

**THE MEETING OF THE EDA BOARD HELD ON AUGUST 18, 2016, AT 6:00 P.M.,
AT THE CITY HALL COUNCIL CHAMBERS**

The meeting was called to order at 6:00 P.M., by Thom Walker. Members present were Genny Reynolds, Sharon Sandberg, and Troy Minske. Staff present were Jolene Foss (Comm. Dev. Director) and Mary Lou DeWitt (Comm. Dev. Assistant).

Absent was Charles Snustead and Victoria Hallin.

AGENDA ADDITIONS / DELETIONS:

Foss added to the Verbal Report, Item 5, Regional Labor Market Analyst and Item 6, Greater MN Parks and Trails to the verbal report.

MINSKE MOVED, SECOND BY SANDBERG, TO ADD TO THE AGENDA UNDER VERBAL REPORTS, ITEM 5, REGIONAL LABOR MARKET ANALYST AND ITEM 6, GREATER MN PARKS AND TRAILS. UPON THE VOTE, THERE WERE 4 AYES, 0 NAYS. MOTION CARRIED.

APPROVAL OF MINUTES FROM REGULAR MEETING ON JULY 21, 2016

REYNOLDS MOVED, SECOND BY SANDBERG, TO APPROVE THE MINUTES OF JULY 21, 2016. UPON THE VOTE, THERE WERE 4 AYES, 0 NAYS. MOTION CARRIED.

UNFINISHED / OLD BUSINESS:

A. NSP Update

Community Development Director Memo:

It is with great disappointment that Central MN Housing Partnership informed us that the West Branch Housing Proposal was not selected to be funded for the 2016 MN Housing Multifamily RFP.

Due to the strong demand for limited resources, Minnesota Housing Finance Agency was unable to select CMHP proposal.

MN Housing Finance Agency received 70 multifamily applications requesting over \$34.8 million in tax credits and \$195 million in deferred loans. They are able to fund approximately 1 in 5 proposed projects.

CMHP has requested that we continue to work with them in the future to schedule a technical assistance meeting with MN Housing Finance Agency in the fall and possible apply for the next round of potential funding.

*****End of Staff Memo*****

Foss said they were suppose to have a debriefing on this, but it will be moved to another date.

Maybe funds will be available in the future for them. MN Housing included the score summary sheet. It came in very close between the two. We need to have 93 points to be competitive. We scored only 80. MN Housing maybe will have other suggestions for this Arcadian land site.

Walker said to qualify for this program it needs to be 80% affordable housing.

Foss said yes, for 25 years.

Reynolds said we needed 93 points and they scored 84.

Walker commented that their achievable points stay the same each year.

Foss said no, it changes each year. HUD and the federal funding through MN Housing Finance are in control of this. She will let them know what MN Housing Partnership and NSP say after they meet.

Sandberg asked what economic integration means that is on the score summary sheet.

Foss did not know.

Reynolds said she will find out. Reynolds said it would be helpful for the next round to focus more on what we do not have and that is workforce housing. This would be helpful for single people who have the money to move into an apartment if they get a job here. Maybe the Industrial Park business owners would write a letter of support saying they have availability in the workforce and need housing availability. She was told that would be helpful.

Foss said it is a bummer because water looping was done there.

B. Stahl Co. and Bursch / CMAC Default Judgement

Community Development Director Memo:

Kevin and Alicia Stahl of Stahl Companies were recipients of the Revolving Loan Fund given through the EDA for the amount of \$24,999.

Wendy Bursch of Central MN Art Coop was the recipient of the "It Starts Here Forgivable Loan" for the amount of \$10,000.

The City Attorney has informed me that it would cost approximately \$1,500 per file to obtain default judgements for each of the parties mentioned above. The cost consists of an estimate of \$700 per file for attorney's fees and the rest consists of court filing fees, costs of service, etc.

With regard to the Stahl Companies there is no Guaranty and the judgement would be against Stahl Companies. We could attempt to get a judgement against Stahl's based on the conversion of collateral. Changes are that action would be opposed and therefore the fees would be higher. There is a chance of some recovery being awarded on that type of claim. The problem being what value can be placed upon alleged converted collateral and the fact that the final result would be a judgement against the Stahl's personally, which still might not be collectable.

With regard to the Bursch matter, she signed as a Guarantor and therefore we would also enter judgement against her personally. The judgement is good for 10 years unless removed by bankruptcy. Collections on small business judgements are not very likely, but the personal judgement may result in something.

