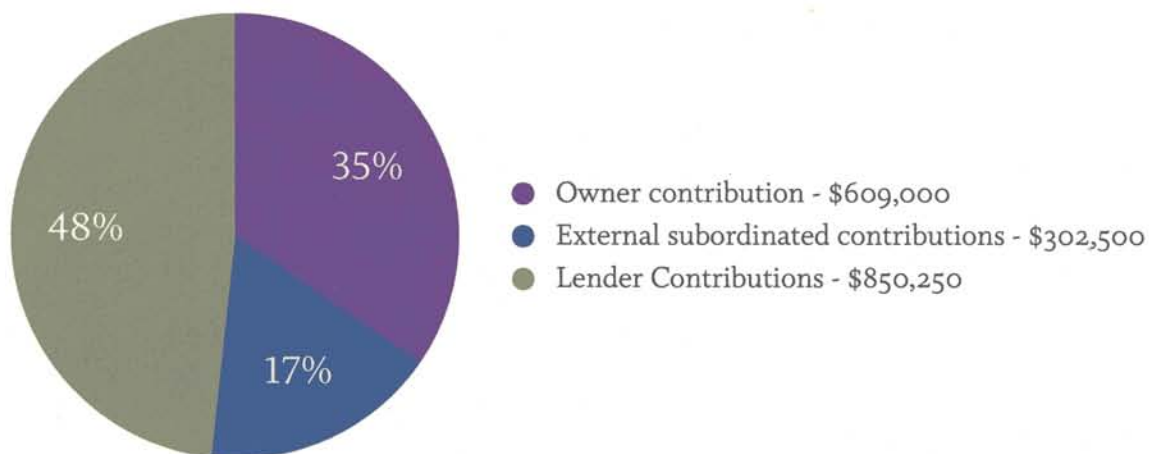
- a full selection of groceries
- local and organic produce
- sliced meats and cheeses
- fresh meats and seafood
- bulk foods including herbs, spices, coffee and tea
- dairy and frozen departments
- a personal wellness department
- beer and wine
- and a selection of environmentally friendly household items.

We want to create something that is more than just another grocery store. As we have done with our other locations, we see an opportunity to create a space that will become a destination. A place where you can see friends and build the meaningful relationships that hold communities together.

Some of the key concepts we will focus on include local food and goods, knowledgeable and friendly staff helping customers make informed decisions, support of the arts, and increasing awareness of the cooperative business model.

Our project currently involves an upgrade of the exterior facade, a complete interior remodel of the facility, the purchase of new equipment, and the acquisition of inventory. Funds will be used to cover these investments as well as to provide for other expenses related to the project.

Based on current projections, we estimate the total project cost will be approximately \$1.7 million. The co-op will provide approximately 35% of the investment in the form of cash reserves and member loans. We are seeking the remaining funds in the form of loans from lending institutions and the City of Bloomington, as well as contributions from our vendors.



The Cooperative Business Model

Co-operative History - The Rochdale Pioneers

Co-operatives started out as small grassroots organizations in Western Europe, North America and Japan in the middle of the last century, however, it is the Rochdale Pioneers that are regarded as the prototype of the modern co-operative society and the founders of the Co-operative Movement.

In 1844 a group of 28 artisans working in the cotton mills in the town of Rochdale, in the north of England established the first modern co-operative business, the Rochdale Equitable Pioneers Society (photo).

The principles that underpinned their way of doing business are still accepted today as the foundations upon which all co-operatives operate. These principles have been revised and updated, but remain essentially the same as those practiced in 1844.



Values common to all co-ops

Co-ops worldwide share a common creed. All co-ops share a fundamental respect for all human beings and believe that people can improve themselves economically and socially through mutual help. This basic philosophy has been developed into a list of seven principles that serve as guidelines for how cooperatives do business.

The “Statement on the Cooperative Identity” begins with a values statement that describes the beliefs common to all cooperatives: *Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility, and caring for others.*

Cooperative Principles

In addition to their common values, all co-ops share seven basic principles. These principles outline a democratic structure that can be adapted to businesses providing many different kinds of services and products.

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Cooperation among Cooperatives
- Concern for Community

Our Business

Bloomington Cooperative Services

Bloomington Cooperative Services Inc. (BCS) was originally incorporated in 1976 as a not-for-profit corporation under the Indiana Not-For-Profit Corporation Act of 1971. An amendment to that articles of incorporation occurred in 1996 that identified BCS as a mutual benefit corporation. It also created one class of patrons who all possess the same rights, privileges etc. . . including eligibility for a patronage refund paid in accordance with our by-laws.

At the end of each fiscal year, board members determine the use for our profits. They can be reinvested in the business (making leasehold improvements or major equipment purchases are examples of how the money might be used) or returned to the membership relative to the amount of their purchases of goods and services made during the same fiscal year.

Bloomington Cooperative Services (BCS) and all of the individual business units operate in alignment with the purpose put forth in our articles of incorporation. Most people know this as our mission statement and ends statements put forth to our membership and general manager by the BCS Board of Directors. It is to meet this 'bottom line' that the corporation exists. Operating a profitable business is seen as the means for achieving goals that go above and beyond a traditional shareholder model.

Our Board of Directors provides the vision for our organization. The direction they give us is translated into operational goals and guides our daily decision making.

Mission Statement for Bloomington Cooperative Services

The mission of BCS is to promote and encourage interest in the local growing of food crops and to provide for the consumers of Southern Indiana locally grown, nutritious and non-chemically produced foodstuffs; to educate the community to the economic, social and other beneficial values inherent in organizing community services, and in offering locally produced consumer goods and foodstuffs; and help provide low cost food and consumer services to the indigent members of the Co-op and to the local community as a whole whenever possible. A further mission of the Co-op is to foster a healthy and sustainable future through the development of community based cooperative business. The Co-op shall at all times be operated on a cooperative basis for the mutual benefit of its members.

Ends Statements

- **Member/Customers:** BCS Members and Customers are provided:
 - Healthy, sustainably grown food and products from environmentally conscious, socially responsible companies.
 - Opportunities for education, networking, personal growth, and greater community and cooperative involvement.
- **Community:** BCS fosters a vibrant local and bio-regional community within a sustainable national and global environment.
- **Staff:** BCS provides a safe and healthy work environment, which engages, empowers, and rewards employees.

What is a member-owner?

Anyone can own a piece of Bloomington Cooperative Services by purchasing a capital certificate, currently valued at \$90. The role of a Bloomingfoods member-owner is very different from that of a member of a discount buying club, neighborhood association, or other group.

Becoming an owner of Bloomingfoods grants you the privilege of participating in democratic ownership of an organization dedicated to operating profitably not as an end, but rather as a means through which to contribute to the health and vitality of our community. One convenient method of examining a member-owner's participation in a co-op is in terms of Rights and of Responsibilities.

