ECONOMIC DEVELOPMENT AUTHORITY
Thursday, May 29, 2008

Pursuant to due call and notice thereof, President Menk called the meeting of the Brainerd Economic Development Authority to order at 8:02 A.M.

Present were Commissioners Menk, O'Day, Nesheim, Trimble, and Johnson.

Also present were City Administrator Vogt, City Engineer Hulsether, Finance Director Goble, Ms. Elissa Rogers and Ms. Sheila Haverkamp of BLADC, Downtown Coordinator Emily Roragen, Public Utilities Superintendant Todd Wicklund and Mike Dilon of Lexington Manufacturing.

Noted absent were Commissioners Bonde and Pearson.

#2 <u>Approval/Amendment of Agenda – Approved.</u>

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

#3 <u>Approval of Minutes – Approved.</u>

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 <u>Approval of Financial Reports – Approved.</u>

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

#5 <u>Investment of Idle Funds/Policy – Informational.</u>

The Chair recognized Finance Director Goble, who stated that at the last EDA meeting there had been a mention of investing EDA "in-town" funds, and that in checking back for the last two years all EDA funds have been invested in town. She stated that almost 99% of all City Funds are invested "in town" and that she follows the City's Investment Policy for all the investing she does.

#6 <u>Last Turn Saloon – Request for Assumption of Revolving Loan to Potential Purchaser – EDA Unanimously Recommends Denial.</u>

The Chair recognized City Administrator Vogt, who stated that a letter had been received from Mr. Tom Hofius in early May, 2008 requesting a transfer of a loan he had recently taken out from the City to a potential buyer. He stated that he spoke to Mr. Hofius a couple weeks ago, and at that time he was unable to get a hold of him but that Mr. Hofius contacted Finance Director Goble who told him that the item would not be on the Council agenda until June 2, 2008 which he was in agreement with. He stated that since then a letter had been received from Council Member Olson that seemed to contradict that; however, he spoke to Mr. Hofius recently and that the timeline seems to be fine with him, and that the proposal is included in today's meeting packet.

The Chair recognized Finance Director Goble, who stated that there are actually two loans. She stated that one is a $35,000 deferred loan forgiven at 10% for ten years, and the other is a monthly payment-back of which the balance of the original $35,000 is $34,526 as the payments were just started.

Commissioner Trimble asked what the terms of the loan were.

Finance Director stated that the deferred loan is forgiven at 10% for ten years, and the payback loan is for fifteen years at 3%.

President Menk asked if there is any wording in the contract allowing for assumption of the loan.

City Administrator Vogt stated that the repayment agreement/promissory note normally states that in the case of an ownership change, transfer of title, etc., the loan has to be paid off. He stated that the history has been that most of the loans have been paid off, and just one that looks like it was an "assumed transfer" but there are not Council minutes to show this.

Commissioner Nesheim asked if there was notice yet that the loan had been closed on.

City Administrator Vogt stated that the City had not. He stated that he is not sure there is even a purchase agreement on it, and that Mr. Hofius is trying to make the whole package more attractive to a potential buyer.

Commissioner Trimble stated that she is not able to support the transfer without knowing the financial position of the new purchaser.

Commissioner Johnson stated that he assumes that the improvements that were placed on the property and that they are probably reflected in the sale price and due upon sale. He stated that becoming an instrument of part of a finance package was never what the EDA intended to do with its money and that the EDA needs to keep their money available for improving downtown and other areas. For this reason, he stated, he does not support the transfer.

MOVED AND SECONDED BY COMMISSIONERS JOHNSON AND TRIMBLE, DULY CARRIED, TO DENY THE ASSUMPTION OF THE REVOLVING LOAN FOR THE LAST TURN SALOON.

City Administrator Vogt stated that the next step would be to bring EDA's recommendation to the Personnel and Finance Committee and finally to the Council.

President Menk asked if there could be a window left open for the new buyer to apply directly for the financing.

Ms. Sheila Haverkamp stated that this could be considered with the buyer.

City Administrator Vogt stated that he does not feel Mr. Hofius considers this a "deal-breaker."

Commissioner Johnson stated he cautioned the elected officials from becoming a financing tool.

Brainerd Mobil Revolving Loan – EDA Unanimously Recommends Tabling Discussion until after the Redemption Period of the Foreclosure Process – November 21, 2008 – Approved.

City Administrator Vogt stated that the Sheriff's sale was held on May 21, 2008, and that, being familiar with this type of procedure, asked Commissioner Johnson for his input because of his experience.

Commissioner Johnson stated that this conversation is premature because there is a redemption period now and so many things could happen between now and the end of that period.

Commissioner Trimble stated that her comments are not necessarily specific to Brainerd Mobil, but to the actual process of the City's revolving loans. She asked if and when the City of Brainerd had been notified that the process of "foreclosure" was starting.

City Administrator Vogt stated that the City itself was not notified, and that he looked into it after learning about the foreclosure through others, and Commissioner Johnson stated that the process requires "public notification" via newspaper and that this step had been completed.

