BRAINERD ECONOMIC DEVELOPMENT AUTHORITY
Thursday, February 15, 2007

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

Present were Commissioners Menk, Pearson, Johnson, O'Day and Nesheim. Also present were City Administrator Vogt and City Engineer Hulsether.

Noted absent were Commissioners Bonde and Kummet.

#2 **Approval/Amendment of Agenda.**

MOVED AND SECONDED BY COMMISSIONERS O'DAY AND NESHEIM, DULY CARRIED, TO APPROVE THE AGENDA AS PRESENTED.

#3 **Approval of Minutes – December 14, 2007.**

President Menk asked if there were any changes or additions to the minutes. As there were no corrections, the minutes were approved as submitted.

#4 **Approval of Financial Reports.**

President Menk asked if there were any changes or corrections to the Financial Reports.

In the EDA Fund, City Administrator Vogt stated that there was $55,000 in revenue on the 12/31/06 report, which is tax settlement and interest income on investments. He stated the $66,000 of expenditures is normal staff salaries along with $40,000 that was paid to Bruce Isebrand to close on that property and $25,000 to BLADC, which was the last payment of the year.

He stated that for the 1/31/07 report, there was quite a bit of activity in the Commercial Revolving Loan Fund. He stated there was $149,674 in revenue. He stated that both Borkenhagen and Nor-Pac Loans were paid off at the end of the year, creating quite a bit of revenue. He stated that the Plastics Plus loan was refinanced, so there was a revenue in and an expense out.

MOTION AND SECONDED BY COMMISSIONERS JOHNSON AND O'DAY, DULY CARRIED, TO APPROVE THE FINANCIAL REPORTS AS SUBMITTED.

#5 **Industrial Park Expansion – Status Report.**

City Engineer Hulsether stated that a Request for Proposals was done for engineering services for the Harold and Alvina Thiesse portion of the Industrial Park expansion. He stated that 5 proposals were received. Since the project is owned in part by the EDA, he gave the commissioners a listing of the proposals to review. He stated that all of the estimates are "not to exceed", and although KLD proposed the lowest amount, they only allotted 251 hours which is about half the estimated time planned for the design. He stated they are a new company, and this proposal may be due to the company wanting to "buy" the project, and are willing to do more design work and absorb the additional costs, or they truly do not realize the effort that will be necessary. He stated sometimes when this happens; the project ends up with a lot of Change Orders. He stated they are very interested in doing work in this community, and that he felt that they should be able to work on some of the City's projects, however, the question is whether or not it is with this project. He stated that WSN also submitted a proposal, that they are the next lowest price, and that they are quite familiar with City projects because of past experience.

Commissioner Johnson stated that he felt maybe KLD would be a good company to try out for this project because of the simplicity of the project and the fact that they are the low bidder.

Commissioner O'Day asked City Engineer Hulsether if there could be some more time spent reviewing the proposals.

City Engineer stated that would be done. He stated that whenever the City does a project with a company for the first time, there is extra time spent with the company to make sure everything is done exactly as the City is asking.

Commissioner O'Day stated that since the proposal was "not to exceed," the company would be responsible for extra costs, but the Change Order costs are what concerns him.

Commissioner Johnson said that he would like to review the information a little bit more before making a recommendation.

President Menk asked if Engineering was looking for a recommendation.

Commissioner Pearson asked if City Engineer Hulsether felt comfortable with recommending KLD.

City Engineer Hulsether stated that he is; that they are a new company and they have to be eventually welcomed aboard, and that he believes they could do the job.

MOVED AND SECONDED BY COMMISSIONERS O'DAY AND PEARSON, DULY CARRIED, TO RECOMMEND ACCEPTANCE OF THE LOW BID AT $94,000, "NOT TO EXCEED", FROM THE KLD COMPANY.

Commissioner Nesheim said she felt apprehensive about the motion.

Commissioner O'Day stated that he would be more apprehensive if the City did not have their own Engineer on Staff.

Commissioner Menk stated that before the bid was accepted, he was sure that City Engineer Hulsether would consult with KLD and make sure that nothing was missed which resulted in the lower amount of hours bid for the job.

City Engineer Hulsether confirmed this. He also confirmed that the bid was not for how many hours the project would take the company, and that he often does look at the hours required as a sign of the company's level of effort.

Commissioner Johnson stated that this project, because it is more of a simple project would be a good project to give this company a chance, and if they end up "buying the project" it will be a lesson to the new company.

