

**THE REGULAR MEETING OF THE PRINCETON EDA BOARD HELD ON APRIL 19, 2012,
AT 6:00 P.M., AT THE CITY HALL COUNCIL CHAMBERS**

Paul Whitcomb called the meeting to order at 6:00 P.M. Members present were Victoria Hallin, Mary Chapman, Grady Clark, Thom Walker, and Cindy Riddle.

Absent was Charles Snustead. (Snustead arrived at 6:03 P.M.)

APPROVAL OF MINUTES FROM THE REGULAR MEETING OF MARCH 15, 2012

HALLIN MOVED, SECOND BY CHAPMAN, TO APPROVE THE MINUTES OF MARCH 15, 2012. UPON THE VOTE, THERE WERE 6 AYES, 0 NAYS. MOTION CARRIED.

UNFINISHED BUSINESS:

A. East Birch Estates Discussion (Deanna Hemmesch, CMHP)

Fuhrman informed the EDA Board on Central Minnesota Housing Partnership (CMHP) was not successful in obtaining tax credit funding through Minnesota Housing last year for the East Birch Estates project. The EDA was supportive of CMHP applying for the tax credit funding again in 2012, and CMHP has been running the numbers to see if it is feasible to apply again this summer.

At the last City Council Study Session, the City Council discussed the possibility of utilizing some of the Railroad TIF District funds to assist in funding the watermain work necessary for the project to proceed. The City Engineer has estimated the assessment that would be charged to the East Birch Estates property would be approximately \$140-175,000. Fuhrman has asked CMHP to run the numbers for two different scenarios: If the City were to cover 50% or 100% of the water assessment costs. After running the numbers, CMHP has determined that there is still a gap in the project funding and would not likely rank very high on the tax credit funding application.

Deanne Hemmesch from CMHP was present to review the project, including a financial summary and the scoring sheet for the tax credit application. The funding threshold for tax credit scores stopped at 95 points. East Birch Estates scored an 88 and this is why it did not receive funding last year. Last year there had been a lot of changes to the program. The 9% fixed rate has changed to a 7.42% reducing the amount of equity that CMHP could receive. This is the main reason for the gap in project funding. The scoring criteria has changed from 2011 too. Points that CMHP claimed last year are no longer available such as; underserved populations and other cost reductions, waiver of some SAC/WAC fees, and sample building permit fees.

The proposal for this project has changed slightly due to the fact that the project will not be securing the additional piece of land adjacent to the property. The cost was more than CMHP thought was appropriate for that piece of land, but it worked with the way the tax credits were being calculated previously. This round it is an additional expense that the project cannot cover. The new proposal would include 30 units instead of the 36 units previously proposed. The townhomes would be removed from the plans. Four of the units would be for homeless.

Hallin asked if there would still be the underground parking on the new plans.

Hemmesch said they have to relook at that. She would have the land appraised to make sure the number she has down is correct. Other associated fees include; WAC/SAC fees, project contingencies, furnishings, architect, legal fees, title, developer fee, environmental, accounting, costs associated with tax credits, construction loan, and a first mortgage. The waiting list for West Birch Townhomes is sixteen families.

Walker asked for the WAC/SAC fees if she credited them for 12 units when doing the figures.

Hemmesch said she did.

Walker asked on yearly taxes for this site.

Fuhrman said she would have to check with Steve Jackson, City Finance Director.

Riddle questioned if the City paid the 100% water assessments fees, there still is a gap in funds, and how would they deal with that.

Hemmesch would look for funding. The funding will not happen unless she can raise the score and she has to do that before filling out the application. A TIF option would help with the tax credit scoring.

Hallin said TIF is hard to give because the School District would not receive funds for extra children that would live at this apartment complex. TIF Funding is hard to justify for this type of project.

Walker said if they were to offer the TIF Funding for this project they would then have to reopen the bidding with all proposals having the TIF option.

