City of Brainerd
Economic Development Authority
Meeting

7:30 A.M.
Tuesday, March 27, 2018
Council Chambers

AGENDA

1. Call to Order
2. Roll Call
3. Approval/Amendment of Agenda
4. Approval of Minutes of January 4, 2018 Meeting
5. Approval of Financial Report
6. Update on SCDP Downtown Grant
7. Update of SCDP NE Brainerd Grant Application
8. Administration and Use of CDBG/SCDP Revolving Loan Funds
9. HRA Update
10. BLAEDC Update
11. Other Business
12. Commissioners' Questions
13. Adjourn

BRAINERD ECONOMIC DEVELOPMENT AUTHORITY
Thursday, January 04, 2018
Official Minutes

Pursuant to the call and notice thereof, President Menk called the meeting of the Brainerd Economic Development Authority to order at 7:30 a.m.

Present were Commissioners Ed Menk, Jerry Sinner, Matt Mallie, Wayne Erickson, Kelly Bevans, Dale Parks and Gabe Johnson. Also present were City Administrator Cassandra Torstenson, Finance Director Connie Hillman, BLAEDC Executive Sheila Haverkamp, Brainerd HRA Director Jennifer Bergman, and John Schommer, HRA Rehab Coordinator.

Approval/Amendment of Agenda - Approved

MOVED AND SECONDED BY COMMISSIONERS ERICKSON AND JOHNSON, DULY CARRIED, TO APPROVE THE AGENDA.

Approval of Minutes - Approved

MOVED AND SECONDED BY COMMISSIONERS JOHNSON AND PARKS, DULY CARRIED, TO APPROVE THE MINUTES FROM AUGUST 29, 2017 EDA MEETING AS PRESENTED.

Approval of Financial Report - Approved

MOVED AND SECONDED BY COMMISSIONERS BEVANS AND MALLIE, DULY CARRIED, TO APPROVE THE FINANCIAL REPORT AS PRESENTED.

Update on SCDP/Downtown Grant - Informational

The Chair welcomed Mr. John Schommer, HRA Rehab Coordinator to present an update on the progress of downtown projects. Mr. Schommer indicated the City was awarded $650,105 through the Department of Employment & Economic Development (DEED) program for commercial and rental rehabilitation in the downtown area. There are currently nine projects started with two being complete with only the lien remaining to be filled. Mr. Schommer explained the downtown properties and projects that are underway.

Request for Funds to Assist with Asbestos Abatement - Approved

The Chair welcomed Ms. Jennifer Bergman, Brainerd HRA Director to explain an application received for assistance in asbestos removal. The property at 707 Laurel Street was recently purchased by Sarah Hayden Shaw. The commercial space is vacant and the 2nd floor residential property will soon be vacated in order to remove the asbestos, replace the insulation and install new furnaces. Ms. Shaw is requesting assistance from Crow Wing County HRA and the City of Brainerd to remove the hazardous material for the safety of the residents. The Crow Wing County HRA authorized $24,999 contingent upon the contribution from the City. After the contribution from Crow Wing County, the balance would be $73,001. Based on the Policies and

Procedures, staff recommends $24,333 Revolving Loan; $24,333 Deferred Loan and $24,335 Owner Contribution.

MOVED AND SECONDED BY COMMISSIONERS BEVANS AND JOHNSON TO APPROVE THE RECOMMENDATION FROM STAFF TO FUND THE PROJECT FROM FUND 209 AS PRESENTED.

Commissioners Sinner, Erickson, Bevans, Parks and Johnson voted “aye”. Commissioner Mallie abstained from voting. The Chair declared the motion passed.