The attorney suggest that we proceed with obtaining a judgement on each file and then continue to monitor possible collection alternatives.

*****End of Staff Memo*****

Foss said this is up to the EDA Board.

Walker said you hate throwing more money into this.

Minske said that is true, but where does it stop.

Foss said it was poor business procedure from the two who defaulted on their loans.

Sandberg questioned if we have any other attorney fees that were done this year. We are looking at \$3,700. She believes we have to do something about this.

Minske agreed, if more money needs to be spent to make up for money lost, it would be making a point that we do not just look away.

Sandberg said there were people that donated funds or work for the "It Starts Here Forgivable Loan" they need to see we are following up on this.

Minske asked if we could negotiate on the attorney fees.

Foss does not think so.

Walker said if they claim bankruptcy then you will not get funds back. There was a medical issue on one of them that could force them into bankruptcy. He does not think we will see funds coming back on this. No one here thought it was a great loan to make, but we wanted to show support for the downtown. That is part of our job where we take a chance once in a while. We took a chance to fill in the empty spots.

Reynolds asked if anyone who was issued a loan paid it back.

Walker said High Tech is.

Sandberg believes that we should try to get the funds back.

Minske said moving forward we have to look at this as a learning lesson and from here on out we are more stringent on giving loans out.

Foss said she supports what the EDA decides.

Walker said in the future we could be a partner with a bank instead of being the only lender where they cannot get all the funds from the bank we could contribute some. The bank would help looking into their borrowable funds.

Reynolds wondered what East Central MN does if their loans default.

Foss could ask them what they would do if there is a default on one of their loans.

Minske said it would be 10% of the loan proceeds to go after them for defaulting.

Reynolds said we would have to go after both.

Foss agreed.

Walker said by going after them would stop them from getting a loan from someone else.

Minske said spending another \$3,000 is what we are looking at. Maybe they would give us something instead of nothing.

REYNOLDS MOVED, SECOND BY SANDBERG, TO INSTRUCT THE CITY ATTORNEY TO PROCEED WITH OBTAINING A JUDGEMENT ON EACH PARTY TO OBTAIN THE LOAN FUNDS THAT ARE IN DEFAULT. UPON THE VOTE, THERE WERE 4 AYES, 0 NAYS. MOTION CARRIED.

NEW BUSINESS:

Home Improvement Loans and grants. This is for low income families who own a single family home in need of repair. Low interest loans for essential repairs. Grants available to remove health and safety concerns. Terms of up to 20 years. Applications are filed with the local Rural Development area office.

The following eligibility requirements apply:

- You must own a single family dwelling in need of repair.

- You lack personal resources which can be utilized to pay for needed repairs.
- Your household income cannot exceed 50% of the median county income.
- You must be a US citizen or a non-citizen legally admitted for permanent residence or on an indefinite parole.
- You must possess legal capacity to incur the loan obligation.
- You must be 62 years of age or older to qualify for a grant or combination loan and grant.
- You must live in a rural area or a community with a population of 20,000 or less.
- You must demonstrate a positive credit history.

Foss said this program is still in effect. We meet the community population of 20,000 or less and a positive credit score history.

Reynolds said the income scale looks less than the Small Cities Development Program.

B. MN Emerging Entrepreneur Program

Upcoming Workshops for Minnesota Emerging Entrepreneur Program. The Minnesota Department of Employment and Economic Development is currently requesting applications for Minnesota Emerging Entrepreneur Program. The program provides funding to local nonprofit corporations that will use these funds to make loans to Minnesota businesses majority-owned and operated by minorities, low-income persons, women, veterans, and/or persons with disabilities.

The initial funding for this program is expected to be approximately \$2,000,000 with additional annual appropriations of \$750,000. The program is expected to fund loans to 30-50 businesses annually. The amount of funding to any one applicant for loans will depend on a variety of factors including the lending area covered by the applicant, as well as its capabilities and lending experience.

Three workshops will be held to discuss the RFP and answer questions about the application process; Brainerd, Mankato, and St. Paul. The workshops are held the third week in August for one afternoon in each of the three areas.

Foss said this is a fairly new program. Nonprofit gets the funds from DEED. This is another vehicle for business development. She might attend the meeting. She will see if the ECRDC and Lakes and Pines will administer the funds.

Reynolds said she is on the board for those two and she may attend and ask them.

Walker said he and Reynolds are on the ECRDC and they will ask who will administer the funds.