Member-Owner Rights

As an owner of Bloomingfoods, you enjoy a number of unique and important rights.

- Elect directors -- annual election held by mail ballot.
- Require the co-op to follow its bylaws.
- Review reports on financial performance at the annual meeting and in the newsletter.
- Run for the board of directors.
- Vote on questions put before the membership by the board.
- Vote for changes in bylaws as needed to keep the co-op current with the law.
- Attend board meetings. Meeting dates are published in the BloomingNews.

Member-Owner Responsibilities

Similarly, the rights of membership come with a corresponding and equally important set of responsibilities which members must recognize and discharge in order for the co-op to function profitably. These include:

- Capitalize the co-op -- purchase your full equity in a timely manner.
- Patronize the co-op -- give your business to YOUR business.
- Vote in elections and respond to surveys.
- Attend annual meetings.
- Promote the co-op to others -- tell your friends and neighbors about us.
- Understand co-op principles and objectives -- learn about cooperatives.
- Understand that the co-op is a business and must meet the needs of a business.
- Stay informed of what is happening at the co-op -- read newsletters and mailings.

Benefits of Ownership

There are other benefits that BCS currently offers to our member-owners.

Special pricing on 'key' items, available 365 days a year.

Discounts on classes and invitations to BCS events.

Patronage refunds: profits may be returned to owners.

Eligibility to join IU Credit Union.

5% savings on Member Discount Days.

Monthly newsletter and Enewsletter mailings.

Current Operations

BCS currently operates two retail grocery operations, one on East Third Street and another at our original Downtown location, in the alley just off Kirkwood Ave.



In addition to the retail grocery locations, we currently operate a cafe Downtown on Kirkwood Avenue and a restaurant at 6th and Madison. It is our restaurant location on 6th street that we would like to convert to a neighborhood grocery.



Shopping at our Grocery Stores

Bloomingfoods promotes healthy, high quality, sustainable and environmentally sound products at a fair price. We strive to meet the needs of our customers by providing them with a full service shopping experience. Our focus is on locally grown, natural and organic foods.

East Third Street 'Store Tour'

Opened in 1991, this location remains our largest location. It serves shoppers on the east of town, or folks looking for a full service grocery offering healthy alternatives. The East Store is a model for our proposed neighborhood grocery.

Produce

Upon entering our 3rd St store, a produce department filled with local, organic produce greets our customers. The department is 98% organic with as much as 30% of our offerings produced by farmers who live in Southern Indiana. We have all the basics - lettuce, tomatoes, apples and potatoes; as well as things you might not find in other stores - persimmons, bok choy, blood oranges, daikon, fresh bunches of local basil all summer and wild morels in the spring.

Refrigerated Foods

We offer a full selection of natural, organic, and locally produced dairy - including organic milk (featuring Trader's Point Creamery from Zionsville, IN,) butters, and yogurts; soyfoods - including soy yogurt, tofu, tempeh, 'meat' substitutes, and a full line of juice.

Bulk

Quality products, minimal packaging, value pricing, in exactly the quantity you want to purchase - this is what our bulk department is about. Offering hundreds of items in a variety of categories, customers can purchase many of their staple items in this unique department.

Grocery

A customer new to the store might notice a lot of brands they have never seen before - but upon closer inspection they will find many of their favorite things. We have bread and chips, cereal, peanut butter and jelly, macaroni and cheese, pasta, pasta sauce, baking supplies, soup, canned veggies, apple sauce, oils, condiments galore, toilet paper, dish soap, pet food. . . the list goes on. . .

Meats & Seafood

We have worked hard to offer healthy alternatives to conventionally raised and processed meats. We feature local producers with locally raised and processed beef and chicken in our fresh meat case. Our seafood offerings feature sustainable fisheries including line caught salmon from family owned and operated Troller's Point in Alaska.

Deli

Our East store deli features a healthy selection of hot foods, a salad bar that is more than 50% organic, hot soup made in our kitchen, a scratch bakery, sandwiches made to order, fresh juices, and a grab and go case filled with quick and healthy meal options.

Four varieties of fair trade coffee and our fresh baked muffins are a favorite breakfast for many of our East side patrons as they head to work each day.

Cheese & Olives

Featuring exotic cheeses from around the world and our backyard, customers can enjoy everything from local cheddar cheese to a fine and aged brie. Complemented by our olive bar, the makings of a fine meal for two to twenty can be found.

Beer and Wine

Our beer and wine department offers locally produced beer and wine as well as quality finds from around the globe.

Wellness

Full of the things to keep folks healthy inside and out, our wellness department features high quality supplements and body care items for the whole family. Customers will find locally produced herbal tinctures and handmade soaps on the shelves when they shop, keeping more of our dollars local.

Work in Our Community

It is our primary obligation to serve our owners by providing them with the goods and services they want to have. As our business has evolved, we diversify our product mix and our involvement in the community. There are many relationships, programs and services we have developed that give back to our community. Examples include:

- Efforts to support and be a part of a local and sustainable supply of food and goods. This includes a recent partnership with the Local Grower's Guild (LGG.) The LGG received seed money from BCS. This money is helping them to complete legal work necessary to incorporate.
- Partnerships with other local groups such as Slow Food Bloomington, Bloomington Restorations Inc, WFIU, WFHB, PRIDE Film Festival, Buskirk-Chumley Theater, Bloomington Playwright's Project, and Sycamore Land Trust.
- Support of the Lotus Foundation and participation in Lotus events throughout the year.
- Partnerships with Parks and Recreation to participate in city events and the weekly Farmers Market.
- Staff involvement with other community organizations through Board work, volunteerism, etc. . . .
- Support and promotion of educational programs that are aligned with our values, mission etc. . . . This includes classes offered by Hilltop Garden and Nature Center, Worm's Way, Bloomington Cooking School, and various individuals in our community.
- Monetary and food contributions to organizations helping those in need including Hoosier Hills Food Bank, Mother Hubbard's Cupboard, and Shalom Center as well as co-sponsorship of the Plant-a Row for the Hungry Campaign.
- Promotion and support of fundraising efforts by community organizations such as Jill Behrman Run for the End Zone, Pages to Prisoners, Mother Hubbard's Cupboard, Homeward Bound walk for the Homeless, and Brown County Humane Association Walk for Animals.
- Contributions to local educational organizations through our SCRIP program. Groups benefit when they purchase gift cards from us at a 5% discount and sell them at face value. Current participants include BDLC, Bloomington Montessori School, Lighthouse Christian School, Hoosier Courts Nursery School, Harmony School, and University Elementary School.

