

**THE MEETING OF THE EDA BOARD HELD ON FEBRUARY 19, 2015, AT 6:00 P.M.,  
AT PRINCETON CITY HALL COUNCIL CHAMBERS**

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The meeting was called to order by Thom Walker. Members present were Genny Reynolds, Victoria Hallin, Charles Snustead, and Cindy Riddle. Staff present were Jolene Foss (Comm. Dev. Director) and Mary Lou DeWitt (Comm. Dev. Assistant).

Absent was Grady Clark.

**AGENDA ADDITIONS / DELETIONS:**

DeWitt would like to add Grady Clark's EDA Board position under New Business, Item D.

**APPROVAL OF MINUTES FROM REGULAR MEETING ON JANUARY 15, 2015**

HALLIN MOVED, SECOND BY REYNOLDS, TO APPROVE THE MINUTES OF JANUARY 15, 2015. UPON THE VOTE, THERE WERE 5 AYES, 0 NAYS. MOTION CARRIED.

**NEW BUSINESS:**

**A. Renue Décor Revolving Loan Application**

Kevin and Alicia Stahl are the owners of Renu Décor & Fashion located at 403 First Street. They have submitted an application for a Revolving Loan with the City of Princeton. The loan amount they are requesting is \$24,900. The funds will be used for operating expenses, to purchase inventory, and retail equipment to finish the tanning expansion project.

Kevin Stahl is here tonight to answer any questions the EDA Board may have.

Snustead said that MN Department of Health has a concern on tanning salons that you have to be 18 years of age or older to participate in the use of them. He knows there is a tax on them because of the health risk. Snustead continued that he had gotten the financial statement from Steve Jackson, City Finance Director. He understands that a new organization will not have a perfect statement.

Riddle said she is concern that they are already behind on debt.

Walker said the owner of the building wrote a memo that he will forgive the rent they are behind.

Riddle said if they have not figured out the problems they are having, then they are out.

Kevin Stahl said the owner of the building Richard Schwartz said he would look at what the income of the business is down the road and either he would keep the rent the same or move it up if they are doing better. He has confidence that in a year they look at the books and make it reasonable to keep it the same until he can afford it.

Reynolds said his advertising budget is high. Has he worked with a small business consultant.

Stahl said he is working with Tom Willett (TRW Consulting for Small Business) and going forward they should not spend more than 5% of revenue. They had advertised on the radio and billboards. They wanted people in the door. They will look at projections and it would be 5% and they will look at how it would be spent. They are doing in store promotions by giving free merchandise for those bringing people to their store. He knows they had done some advertising that was not helpful bringing people to their business.

Reynolds said there is a more debt in advertising than there should be. What do they owe the consignors.

Stahl said consignors account payable model where they bring in ten items and most want to get it back by in store shopping where they have a credit. If they get a check that is what accounts payable is, but if in store shopping is what they do, it is 40% or so less. He did not create a debt burden that they could not pay. This is a brand name boutique. For advertising they look at what will bring back from what they are spending for the advertisement.

Snustead commented that they advertised with Princeton Speedway.

Stahl said yes. Tim Siercks had given them a deal that was about half the cost. They did not see anything come back from that advertising. Coupons from Valentines advertising did work well.

Walker said he went to the store and talked to Kevin Stahl a little prior to the meeting. One side of the business will support the other.

Stahl said their income is from retail sales at Renu Décor & Fashion and he has a company that is service sales for industrial and residential properties. Like a handyman. He started Stahl Companies in 2009 and has kept long time clients. By this May he is projecting \$18,000 income from that handy man service that will help the other business.

Walker commented that his handyman business helps lesson the loss for Renu Décor.

Stahl said he approached Schwartz on the rent and said it was too much. He was taking personal money and handyman money to pay for it. Tom Willett drew up a letter of what the rent should be to present to Schwartz. They had a long meeting with Schwartz and he found out other landlords have reduced their rent and Schwartz now understands. Schwartz will forgive the loss rent because of what he was over charging. If he would have had reduced rent a year ago they would not be here today. They are in the whole with the utilities and they need to get that paid up.

