ECONOMIC DEVELOPMENT AUTHORITY
Tuesday, July 14, 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, Shelly Trimble, Wayne Erickson, Lucy Nesheim, and Kelly Bevans.

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

The Chair asked each member to introduce themselves because of the new members present.

#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.

#3 Approval of Minutes – Approved.

President Menk asked if there were any changes or requests concerning the minutes of the February 12, 2009 EDA Meeting and as there were none, the minutes were approved as presented.

#4 Approval of Financial Reports – Approved.

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

#5 Commercial Revolving Loan Fund Review – Informational.

An attachment summarizing "Commercial Revolving Loan Fund 210 – Active Loan Status as of July 1, 2009" was included in the Packet. This showed that the 4 active loans are in a "Current" payment status.

City Administrator Vogt stated that this review had been requested at the February 12, 2009 EDA meeting. He stated that he is glad to see that the loans are being kept current especially in light of economic conditions. He confirmed the available amount in the fund and that there are no items currently pending other than the RLF request being discussed as the next item on the agenda.

#6 Adventure Creative Group – Revolving Loan Fund Request – Recommend Approval to Council as Presented – Approved.

A Revolving Loan Fund request from Adventure Creative Group was included in the packet as prepared by BLADC. This company currently employs 10.5 employees with average wages of $50,000 and is located at the Northern Pacific Center Property. The agency has been in business for 5 years and needs to move to a larger space to expand and plans to have 25 employees at a new Brainerd location within the next 3-5 years.

The Chair recognized Ms. Elissa Rogers, BLADC, who stated that Mr. Scott Mitchell, part owner of Adventure Creative Group (ACG) is in the audience. She stated that the company is a high-end advertising, design and photography provider which maintains a strong national agency identity and has worked locally with Dotty Brothers and Brainerd Lakes Health. She directed the EDA's attention to historic pictures of the site that ACG plans to renovate and occupy which was formerly home to the PORT Group, and stated that they are also in the process of getting the site classified as an Historical Property. She referred the commission to the project financing section, pointing out the 4.5% interest rate and the request for the City the Initiative Foundation to match the bank loan period of a 20-year amortization and a 5-year balloon.

Commissioner Trimble stated that, regarding collateral analysis, the listed market value is $400,000 but the purchase price is $180,000. She asked how the loan value and excess collateral will be reconciled if the County brings down the market value of the property.

Ms. Rogers stated that the bank is not requiring appraisal right now, and the Initiative Foundation and other revolving loan funds usually follow the bank's lead; however, through project renovation/rehabilitation, and considering the river frontage that the building has with the land, the property value will hopefully not go down.

Commissioner Johnson asked if it would be possible to obtain an appraisal to determine property value. He stated that he is not comfortable the current method of calculation. He stated that normally the valuation of a property is what it sells for. He added that he would prefer more valuation information in future presentations so there are no surprises with the numbers because the EDA does not have a lot of time to review the presentations before having to decide on approval.

Commissioner Johnson stated that if the bank doesn't require the appraisal they must have some sort of valuation before and afterwards within their paperwork that could be used.

Ms. Rogers stated that the bank's loan to value ratio was lower than what she projected, and that BLADC did extra collateral analysis that felt like it was closer to the 70-77% rather than the bank's 65%. She stated that BLADC often has the County do an estimated future market value on some projects and this could be considered for all projects in the future that are looking into acquiring buildings and financing them, and that BLADC would follow the City's direction in this.

Commissioner Trimble asked if Ms. Rogers knew why the bank was not requiring an appraisal, and Ms. Rogers stated that she did not know the reason why.

The Chair recognized Ms. Sheila Haverkamp, BLADC, who stated that collateral analysis is always difficult to determine, especially in the current type of economic climate, and that she appreciates the comments. She stated that the bank's proposal could be included in future collateral analysis reports as well as other information. She stated that typically the collateral analysis is a last component of the agreement and that many aspects of the transaction are considered.

City Administrator Vogt stated that there have been only two RLF loans that have not succeeded since 1991 and that the City relies heavily on the main bank lender to make sure the loan is secure during the application process and to keep the borrower current with payments. He stated that a servicing fee of .5% over the City's interest rate goes to the bank in order to provide these services. Finally, it was stated that the City's RLF guidelines list a 15-year loan amortization and not 20 years, but that the guidelines state that "A twenty (20) year amortization will be considered if required by a lender (i.e., SBA)." This should be considered and included in the recommendation to Council since the bank is requiring a 20 year amortization.

