

BRAINERD ECONOMIC DEVELOPMENT AUTHORITY

Tuesday, March 27, 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, Kelly Bevans, Dale Parks and Gabe Johnson. Commissioner Erickson was noted as absent. Also present were City Administrator Cassandra Torstenson, Finance Director Connie Hillman, BLAEDC Executive Director Sheila Haverkamp and Economic Development Officer Tyler Glynn, Brainerd HRA Director Jennifer Bergman, and John Schommer, HRA Rehab Coordinator.

Approval/Amendment of Agenda - Approved

MOVED AND SECONDED BY COMMISSIONERS BEVANS AND SINNER, DULY CARRIED, TO APPROVE THE AGENDA.

Approval of Minutes - Approved

MOVED AND SECONDED BY COMMISSIONERS BEVANS AND JOHNSON, DULY CARRIED, TO APPROVE THE MINUTES FROM JANUARY 4, 2018 EDA MEETING AS PRESENTED.

Approval of Financial Report - Approved

MOVED AND SECONDED BY COMMISSIONERS BEVANS AND PARKS, 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 stated there are four projects that have been completed with two others nearing completion. The Purple Fern has a few things left to finish with an opening date of May 1st, 2018. The remaining projects are moving along and progressing with signed contracts.

President Menk questioned the progress at the Last Turn Saloon. Mr. Schommer indicated the renovations to the eleven apartments above the business are nearly complete pending arrivals of new water heaters and appliances. The permit has recently been issued for the commercial part of the renovation and construction should start very soon which will include a commercial wheelchair lift. The roofing project is currently under way, but weather has affected the progress.

Update on SCDP NE Brainerd Grant Application – Informational

Ms. Jennifer Bergman, Brainerd HRA Director distributed a map of the target area of northeast Brainerd for the grant. Mr. John Schommer indicated the grant application was submitted in

February, but we will not know if the grant will be funded until June. The target area consists of the following residential properties:

- Gillis Avenue and 1st Avenue on the west side
- Mill Avenue on the east side
- H Street on the north side
- Washington Street on the south side

There is one commercial property that is part of that application which is located downtown with nine mixed units beside the old Iron Rail Saloon.

Administration and Use of CDBG/SCDP Revolving Loan Funds - Approved

The Chair welcomed Ms. Jennifer Bergman, Brainerd HRA Director who gave a brief recap of the background of these funds and outlined some new ideas for the future of these funds. The previous small cities grants were structured as 1/3 owner contribution, 1/3 grant and 1/3 revolving loan. The Department of Employment and Economic Development (DEED) has indicated they do not track program income from the Small City Development Program (SCDP) and do not want these projects to be revolving, but rather wants the funds out in the city working for the community. There are still some previous grants that are revolving loans. DEED looks at this in two ways; program income is if the amount received is more than \$35,000 in the federal fiscal year whereas local income is if the amount is under \$35,000. The difference in the two is that program income must be reported back to DEED. The local income can be used for any project as long as it meets certain conditions.

Finance Director Hillman explained the funds from the Community Development Block Grant Program (CDBG). The two accounts we are discussing are fund #209, which is the old housing fund and fund #245 the local income fund.

Ms. Bergman explained this was prompted by an application the HRA received for an asbestos abatement at the property located at 707 Laurel Street. The issue was brought up to the Personnel and Finance Committee since there were no guidelines that indicate what these funds should be used for. It was requested that the HRA and the City draft some guidelines as to how to use these funds which could be structured as revolving. There are several eligible uses as well as a city-wide owner occupied residential code citation enforcement.

Ms. Bergman indicated these funds would be structured as revolving loans with an interest rate of 1% below the current U.S. Federal Prime Rate with a maximum loan amount of \$25,000. A memorandum of agreement would be created between the City and the Brainerd HRA to allow the HRA to administer the revolving loan program. The intent would be the City and the HRA enter into the agreement, funds transferred to the Brainerd HRA and the program administered by the Brainerd HRA on behalf of the City.