Bloomingfoods Cooperative Community Fund

In 2005, BCS was awarded a Twin Pines Cooperative Community Fund Matching Grant of \$5000. This, combined with our own contribution of \$5000, was used to start an endowment fund that will become an integral part of our community giving strategy. It allows our member owners to contribute to a fund that will financially support local organizations for generations to come.

The Marketplace

Our Customers

A recent research study, conducted by Harvey Hartman of Hartman and Associates, of consumers across the nation identified what is known as the “wellness consumer.” About 14% of all shoppers are considered “wellness consumers” and this makes up a significant portion of our customer base. This 14% is then broken into three separate categories:

10 - 13% - Core - “Core consumers have completely reengineered their lives to focus on wellness.”

72-75% - Mid-Level - “not wanting to buy into a way of life - just a better way of eating.”

15% - Periphery - “wander in and out of the ‘world of wellness’” and “dabble in natural products”

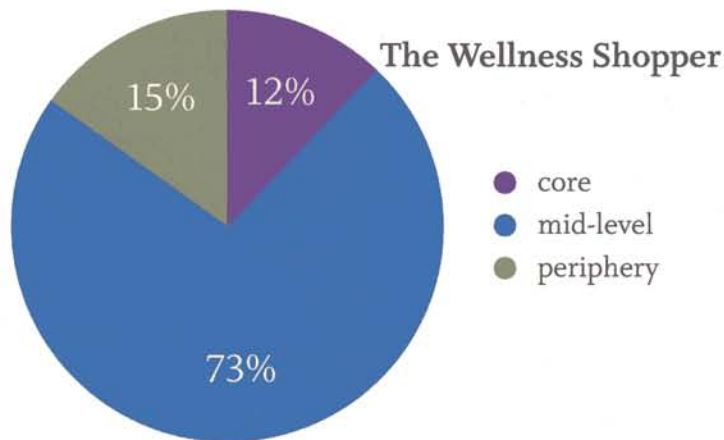
The study reinforces information we have collected from in store comments and annual member-owner survey. Our co-op was founded by the core consumers. For them, this is a way of life and they remain dedicated to our business model and the goods and services that we offer. For them, eating healthy food is almost a “birthright, not an indulgence.”

As we “have worked purposefully towards bringing good, responsibly produced foods to more people, we have begun to work towards engaging the largest segment of the wellness shopper population, the Mid-level consumer.”

The Mid-level shopper is plugged into modern culture and consults with mainstream media (like Men’s Health and Self magazines or WebMD) for health information. They are concerned with the effect our actions are having on the environment and what that might mean for future generations and worry about the people and culture of their communities when local jobs are lost to national or international companies.

Good health is a means for living an active and high quality life. Common sense health and nutrition decisions guide their purchasing habits (good health means eating more fruits and vegetables) rather than complete dietary overhauls like with the Core consumers.

“When shopping for groceries, Mid-level consumers look for foods that are: fast, fresh, nutritious and delicious.” These customers are looking for taste and quality in their food choices - “Does the bread look, feel, and smell fresh?” This group of shopper is also looking for fast, they live busy lives and often find it tough to get a healthy meal on the table each night. They often shop for “heat and eat” foods. This includes fresh foods from the deli as well as frozen and shelf stable items. They “seem willing to pay for quality and convenience.”



Our Strategy

As the percent of our population interested in wellness grows, it is important that BCS updates our offerings to serve not only the core shopper but the Mid-level consumer. This includes updating and expanding existing facilities as well as identifying new markets and potential locations that will allow us to maintain and increase our market share.

We will strive to reach shoppers through conventional media as well as remaining aware of how powerful 'word of mouth' advertising can be. By offering great variety, high quality, fair prices, and excellent service, we will retain customers and attract more.

Current trends (FMI Shopper Trends 2006) in the grocery industry that indicate

- consumers see a clear connection between health and nutrition and this emphasis will grow over time, increasing the demand for healthy, nutritious foods.
- convenience and speed will likely gain even more importance over the next decade
- 51% of shoppers said a greater selection of prepared foods for quick dinner assembly would be helpful
- shoppers in urban and suburban areas show a much higher interest in a meal solution
- shoppers who enjoy cooking make more trips to the store, prepare more home-cooked meals in an average week and spend more money on groceries

Insights	Actions
People who enjoy preparing the evening meal: <ul style="list-style-type: none"> • Enjoy grocery shopping more • Shop more frequently • Spend more on groceries overall • Spend more on groceries in their primary store 	Cooking classes, meal preparation demonstrations or recipe suggestions may be ways retailers can increase the number of shoppers who enjoy both their shopping experience and preparing a home-cooked dinner. These types of services can create a loyal, high-spending following of shoppers. Industry programs that encourage culinary skills should be part of a long-term strategy for growth.
Generation Y is often characterized as the generation who loves good food, but doesn't know how to prepare it. They didn't learn how to cook in school or at home, as they grew up on restaurant and takeout food.	With Generation Y spending the least amount of money and eating out the most, retailers should develop ways to capture the business of the next wave of shoppers.
People who dislike meal preparation: <ul style="list-style-type: none"> • Eat out more • Shop less frequently • Spend less on groceries 	Retailers may be able to increase their market share among shoppers who do not enjoy meal preparation through a strong emphasis on meal solutions that require no or minimal preparation. Emphasis on price, nutrition, variety and ease of preparation may result in an increase in trip frequency as well as spending among those who currently purchase their food elsewhere. Retailers may increase their in-store food court or food service business among this group, by emphasizing speed and convenience.

It is our goal to reach those customers who like to eat their meals at home. Some of this group consists of a customer who enjoys cooking from scratch and an approach that integrates education on wellness and meal planning will be an important part of our efforts to build a loyal customer base. Providing recipes, giving them ideas for ways to use our products, will be an important part of our long term plans for meeting the needs of these shopper.

For those customers who want to eat at home but prefer the convenience of a meal that requires minimal preparation, making it easy for them to enjoy a 'home-cooked' meal. We anticipate that these customers will be interested in freshly prepared foods from our deli as well as healthy options in the grocery aisles.

Our Project

Current plans for the conversion of the Encore Cafe to a neighborhood grocery take advantage of a desirable downtown property that we currently control. Customer awareness of BCS, the goods and services we offer, and the contribution we make to the community have been significantly increased by our investments in the Encore Cafe. We believe creating a grocery store at the Encore site is aligned with the path articulated by the leadership of BCS and serves a trade area that shows potential.

The need for a grocery store in our downtown area has been articulated here in Bloomington and according to FMI Grocery Shopper Trends 2006 “. . . grocery stores are scarce in urban areas. . . . The need for a variety of store formats in downtown areas will likely increase as a result of urbanization.”

