ECONOMIC DEVELOPMENT AUTHORITY
Thursday, April 3, 2008

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, O'Day, Pearson, Trimble, and Johnson.

Also Present were City Administrator Vogt, City Engineer Hulsether, Finance Director Goble, Ms. Elissa Rogers and Ms. Sheila Haverkamp of BLADC, Mr. Rod Rangen of People's National Bank, and Mr. Earl Rasmussen of E and P Manufacturing.

Noted absent were Commissioners Bonde and Nesheim.

President Menk stated that there should be introductions, as Ms. Trimble is a new member of the EDA. The Commissioners all introduced themselves and welcomed Commissioner Trimble to the Board.

#2 Approval/Amendment of Agenda – Approved.

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

#3 Approval of Minutes – Approved.

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

#4 Approval of Financial Reports – Approved – Local Banking to be Discussed at the Next EDA Meeting – Approved.

President Menk asked if there were any changes or comments on the Financial Reports included in the packet.

Finance Director Goble stated that she had made some notes at the bottom of the financial report as of February 29th to explain the increased revenue and expenses because of the long length in time since the EDA had last met. She stated that the EDA's account balance is currently at a little over $12,000 because payments were made to both Thiesse and Isebrand for Industrial Park expansions.

President Menk asked if the full amount had been available for the Last Turn Saloon Loan.

Finance Director Goble stated that the full $70,000 went to the Loan from Fund 298, and that in the Commercial Revolving Loan Fund, both Russell & Herder and Borden, Steinbauer and Krueger paid off their loans. She stated that the current balance in the Commercial Revolving Loan fund is $543,000. She stated that on the Wausau loan, the balance is $198,700.

Commissioner Johnson asked if any of the investments are in local institutions, and Finance Director Goble stated that most of the funds are in CD's in local institutions; however she could not give specific data without more information.

Commissioner Johnson stated that he feels that in light of economic development, all banking should stay in local institutions.

City Administrator Vogt stated that the City goes out for bids and accepts the best bid, and that right now the best bids have been staying local. .

Commissioner Trimble requested a report of what amount is invested elsewhere.

Finance Director Goble stated that although she does not have that information with her, the only investment at the end of 2007 that was not local was some commercial paper through Wells Fargo. She stated that whether Wells Fargo is considered local is also a question to consider. She stated that everything else was in local CD's, and that it is very seldom that there is anything done out of town.

Commissioner Johnson stated that he sits on a number of boards that have made the decision to "stay local" and that he feels the EDA should make a statement they choose to have their funds handled locally in support of economic development.

MOVED AND SECONDED BY COMMISSIONERS O'DAY AND JOHNSON, DULY CARRIED, TO HOLD OVER THE DISCUSSION REGARDING BANKING LOCALLY TO THE NEXT EDA MEETING.

#5 Midwest Painting Revolving Loan Default – EDA Recommends Approval of $1,000 to be paid by the City of Brainerd to People's National Bank to Cover Costs Associated with the City's Third Mortgage.

The Chair recognized Mr. Rod Rangen, VP of People's National Bank, who summarized the information included in the packet regarding the Midwest Painting Revolving Loan Fund, and stated that the bank is requesting that the City agree to the sale for a payment of $1,000. The current loan balance is $10,324.38. It was noted that the original loan was for $18,266 with $14,880.29 in principal and interest payments made to date.

Commissioner Johnson asked if the principle balance includes interest, legal fees and other items.

Mr. Rangen stated that those items, along with taxes are included.

Commissioner Johnson affirmed that the amount being requested is to clear the title.

City Administrator Vogt stated that in all the years of the Revolving Loan Fund Program, this is only the second loan that has "gone bad," and that this reflects an excellent track record. He stated that the fund is capitalizing well.

Commissioner Trimble stated that, because of bad economic times right now, she would like to know if the City is looking at default on any other revolving loans.

Finance Director Goble stated that in there are 4 active Commercial Revolving Loans, as the Midwest Painting Loan is currently considered inactive. She stated that of those 4 active loans, 3 are up-to-date, and that one of the loans is paid through January 2008.

