ECONOMIC DEVELOPMENT AUTHORITY
Thursday, February 12, 2009

Pursuant to due call and notice thereof, President Menk called the meeting of the Brainerd Economic Development Authority to order at 8:00A.M.

Present were Commissioners Ed Menk, Mark O'Day, Terrence Johnson, Lucy Nesheim, Shelly Trimble, and Tom Johnson.

Also present were City Administrator Vogt, Finance Director Goble, City Engineer Hulsether, Elissa Rogers and Sheila Haverkamp representing BLADC, and Mainstreet Coordinator Emily Roragen.

#2 Approval/Amendment of Agenda – Approved.

President Menk asked if there were any changes or requests concerning the current agenda and as there were none, the agenda was approved as presented.

President Menk congratulated City Administrator Vogt on his 20 years with the City.

#3 Approval of Minutes – Approved.

President Menk asked if there were any changes or requests concerning the minutes of the January 15, 2009 EDA meeting as submitted and as there were none, the minutes were approved as presented.

#4 Approval of Financial Reports.

President Menk asked if there were any changes or requests concerning the Financial Reports as submitted and as there were none, the Financial Reports were approved as presented.

#5 Revolving Loan Fund Request – Senior Class Home Health Care, LLC – Recommend Approval to City Council with Recognition of 5% Owner Equity Requirement – Approved.

The Chair recognized Ms. Elissa Rogers of BLADC, who summarized the details of the Revolving Loan Fund request submitted by Ms. Angela Sandelin and stated that Ms. Sandelin is in the audience for questions. She stated that the amount being requested is $99,000 for a nearly $300,000 project and that the project would create 3-5 full-time positions. She stated that Ms. Sandelin currently has about 15 part-time employees, and that the hope is to have between 20-30 full-time jobs available by the 5th year in business. Finally, she stated that the jobs will pay $17 - $20 per hour and are mostly off-site jobs providing home care.

Commissioner Trimble asked if there was parking in the rear of the building.

The Chair recognized Ms. Sandelin, who stated that there will be one handicap and one regular parking spot in the rear of the building, and that the front entrance will not be used in order to keep the building secure.

Discussion was held on the location of the building.

Commissioner O'Day asked several questions regarding the necessity of the high amount of the loan, working capital and the amount of owner equity going into the project.

Ms. Sandelin stated that her current business in Pequot Lakes is a home-care business with some training that is done in the office; whereas the proposed business in Brainerd will be set up as an adult daycare so all the furniture and various equipment to develop a "homelike" setting will need to be purchased. She stated that there are also costs associated with payroll until the business gets established.

Commissioner O'Day asked if the current estimated market value is based on the property tax statement or if it is a market analysis.

Ms. Rogers stated that the $80,800 comes from the County's estimated market value, and that the $149,000 was the purchase price in 2004, so the estimate was made by going straight down the middle and taking the difference of those prices to estimate the current value. She stated that Attorney Mike Norton of Kennedy and Graven is aware of this.

Discussion was held in which Ms. Sandelin stated that she knows that she owes $77,000 on the property although the documents show that she owes $80,000 and that the owner equity being put in is 5% rather than the usual 10% because Ms. Sandelin will be the general contractor.

Commissioner O'Day asked if the bank did a post-appraisal calculation, and if Ms. Sandelin feels that there will be $120,000 increased value on the property after the remodeling.

Ms. Sandelin stated that she feels there will because the building is going to be designed with future use for almost any kind of business in mind as well as being made very charming and beautiful.

Ms. Haverkamp stated that there has not been a post-improvement appraisal done, but there has been collateral analysis done based on assumptions.

Commissioner O'Day stated that he does not see where Ms. Sandelin is taking any risk.

Ms. Sandelin stated that she has had this building for 4 years, has been paying taxes on it, but has not attempted to sell it; rather than try to sell, she would like to expand her business to Brainerd and feels many people can benefit from it. She stated that she is putting in $180,000 of her own debt responsibility.