Foss said it is the EDA Boards decision if they want to support or not support a current business that is in town.

Riddle said she agrees that supporting a current business can be easier than supporting a new business.

Stahl said they are now aware of not spending so fast and taking it slowly and sticking to paying stuff off with funds they have. They cut the middle shift of workers. They also cut the last hour of the day so that will save money for the year. The software they have helps them throughout the day with knowing what is projecting with employees pay and moneys coming in. The owners draw is the first time they have that in so they are collecting money for the first time.

Walker said if the loan amount is \$25,000 the monthly payment would be \$450 or so.

Stahl said they estimated a \$1,000 debt burden with this loan monthly payments and the purchase of a vehicle. He said that he is also employed as the lead death investigator for Mille Lacs County.

Hallin questioned the insurance rate going up from \$112 a month to \$320.

Stahl said if they purchase a vehicle they wanted to add that additional insurance cost to the budget.

Hallin asked if the new rent rate also includes the gas to heat the building.

Stahl said no, gas is not included in the rent. The electric will go up for the tanning use and they might have to use air conditioning because the tanning beds heat the building. They projected the cost to be 56¢ per bed per tan. The tanning line cost is electricity and maintenance. They also have spray tanning beds that are UV free and under 18 years old can use them. The prom season is coming up and they could spray tan. There is only one place nearby that has the spray tanning and that is in Roger's so they get a lot of their clients if they do not have available spots.

Snustead would like to talk about this more with the EDA Board.

Walker likes that the landlord will forgive a chunk of money. He understands why. Stahl had told him that he could buy a place for about \$1,500 a month or so. We are supporting downtown if we do this loan.

Snustead said that is part of the reason what the EDA is about, helping a business. Always a chance in a five year period for a business to go under.

Foss said that continuing the meetings with Tom Willett, Small Business could be part of giving the loan.

Snustead said all franchise require financial statements monthly. It is important to be diligent to report monthly statements and show those to someone.

Stahl said from the market research on the history of the business, they are about the middle of the road for income.

Snustead commented that you operate on percentages on what it is to operate a business.

Stahl said with the consignment there was a 50% split up to October and then it went to 60% for their share and 40% to the consignors so that helps them. Otherwise at the 50% share it would be best to just buy new product.

Snustead said a cash flow analysis would be good to see.

Riddle asked Stahl what are the terms for the loan.

Stahl said if there was an asset like a tanning bed, the maximum loan is until that is paid, \$24,900 for 24 months. If the loan got him through 12 months that would help, so 24 would be very nice. They would like at the end of their five year lease of the building to purchase it from Rick Schwartz. They want to clean the slate. Working capital is what they would use to pay off debt. The \$14,000 is a high number. There is a reduction on the consigner payouts. He got rid of purchasing a vehicle to reduce the loan amount to \$24,900. They also have a tanning bed that needs repair, but they found another alternative.

Riddle said the 24 month loan is a higher payment.

Walker said a 24 with a balloon would be good.

Stahl said with this loan they could clean up debt and with Spire Bank he could get a new loan and take care of this loan. Local banks do not want to look at collateralizing tanning beds so the collateral is the inventory and that is consignment owned. The racking is theirs, but the banks said there is not enough there for collateral to issue a loan to them. In two years it would be better and they will have cash flow where banks will consider a loan.

Riddle said what about a cash flow for an incentive.

Walker suggested to amortize for 60 months and have interest at 6%.

Snustead said it has to come back to give another a loan.

Walker said discount on balloon. The total payment needs to be \$24,900 and whatever interest rate goes back on the balloon. If they fold up, they fold up and there won't be any money left because they do not really have anything for liquidation.