President Menk stated that he does not feel there is much choice, and that it is a nice gesture by the bank.

Commissioner Johnson stated that he feels the offer should be taken.

Finance Director Goble stated that with principal and interest payments made on the loan, the amount the fund is in default is only around $3400.

MOVED AND SECONDED BY COMMISSIONERS JOHNSON AND TRIMBLE, DULY CARRIED TO ACCEPT THE OFFER FROM PEOPLE'S NATIONAL BANK TO AGREE TO THE SALE OF THE MIDWEST PAINTING FACILITY FOR A PAYMENT OF $1,000.

#6 JOBZ Out of Compliance Process Worksheet – EDA Recommends Approval of the JOBZ Out of Compliance Worksheet as Presented by BLADC.

The Chair recognized Ms. Elissa Rogers, BLADC, who stated that the JOBZ program is coming to a point when many of the companies involved are required to have met their "2-Year Goals." She stated that within these companies, there are some that are doing just fine; however, there are some that are struggling or not meeting their goals, and that in this case the company is considered "Out of Compliance." She stated that while going through this process, BLADC has taken it upon themselves to create a form for this compliance process as the MN Department of Revenue does not have one in place. She reviewed one of these forms with the Commissioners, including the process in which a company has the option to apply for a One Year Extension or Halt Benefits and Determine "Claw Back."

Commissioner O'Day asked if BLADC is required to present this information.

Ms. Rogers stated that they are not required to present this information, but because BLADC is the entity that is supposed to report to the JOBZ program for the City and County, a report has to be made and this form will help them to do the reporting more accurately.

MOVED AND SECONDED BY COMMISSIONER O'DAY AND PEARSON TO ACCEPT THE FORMAT OF THE "JOBZ OUT OF COMPLIANCE WORKSHEET" AS PRESENTED.

Commissioners Menk, O'Day, Pearson, and Trimble voted "aye." Commissioner Johnson voted "nay." The Chair declared the motion carried.

Commissioner Johnson asked if it will be reported to the EDA if a JOBZ company goes bankrupt.

Ms. Sheila Haverkamp of BLADC stated that in the case of Bankruptcy or "No Voluntary Pay Back" the Commissioner of Revenue audits the company to determine a bill and the County sends a bill for repayment of property tax savings, so the item would not be presented to the EDA, but it would be on BLADC's report.

Discussion followed concerning the EDA's role in the JOBZ Compliance program.

#7 E and P Manufacturing JOBZ Out of Compliance – EDA Recommends City Officials Prepare and Send a Letter of Support for E and P Manufacturing Services LLC's Waiver Application to the State of Minnesota.

Per Information received from BLADC and included in the packet, E and P Manufacturing Services, LLC, owned by Earl and Patricia Rasmussen, is a broker and wholesaler or raw material supplies to manufacturers that applied for JOBZ benefits when they relocated into the City of Brainerd's Industrial Park in 2005. Mr. and Mrs. Rasmussen recognize they have not maintained their business in the City of Brainerd as set in their JOBZ 2-Year Goals, and are requesting the City of Brainerd to support a "Claw Back" (pay-back) waiver application with the Department of Revenue.

The Chair recognized Ms. Elissa Rogers, BLADC, who stated that the goal of E and P Manufacturing was to create 4 jobs paying a minimum wage of $14.00/hr excluding benefits at the Brainerd site within 2 years from the Benefit Date and retain 1 job in Minnesota, maintain their business at the designated JOBZ site in the City or Brainerd for the life of the JOB Zone. She stated that their project issue at hand is that they had to relocate and downsize because of economic times turning right before they were about to expand. Since then they have relocated to the Pequot Lakes Industrial Park and cut down their staff to a much smaller number. She stated that in order to keep their Brainerd Industrial Park building active, they were able to go into a lease agreement with FedEx, which currently occupies the building and has 9 employees with plans to add 2-3 employees in the next few years. In order to secure this 10-year lease with FedEx, the Rasmussens put about $380,000 into the building to bring it up to code specifically for FedEx.