HRA Update - Informational

Ms. Bergman indicated a pre-application has been submitted to DEED for Small Cities for 2018. Funds have been requested for owner occupied and renter occupied rehab program in northeast Brainerd. There is a need for rental rehab and the focus is on northeast Brainerd. The HRA has also applied for additional funds through Small Cities for the Iron Rail to assist in the rehab of the nine rental units and the commercial space. In February, the HRA will be coming before the City Council with a public hearing to accept comments on the Small Cities application that is due February 22, 2018. The Brainerd HRA was part of the team for Destination Downtown as well as BLAEDC. There were 49 applications received for this project – it shows the interest in locating a business in downtown. The project was awarded to The Purple Fern located at 719 Laurel Street and will be opening April 1, 2018. The Main Street Small Business Revolution through Deluxe Corporation will be in Brainerd on January 10th and 11th as Brainerd is in the top ten for the program for the $500,000 prize. They will be touring our downtown and a reception is taking place on January 10th at 5:30 p.m. at Roundhouse Brewery.

Mayor Menk introduced Ms. Cassandra Torstenson to the commission and had the members introduce themselves.

Discussion of State MIF Funds - Approved

Ms. Sheila Haverkamp, BLAEDC executive explained a history of the programs available at the state level, as well as regional and federal programs. The State MIF fund was explained and the options for the fund were given. A decision regarding these funds needs to be in place and submitted to DEED by June 30, 2018; and submit a report to the legislative committee by February 15, 2019 detailing how the 80% of the funds were used.

Finance Director Hillman informed of the City Council decision to allocate the cash balance in our Federal MIF Funds 296. The agreement was approved by DEED in December 2017 and $463,000 was transferred to the Unified Fund. The City has the following options for use of the State MIF Funds:

1) Status Quo - City Retains the Funds
2) Participate in BUF (BLAEDC Unified Fund)
3) Exercise One-Time Use Exception; Return 20% of the cash balance to DEED and use 80% for:
    - Economic or Community Development
    - Equipment

- General Fund

Commission discussion took place.

MOVED AND SECONDED BY COMMISSIONERS SINNER AND BEVANS, DULY CARRIED, TO RECOMMEND TO CITY COUNCIL TO PLEDGE THE CASH BALANCE OF THE STATE MIF TO THE BLAEDC UNIFIED FUND.

BLAEDC Update - Informational

Ms. Haverkamp informed the Commission that the Unified Fund is up and running. The fund board held their second meeting this week and a recommendation was made to fund another loan in the community. The feedback and inquiries have been very positive about the program. The Key Recruitment Program, which started last year, had initial hopes of placing five potential candidates in the workforce. The program ended up placing eleven, in which ten came from outside the area. The River to Rail initiative have engaged WSN to complete a video project to help promote and market. The video may be shown at an upcoming EDA meeting if there is interest if doing so.

Commissioners' Comments/Questions

Mayor Menk again reminded the commission that The Deluxe Corporation will be in downtown Brainerd next week for the Main Street Small Business Revolution. If anyone is interested in attending the reception on January 10th at Roundhouse Brewery, please call the Chamber of Commerce to R.S.V.P.

The next meeting will be arranged once an agenda is compiled.

The Authority adjourned at 8:25 a.m.

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Dale Parks, Secretary

Financial Report for EDA

As of February 28, 2018

	Cash & Investments	Receivable Balance	Deferred Loans (as of 12/31/16) **	Awarded Grants
General Funds:				
EDA Fund - #295	$ 17,279	$ -	$ -	$ -
Total	**$ 17,279**	**$ -**	**$ -**	**$ -**
CDBG (Housing/Commerical (Slum & Blight/Federal Objective)):				
Downtown - #298	$ 83,822	$ 57,906	$ 40,264	$ 263,039
SE Brainerd - #215	43,227	-	596,277	-
Willows Project - #209	9,850	-	97,000	-
Old Housing - #209	145,816	-	65,475	-
Local Income - #275	665	27,925	8,665	-
Total	**$ 283,379**	**$ 85,832**	**$ 807,681**	**$ 263,039**
Federal & State MIF (Commerical (Jobs)):				
Commerical - #210 ^^^	$ 215,193	$ 653,335	$ -	$ -
Federal MIF - #296	2,740	13,829	-	-
Total	**$ 217,933**	**$ 667,163**	**$ -**	**$ -**
Grand Total	**$ 518,591**	**$ 752,995**	**$ 807,681**	**$ 263,039**

** Portion of the loan that is forgivable with the passage of time

^^^ The Receivable Balance **DOES** include the $646,427 borrowed to pay for the industrial park land.