Discussion was held concerning the interest rates and loan terms.

Ms. Haverkamp stated that many times the special rates or terms are very helpful in assuring the success of the business and the loan. She stated that there is some room for discretion provided in the guidelines.

MOVED BY COMMISSIONERS O'DAY AND NESHEIM, DULY CARRIED, TO RECOMMEND APPROVAL TO THE CITY COUNCIL OF THE REVOLVING LOAN FUND APPLICATION SUBMITTED BY ADVENTURE CREATIVE GROUP IN THE AMOUNT OF $80,000 AT A RATE OF 4.5% WITH AN ADDITIONAL .5% GOING TO LAKEWOOD BANK FOR SERVICING THE LOAN FOR A 20-YEAR TERM WITH A 5-YEAR BALLOON PAYMENT.

#7 Downtown Update/Monthly Report – Mainstreet Coordinator Emily Northey – Informational.

The Chair recognized Mainstreet Coordinator Emily Northey, who summarized the activities of the Mainstreet Advisory Committee as well as the activities of the subcommittees. She stated that the Medallion Hunt and radio "Reconstruction Awareness Campaign" held in June were successful in creating more exposure for www.DowntownBrainerd.com, that Crazee Daze will be held July 17-18th, and that a "vacant space tour" is scheduled for early August. She stated that the Downtown construction contractor is on schedule and future street-closures will be on an as-needed basis, and encouraged EDA Commissioners as well as the public to go and see the progress so far.

#8 Brainerd Mainstreet Funding Request – Held Over.

A letter of support of the continuation of the Main Street program was included in the Packet, signed by the Mainstreet Coordinator, Advisory board members, and Brainerd Lakes Chamber CEO. The letter stated that only $38,000 of the full $50,000 budgeted for the program had been used because of the start date of the Mainstreet Coordinator position, and that in the just over two years since Ms. Northey began, substantial projects and resources have been leveraged to improve the Central Business District of Brainerd. A summary of this progress was attached as well.

The Chair again recognized Mainstreet Coordinator Emily Northey, who summarized the progress report in the areas of Advisory, Design, Organization, Promotion, and Business Improvement. She stated that research shows an acceleration of reinvestment in business and job growth in a 4-5 year period after adoption of a Main Street model, and asked for continued support of the Mainstreet Program by authorizing funding for 2010 in the amount of $45,000 with $25,000 to come from EDA and $20,000 from the City. She stated that the Mainstreet Advisory Committee intends to raise $5,000 toward Mainstreet operations and reduce the City contribution. She stated that there were members of the Advisory Committee in the audience to share their experience with the Mainstreet

City Administrator Vogt stated that the EDA has a levy/budget and that the EDA budget has "gone over" the last couple years. He stated that by authorizing the full BLADC ($71,250) and Downtown ($45,000) requests, there will be $17,000 in overspending with the Council will not look favorably upon. It was clarified that the Downtown request from the EDA is $25,000 and $20,000 from other City funds. He stated that he is not expressing an opinion because he feels both are valuable, but needed to state those facts. He also brought up the question of the EDA being made up of numerous Downtown property and business owners and how this will affect the vote.

Discussion was held on budget issues of the City and the EDA Fund.

Alderman O'Day stated that he feels the business owners should be paying a portion of the cost of the Main Street program. He stated that the City committed to this program for three years and felt that there should be a phase down of City funding.

Commissioner Trimble stated that the Downtown business owners that participate in the activities are billed separately for advertising from the Chamber.

Since it was nearing 9:00 a.m. and various members need to leave, it was suggested to adjourn the meeting to Tuesday, July 21, 2009 at 8:00 A.M. to discuss this item and the remaining agenda items. The Commission concurred.

#8 BLADC 2010 Funding Request – Held Over.

#9 Staff Reports – Held Over.

#10 Commissioners' Comments/Questions – Held Over.

- Appoint EDA Secretary to Replace Tom Johnson

#11 Adjourn – To Tuesday, July 21, 2009 at 8:00 A.M.

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Secretary