Ms. Haverkamp stated that because of economic times the Rasmussens were not able to live up to their original plan; however they adjusted and have done the best they could in spite of the difficulties. She stated that the benefits for the community are still great, as the Rasmussens have provided a building, provided a place for FedEx, and thereby created jobs in the community. She stated that because of this, E and P Manufacturing is requesting that the City waive the "Claw Back" requirements. She stated that if the City can provide a letter of support to the State in waiving the Claw Back requirements, it would be very helpful. She stated the Mr. Earl Rasmussen of E and P would like to have a few words on his project, and mentioned that Mr. Rasmusen previously started a company in Detroit Lakes, Minnesota that grew to employ over 500 and that he sold it to move to the lakes area and start E and P Manufacturing.

The Chair recognized Mr. Earl Rasmussen, who stated that he built a building and then decided they needed to expand and contacted Kuepers to begin the expansion plan; however, right before they began to expand, they realized that the economy was taking a turn with the dollar value going down and the tax incentives for foreign companies going down, and so they decided that they would not expand the facility. He stated that they have met the requirements of having 4 employees, but have downsized to a smaller building which they have used more efficiently and that since FedEx has moved to this facility of theirs, they have expanded to create 7 new positions. He added that the taxes that the City will be receiving now from the original building built that is now housing Fed Ex are a benefit to the City. He stated that it has been a dream of his to create a company that can help people make a decent living in the Lakes Area, and because of some economic setbacks, it has proven to be more difficult then he first anticipated.

Commissioner Johnson stated that, as he sees it, the EDA put this program together through the State of Minnesota and did not plan on these problems, and therefore there is no process in place to deal with them.

Ms. Haverkamp stated that there are State Statutes saying these loans need to be repaid, and that there are State Statutes saying that a waiver can be applied for, and that BLADC is trying to figure out the process as well.

Commissioner Johnson stated that the economic benefit to the City of Brainerd is definite, and in the absence of a procedure, he would recommend support of the waiver as requested.

MOVED AND SECONDED BY COMMISSIONERS JOHNSON AND O'DAY, DULY CARRIED, TO RECOMMEND THAT THE CITY PREPARE AND SEND A LETTER OF SUPPORT FOR E AND P MANUFACTURING SERVICE LLC'S WAIVER APPLICATION TO THE STATE OF MINNESOTA JOBZ PROGRAM.

Commissioner Johnson thanked Mr. Rasmussen for building in the Industrial Park.

City Administrator Vogt thanked Mr. Rasmussen for his positive comments on working with the City of Brainerd.

#8 <u>Modifications of the "CITY OF BRAINERD'S STATE MIF FUNDS" RLF Guidelines, Applications, and MIF Guidelines – EDA Recommends Approval of Changes as Presented.</u>

#9 <u>Draft of "BRAINERD EDA'S FEDERAL MIF FUNDS" RLF Guidelines, Application, and MIF Guidelines – EDA Recommends Approval of Changes as Presented.</u>

The Chair recognized City Administrator Vogt, who stated that if the new industrial parks that the City built do not fill up as anticipated, he recommends that the City be able to access a portion of the Commercial Revolving Loan Funds when payments need to be made to the owners for land being bought on contract or when special assessments due. He stated that these policies need to be amended in order for this to be possible, and that there would most likely be some sort of "payback provision" that the EDA would be involved in.

Commissioner Trimble asked if the City would have to bring the proposal in front of EDA, and City Administrator Vogt stated that this would be the process although the Council would make the final decision.

President Menk asked what amounts would be requested.

City Administrator Vogt stated that he does not have any amounts to present at this time.

MOVED AND SECONDED BY COMMISISONERS O'DAY AND JOHNSON, DULY CARRIED, TO RECOMMEND APPROVAL OF THE MODIFICATIONS AS PRESENTED TO THE "CITY OF BRAINERD'S STATE MIF FUNDS" RLF GUIDELINES, APPLICATIONS, AND MIF GUIDELINES, AND TO "BRAINERD EDA'S FEDERAL MIF FUNDS" RLF GUIDELINES, APPLICATION, AND MIF GUIDELINES.