Hemmesch said when they were able to use the 9% fixed rate their numbers and score had worked very well. The difference of the fixed rate changing to 7.42% has made it more difficult in the scoring. If they were to have another year she probably could come up with the funds for the gap to make this project work. They will not be able to make the June application deadline.

Walker asked when they will know if they are able to receive the additional funding.

Hemmesch said the tax credit information has recently come out so now they know what is needed for the extra funding. This will be off the table for 2012, but a possibility for 2013.

Walker said they have a score of 88 and need 95. What is the percentage of projects that receive funding.

Hemmesch said 40% are funded in the greater Minnesota area. Princeton would be competing against larger projects. It depends on the areas need. Hemmesch showed a map of Minnesota and Mille Lacs County is marked low for need on this type of project. Sherburne County is higher for the need.

Hallin asked Hemmesch if she had worked on the West Birch townhome project and if so, how long did it take the funding to go through on that.

Hemmesch did work on it, but did not know how long it took to receive the funding. She could find out and let Fuhrman know. They need approximately thirty more points for this project. Additional funding will help their leverage.

Whitcomb asked Hemmesch if they would know later in the year if they receive the amount needed for the gap financing.

Hemmesch said she would know by then.

WALKER MOVED, SECOND BY HALLIN, TO TABLE MAKING A DECISION ON THIS UNTIL OCTOBER. BY THEN CENTRAL MINNESOTA HOUSING PARTNERSHIP WILL KNOW IF THEY WILL HAVE THE FINANCING FOR THE EAST BIRCH ESTATES PROJECT. IF THEY DO NOT QUALIFY FOR FINANCING, THE EDA BOARD CAN DECIDE THEN WHAT TO DO WITH THIS SITE. UPON THE VOTE, THERE WERE 7 AYES, 0 NAYS. MOTION CARRIED.

B. Bergstrom Property Purchase with NSP Funding

Fuhrman informed the EDA Board that at their February EDA Board meeting, there was a consensus from the EDA to pursue purchasing the Bergstrom property and demolishing the home with the remaining NSP funding. Further discussion took place at the March EDA meeting in regards to the possible purchase of the property and the end use of the property.

Fuhrman has looked into the specific questions asked by the EDA:

1. When will the property go into tax forfeiture? 2014. According to the Mille Lacs County Assessor, half of the 2010 taxes and all of the 2011 taxes are still owed on the property. Judgment would have been entered in 2011 for the 2010 taxes, and he would have three years from 2011 to redeem.
2. When does the NSP funding need to be spent by? March 2013.

The property conservator followed up with Fuhrman in early April to express her desire again to sell the property to the Princeton EDA. Wayne at Habitat for Humanity also followed up with Fuhrman to reiterate his interest in obtaining the property for a possible Habitat for Humanity Home. Fuhrman responded to both of them that the EDA was still discussing the project. Wayne emphasized that if the property were to go into tax foreclosure, Habitat for Humanity would likely not have the funds to demolish the structure.

Fuhrman would like to have the EDA's direction on this property. If they would like to move forward and purchase it with the NSP Funding, then decisions would need to be made. To move forward, a number of decisions need to be made, including; would the EDA want to offer the structure as a burning exercise to the Princeton Fire Department, and what would be the proposed use of the property?

Eligible uses include: donation to Habitat for Humanity for the construction of affordable housing, a small park, a community garden, donation to neighbor, or land banking (but the City must have a plan for the future use). The goal of the NSP is that the area will benefit from the end use. It is Fuhrman's understanding that during the previous discussions regarding the Bergstrom property, consideration was given to donating the property to Habitat for Humanity.

Fuhrman said there is approximately \$67,000 of remaining funds in the NSP Program. It could be used for another project also. There is the property north of Bergstrom's that has a sign with Cliff's on it where the buildings have graffiti. That is another possible property on the north end that could also be purchased with the remaining funds.

Chapman commented if the property owners behind the Bergstrom site were aware of the Bergstrom property being sold to Habitat maybe that would entice them to buy it themselves. They may not want another home on that site.