C. Workforce Housing Grant Program

Qualified expenditures for market rate residential properties which include: Acquisition of property, construction of improvements, provisions of loans or subsidies, grants, interest rate subsidies, public infrastructure, and related financing costs for market rate rental residential properties. The city/community certifies that the grant funds will be used for qualified expenditures for the development of rental housing to serve employees of businesses located in the city.

Properties that are rented at market value, including new developments, new modular homes, new manufactured homes, and new manufactured homes on lease land or in a manufactured home park. DEED will require a copy of the contract between the city and the property owner that requires that the project remain a market rate residential property for at least 15 years.

Eligible project areas with less than 18,000 people will be given preference. The amount available for all grants is \$2,180,000 for fiscal year 2017. The amount of an individual grant may not exceed 25 percent of the total rental housing development project cost. The awarded grant shall be matched by a local unit of government, business, or nonprofit organization with \$1 for every \$2 provided in grant funds. Grants are on a competitive basis. Requests for less than 25% of total development costs will be more competitive. Applications for 2017 funds will be available online March 18, 2016. 2017 application are due in the DEED office by 4:40 P.M., November 10, 2016. Projects must be ready to start construction within 12 months of award notification.

Program requirements:

- The average vacancy rate for rental housing located in the eligible project area, and in any other city located within 15 miles or less of the boundaries of the area, has been five percent for less for at least the prior two-year period;
- One or more businesses located in the eligible project area, or within 25 miles of the eligible project area, that employs a minimum of 20 full-time equivalent employees in aggregate;
- Business(es) provides a written statement that the eligible project area has a lack of available rental housing which has impeded their ability to recruit and hire employees;
- And the eligible project area has certified that the grants will be used for qualified expenditures for the development of rental housing to serve employees of businesses located in the eligible project area or surrounding area.

Foss said this is just for their information. It does say that State prevailing wage does apply to the use of these funds. She has Mille Lacs County prevailing wage if anyone needs it. She will email it out to the EDA Board. A Developer pays the prevailing wage and pays 25% for the grant.

D. Youth Apprenticeship Program

Starting a Youth Apprenticeship Program

- Step 1 – Assess the Local Community
- Step 2 – Form a Partnership Council
- Step 3 – Design the YA Program
- Step 4 – Select YA Program Offerings
- Step 5 – Create Awareness
- Step 6 – Recruit Employers
- Step 7 – Secure Approval
- Step 8 – Recruit Students
- Step 9 – Train Instructors and Mentors
- Step 10 – Develop Operational Procedures

Foss said she went to the meeting on this in St. Paul. Julia Espe and a few others from the Princeton District Office were there. She also seen the person who does the hiring at Glenn Metal Craft at the meeting. Step Two requires a long term commitment. Whoever starts this it is for the long run. It will take a number of years to show results.

Minske commented that they have “On the Job Training” at the Princeton High School.

Walker asked what is in it for the business that joins this program.

Foss said we have a regional representative for our region. There is also an onsite youth apprenticeship person available. There is a lot of steps to this program. She does not know what the reasoning would be for an Industrial Park owner to want to do this program. The key is to meet the competency of the State standards. She will send a breakdown of this to the EDA Board that explains it more.

Reynolds said if they hire teachers that worked in that industry, the students get funds for completing the credits.

Foss said there is consideration of having minors around machinery or chemicals in the industrial building. She will talk to Espe and see if she wants to set a meeting for this.

Walker said he is trying to figure out how this is going to work. A business does not want to spend the time training and the employee might leave.

Reynolds suggested to table this till the September 15, 2017 EDA meeting, where more information is provided on this.

Foss said she will look into this more and send information to the EDA Board.

REYNOLDS MOVED, SECOND BY SANDBERG, TO TABLE THIS ITEM UNTIL THE SEPTEMBER 15, 2017 EDA BOARD MEETING WHERE MORE INFORMATION IS PROVIDED FOR REVIEW. UPON THE VOTE, THERE WERE 4 AYES, 0 NAYS. MOTION CARRIED.

MISCELLANEOUS:

A. EDA Balance Sheet – Steve Jackson presented an overview of the Balance Sheet. This item was moved up on the agenda for his convenience.

Jackson said that he was ill for a few weeks at the beginning of the year and he understands there are a couple monthly reports missed. The Balance Sheet is for July 31st and the other is January thru July 31st. You can see the tax receipts we get twice a year. The 2015 transfer from the general fund was recognized for 2016. The rent received for the Public Safety Building debt has been refunded because the City refinanced the loan. The payments will still be from the City Liquor Store funds. He believes the Balance Sheet is easy to see and read. The Railroad Redevelopment Project and Industrial Park Development have no transactions and no receipts. We will close out the TIF District for the Railroad Redevelopment and the money will be returned to the county and that is given back to the School District, County, and City. When Aero Business Park was developed we spent over a million dollars in buying it and paying off the assessments. He believes that we need to get more aggressive on what the real value is on the property to get someone to develop on that land.