M E M O

TO: EDA Board of Commissioners

FROM: Jennifer Bergman, Brainerd HRA Executive Director
Cassandra Torstenson, City Administrator
Connie Hillman, City of Brainerd Finance Director

DATE: March 23, 2018

RE: Administration and Use of CDBG/SCDP Revolving Loan Funds

Background
The HRA currently assists the City with applying and administrating Small City Development Program (SCDP) grants and the City is the fiscal agent. The grants can be structured in many ways. For example, the grant for downtown that was awarded in the late 90's was structures as 1/3 owner's match, 1/3 loan, 1/3 forgivable over time. The most recent grants are forgivable 10% each year.

If the City receives $35,000 or more of repayments in the federal fiscal year from the SCDP grants, this is considered program income. Department of Employment and Economic Development (DEED) has been very clear that program income from SCDP grants must be used in one of the areas where a previous SCDP grant has been received or leverage for future SCDP grant applications. Program income also needs to be spent before a draw can be made on a new grant.

The City currently has $68,974 of program income that was generated through the fiscal year ended September 30, 2017 and has been used as leverage with the NE Brainerd grant application.

If the City receives less than $35,000 in the federal fiscal year, this is considered local income. The revenue that is generated is transferred from the fund that is was generated in (i.e. Fund 298, 215 or 209) to Fund 275.

The City also has approximately $145,000 (noted as Old Housing on the financial report) from a CDBG grant that was received by the City in the 1980's.

DEED allows much more flexibility with the use of the "old CDBG" and local income dollars. They must be used to meet a National Objective and be an Eligible Activity as dictated by federal law; however, they can be established as a revolving loan. At the January 16, 2018 council meeting, council gave direction to staff to establish options for the use of these funds.

The current practice for the use of the local income, or program income if we do not have a current or active grant is for the EDA to make the recommendation to the Council for approval or denial.

Resolution/Options

HRA and City staff met and developed the attached draft guidelines. The eligible uses are listed in section III of the guidelines. The funds would revolve at a rate of 1% below prime, there is a dollar for dollar match requirement, and a maximum loan amount of $25,000.

The eligible target area for the commercial properties would be from Kingwood Street to Oak, and from the Mississippi River to 13th Street including the NP Center (Exhibit A). All property in the City would be eligible for owner occupied code enforcement needs.

The guidelines, if adopted, would supersede all previous guidelines involving any of the SCDP/CDBG revolving loan funds.

To be able to administer the revolving loan more efficiently and effectively, the City could enter into a memorandum of agreement (MOA) with the HRA, transfer the applicable funds to the HRA, and have the HRA administer the funds per the guidelines, providing reports to the EDA and/or Council.

The HRA Board has discussed and have approved entering into an MOA with the City of Brainerd.

Recommendation

Staff's recommendation would be for the EDA to recommend to City Council to approve the draft guidelines and to enter into an MOA with the HRA to administer the applicable revolving loan funds per the guidelines reporting activity to the EDA and City Council.

/clh

CITY OF BRAINERD REVOLVING LOAN PROGRAM

I. PURPOSE

The City of Brainerd (City), acting by and through the Brainerd HRA (hereinafter referred to as HRA) having its principal office located at 324 East River Road, Brainerd, MN 56401, has established a Revolving Loan Program to assist the financing of projects that promote redevelopment within the target area (See Exhibit A) or rehabilitation in the City of Brainerd (the "City"). Without limitation, the funds in the Revolving Loan Program may be used, as permitted by law, for the following general purposes:

1. To provide a fund in support of qualifying projects which allows the City flexibility to respond when such projects require financial assistance.
2. To provide a single depository for any debt incurred to assist the City's projects.
3. To centralize financial control of assisted projects.
4. To provide a depository for funds received by the City in the future.