Commissioner O'Day stated that he feels that when Industrial Park land becomes available in the area, this should be included in the MLS Listings.

City Administrator Vogt stated that the listings are on several websites, but not in the MLS.

City Engineer Hulsether stated that within the proposal for this project, the consultant will be making some appearances before the EDA regarding some of the work items. He stated the first visit should be scheduled for the next EDA meeting.

City Administrator Vogt stated that the Bruce Isebrand property was closed on. He stated that Mildred Thiesse plans to donate her property at the completion of the Wright Street project. He stated that there has been a lot of press on this project, and that the appraisal on the land is what seems to be bothering people. He stated that the appraisal has really nothing to do with the City, as the appraisal was made to Mr. Isebrand from Mr. Jim Bedard, and if any of the appraised cost will be written off that does not affect the City. He stated that the City is obtaining about 120 acres of land, with 25 acres being bought for $200,000, and about 95 acres for free, plus the Mildred Thiesse acreage for free. He stated that Patty Harris had appeared before the Council and said that her family (Mildred Thiesse) is planning on developing some land that they have east of the industrial park and that they are planning on annexing it into the City.

City Administrator Vogt stated that the City had come to an agreement with Oak Lawn Township for an easement for the roadway to go in along the north edge of the County Fair Grounds, with an agreement not to force any annexation to the properties surrounding the area in Section 31.

City Engineer Hulsether stated that the design of the project is on track, and that the City is setting up a meeting with the Fair Association to get the plans wrapped up and get the work started in or around May and hopefully be done by the time the fair is started.

#6 **Brainerd Oaks Project – Status Report.**

Mr. Doug Grout, executive director of the Brainerd HRA stated that the mission of the HRA is the management and development of affordable housing in the Brainerd area, as well as redevelopment. He stated that Brainerd Oaks is a 96 unit subdivision located off of Oak Street in East Brainerd. He stated that the financing became due late in the fall of 2006, and the HRA approached the City Council in October, 2006, for an annual appropriation pledge. He stated that the HRA had, at that time, requested around $8.7 million, which was declined by the Council. He stated that after the City declined the offer, the lenders were able to work with them. Because of this, the HRA has been able to come up with a better, smaller plan for the EDA to review and comment on. He stated the plan submitted is basic, and that they had been working with Springsted and Kennedy & Graven to come up with a 15-year Proforma. He stated he hoped to have this by midday today, and that the HRA is hoping to approach the Council on February 20, 2007 with a proposal. Mr. Grout stated that the new deal is asking for around $4.8 million dollars. He stated that, in the new plan, American National Bank has been taken out of the refinancing and will be dealt with them separately. He stated the City's Assessment Bond, which is $1.1Million was also removed from the deal pending final City approval, and finally, there will be Tax Increment Financing used to help provide debt service security for the Bonds. Beyond the 3 years that this would cover, they would expand the TIF district to cover most of the development. The HRA hopes that once this deal is made, they will not need to come back to the City for any reason in the future. He stated the TIF plan was suggested to them by Kennedy and Graven. He stated that some of the problems with the development were the construction higher priced homes than affordable for most people, and the fact that the real estate market has gone down so much. He stated they are not planning on building any houses in the future. He stated that there are many benefits in having 96 new home owners in the community, and provided a handout to the Council members summarizing why the HRA had become involved in the project in the first place. These reasons included population growth, intelligent development growth and sustainable growth.

In closing, he stated again that the HRA feels that, moving forward, they will work on selling affordable lots for development, and that the idea of the Brainerd Oaks development was a good idea, but it was just done at the wrong time. He stated that HRA has aggressively reduced the prices of the already built houses at Brainerd Oaks to help ensure sales.

Commissioner Johnson asked what Mr. Clint Nelson had to say about the project.

Mr. Nelson stated that they have taken a look at the project and changed the prices to be more affordable. He stated that now they are priced at $164,900 and $224,900, and the important thing is to get the homes sold to get the money liquidated, and with that Brainerd Oaks has great development potential. He stated that the Commissioners should go and see the insides of the homes in addition to the actual development to see the work that was put into them, with a cost reduction of $70-90,000. He stated that next door, at the Willows project, 56 homes were sold in 4 years.

Commissioner O'Day asked if the homes had anything to do with the refinancing. He asked if the profit from the sale of the homes goes to the bank.