Revitalizing a historic building downtown is in alignment with the Downtown Vision and In-fill Strategy, adopted November 2, 2005, completed by Winter and Company for the City of Bloomington. Creating a place for friends and neighbors to shop and dine together, connects people, and makes a memorable shopping experience.

An important national trend towards neighborhoods and alternative transportation options is being recognized in our community. We believe that our neighborhood grocery project is extremely bicycle and pedestrian friendly. Our location is situated on the new ‘B-Line Trail’ being developed by the City of Bloomington. The trail will include seating areas and public art and we are extremely well positioned to serve the community of people that will use and enjoy the trail. Development of the trail is scheduled to begin in the spring of 2007. We believe that this, combined with non-vehicular traffic from other nearby neighborhoods, will represent a significant group of people who will enjoy the convenience of our newest location.

Our commitment to organics, sustainable agriculture, and artisanal producers of local products and delicious regional foods is one that our shoppers find meaningful. It is our mission, it is in the replies we receive to our surveys of current member-owners and it is in the marketplace.

A cooperatively owned business has the potential to strengthen the local economy by providing jobs and purchasing local goods. Giving profits back to our member-owners and back to the community creates a sustainable business model that strengthens our community.

There is currently no grocery store serving the market we have identified as the trade area for the Encore location. In a market study we commissioned earlier this year from Location Research Consultant Peter Davis, he identified a household population of 24,300 people and stated that “from the perspective of education and employment; the trade area is strongly in-profile for natural food shoppers.” When considering the income levels of this demographic and site characteristics, he was able to identify a annual sales potential for our location that exceeded \$4 million by year three (2009,) a sales volume that will successfully maintain grocery store operations at this location - as per our financial pro forma presented with this business plan.

We believe that BCS has demonstrated the ability to create successful grocery stores in other trade areas in the community and will do the same thing at this site. We have peers who are successfully operating multiple locations in their markets and we are looking to them for guidance and support for how to do the same thing here in Bloomington.

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FEB 21 2007

**OFFICE OF THE MAYOR
BLOOMINGTON, INDIANA**



Appendix Materials

Cooperative Development Services

Cooperative Development Services (CDS) is a nonprofit organization founded in 1985, created for and governed by the cooperative community to develop cooperative businesses. CDS food co-op consultants provide consulting on a fee-for-service basis.

Our Mission

CDS is dedicated to building and strengthening cooperative businesses by providing consulting, training and development services.

Our Vision

We envision a cooperative network, which builds stronger businesses unified and driven by cooperative values, used and understood by more and more people.

Our Values

As a team of consultants, we bring co-ops the most comprehensive knowledge, experience, expertise and service available. We specialize in integrating your business needs with your cooperative identity.

Results: We emphasize effective planning: objective assessment, clear purpose, strategic choices, continuous improvement and evaluation.

Value Added: We believe in adding value, not cost. We deliver cost effective, results-oriented solutions.

Empowerment: We work with you to expand and develop your organization's internal capacity.

Cooperation: We develop programs for cooperation among cooperatives, which create economies of scale while retaining local control.

Satisfaction: Your satisfaction is our primary concern. We will do whatever possible to ensure your satisfaction with our work.

Our History

Since 1987, we have worked with over 180 different food cooperatives on hundreds of projects. Last year our 13 food co-op consultants worked on 75 food cooperatives to strengthen both their business and their cooperative, resulting in strong, integrated and balanced cooperative business. CDS's food co-op consultants continue to strengthen our services to better meet the growing needs of the food cooperative sector. Please contact us with your comments or suggestions.

Stephen Wolfe



Stephen Wolfe

131 W. Wilson Street, Suite 400, Madison, WI 53703

(608) 258-4392 (Phone)

(608) 258-4394 (Fax)

e-mail: StephenWolfe@cdsfood.coop

Stephen Wolfe serves as the Financial Manager for CDS. Since joining CDS in 1990, he has assisted numerous clients with financial modeling, bookkeeping, and accounting software packages.

Steve can help you with:

- Financial models and pro forma
- Bookkeeping
- Accounting software packages
- Interim accounting services

"The financial pro forma reports that Steve Wolfe of CDS prepared prior to our relocation were critical for the co-op to obtain the necessary funding from our members and the bank. The pro forma work not only showed the Co-op could grow and be successful in a new location, it was also right on target."

— Anya Firszt,
Williamson Street Grocery Co-op,
Madison, Wisconsin

Article

[Financial Pro Forma Is Early Step in Expansion Planning](#). Solutions Vol. 4 #2, Spring 2004.

Pete Davis



Pete Davis

4606 Magnolia Street, Port Townsend, WA 98368

360-344-4104 (Phone)

360-344-4107 (Fax)

e-mail: PeteDavis@cdsfood.coop

web site: www.petedavisconsultant.com

Pete Davis brings to CDS over 30 years of experience and expertise in retail market research, site analysis, location research and strategy planning. Having been a retail consultant since 1977, consulting in almost all aspects of the retail environment, his specialty for the past 15 years has been in the field of natural food, specialty food and co-operative food stores.

Pete's areas of expertise are:

- Market, location and site analysis
- Trade area and market penetration analysis
- Market entry and expansion strategy analysis
- Cannibalization and sales impact analysis
- Remodel, expansion, relocation analysis

"Pete has consulted with us continually since the early 1990's. His experience and down-to-earth style all have gone a long way toward advancing our knowledge of our market. I highly recommend him."

—Randy Lee, Financial Coordinator,
Puget Consumers Co-op, Seattle, WA

Articles:

Market Strategy: Three-Part Research. Peter Davis. Cooperative Grocer. #105. March-April 2003

Maximize Customer Satisfaction with Market Research Tools. Solutions Vol. 2 #3, Spring 2002.

Location, Location, Location...and Site, Site, Site: Co-ops are Retailers Too. Peter Davis. Cooperative Grocer. #92. January-February 2001.

Strengthen Your Market Position with Location Research Database. Solutions, Vol. 1, #1, Fall 2000

Introducing the CDS Consultant Team. Solutions Vol. 1 #1, Fall 2000.

Bill Gessner



Bill Gessner

24 W. 37th St., Minneapolis, MN 55409

(612) 823-4509 (Phone)

(612) 823-8203 (Fax)

e-mail: BillGessner@cdsfood.coop

Bill Gessner is our lead consultant with over 20 years of experience assisting over 150 retail and wholesale cooperatives with a primary focus on planning and expansion/relocation projects.

Bill can work with your co-op on:

- [Expansion/relocation projects](#)
- Organizational planning and facilitation
- Management support and development
- Capitalization
- Business strategy

"It was essential to have Bill Gessner as the lead consultant for the Wedge Community Co-op's two year expansion and relocation project. He is hard-working and experienced, is a good negotiator and a great planner. I would definitely rehire him."