Fuhrman will contact them and see if they are interested in buying the property. Fuhrman said with purchasing the land for \$10,000 and additional expenses, she would estimate that the total price for the Bergstrom property would be \$15,000.

Walker suggested that the EDA could purchase this property and let Habitat pay the expenses for removal of the building.

WALKER MOVED TO PURCHASE THE BERGSTROM PROPERTY (809 9th AVENUE NORTH) WITH THE NSP FUNDS FOR \$10,000 INCLUDING PAYING THE TAXES WITH A CONDITION THAT HABITAT FOR HUMANITY PAY FOR THE REMOVAL OF THE BUILDING WHERE AN AGREEMENT CAN BE PROVIDED BY MAY 17, 2012 EDA BOARD MEETING.

MOTION DIES FOR A LACK OF A SECOND.

Riddle commented that they want \$12,000 for the property and we also would pay the back taxes plus demolishing it. Riddle struggles with wanting to do this. The property owner is walking away with \$10,000 to \$12,000 plus we are paying for additional fees to remove a building that is not livable. She wonders if there is a better use for these funds.

Walker said the NSP funds are for cleaning up properties and bringing tax income back into the community. Having a Habitat home built on this site would add tax dollars back to the City.

Whitcomb suggested offering \$5,000 for this property.

Riddle would be comfortable with offering a lower price.

WALKER MOVED, SECOND BY SNUSTEAD, TO PURCHASE THE BERGSTROM PROPERTY (809 9TH AVENUE NORTH) WITH THE NSP FUNDS FOR \$5,000 ALONG WITH PAYING THE BACK TAXES, AND HABITAT FOR HUMANITY CONTRIBUTE TO THE CLEAN-UP COST. UPON THE VOTE, THERE WERE 7 AYES, 0 NAYS. MOTION CARRIED.

Hallin would like Fuhrman to check in to the two properties that are also vacant on the north end of the City and see if it would be possible to use any remaining NSP funds for those.

NEW BUSINESS:

A. Carol Ossell – Discussion of Riverside Park Amphitheatre

Carol Ossell was present and wanted to discuss the Riverside Park Amphitheatre. She had spoken to Fuhrman and also Scott Berry and the Chamber Board about the Visionary Committee's plan for the Riverside Park Amphitheatre. She is asking for support from each Board in regards to asking for \$90,000 from the Railroad TIF Funds. The \$90,000 would be used to move the watermain that is in Riverside Park so they can move forward with the Amphitheatre Project. Her hope is if other City Boards support the project and the asking of the \$90,000, the City Council may support the idea.

Hallin understands that the river is the focal point of this community. The City of Princeton started out as a logging community. The river is the history of the community and an asset and needs to be a focal point.

Ossell said if the Visionary Committee has to come up with the \$90,000, she believes this amphitheatre will not happen.

Walker asked where the watermain currently is on the property.

Ossell said it runs right through the project and needs to be rerouted. They believe the site chosen for the amphitheatre is the only site for this property that will not cause problems with the DNR issues. She does not agree that one project should receive all the TIF Funds and would like to ask the City Council for a portion of those funds.

Hallin agreed that one project should not receive all the Railroad TIF Funds.

Ossell said they are getting funding to pay for all the fees that have come up. She understands that they have to take bids for this project. She spoke of Rick Johnson and how he has helped so much already on the amphitheatre and what good work his crew has done and hopes he will be able to do this project. They will have approximately \$4,000 left in their fund after the architect is paid. She has submitted a grant application to Shopko and if received they could allocate \$1,000. She is trying for any funding she comes across. She believes if the watermain is moved, and then people will see the project actually taking place and maybe will then contribute to it. Ossell thanked the EDA Board for listening to her and hopefully support in asking the City Council to approve the \$90,000 from the Railroad TIF Funds.

B. Downtown Business Acceleration Program

Fuhrman said that downtown Princeton currently has 16 vacant commercial spaces in a nine block area. Mary Chapman, Barry Kirchoff, (St Cloud Small Business Development Center Director), and herself have been meeting on a regular basis to discuss the health and future of Downtown Princeton. The concept of a "Downtown Revitalization/Business Acceleration Program" has materialized out of those discussions.