Commissioner Nesheim asked if there are other facilities like this in Minnesota, and stated that where she has visited in the South, they are very popular and a very valuable service.

Ms. Sandelin stated that there is such a facility called "Breath of Life" in Brainerd as well as a large facility in Bemidji. She stated that these types of businesses are being promoted because of the great service they provide by letting a person continue to care for their loved ones themselves while still having place their dependant can go for social activity while the caregiver gets time to take care of their own needs.

Commissioner Terry Johnson asked if there is a rush on having this approved and asked if it is customary for the EDA to receive information with such a short notice to make a recommendation to the Council.

Ms. Rogers stated that Ms. Sandelin has been working with BLADC for a couple months, and that BLADC does not bring the information on such a project to the City until it is ready to go “public” with the completed application and letter to the EDA. She stated that today the requestor is looking for a recommendation to the Council.

Discussion was held on various necessary expenses Ms. Sandelin will have and the 5% owner equity.

Commissioner Tom Johnson stated that it may be a risk, but he feels the care of seniors is a field that is growing and that he is happy Ms. Sandelin wants to locate and expand her business in Brainerd.

The Chair recognized audience member Jeff Czeczok, 511 “D” Street, Brainerd, who asked what type of clients there will be and what transportation will be used.

Ms. Sandelin stated that she plans on having around 16 clients with any combination of care needs (elderly or disabled), and that the transportation will be handled by a bus owned and operated by her facility.

Commissioner Trimble asked what features an “adult daycare” facility provides, and how scheduling is set up. She thanked BLADC for getting viable properties to start locating in the Northeast Brainerd area.

Ms. Sandelin stated that people can set up a schedule as needed, and that the daycare hours would be from 9:00 A.M. to 3:00 P.M.

Commissioner Nesheim asked what the difference is between being Medicare certified or not.

Ms. Sandelin stated that Medicare will cover aftercare for injuries if a person is homebound, and that an adult daycare does not need to be certified. She stated that it would cost her over $80,000 to become certified and she’s not there yet with her business.

Mr. Czeczok asked if Ms. Sandelin has talked to the Transportation Coordinator about the possibility of using the City transit service.

Ms. Sandelin stated that it is not consistent for constant use but would definitely work for people who are able to use the bus and would be able to come on their own schedule.

President Menk asked if Ms. Sandelin will be looking into any other type of assistance in the future for this facility, such as Tax Increment Financing, and Ms. Sandelin stated she does not plan on it.

Commissioner O’Day asked how the charges are set.

Ms. Sandelin stated that there is a daily rate which can be billed to insurance when applicable, plus extra charges for extra services such as a bathing or medical services.

Commissioner O'Day stated that he wants to see the project go through and thinks it's a good idea, but that he feels the dollar amount requested is too high and that there has been some "playing" with the dollar amount and the equity position, which he is not comfortable with. He stated that his personal opinion is that about ½ of the amount Ms. Sandelin is asking for would be more reasonable.

Ms. Sandelin stated that she understands his concern; however, she does not feel she can do it without the City's help.

MOVED AND SECONDED BY COMMISSIONERS TRIMBLE AND NESHEIM TO APPROVE THE REVOLVING LOAN FUND APPLICATION FROM SENIOR CLASS HOME HEALTH CARE AS PRESENTED WITH THE RECOGNITION THAT THERE IS A 5% RATHER THAN 10% OWNER EQUITY INVOLVED.

City Administrator Vogt stated that the Revolving Loan Fund policy requires 10% owner equity and this plan shows 5%. He asked for clarification of this to be included in the motion that will go to Council for approval. The motion was changed to reflect this.

Members Menk, Terrence Johnson, Trimble, and Nesheim voted "aye." Member O'Day voted "nay." Member Tom Johnson abstained.

#6 Updated Business Subsidy Policy and TIF Application Form – Recommend Approval to City Council – Approved.