MOVED AND SECONDED BY COMMISSIONERS BEVANS AND JOHNSON, DULY CARRIED, TO RECOMMEND TO CITY COUNCIL TO APPROVE THE DRAFT GUIDELINES, ENTER INTO A MEMORANDUM OF AGREEMENT WITH THE BRAINERD HRA TO ADMINISTER THE APPLICABLE

REVOLVING LOAN FUNDS PER THE GUIDELINES REPORTING ACTIVITY BOTH TO THE ECONOMIC DEVELOPMENT AUTHORITY (EDA) AND THE CITY COUNCIL ON A REGULAR BASIS.

HRA Update - Informational

Ms. Bergman indicated as part of the Destination Downtown prize package, the Brainerd HRA provided a rental subsidy to the competition winner which was The Purple Fern. The HRA will be paying 50% or \$6,000, whichever is less, towards their lease which starts on May 1, 2018. The HRA has been working with the Crossing Arts Alliance and Sarah Hayden-Shaw on the old Iron Rail building. Ms. Hayden-Shaw has discussed the potential of working with artists to paint on the main level.

BLAEDC Update – Informational

The Chair welcomed Ms. Sheila Haverkamp, executive director of BLAEDC, and Tyler Glynn, economic development officer. Ms. Haverkamp reviewed and distributed the BLAEDC annual report and a marketing brochure regarding the BLAEDC Unified Fund. Ms. Haverkamp indicated the Unified Fund is starting out slow, but recently approved the third loan. The team is starting to go out into the community to market the program with lenders and residents. There is activity, but they want to be able to manage each project until it is running smoothly. There are more projects that Mr. Glynn is currently working on, such as industrial economic projects that would mean more job creation and potential new investment in the industrial park. He updated information with the State on shovel-ready sites that are available in the area.

Ms. Haverkamp explained a new activity they have been working on established by the Federal Government called Opportunity Zones. The government had a provision in the new tax law which revolved around Opportunity Zones which is a program to encourage investment in US census tracts that are low-income areas. In Minnesota, the Governor could designate up to 25% of the eligible census tracts as Opportunity Zones. It has been left up to those communities to nominate the tracts that they feel qualify for the program. The City of Brainerd happens to be sectioned into four US Census Tracts that intersect at the River to Rail area. BLAEDC has diligently submitted information as to why we should be chosen and continues to be in communication with the state. The deadline was extended to April 20, 2018 by the Governor.

The River to Rail Initiative held a community event recently and a meeting will take place April 9, 2018 to compile all the data collected during the event and designate a steering committee to lead this initiative.

Commissioner Johnson asked about possibly obtaining a market analysis to be completed on the Industrial Park lots and what Ms. Haverkamp's thoughts were. Ms. Haverkamp indicated the pricing on the lots are in line compared to other areas. The issues are probably market related rather than price related.

Commission discussion took place and questions answered.

Mr. Glynn indicated he met with a potential business owner in California that may be interested in commercial property in Brainerd for his medical device company. Mr. Glynn stated the Industrial Park is one of 32 shovel-ready site certified locations in the state of Minnesota. He offered to complete a price comparison of all 32 sites to see where Brainerd ranks versus other locations.

Other Business

None

Commissioners' Comments/Questions

President Menk announced Brainerd Public Utilities (BPU) is working on the acquisition of an acre of land in southeast Brainerd to construct a water tower.

President Menk, along with City Administrator Torstenson, City Planner Ostgarden, and Planning Intern Matt Kallroos met with the US Census representative for the state last week. We were informed that a committee to start developing our census needs to be created this fall. City Administrator Torstenson announced that other cities in the area would like to join us in a collaborative effort rather than one city tackling the outreach tasks.

The Authority adjourned at 8:29 a.m.

Dale Parks, Secretary