—Dan Foley, General Manager,
Wedge Co-op, Minneapolis, Minnesota

Articles:

[First Year in Expanded Store: Homing in on Success](#). Solutions, Vol. 5 #2, March 2005.

[Small Co-op Possibilities](#). Solutions Vol. 5 #1, Winter 2005

[Financial Pro Forma Is Early Step in Expansion Planning](#). Solutions Vol. 4 #2, Spring 2004.

[Case Study: Operational Rehab Allows Co-op to Thrive Again](#). Solutions Vol. 4 #2, Spring 2004.

[The Spirit of Generosity: Co-ops need to plant and nourish the seeds of future cooperation](#). Bill Gessner. Cooperative Grocer. #111. March-April 2004.

[General Managers Speak: Means for Effective Management](#). Solutions Vol. 4 #2, Spring 2004.

[Empowerment + Accountability = Success \(and Fun\)](#). Solutions Vol. 3 #1, Winter 2003.

[Balanced Resources for Membership and Operations](#). Solutions, Vol. 2 #4, Fall 2002.

[Expansion Toolbox: A Tool for Board and Management of Expanding Co-ops](#). Solutions Vol. 2 #2, Winter 2002.

A Round-Robin Discussion with CDS Consultants: Talking Co-op. Solutions Vol. 2 #1, Fall 2001.

You Know You Need to Expand When... Solutions, Vol. 1, #1, Fall 2000.

You Know You Really Really Need to Expand When... Solutions, Vol. 1, #1, Fall 2000.

Co-op Expansion Specialist Bill Gessner: Growth Through Systems. Solutions, Vol. 1, #1, Fall 2000.

Introducing the CDS Consultant Team. Solutions Vol. 1 #1, Fall 2000.

Conducting Member Loan Campaigns. Bill Gessner. Cooperative Grocer. #86. January-February 2000.

Clarifying Board and Management Roles in Expansion/Relocation Projects. Bill Gessner. Cooperative Grocer. #83. July-August 1999.

Assessing Project Feasibility. Bill Gessner. Cooperative Grocer. #74. January-February 1998.

Cooperative Empowerment Stream. Bill Gessner. Cooperative Grocer. #63. March-April 1996.

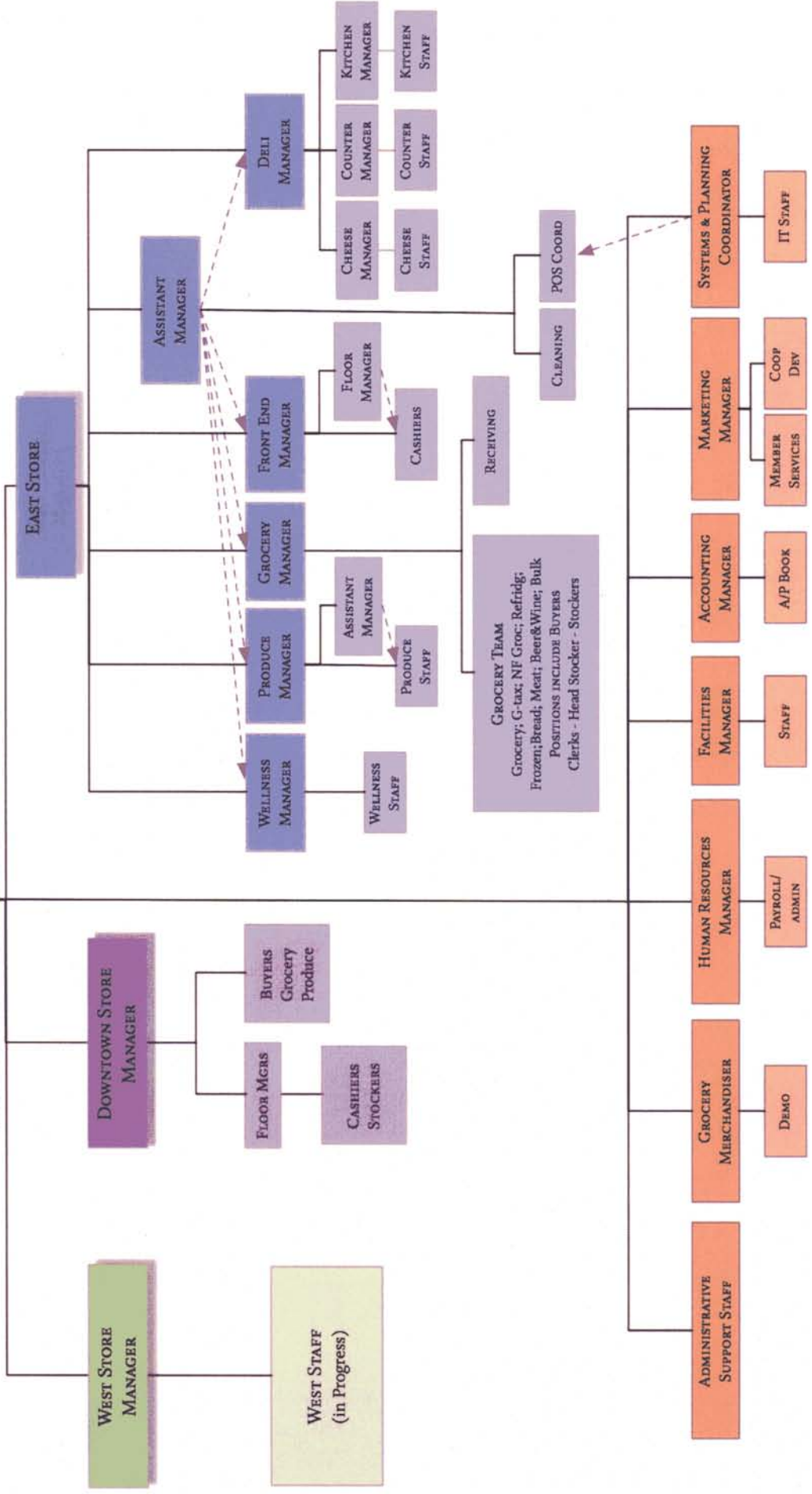
Project Management for Cooperatives. Bill Gessner. Cooperative Grocer. #46. May-June 1993.

Preparing for Expansion. Bill Gessner. Cooperative Grocer. #33. March-April 1991.