Commissioner O'Day stated that the Isebrand property was necessary for the extension of Wright Street, but with the Theisse Property, the City has gone through the acreages bought and every 10 years, about 50 acres of buildable property is gone through. He stated that he thinks the Isebrand property puts a strain on what the City has seen in the past compared to today, and this gives the City some options until the economy hopefully turns around.

Commissioner stated that he always hears that the taxpayers' money shouldn't be used, but without the investments, there would not be as many ways for the taxpayers to make money through jobs and products and services.

City Administrator Vogt thanked Commissioner Johnson for his comments and stated that these investments create jobs and income for the City, and that if there is not and industrial park or building available, there will be nowhere for a new business prospect to consider locating.

#10 <u>2020 ED Plan Update – BLADC – Informational.</u>

The Chair recognized Ms. Sheila Haverkamp, who distributed information to the Commission summarizing plans for development in order to attract businesses to want to move into the community. She stated that the first plan, entitled "Airport Video Advertising" involves installing flat screen televisions at the Brainerd Airport in order to broadcast both local and regional news along with regular news from CNN, and that this will showcase the community to all airport visitors. She stated that the second plan involved "networking" and bringing existing and other industry leaders together for venues to get to know each other and promote economic awareness. She stated that the third plan she wanted to highlight is "Site Certification Shovel-Ready Designation," which is a plan that the State of Minnesota is newly embracing in which all the information on the Industrial Park will be available on a certified database accessible to interested business prospects. She stated that BLADC has their first manufacturing prospect as a result of the 2020 Program. She reminded the Commissioners that the 2020 program was set up as a 5-year program and that it has come a long way, and that she feels that the Minnesota Care processing center is a direct result of the success of the program.

Commissioner Johnson stated that he encourages BLADC to research the process of government entities outsourcing their work to local companies, as he believes this is the wave of the future.

#11 <u>Small Cities Development Program Update and Application Process – BLADC – Informational.</u>

The Chair recognized Ms. Sheila Haverkamp, who stated that, concerning the Small Cities Development Program, BLADC has decided to use a State recommended program to "cluster" the local area into 3 communities: Cuyuna Range Communities, Northern Pequot Lakes, Crosslake, Nisswa Communities, and the Brainerd/Baxter Area Communities. She stated that a six step plan has been developed for each community to follow when applying for a development grant:

March/April/May – Try to identify what type of projects your community needs and can apply for.

June/July – Develop a scope/plan for a project. (Example: Auditorium Preservation in Deerwood).
Aug/Sept/Oct – Prepare pre-application.
Nov/Dec/Jan – Submit full application to State, and receive grant award.

Commissioner O'Day asked what the status on the Taco John's project is.

Ms. Haverkamp stated that Nor-Son was awarded the Taco John's contract, and that work should begin very soon, starting with demolition.

Commissioner O'Day stated that he is seeing more and more businesses closing and being boarded up along HWY 210, and he's wondering if some money should be sought for commercial development.

Ms. Haverkamp stated that she appreciated the comments, as BLADC needs to know these things in order to know what to work on.

Commissioner Johnson stated that the advantage that Baxter has over Brainerd is that they don't have to knock a building down in order to build and that some grants should be looked for in order to get aid in demolition costs.

Commissioner O'Day stated that many times the lot without the building is often more valuable then with a building on it.

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

City Administrator Vogt stated that, regarding the JC Penney's lot at the East Brainerd Mall, the owners of the mall are planning to purchase the portion of the lot that is owned by the City of Brainerd. He stated that the appraisal information is confidential at this point.

Commissioner Johnson stated that whoever paid to take the building down should get a portion of the profits, and it was stated that the current owners were not involved in the demolition.

#13 <u>Commissioners' Comments/Questions.</u>

None.

#14 <u>Adjourn.</u>

The Chair adjourned the meeting at 9:12 A.M.

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Tom Johnson, Secretary