Foss mentioned the School District is interested in purchasing lot one by First Street for the Alternative Learning Center Program.

Walker said they should take the two by the police station.

Foss said she did tell them about Butch Drew's corner lot by 21st Avenue North and John Westling has a lot by the hockey arena. The Alternative Learning Center is currently in modular buildings at the high school.

Sandberg asked on the section of the Balance Sheet that has salaries and fringe benefits.

Jackson said 40% is Foss and 1/3 is DeWitt's.

Sandberg asked on the Loan Collection Charges.

Jackson said that is for the work on Stahl's and the Art Coop.

Sandberg said it would cost \$3,000 - \$4,000 for Attorney fees on those.

Foss said yes.

Sandberg asked on Aero Business Park if we are still taxed since it is the City's property.

Jackson said for sewer, water, and street improvements is what we are paying for.

Sandberg said we should recoup what was spent.

Foss said there would be some funds recouped.

Sandberg asked on the Industrial Park work.

Jackson said the Industrial Study fee. It shows up here, but it was from the CIP budget.

Foss said what we are showing is not the full amount.

Walker said it is a wrap up from the previous year.

Jackson said the difficult thing with Aero Business Park is the development at the time was not the best timing. The upfront cost would have been less, but now we have made the assessment payments and we have to recoup those. Realistically he believes the property will not sell for a million dollars for that area.

Sandberg asked what we want to sell it for.

Foss said, we are selling it below the market value, \$2 a square foot plus assessments.

B. Verbal Report

1) Ascend Aviation

Minske said it sounds like this fits in with our goals for an educational program. It has been the person who wants to start this goal for many years. This guy has a lot of interest in this. He was trying to put a building together in Maple Lake and it did not work out. He would like to have a space to start the school.

Sandberg said Maple Lake may be a possibility still.

Minske said it is a maintenance school for aircraft. It would be transmission and body work.

Walker said they could use part of the FAA building and a hanger.

Sandberg added that it would involve work space for a classroom, paint booth, and engine work area. Sandberg see's the flight service station as the classroom.

Foss said the flight service station building may be sold.

Sandberg said they cannot sell it. They have to continue to lease it with the FAA and are leasing part of it to the DNR.

Foss said if the City or EDA can help move this forward to let her know. It's a perfect fit to have that here.

Walker commented that there are new platted spots that they could use.

2) Small Cities Development Program

Foss said this program will expire on December of 2017.

Reynolds said she thinks it expires on December, 2016.

Foss will check.

Reynolds said Mille Lacs County is going to have this for the rural areas outside the city.

3) Sherburne County Community Partner Meeting Update

Foss said this was a couple weeks ago. The Sherburne County building will be remodeled and they are adding on a huge addition. At the meeting they talked about Tri-Cap and the public transit. They have energy efficient programs along with a few others.

4) GPS 45:93

Foss said she went to this meeting and JohnnyPops is looking for a 225,000 square foot building. A solar place is also looking for a place. She had a call from Raht Mobile that is looking for a site. It is an electrical vehicle. It can also be pedaled and does highway speed. They talked about E Ride and they could partnership with them. They are looking at the building by E Ride. Foss is going to meet with them. There were others businesses looking for spaces and investment money.

GPS 45:93 is looking at restricting their program. They are thinking of leaning more towards private members so more funds come in for economic development.

5) Regional Labor Market Analyst

Foss said she received this and thought the EDA Board may like to review what occupations are in demand and wages.

6) Greater MN Parks & Trails

Foss said the City did not receive the Greater MN Parks & Trails Grant. We did not get the regional significance where we did not have enough acreage or connecting trails. We will have to wait another year to apply for this grant. Sherburne County is going to try to collaborate with Mille Lacs County and they will work with Wild and Scenic Regional Parks.

C. City Council and Planning Commission Minutes for July, 2016

The EDA Board had no comments.

MINSKE MOVED, SECOND BY REYNOLDS, TO ADJOURN THE MEETING. UPON THE VOTE, THERE WERE 4 AYES, 0 NAYS. THE MEETING ADJOURNED AT 7:33 P.M.

ATTEST:

Thom Walker, President

Mary Lou DeWitt, Comm. Dev. Assistant