II. PROCESS

No use of or disbursement from the Revolving Loan Program account shall be made without proper procedure. The following guidelines serve to direct the HRA in their consideration and do not constitute laws. These guidelines will supersede any and all previous guidelines involving these Revolving Loan Funds. A project may not meet all the criteria listed in these guidelines and yet may serve the redevelopment or rehabilitation needs of the City and therefore be eligible.

Guidelines to Consider for Qualifying Projects

1. The project shall meet a redevelopment or rehabilitation need of the City and shall demonstrate a relative need for financial assistance.
2. The highest priority shall be given to those projects which provide:
    a. Increased tax base
    b. Potential for future development
    c. High quality construction in the facility to be built
    d. Development which will meet a specific community need of the City
    e. Redevelopment of an area which is under-developed or blighted
    f. Significant other development or redevelopment
    g. Correction for code violations cited to homeowners
3. All projects are subject to the National Environmental Policy Act (NEPA) which seeks to avoid adverse impacts on the environment by mandating careful consideration of the potential impacts on any project assisted with federal funds.
4. All projects must have an appropriate environmental review completed prior to project costs being incurred.
5. Davis Bacon and Related Acts shall apply to redevelopment activities. This includes the Federal Contract Work Hours and Safety Standards Act, and the Copeland “Anti-Kickback” Act.
6. Acquisition/Displacement and Relocation Requirements apply to any acquisition of real property when these funds are used for the acquisition.

III. ELIGIBLE USES

All improvements eligible for financial assistance must be physically attached to the property and be permanent in nature. The following types of activities are eligible:

In the target area (See exhibit A):

Acquisition of Real Property
Disposition
Public Facilities and Improvements
Clearance
Redevelopment
Special Economic Development Activities if ineligible for BLADC Unified Funds or other programs
Micro enterprise Assistance if ineligible for BLADC Unified Funds or other programs

City Wide:

Owner Occupied Residential Code Citation Enforcement

IV. OWNERSHIP REQUIREMENTS

1. The applicant(s) for assistance must possess at least a one-half interest in one of the following types of ownership in the property to be improved:

    a. Fee title
    b. Life estate
    c. Fee title or life estate subject to a mortgage or other lien securing a debt
    d. Contract for Deed
    e. Limited Liability Company
    f. Limited Liability Partnership
    g. Corporation

2. Ownership includes the titleholders and their spouses.

3. If an applicant is separated, the spouse must also sign all forms necessary for the completion of rehabilitation.

4. If an applicant is divorced, but the spouse still holds title, the spouse must either quit claim his/her interest or a divorce decree must be provided which states sole ownership (not only occupancy) in the applicant's name.

5. Only one loan per property during each 10 year loan term will be allowed.

V. THE APPLICATION PROCESS

The application for use of the Revolving Loan Program shall include the following information:

1. Statement of the public purpose and need
2. Description of the project and the estimated costs
3. Description of the company and a financial statement or a certified letter from a financial institution with knowledge of such financial capacity
4. Amount of assistance being requested and the use to which the assistance will be applied
5. Plans and drawings of the project, including landscaping
6. Letter of feasibility
7. Zoning and planning analysis
8. Description of the financial institutional support for the project

VI. LOANS

Guidelines for the Use of Revolving Loan Funds

The HRA will follow the guidelines below to determine eligibility:

1. There shall be a demonstrated need for financial assistance
2. The application and bids will be reviewed by the HRA to ensure they comply with program requirements.
3. The proposed project shall be analyzed within the context of the Funds overall risk.
4. The applicant must demonstrate the ability to repay the loan provided through the Revolving Loan Program for a proposed project.
5. The applicant must submit a minimum of two (2) bids.
6. The applicant must provide a documented minimum 1:1 match. Owner occupied residential code citation enforcement may be excluded from this match.
7. Applicants for rehabilitation loans must be at or below 80% of Area Median Income.
8. The maximum loan under this program is $25,000.
9. Revolving Loan Program Funds shall be adequately secured by liens.
10. The Owner must execute all required documents after which a Notice to Proceed will be issued.
11. If possible, the funds should be allocated directly or indirectly to a number of projects. Spreading the funds over several projects will reduce the risk that funds to be repaid will not be available for future use.
12. No loans will be made for work that has already begun.