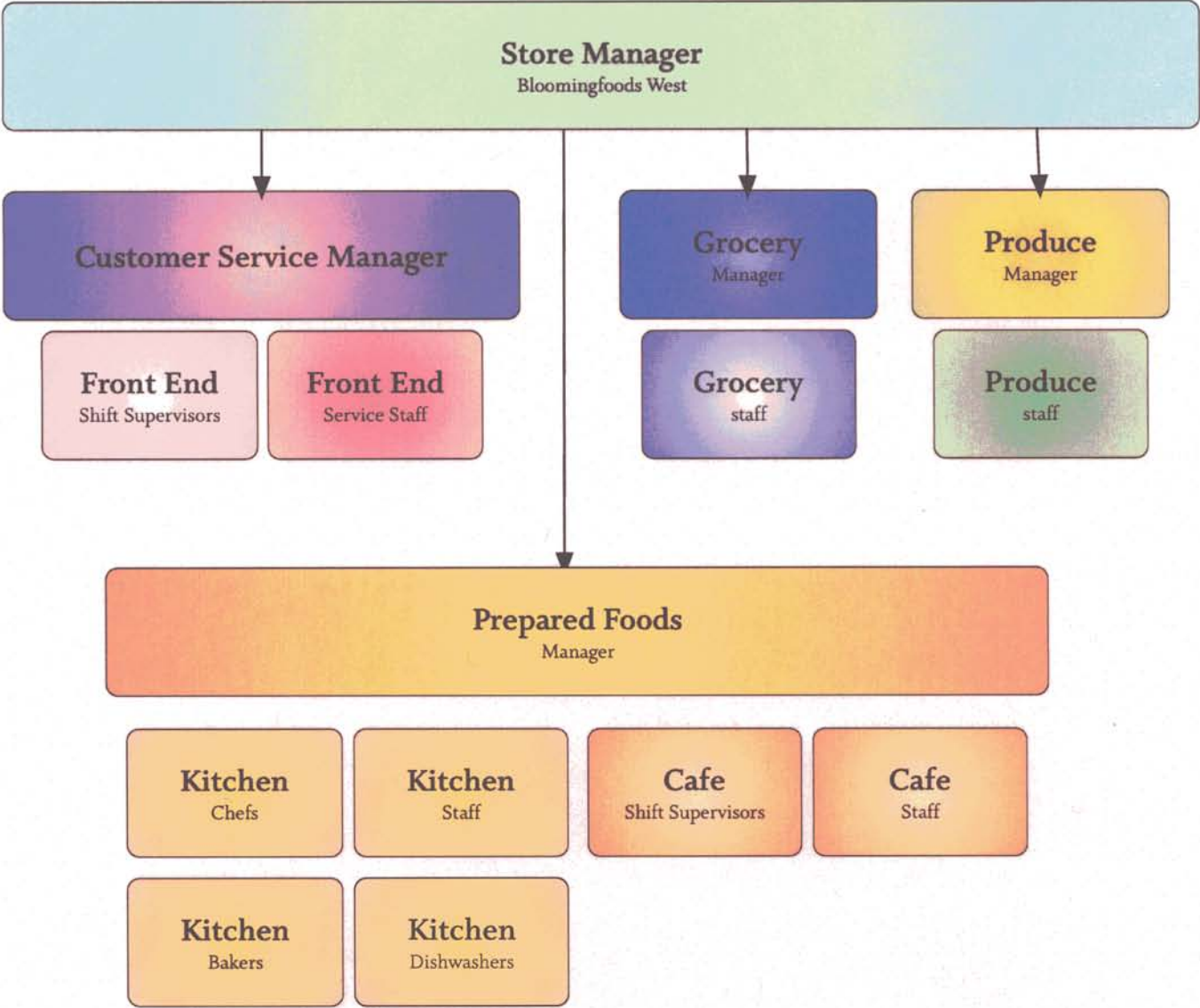
Lakewinds Natural Foods: Small co-op makes big leap. Bill Gessner. Cooperative Grocer. #30. September-October 1990.

Relocation and Expansion Toolbox. Bill Gessner. Published by the Northcountry Cooperative Development Fund. 2001.

**BLOOMINGTON COOPERATIVE SERVICES
 GENERAL MANAGER**



preliminary staffing structure for Bloomingfoods West location



CITY OF BLOOMINGTON



Business Investment Incentive Fund

OFFICE OF THE MAYOR
CITY OF BLOOMINGTON
P.O. BOX 100
BLOOMINGTON, IN 47402
812.349.3406 PHONE
812.349.3455 FAX

CONTACT: Danise Alano
EMAIL: alanod@bloomington.in.gov
Director of Economic Development

I. PROGRAM DESCRIPTION

A. Purpose: The Business Investment Incentive Fund is a revolving loan fund created by the City of Bloomington to provide low interest loans to eligible businesses committed to improving the economic vitality of our community. The City of Bloomington offers this economic development tool to promote the retention, expansion, and attraction of a diverse business base. With certain exceptions, loan proceeds can be used for capital improvement projects and the purchase of eligible equipment.

II. ELIGIBILITY

A. Geographical Limitations: Only businesses within or contiguous to the City of Bloomington's corporate boundaries or within an "Area Intended for Annexation" (AIFA) are eligible to seek assistance from the Business Investment Incentive Loan Fund. The area must be properly zoned and have or plan to have access to adequate infrastructure, including water, sewer, roads, and telecommunications. If the business is located within the AIFA or contiguous to the City's corporate boundary and eligible for annexation, then the applicant (and the property owner, if different) must agree to voluntary annexation. If the applicant is ineligible for annexation at the time the loan is approved, then the property owner must sign and record a waiver of remonstrance against future annexation.

B. Eligible Business Activities and Permissible Use of Funds: As the fund is intended to support and promote a diverse economic base, the following eligible activities have been targeted as the primary beneficiaries of loan proceeds:

1. Business retention, expansion, attraction: Any qualified business under these guidelines demonstrating a commitment to job growth, quality wages and benefits, and the overall economic vitality of the community is eligible to submit a loan application for permissible projects as identified by the guidelines. Eligible businesses range from basic manufacturing to high-tech service firms.

a. Permissible uses of funds: Loan proceeds shall be applied to qualified capital improvement costs associated with a qualified project including land acquisition; construction, expansion, or renovation of buildings; purchase of equipment; or infrastructure improvements.

b. Evaluation criteria: Certain factors shall be considered when evaluating any eligible loan application under this section. These factors shall include, but are not limited to, the following:

- 1) Strength of business plan or business proposal.
- 2) Projected new jobs to be created as a result of the project.
- 3) Overall projected impact on the economic vitality of the community.
- 4) Use of funds to leverage other sources of capital including venture, conventional, and grant funds.
- 5) Nature and extent of security/guarantees.
- 6) Credit history.

- 7) Expected tax base increases or decreases as a result of the project.
- 8) Any proposed tax abatements or other city/state sponsored incentives expected to be received for the proposed project.
- 9) Nature and extent of equity participation by principal owner(s).
- 10) Compatibility of façade projects and new construction in the Downtown Development Opportunity Overlay (DDOO) district with the historic character of downtown Bloomington. (Projects involving the demolition or removal of structures listed on the Local Historic register, or eligible for listing on the National Historic Register or that are contributing structures listed within a nationally or locally designated historic district will not be considered.)

c. **Loan amounts:** Applicants seeking loan funds under this section for qualified projects are eligible to borrow funds where the total project cost is a minimum of \$250,000. The maximum loan amount is \$100,000 or 20% of the total project cost, whichever is less.