Stahl said if they did fold up they would liquidate, so debts to landlord first, and then us.

Snustead asked if assets are committed to any other loans.

Stahl said no, debt free with what they own. The consigners said a tanning salon would be nice and they tried it. They bought beds relatively cheap. Probably shouldn't have done that, but

they needed to offset the loss sales in the winter. They have teeth whitening product and it can also be done in the tanning bed. The kit is cheap and they make money on it. He would commit inventory for the loan.

Walker said it would have to be proportioned with other creditors. They have to be paid too.

Snustead said yes, we could have it proportioned over other creditors. Snustead said he would like to discuss this more before making a decision.

Riddle said Rick Schwartz wants response tonight or he will serve a conviction notice.

Walker asked Snustead if he is leaning towards no.

Snustead said he is not sure.

Walker asked if their liability insurance is aware of the tanning in their store.

Stahl said yes, they pay special insurance.

Hallin does not like that they have no collateral for the loan.

Stahl said the tanning requirement that you have to be 18 years old or above does not affect his business. It is usually adults going on a trip that come in. Special occasions would be the spray tan. No one under 18 is tanning in his place. The majority of loan request is going to the store, and the projections of the tanning is small.

Walker suggested 5% interest for the lack of collateral.

RIDDLE MOVED, SECOND BY REYNOLDS, TO APPROVE THE \$24,900 REVOLVING LOAN FOR KEVIN AND ALICIA STAHL (RENUÉ DÉCOR & FASHIONS) WITH A 5% INTEREST RATE, AMORTIZED FOR 60 MONTHS. IF THE LOAN IS PAID IN FULL IN 24 MONTHS, THE INTEREST THEY PAID IS CREDITED. THE CONDITIONS OF APPROVAL INCLUDE THAT THE APPLICANT WILL HAVE TO ATTEND THE PROFIT MASTERY COURSE, ALSO PROVIDE CITY STAFF WITH A PROFIT & LOSS STATEMENT, AND CASH STATEMENT QUARTERLY ALONG WITH COPIES OF THEIR TAX FORM AT THE END OF THE YEAR. THE CITY OF PRINCETON IS FIRST IN LINE ON THEIR COLLATERIAL. THEIR INVENTORY IS COMMITTED AS COLLATERIAL.

Stahl said he is okay with the conditions of the loan. His software is online and managed. They use quick books on this so it works good.

UPON THE VOTE, THERE WERE 4 AYES, (WALKER, SNUSTEAD, REYNOLDS, AND RIDDLE) 1 NAY (HALLIN). MOTION CARRIED.

Walker said this will go to the City Council for final approval.

Stahl said he will follow up with Foss.

## **B. Industrial Park Expansion Plan RFP**

The existing businesses within the Princeton Industrial Park are in growth mode and some will be reaching capacity on their existing sites in the near future.

There is some vacant industrial land available for infill development, but it appears that the development of new industrial land is necessary.

The municipal airport, located directly adjacent to the Industrial Park, and the issues with storm water treatment in the existing Park, must be factored into the development of this project.

This project will not only address expansion possibilities for existing businesses, but explore the potential for creating build-ready sites for new businesses to locate in the Princeton community.

Options have been explored for the expansion of the Industrial Park directly to the south of the existing Park, but the request is for all options to be explored.

Other potential areas are existing to the northwest, west, and southwest of the current Industrial Park.

Foss said Carie Fuhrman had Kirstin Barsness (Development Consultant) help put this together. Barsness would like to receive an RFP so she can submit a proposal. This is the final product for the Request for Proposals. Steve Jackson (City Finance Director) believes this looks a little thin, but may be the first stage. WSB Engineering would like a RFP also. There is \$50,000 put aside for this. Foss would like the EDA Board's help in filling in the blank areas. Foss said she talked to Stan Gustafson (Cambridge Economic Development Director) and he said these studies are great for helping with investors. This would be a good combination with the housing study.