VII. REPAYMENT

Revolving Loans

Interest rates on loans shall be the current U.S. Federal Prime Rate, minus 1%. The Owner will make direct payments to the HRA of interest and principal, or a lump-sum repayment of interest and principal as may occur through sharing the projects from the sale of any assisted project. A Repayment Agreement must be executed between the Owner and the HRA which will include terms, interest and payment amounts. A lien will be placed on the property. Any direct costs associated with the loan shall come out of the loan proceeds.

VIII. DISBURSEMENT OF FUNDS

After the loan has been approved, the Rehab Coordinator shall proceed with executing the Agreement. Funds will not be disbursed until the property owner has paid their match portion to be retained by the HRA as escrow.

The following shall guide the disbursement of funds to the Contractor:

1. No pre-payments are allowed for any reason.
2. Partial payments are not allowable for any work not yet completed.
3. Payments will be made only after the work is completed according to the Rehab Coordinator. In order for the contractor to be paid, a signed (by both the applicant(s) and the Rehab Coordinator) Completion Certificate must be presented at the time of payment.
4. Final payment will not be made until all work is satisfactorily completed.
5. Payments will be made only upon presentation of the following documents:
    a. Billing Statement
    b. Lien Waiver.
    c. Completion Certificate
    d. Payroll Reports if applicable
    e. Proof of completion of contractors affidavit (final payment only)

No disbursement of Revolving Loan funds shall be authorized until the Rehab Coordinator has approved that the work has been completed and all compliance requirements have been met. Approval shall be evidenced by a Contractor Payment Request signed by the Rehab Coordinator, applicant and contractor.

IX. CHANGE ORDERS

Any alterations, variation, modification or waiver of the provisions of this Agreement shall be valid only after it has been reduced to writing, approved and signed by owner, contractor and Rehab Coordinator. No work resulting from a change order may start until after the change order has been executed by the owner, contractor and Rehab Coordinator.

X. INTERIM INSPECTIONS

During the course of a rehab, the Rehab Coordinator will inspect ongoing work at least once every two weeks to ensure compliance with scope of work specifications and contract terms and conditions. Inspections will be required before partial disbursement to ensure that the work, which the partial payment covers, is satisfactorily completed.