2. **Businesses within the Downtown Development Opportunity Overlay district:** Any qualified for-profit or not-for-profit business owner and/or commercial property owner located within the City of Bloomington's *Downtown Development Opportunity Overlay (DDOO)* district demonstrating a commitment to the economic vitality of Bloomington's downtown is eligible to submit a loan application for permissible projects as identified by the guidelines.

a. **Permissible uses of funds:** Loan proceeds shall be applied to qualified capital improvement costs associated with a qualified project including land acquisition; construction, expansion, or renovation of buildings; purchase of equipment; facade improvements; or infrastructure improvements.

b. **Evaluation criteria:** Certain factors shall be considered when evaluating any eligible loan application under this section. These factors shall include, but are not limited to the following:

- 1) Strength of business plan or business proposal.
- 2) Overall projected impact on the economic vitality of the downtown.
- 3) Use of funds to leverage other sources of capital including venture, conventional, and grant funds.
- 4) Nature and extent of security/guarantees.
- 5) Credit history.
- 6) Expected tax base increases or decreases as a result of the project.
- 7) Any proposed tax abatements or other city/state sponsored incentives expected to be received for the proposed project.
- 8) Nature and extent of equity participation by principal owner(s).
- 9) If applicant is not owner of property/building then approval of said owner is required.
- 10) Compatibility of façade projects and new construction in the Downtown Development Opportunity Overlay (DDOO) district with the historic character of downtown Bloomington. (Projects involving the demolition or removal of structures listed on the Local Historic register, or eligible for listing on the National Historic Register or that are

contributing structures listed within a nationally or locally designated historic district will not be considered.)

c. Loan amount: If the business is making an application under this section as a DDOO eligible business, the maximum loan amount is 50% of total project costs at or under \$100,000 and 20% of any remaining project costs over \$100,000 with total loan not to exceed \$100,000.

d. Non-profit grant initiative: To encourage capital improvements to facilities owned and/or operated by eligible non-profit organizations within the DDOO district, eligible organizations may obtain matching grant funds for qualified projects. Eligible non-profit organizations are those within the DDOO district that have a retail or commercial activity as its primary purpose including, but not limited to, performance venues, galleries, and retail shops. The maximum matching grant is 50% of total qualified project costs with total grant not to exceed \$25,000. An eligible non-profit organization can only receive one grant disbursement every 5 years. Grant funds are in lieu of loan funds. An eligible non-profit cannot receive both a loan and a grant.

3. Business-supported child care facility: Any qualified business or consortium of businesses can apply for a loan to provide a child care facility for the children of employees of the business or consortium of businesses first and for the general public second. The facility must be at the business site or in near proximity.

a. Permissible uses of funds: Loan proceeds may be applied to qualified capital improvement costs associated with a qualified project including land acquisition; construction, expansion, or renovation of buildings; purchase of child care equipment; or infrastructure improvements.

b. Evaluation criteria: Certain factors shall be considered when evaluating any eligible loan application under this section. These factors shall include, but are not limited to the following:

- 1) Strength of business plan or business proposal.
- 2) Projected number of employees to be served by the facility.
- 3) Projected number of general public, if any, to be served by the facility.
- 4) Use of funds to leverage other sources of capital including conventional financing and grant funds.
- 5) Collaboration with or impact on existing child care facilities.
- 6) Nature and extent of security/guarantees.
- 7) Credit history.
- 8) Any proposed city/state sponsored incentives expected to be received for the proposed project.
- 9) Nature and extent of equity participation by principal owner(s).
- 10) Compatibility of façade projects and new construction in the Downtown Development Opportunity Overlay (DDOO) district with the historic character of downtown Bloomington. (Projects involving the demolition or removal of structures listed on the Local Historic register, or eligible for listing on the National Historic Register or that are contributing structures listed within a nationally or locally designated historic district will not be considered.)

- c. **Loan amount:** Applicants seeking loan funds under this section for qualified projects are eligible to borrow funds where the total project cost is a minimum of \$250,000. The maximum loan amount is \$100,000 or 20% of the total project cost, whichever is less.

4. Public purpose induced business relocation: Any qualified business that is required to relocate from its business location due to acquisition of the property by the City of Bloomington for a project serving a public purpose is eligible to submit a loan application for permissible projects as identified by the guidelines. “Relocate” as used in this subsection means that the business is required to move its primary business operations from the property.

- a. **Permissible uses of funds:** Loan proceeds may be applied to qualified capital improvement costs associated with a qualified project including land acquisition; construction, expansion, or renovation of buildings; purchase of eligible equipment; or infrastructure improvements.

- b. **Evaluation criteria:** Certain factors shall be considered when evaluating any eligible loan application under this section. These factors shall include, but are not limited to the following. The Common Council may waive one or more of these requirements if it finds that public policy so dictates.

- 1) Strength of business plan or business proposal.
- 2) Projected new jobs to be created as a result of the project.
- 3) Overall projected impact on the economic vitality of the community.
- 4) Use of funds to leverage other sources of capital including venture, conventional, and grant funds.
- 5) Nature and extent of security/guarantees.
- 6) Credit history.
- 7) Expected tax base increases or decreases as a result of the project.
- 8) Any proposed tax abatements or other city/state sponsored incentives expected to be received for the proposed project.
- 9) Nature and extent of equity participation by principal owner(s).
- 10) Projected public benefit of relocation.
- 11) Compatibility of façade projects and new construction in the Downtown Development Opportunity Overlay (DDOO) district with the historic character of downtown Bloomington. (Projects involving the demolition or removal of structures listed on the Local Historic register, or eligible for listing on the National Historic Register or that are contributing structures listed within a nationally or locally designated historic district will not be considered.)

- c. **Loan amount:** Applicants seeking loan funds under this section for qualified projects are eligible to borrow funds where the total project cost is a minimum of \$250,000. The maximum loan amount is \$100,000 or 20% of the total project cost, whichever is less. If public policy dictates, the maximum loan amount can be waived.