Fuhrman said that were 17 vacant properties and now 16. The Bakery is reopening. The goal of the program would be to engage the entire Princeton community in revitalizing our downtown by filling the vacant spaces with successful, sustainable small businesses. With funding raised and donations provided by various entities, the hope is to help provide entrepreneurs and new business owners with the training and capital necessary to start a successful and sustainable business in the downtown area. The funding could be used for business coaching, go towards leasing costs, start-up capital, equipment purchasing, and building improvements.

The idea is to seek funding from a variety of sources including the local banks, Initiative Foundation, local investors, and possibly the City and the Chamber. The East Central Regional Development Commission (ECRDC) also offers a Revolving Loan Fund that could be utilized. In conversations with the Initiative Foundation staff, they were very receptive to the idea, but did acknowledge that other communities are doing similar programs, and so they encouraged us to submit a grant inquiry in as soon as possible. Fuhrman has submitted the inquiry, but has not received a response as of yet.

In order to provide an increased level of community investment, we could also seek to utilize a crowd sourcing funding mechanism, such as Kickstarter. Through this program, entrepreneurs introduce their creative project, Kickstarter reviews and approves the project, and then anyone can contribute money to the venture. People who believe in the project make contributions in exchange for small gifts, like t-shirts or invitations to special events. A local micro-brewery in Bemidji utilized this mechanism and surpassed their goal by several thousand dollars. Fuhrman provided an article on this for the EDA Board to read. The article points out it made the community aware of their business proposal and also showed investors and banks that they were capable of leveraging money. The SBDC is currently working with a client to utilize the program and will be able to guide us through the process.

A marketing campaign would be needed to advertise for individuals to submit business proposals, and review criteria would be established to review the proposals. The results of the recent Chamber survey can be used as an indication of the desires of local residents. To ensure successful and sustainable businesses, a requirement of the program would be that the recipients participate in the Chamber's Business Success Group which is a business mentoring program, and meet with the SBDC on a regular basis to establish a refined business plan, review financing and evaluate business operations. The St. Cloud SBDC has offered to donate 350 hours of counseling services to this program.

The next step in this program would be to bring together the key stakeholders in a community meeting. They would like to invite the downtown property owners, downtown business owners, local realtors, local bankers, EDA Board, City Council, Chamber Board, Initiative Foundation, ECRDC, School District, and Representative Sondra Erickson to the community "group think" meeting. The following items would be discussed at the meeting:

- Go through the "needs analysis" of the vacant commercial spaces;
- Provide the results of the resident survey of downtown;
- Barry Kirchoff would speak on what other communities are doing, experience with the crowd-sourcing funding mechanism, etc; and
- Identify priorities of the key stakeholders, specific buildings, and businesses.

The main point of this meeting would be to get input from the key stakeholders and to form a collaborative effort emphasizing that we really all are working towards the same goal. As Barry Kirchoff has pointed out multiple times, this is going to take more than a few staff people's time and this is a community wide effort.

Fuhrman would like to hold the community meeting on May 17, 2012, starting at 6:00 PM. This would be in place of the regular scheduled EDA Board meeting. Fuhrman would like the EDA Board's input on this.

Hallin suggested having the EDA Board meeting at 6:00 PM and then this meeting at 6:30 PM.

Fuhrman liked that idea and will schedule it that way.

Hallin said the EDA could meet in back room so the Chamber room is ready.

Chapman suggested that an inventory of the vacant buildings of what is needed for updating would be very handy. Hopefully, help get them presentable for showing and off the vacant list.

Fuhrman gave the example of bakery building that had old cakes still in there. They may need to be cleaned up to market them. Fuhrman did speak to someone from an Elk River lender that has two properties downtown and this representative said they are open to suggestions in getting their buildings filled. This person was very responsive to the program.

Riddle questioned how do we find 16 people that are interested in opening a business.