XII. CONFLICT OF INTEREST

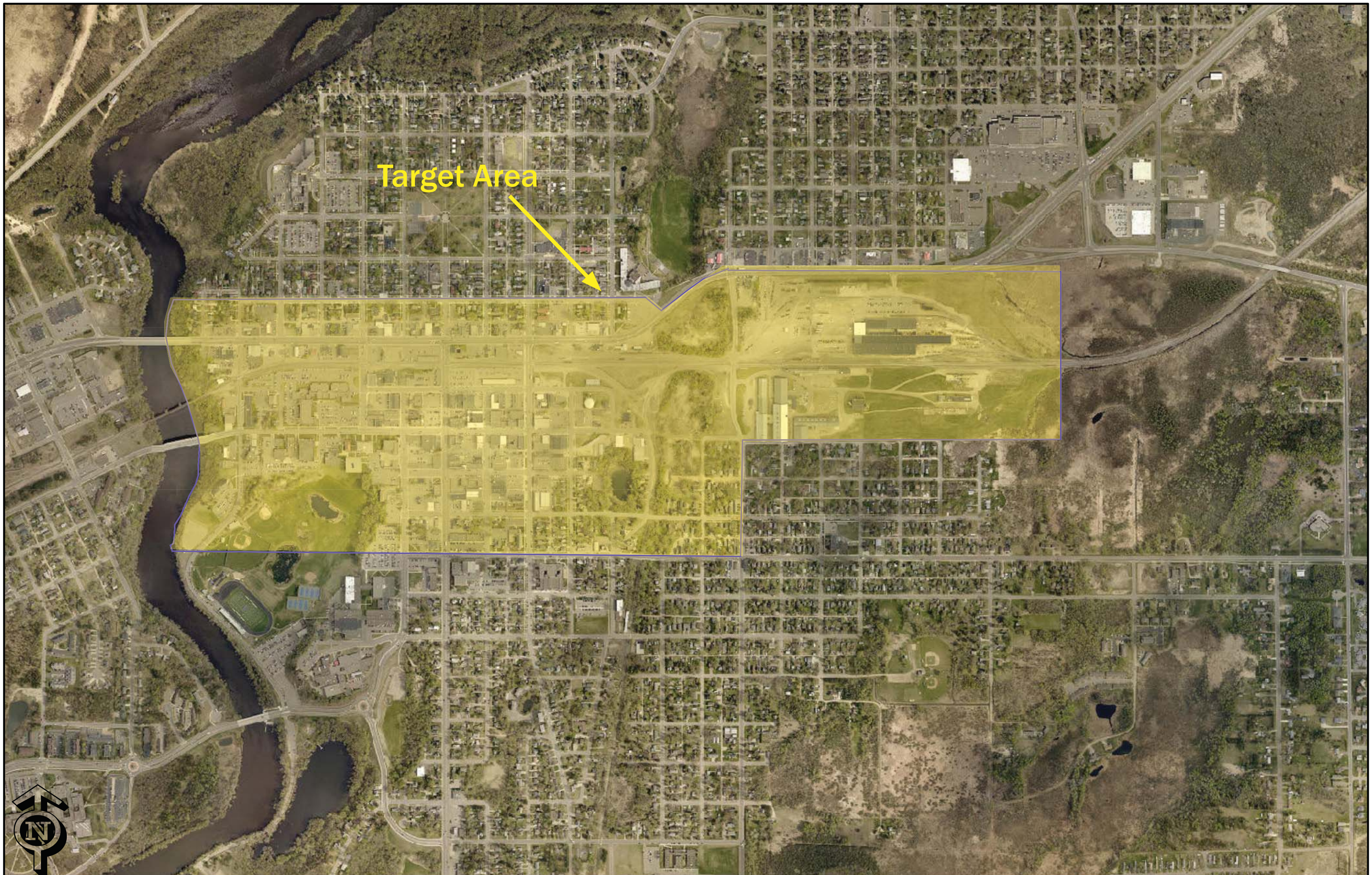
Any potential conflicts of interest under Minnesota Statutes 471.88 shall be evaluated on the basis of a legal opinion to be requested from the City Attorney. No rehab work may begin until such opinion has been made.

XIII. DATA PRIVACY

The City Council, HRA Board and staff are not authorized to discuss loan applications or other business contacts related to the Revolving Loan Fund with any persons other than loan officers of involved financial institutions and representatives of public business finance programs. Files belonging to the City are not open for public inspection except as regulated by the Minnesota Data Practices Act. The City and HRA may find it appropriate to verify any data contained in the application.

Information on program applicants (including, but not limited to, credit reports, financial statements, income calculations and asset information) is private data, which must be administered in accordance with the Minnesota Government Data Practices Act. Applicants shall be provided with proper written notice as specified under the Act. Solely for the purpose of administering the Program, information may be made available to the members of the City, HRA Board of Directors, the City and HRA staff, and the staffs of participating agencies, organizations, or Financing Sources.

Exhibit A



These data are provided on an "AS-IS" basis, without warranty of any type, expressed or implied, including but not limited to any warranty as to their performance, merchantability, or fitness for any particular purpose.

River to Rails Target Area

Date: 2/1/2018 Time: 10:38:18 AM

CROW WING COUNTY MINNESOTA