Commissioner Trimble stated that, in looking back through the records, she noticed that Brainerd Mobil had been late in making payments as early as 2003, and asked how involved the City is in the process of making sure the payments stay current.

City Administrator Vogt stated that the City does not service the loans, that the lending agency handles that part. He stated that when they have noticed late payments on the Brainerd Mobil or any other loan, they contact the lending agency who handles it from there.

Commissioner Trimble asked if this could be changed in order for the City to be more proactive before this point is reached.

President Menk asked what procedure could be followed when a loan is in "arrears" and what the criteria would be to determine that it is far enough behind in payments to get involved with.

Commissioner Johnson stated that to write procedures for collection is a great idea but that it isn't practical because everyone's circumstances are different. He stated that if the Revolving Loan program was not a part of a package for economic development for the City, it would not be something that the banks would handle.

City Administrator Vogt stated that the "track record" of these Revolving Loans is very high, that in the 17 or 18 years they have been done, only 3 (including Brainerd Mobil) have had problems.

Commissioner O'Day discussed other positive issues such as the development of Northwest Bread and Bagel where there was only a "dump" sitting before, Brainerd Mobil, and Midwest Painting. He stated that nothing can be done with this loan until the redemption period is up in November, and that it is unfortunate that because this business owner is a Council member and another Council member and he don't get along, it has come to this.

Commissioner Johnson added the success of the old Armory which is now a tax base for the City, and Commissioner O'Day added that when a development is successful it seems that the area for a few blocks around that also begin to improve.

MOVED AND SECONDED BY ALDERMEN O'DAY AND NESHEIM, DULY CARRIED, TO TABLE THE DISCUSSION OF THE BRAINERD MOBIL REVOLVING LOAN UNTIL AFTER THE 6 MONTH REDEMPTION PERIOD.

Lexington Manufacturing JOBZ Non-Compliance – EDA Unanimously Recommends Approval of a One-Year Extension to Secure 2 Additional Full-Time Employees for Compliance.

The Chair recognized Elissa Rogers, BLADC, who summarized the history of the Lexington Manufacturing JOBZ loan, stating that they are two jobs short of their requirements and are requesting the 1-year extension period in order to secure those jobs. She pointed the EDA's attention to the addition of #2 in the "JOBZ Out of Compliance Worksheet" which states that when the City sees the problem it is noted and the company is asked to become in compliance once again. She stated that if this request is granted from the EDA and Council, the form will be sent to DEED who will make the final decision on the extension.

Commissioner Trimble asked about the number of jobs.

Ms. Rogers stated that at this location, where the JOBZ Business Subsidy Agreement is in place, there have been 13 new jobs created of the 15 required jobs. She stated that there were zero jobs to start with.

MOVED AND SECONDED BY COMMISSIONERS O'DAY AND TRIMBLE, DULY CARRIED, TO RECOMMEND GRANTING THE ONE–YEAR EXTENSION TO LEXINGTON MANUFACTURING IN ORDER TO MEET JOBZ COMPLIANCE REQUIREMENTS.

Commissioner Johnson stated that with the struggle facing the market at this point, he feels that the construction industry is going to suffer, and wonders if the EDA may be at this same place next year.

Mr. Mike Dillon, Lexington Manufacturing, who stated that he does not disagree that with the market at this point, the construction industry may get worse before it gets better. He stated that the product they manufacture is a product extension of the doors and rails that are already manufactured which is of significant volume and gaining a market share in a downward market, so he feels confident that the jobs can be secured.

Commissioner Johnson stated that he understands as well, but he is just wondering about the "1-Year" time frames.

Ms. Haverkamp, BLADC, stated that she agrees with Commissioner Johnson in general, although she feels that Lexington is very confident that they will meet their goal of 15 employees.

Industrial Park Update.

The Chair recognized Ms. Elissa Rogers, BLADC, who reviewed the development of the Industrial Parks, stating that the average sale has been roughly 2 parcels per year with varied sizes, with an accumulation of approximately 50 businesses. She stated that as a result of this development, this land, which used to be farm land, has a market value of just over $36 Million dollars in about 30 years with 46-47% being captured in taxes.

Commissioner Johnson stated that the funds that the taxes from these types of developments bring to the City are a representation of EDA's goal as well as removing blight.

Ms. Rogers stated that in the next year some sort of survey will be done to find out not only the revenue coming in, but the amount of employees, and Commissioner Johnson recommended adding the factor of where the employees live, as he feels most will not be from Brainerd.

Ms. Rogers stated that there is a prospect is in the works that looks very promising from a company in the Cities that works with companies in this community often. She stated that it would be an extension of this company and that it came out of the 2020 plan.

Commissioner O'Day asked what the difference between the price per acre along with assessments compared to Baxter and other surrounding areas.

Ms. Haverkamp compared area acreage with Pequot Lakes at $30,000 per acre, Brainerd at $50,000-60,000 per acre, and Baxter at about $100,000 per acre and stated that a "Site Certification and Shovel Ready Program" is being developed so that projects can move forward with very little research and time. She stated that it will be assembled in such a way that a prospect can compare Brainerd sites to others in the stated and even nation.