Chapman said the survey the Chamber had done will help show what the community is looking for in businesses.

Fuhrman will put together an agenda on this meeting and have the EDA Board hold their meeting at 6:00 PM in the back room at City Hall and then the community meeting will be held in the Council room at 6:30 PM.

B. Next EDA Meeting ... Community Meeting: May 17, 6-9 PM

The EDA Board meeting will begin at their regular time of 6:00 PM and the EDA Board will meet in the back room at City Hall. The Community Meeting will start at 6:30 PM and be held in the Council room.

C. Results of Chamber Resident Survey of Downtown Princeton (Mary C.)

Mary Chapman spoke on the survey the Chamber had done. Chapman said the prices and the hours the businesses are open is the biggest reason residents do not shop in Princeton. They would like the businesses to be open later in the evening. The Town and Country Shopper seems to be the most viewed for advertising.

Snustead asked what Kolh's would have that Ossell's does not.

Ossell said it is hard to compete with the prices.

OLD BUSINESS:

A. 2012 Economic Development Strategic Plan

Fuhrman wanted the EDA Board to have their own copy of the Economic Development

Strategic Plan. There is also a copy available on the website.

B. Electron Community Sign Update

Fuhrman introduced the joint community/school sign idea to the City Council at their April 5, 2012 Study Session, and the discussion was positive.

The sign committee is currently exploring location possibilities and working to get preliminary costs. The committee will meet again on May 1st.

This is just for information only. If the EDA has any comments or questions they would like to addressed with the sign committee, Fuhrman would be happy to pass them on.

C. Aero Business Park Update

Fuhrman said she is still waiting for the updated information on the JOBZ bill and then will bring that information back to the EDA Board. She looked into the "Finder's Fee" suggestion that Walker had brought up. The City of Cambridge had tried this program, but it is not working for them. She gave the EDA Board a copy of their guidelines.

Riddle commented that once 21st Avenue is completed it should help sell the lots in Aero Business Park.

Walker agreed. 21st Avenue is the top on the list for projects needed to be completed.

MISCELLANEOUS:

A. EDA Balance Sheet

The EDA Board had no comments.

B. Verbal Report

1) RRHS RLF Application

Fuhrman said she spoke to the City Attorney and a public hearing would be needed if funds over \$25,000 were given from the Revolving Loan Fund. The amount for the loan for Rum River Health Services will be at \$24,999 to purchase their software.

2) Partners in Workforce Development Meeting (Mary C.)

Chapman attended the meeting and gave the EDA Board a handout. Those that were invited to attend the meeting were Central MN Chambers and EDA members. Chapman gave a brief update of the meeting. Central MN is growing faster than any other area in the state. Health

Care and manufacturing is the highest job areas. They brought up the idea of different businesses hosting the EDA Board meetings. That is a very unique concept and has gone over favorably. It would be nice if the commuter line could come to Princeton in the future. They commented that the EDA Boards are working with the Chambers more and that is working out great. They also spoke of a Youth Workforce that businesses mentor students to help them learn a skilled craft. The students work for them while continuing to go to school. There seems to be a high risk of students dropping out of school and this has been helping them complete an education and also learn a skill that they may want to continue after school or go on to Trade School.

The EDA Board liked the idea of having meetings once in a while at a local business and seeing their operation.

Fuhrman will look into having meetings at local business.

3) Small Cities Development Program Update

Fuhrman said that Lakes and Pines has given her an update on the Small Cities Development Program. There have been five residential applications approved and one has begun for commercial for the City of Princeton.

C. City Council and Planning Commission Minutes for March, 2012

The EDA Board had no comments.

WALKER MOVED, SECOND BY SNUSTEAD, TO ADJOURN THE MEETING. UPON THE VOTE, THERE WERE 7 AYES, 0 NAYS. MOTION CARRIED. THE MEETING ADJOURNED AT 8:12 P.M.

ATTEST:

Paul Whitcomb, President

Mary Lou DeWitt, Comm. Dev. Assistant