Commissioner Johnson stated that was correct, that the bank made a decision to support the development. He stated the houses built were too expensive, but if they would have been built at a lower price, the development might have been criticized as well. He stated that the development stuck in the deal to long waiting for houses to sell before looking for help. He stated the bank went into the project because of the need for housing, and that the City is always wanting more housing, and if there are no houses built, people will start going elsewhere to find housing.

President Menk asked what the role of the EDA was – whether or not they needed to give their approval in order for it to go to Council.

City Administrator Vogt stated that it was not necessary because there was not a proposal yet.

Commissioner Johnson asked if the EDA should make a recommendation. He stated that if the project does not go through, it would be a very detrimental effect on the housing problem in Brainerd. He stated that housing needs to be pushed. He stated he could not be involved in the decision being that he is involved with American National Bank.

Commissioner O'Day stated he needs more time to review the project before he makes a vote.

Commissioner Johnson stated that he would rather see a statement that the EDA would work with the HRA on housing issues and that he is not asking them to make a decision.

President Menk stated he would like to see the EDA recommend to the City that they explore the topic, so that all avenues are researched.

Commissioner O'Day asked Mr. Grout if the HRA was going to be requesting the TIF at the next Council meeting.

Mr. Grout stated that there would be a conceptual agreement brought to the Council, hopefully at the February 20, 207 meeting.

Commissioner O'Day asked if the specific numbers would be available at that time.

Mr. Grout confirmed this.

MOVED AND SECONDED BY COMMISSIONER JOHNSON AND O'DAY, DULY CARRIED, THAT THE EDA RECOMMENDS THAT THE CITY NEGOTIATE WITH THE BRAINERD HRA WITH REGARDS TO THE BRAINERD OAKS PROJECT.

#7 **Joint Meeting with Council and Planning Commission to discuss the Southeast Brainerd Land Use Plan – February 26 – 5:30 P.M. – Police Department Training Room.**

City Administrator Vogt stated that the EDA is invited to this meeting to discuss the Southeast Brainerd Land Use Plan.

Commissioner O'Day stated that he would appreciate if the EDA members could attend.

#8 **Special Service District Concept – Downtown.**

City Administrator Vogt stated that the EDA was sent the statute that the City can adopt an ordinance establishing a special service district. He stated that in section 428A.09 it discusses the veto power of the owners, saying that 35% of the owners of either the value of the land or the actual land area can veto a special district that is established by a City Council. He stated that President Menk could expand on this to see if the EDA is interested in approving this.

Commissioner Menk stated with the special service district, they are looking at financing things on a continuing basis without having to come back to the council for additional approval. He added that having the Main Street Coordinator available will help with the marketing aspect of this issue. It was agreed that more discussion is needed.

#9 **Downtown Coordinator – Status Report.**

City Administrator Vogt stated that Lisa Paxton, Brainerd Chamber of Commerce, has reviewed about 50 resumes from around the country, and that she is attempting to contact 8 of those candidates. He stated that the timeline is to have the Coordinator hired and in the office in March.

#10 **Economic Development Benefits of Early Childhood Education.**

President Menk stated that Ms. Anne Nelson Fisher had submitted information about Early Childhood Education and how it benefits communities.

City Administrator Vogt stated that, although he did not see the presentation, he feels the idea could definitely be explored, specifically in the benefit of Economic Development.

It was decided that a 20 minute presentation would be desired and City Administrator Vogt stated he would get this scheduled.

#11 **Staff Reports.**

City Administrator Vogt introduced Ms. Elissa Rogers from BLADC.

Ms. Elissa Rogers thanked the EDA and stated that, to review, BLADC is continuing to work with the Brainerd Regional Human Services Center on their re-use plan, with Artspace on their TIF and State Grant process, and with Bang Printing on their JOBZ process. She stated that Ms. Sheila Haverkamp would most likely appear in front of the Council in March with the 20/20 Economic Development Plan update. She stated that she would look into other options for listing industrial park land listings.

The Commissioners welcomed her.

#12 **Commissioners' Questions/Comments.**

Commissioner Johnson asked Mr. Clint Nelson what is happening with real estate activity.

Clint said once things are priced reasonably they are moving. He stated that a hard time was seen in the last year, although some of the higher end (lake home) home sales actually went up.

#13 **Adjourn**.

As there was no further business, President Menk adjourned the meeting at 9:10 A.M.

Respectfully submitted,

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Tom Johnson, Secretary
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