Commissioner O'Day asked the status of the grant for the infrastructure for Phase IV.

City Administrator Vogt stated that the money is being spent. He stated that $375,000 was received from the State through their Greater Minnesota Public Infrastructure Grant Program, and he thanked BLADC and KLD for their work in acquiring and administering that grant. He stated that it helped keep the cost down and that he is hoping that at the end of the project there will be enough money to pay for the land and assessments and to start the next Industrial Park.

Commissioner Johnson stated that the work City Administrator Vogt and BLADC has done in acquiring land and businesses has been very helpful and positive, and thanked them for that.

Commissioner O'Day stated that some might argue that there is an "excess" of the area being developed, but a City needs to keep moving ahead, especially when another project is being done at the same time, such as Wright Street.

Commissioner Johnson stated that he had heard the phrase once "I've never had a bad development, I've only had bad timing," and he stated that this really sums up the real estate cycle.

City Administrator Vogt stated that because of the economy, the City has seen changes in how quickly bids come in with reasonable prices.

President Menk stated that having the amenities available helps keep workers in the area. He asked if Ms. Haverkamp had a way of seeing where employees who worked in the area lived.

Ms. Haverkamp stated that she can tailor their studies to find out employee census data.

Ms. Trimble stated that this would be a way to find out how many employees a company had.

Ms. Haverkamp stated that general info is available, but information specific to a certain company is considered confidential, which creates a challenge.

Downtown Coordinator Report.

The Chair recognized Ms. Emily Roragen, Downtown Coordinator, who stated that she had placed the May, 2008 Downtown report in front of the EDA members this morning and asked if there were any questions.

Commissioner O'Day asked her to tell the EDA, in general, how things are going and asked if she felt the Downtown business owners seem to have started to work towards a common goal more than when she arrived.

Ms. Roragen stated that she feels things have definitely gotten better with business owners coming forward and working together. She discussed an "Image Improvement Campaign" that is in the works.

Commissioner Menk stated that he has seen a significant difference in the business owners and residents "giving" in both effort and funds, and stated that Ms. Roragen has been a major help in this.

Commissioner Johnson asked if there is any way that more funds could be reallocated to assist with the Downtown improvements.

Ms. Haverkamp stated that things are being looked at such as the capitalization of revolving loan funds and other aspects between Brainerd and the other communities.

Commissioner Johnson stated that it may not be completely understood by the Downtown business owners that there is more money available.

Ms. Haverkamp stated that there are many different financing mechanisms, and if a business is thinking of doing any type of improvement they should definitely contact BLADC, and Ms. Roragen stated that she would send this message to the business owners.

Commissioner Trimble stated that that if specific details about what projects this money can be used for was included as part of a marketing tool, business owners would be more likely to look into it.

Commissioner Johnson stated that there are Revolving Loans funds available and just waiting to be spent, and he feels this money should be spent on Brainerd.

Ms Rogers stated that she would be putting information together such as this for upcoming community meetings to promote Brainerd development.

Commissioner Johnson stated that, regarding the upcoming reconstruction of Downtown, road construction is very destructive to businesses, and feels that aid should be given to business owners who are in the middle of a construction project.

Commissioner Menk stated that he feels businesses need to save up for the next few months in order to be ready when the Downtown construction starts.

Ms. Roragen informed the EDA and audience about the "RibFest" that would be happening that weekend and told them they should attend.

Proposed City Code Related to Vacant Dwellings or Buildings – EDA Unanimously Recommends Postponing the Second Reading of Ordinance 1322 and Appointing a Committee to Discuss Possible Language Changes – Approved.

City Administrator Vogt stated that Commissioner Johnson had requested this be on today's agenda.

Commissioner Johnson stated that he feels the ordinance is a very vague and that he feels a sub-committee should be formed to review the language.

Commissioner O'Day stated that the Council had discussed the terms of the ordinance agreeing that it would not be used unless necessary and that this is a tool that the City can use when they really need to.

Commissioner Johnson stated that he agrees with the general concept, but he feels that the ordinance is poorly worded and needs to have definable terms, with commercial and residential properties being looked at separately. He stated that a committee should be in place to make the determination, and that the process should have more of a "positive" goal.

MOVED AND SECONDED BY COMMISSIONERS JOHNSON AND TRIMBLE, DULY CARRIED, TO RECOMMEND TO COUNCIL TO POSTPONE THE SECOND READING OF ORDINANCE 1322 REGARDING VACANT DWELLINGS AND BUILDINGS AND TO HAVE A COMMITTEE APPOINTED IN ORDER TO REVIEW THE ORDINANCE LANGUAGE.

Other.

Commissioner Trimble asked if the EDA is going to try to meet on a monthly basis, and it was determined that meeting "when necessary" would be continued.

Adjourn

The Chair adjourned the meeting at 9:17 A.M.

Tom Johnson, Secretary