Walker said he spoke to Dylan Howard and he said different cities have more information on their towns than our town has. We need that information here.

Foss said she met with Wendy Hendrickson and Hendrickson would design a top 30 most wanted list that we can hand to people and would also be on an electronic form.

Walker asked if anyone wants to add to the RFP.

Reynolds asked if \$50,000 is too high for this study.

Foss said their cost will come in with the RFP's and the EDA Board can decide at that time.

REYNOLDS MOVED, SECOND BY WALKER, TO APPROVE THE REQUEST FOR PROPOSALS FOR THE INDUSTRIAL PARK EXPANSION PLAN FOR THE CITY OF PRINCETON. UPON THE VOTE, THERE WERE 5 AYES, 0 NAYS. MOTION CARRIED.

**C. People's Bank Survey**

Foss said that Amber Wilkinson (People's Bank Office Manager) had given her a "Survey of Community Credit Needs" and wanted the EDA Board to answer the eight questions.

Riddle said the new Loan Manager is not easy to work with. Her husband has been dealing with him and has expressed this.

Snustead talked to Bremmer Bank on a mortgage for a new pastor coming to town and they wouldn't touch a mortgage. Bremmer has shut down their banks in Milaca and Zimmerman.

Riddle said that People's Bank should send this survey to business owners and let them answer the questions.

Foss said she will tell them we chose not to answer the survey.

**D. Grady Clark's EDA Board Position**

DeWitt said that Grady Clark called today and will need to take approximately five months medical leave from his position as EDA Board member. Clark would like to continue to keep his position open for when he is able to come back. He enjoys being on the EDA Board, but would understand if they need for him to resign so they can fill his position.

The EDA Board said they have Mary Chapman's position open to fill yet, but would like to give Grady Clark the medical leave for approximately five months. If they find that they need to fill the position, they will let him know.

WALKER MOVED, SECOND BY HALLIN, TO ACCEPT GRADY CLARK'S MEDICAL LEAVE FROM THE EDA BOARD FOR APPROXIMATELY FIVE MONTHS. IF THE POSITION WERE TO NEED TO BE FILLED, THEY WILL CONTACT CLARK. UPON THE VOTE, THERE WERE 5 AYES, 0 NAYS. MOTION CARRIED.

**MISCELLANEOUS:**

**A. EDA Balance Sheet**

The EDA Board had no comments.

**B. Verbal Report**

**A. John Westling**

Foss said she was approached by John Westling on two pieces of property he owns by the City

Airport. One parcel is seven acres and the other is nine acres. He said he would work with the City if they wanted to purchase it. One of the parcels has a portion that is in the wetlands.

Riddle said this was looked at for the extension of 21<sup>st</sup> Avenue South.

Walker said we did buy land for that.

Foss said she spoke to Steve Jackson (City Finance Director) and he said the City is not in the position to purchase more land. Foss said that Westling has a friend that has developed a product that takes solid waste and reduces it to a potato chip consistency to spread on the land. He would like to bring the product here for development and sell. Foss gave him a couple of names to contact.

Walker said to have him contact ECRDC. Walker wanted to know what has happened to the car charger discussion.

Foss said she thought the total amount for the charger would be over \$1,800. The EDA Board agreed paying for half of that amount that would be no more than \$1,800 and the Chamber would pay the other half. Karen Michaels at the Chamber is looking into this more. Once she finds the information, Foss will bring that back to the EDA Board on what the price is.

**C. City Council and Planning Commission Minutes for January, 2015**

The EDA Board had no comments.

SNUSTEAD MOVED, SECOND BY RIDDLE, TO ADJOURN THE MEETING. UPON THE VOTE, THERE WERE 5 AYES, 0 NAYS. MOTION CARRIED. THE MEETING ADJOURNED AT 7:40 P.M.

ATTEST:

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Thom Walker, President

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Mary Lou DeWitt, Comm. Dev. Assistant