The Chair recognized Ms. Sheila Haverkamp of BLADC, who stated that the attached policy mandates business subsidy law to make sure all definitions and requirements are meeting the current laws. She stated that the policy had been reviewed by Mike Norton of Kennedy and Graven, and by Springsted.

Commissioner Tom Johnson asked if this is something that BLADC keeps up to date for the City as part of the cost paid to BLADC annually, and this was confirmed.

MOVED AND SECONDED BY COMMISSIONERS O'DAY AND NESHEIM, DULY CARRIED, TO RECOMMEND APPROVAL TO THE COUNCIL OF THE "CITY OF BRAINERD BUSINESS SUBSIDY POLICY/TIF/JOBZ BUSINESS SUBSIDY POLICY" AS PRESENTED.

#7 Industrial Park Lot Pricing – Phase IV and Isebrand/Thiesse Industrial Parks – Recommend Setting One Price for All Lots – Approved.

The Chair recognized City Administrator Vogt, who stated that information was included in the packet. He stated that the EDA can set the price as presented or develop one price which would be for industrial lots in either Industrial Park. He stated that in 2007 there were 839 jobs existing and $279,000 taxes paid to the City from the industrial parks.

Commissioner Terry Johnson asked if Brainerd's is a competitive price.

City Administrator Vogt stated that, for comparison sake, Brainerd is substantially lower than Baxter but somewhat higher than Pequot Lakes.

Ms. Haverkamp stated that very few of the other Parks have any space left, whereas Brainerd still has a few available.

Commissioner Trimble asked if a universal price of $60,000 per lot would be enough to provide a realtor bonus down the road, and City Administrator Vogt stated that it probably would.

Commissioner O'Day asked if the Deed grant is divided up, there is really only about a $3000 difference per acre, so he feels that both phases should be priced together.

Discussion was held regarding various marketing and promotion ideas for selling the land in both parks.

Commissioner Nesheim stated that she likes the idea of one price also.

MOVED AND SECONDED BY COMMISSIONER O'DAY AND TOM JOHNSON TO PRICE ALL LOTS PER ACRE EQUALLY IN THE INDUSTRIAL PARK PHASE IV AND THE ISEBRAND/THIESSE INDUSTRIAL PARK.

Commissioner O'Day left the meeting at 9:10 A.M.

#8 <u>Downtown Update/Monthly Report – Mainstreet Coordinator.</u>

Mainstreet Coordinator Emily Roragen summarized her January 2009 report, stating that the committees set up have been working very well and looking forward into long-term plans. She stated that funding for her position is set to end in April of 2010 and asked that the EDA discuss what the future holds for this position.

*The item of Downtown Mainstreet Coordinator Funding will be put on the next EDA agenda.

#9 <u>Staff Reports.</u>

City Administrator Vogt stated that the City is dealing with major budgetary issues, and that staff has come up with close to $700,000 of items which have not affected EDA or Downtown; however, the cutting may be more severe as time goes on. He stated that the East Brainerd Mall sale will close in the next week or so, which will result in a $291,000 payment to the City.

President Menk asked where funding for the EDA comes from, and it was reported that this is a dedicated levy.

Commissioner Tom Johnson stated that he encouraged the City to examine "legacy costs" (retirement costs) and consider "outsourcing" for some services. He also stated that he's contacted other banks in town in order to get a pool of money together to deal with foreclosures in the Crow Wing County area, and that the community needs to look out for their people.

Commissioner Terry Johnson asked, in terms of what was approved today (Revolving Loan Fund) what is the City's funding or balance for something like that and how many loans can the City do at one time, should they be evaluated and have a smaller amount limit.

Commissioner Trimble asked if a list can be included at the next meeting of each loan and what they owe and if they're near the balloon stage.

Ms. Haverkamp stated that the pools that Brainerd have are in a great position. She stated that after comments are made in meetings such as this it is all taken into consideration for future projects by BLADC.

#10 Adjourn.

The Chair adjourned the meeting at 9:33 A.M.

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Tom Johnson, Secretary