- 5. Business disruption bridge loan:** A qualified business that suffers significant loss of sales and revenues in an area determined to be economically distressed due to disruptions caused by a City of Bloomington public works project is eligible to submit a loan application for short-term operating capital costs. Businesses applying for loans under this section must have been in operation at their affected site for at least 12 months prior to the start of construction of the public works project. The Review Committee established under this section shall make the determination of the areas that are economically distressed due to City of Bloomington public works projects.
- a. Permissible uses of funds:** Applicants receiving loans under this section shall use the proceeds in order to meet minimum operational expenses, including but not limited to rent or mortgage, utilities, payroll, or other unavoidable expenses necessary to maintain the business at a minimum operational level.
 - b. Loan Review Committee:** Applications received under this section shall be reviewed by a committee composed of the Director of Economic Development, the City Controller, the President of the Common Council, the Common Council member whose district includes the affected business, and the President of the Economic Development Commission, or their designees. The loan committee shall be chaired by the Director of Economic Development.
 - c. Review process:** The committee shall meet as often as is needed, but shall not meet less often than once per calendar year. Loans approved by the loan review committee established under this chapter do not require additional approvals from the Economic Development Commission or the Common Council. The Office of the Mayor will coordinate with the City's Legal Department the preparation of all necessary loan documents and a loan closing date.
 - d. Evaluation criteria:** The loan review committee established under this section shall establish criteria for the acceptance, review and approval of loans, which shall at a minimum include, but not be limited to, the following:
 - 1) Each business must demonstrate financial need for the loan in order to meet minimum operation expenses, including but not limited to rent or mortgage, utilities, payroll, or other unavoidable expenses necessary to maintaining the business at a minimum operational level.
 - 2) Each business shall provide proof of sales figures for the current time period in which the business has experienced economic distress due to the public works project, along with proof of sales figures for the same time period in the prior calendar year.
 - 3) Each business shall provide proof of similar expense levels required to generate the same level of sales in the current time period, compared to the sales levels for the same time period in the preceding calendar year.
 - 4) Each business shall provide a plan that describes how the business will use loan proceeds; forecasted expenses and revenues for the period beginning with the first day of the month in which the loan is granted

through the last day of the month preceding the month in which the loan is granted of the following year; and a proposed repayment schedule which shall provide for total repayment of the loan no later than one (1) year from the date on which the loan closing occurs.

- e. **Loan amounts and terms:** Loans approved under this section shall be made with the following limitations and terms:
- 1) Subject to the availability of funds, a maximum of \$150,000 in loans may be made under this section.
 - 2) A loan made under this section shall be limited to \$35,000 for each qualified applicant.
 - 3) No interest shall be charged or accrue on loans before the date the public works project ceases causing significant disruption to the business. This date shall be determined by the loan review committee, in conjunction with the city department performing the project. Thereafter, interest on each loan shall accrue on a monthly basis at an annual rate of two percent of the unpaid balance of the loan on the last day of each month.
 - 4) The loan review committee may submit claims for loans from the fund according to the City Controller's standard claim schedule or it may request from the City Controller's office a special warrant for expedited release of moneys from the fund if it determines that the business receiving the loan has demonstrated a reasonable need for the loan proceeds before the date a check would be released pursuant to the standard claim schedule.

III. ADDITIONAL TERMS AND CONDITIONS

- A. **Term:** The maximum term is five years, unless the loan is a business disruption bridge loan made under Section II. B. 5.
- B. **Rate:** Except for business disruption bridge loans made under Section II. B. 5, the interest rate will be the highest interest rate currently available for other city fund investments at time of application. The interest rate assigned is good for a period of ninety days from date of application.
- C. **Payments:** Except for business disruption bridge loans with a different approved payment schedule, principal and interest payments are to be made monthly. All payments are due on the first day of each month. Payments received after the tenth of the month will be assessed a 5% late fee. Loan payments are to be mailed to:
- City of Bloomington
Controller's Office
P.O. Box 100
Bloomington, IN 47402
- D. **Non-relocation Clause:** Unless specifically approved by the City Council, the borrower may not relocate the funded business activity or a significant part of the business activity. Failure to comply with this section is grounds for default.

- E. Default:** The loan may be declared in default and become due and payable within 30 days of written notice to the borrower for any of the following reasons:
1. Failure of borrower to disclose any and all facts pertinent to the loan approval or any misrepresentation of information.
 2. Failure of borrower to make timely payments.
 3. Failure of borrower to use loan funds as described in the loan application.
 4. Failure of borrower to maintain mortgaged property, keep it insured and/or pay property taxes on it.
 5. Failure to obtain approval for relocation of business.
 6. Failure to comply with any material terms of the loan documents, including but not limited to, the loan agreement, mortgage, financing statement, and personal guaranty.
 7. Failure to comply with voluntary annexation agreement or waiver of remonstrance agreement.

IV. APPLICATION PROCEDURE

- A.** The following application procedures apply to all loans except the business disruption bridge loan under Section II.B.5. The applicant will contact the Office of the Mayor for a pre-application meeting. At that meeting, the applicant will receive instruction for submitting a complete application for consideration. Except for those businesses applying under Section II. B. 5, upon completion, the applicant will submit the application, along with a \$100.00 processing fee, to the Office of the Mayor for review. If the application is determined to be complete and eligible, the Office of the Mayor will initiate the formal approval process.
- B.** If the application is submitted for formal approval, the Director of Economic Development shall schedule a meeting of the Economic Development Commission. At this public meeting the applicant will have an opportunity to present his/her proposal. The Economic Development Commission shall review the application based on the guidelines and either approve or deny.
- C.** If a loan is approved as is by the Economic Development Commission, it will be forwarded to the City Council in the form of a resolution for the Council's approval or denial.
- D.** If a loan is approved by the City Council, the borrower will sign all necessary loan documents for the loan. The borrower is responsible for securing all necessary lien documents, insurance documentation and title insurance policies as necessary. The Office of the Mayor will coordinate with the City's Legal Department the preparation of all necessary loan documents and a loan closing date.

V. SECURITY

- A.** Acceptable collateral includes a mortgage against real estate with at least 20% equity remaining after total project financing is secured, a lien against the cash value of life insurance, a lien against a Certificate of Deposit Account, a lien against qualified equipment, and/or any other acceptable and approved form of security.
- B.** Loans will be secured to the extent that such security is feasible and does not impair the ability of the borrower to conduct its activities and may be subordinated to other financing, to and including a subordinated position on personal guarantees, as long as the city's loan is adequately secured.

VI. RELEASE OF FUNDS

- A.** Once City Council approval is granted the applicant must secure all supplemental loans, securities, and other conditional documentation or action within 90 days. Failure to comply with any terms, conditions, or other requirements within this time period may result in nullification of the approved loan.
- B.** All documentation must be on file with the Office of the Mayor and approved by the City of Bloomington's Legal Department prior to any release of funds.
- C.** Loan funds may be disbursed in full at time of closing or in two disbursements within the first year following approval. Lien documents for the total loan amount will be signed for each disbursement.
- D.** Claims for the payment of business disruption loan proceeds do not need approval of the Board of Public Works prior to disbursement.