

PROCEEDINGS OF THE ST. CLOUD ECONOMIC DEVELOPMENT AUTHORITY

A meeting of the St. Cloud Economic Development Authority was held on August 3, 2011, at 11:30 a.m. in City Hall Conference Room 1. Members present were Gruenes, Johnson, Lenzmeier, Libert and Siyad. Euerle and Lawson were absent. Staff present were Mehelich, Campion and Norman.

Approval of Minutes: Lenzmeier moved to approve the minutes of July 6, 2011. Siyad seconded the motion, and it carried unanimously.

Consideration of Resolution Approving EDA Bylaws: Cathy Mehelich, Economic Development Director, explained that several changes were made to the bylaws as a result of the concerns expressed by the Commission at the last meeting regarding budget oversight and unexcused absences. Mehelich stated that EDA statutes require EDA review and approval of financial statements. She noted that preparation of those statements is very complex; therefore, it will take some time to work out in what format the financial statements can be provided to the EDA. They will be forwarded to the EDA when ready. Relative to the procedure for Commissioner removal, a hearing process is required under EDA Statutes. That Statute number is referenced in the bylaws. Also, at the last meeting, a question was raised as to what constitutes a conflict of interest. Mehelich noted that several years ago, the legislature made significant changes to EDA law regarding conflict of interest. She referred to the extensive section on conflict of interest in the EDA Handbook. She explained that if a Commissioner has an interest in an EDA funded project or it involves an EDA decision, the Commissioner must refrain from discussion and the vote. However, if it is a City funded project and the City Council is the decision making authority, the Commissioner would be allowed to participate. City Attorney Matt Staehling has offered to make a determination if there is a question on conflict of interest. Chairperson Gruenes pointed out that relative to the Mayor, City Council member or the members of any City board, commission or committee, Section II.B of the City's Ethics Policy

states that "...your business cannot sell goods and services to the City---even if you do not participate in the process." He believed that is a very broad statement and needs clarification. Lenzmeier commented that when she does volunteer work for the City, the City will buy dinner for her for providing these volunteer services. She questioned if that would be considered a conflict of interest and asked if there is a different provision for appointed and elected officials. Gruenes said he believes the Commissioners would still be considered public officials; Mehelich concurred. Gruenes again requested clarification on the language he previously referred to in II.B. of the City's Ethics Policy regarding Conflict of Interest. Libert moved to approve the "Resolution of the Economic Development Authority of the City of St. Cloud, Minnesota Approving Bylaws." Siyad seconded the motion, and it carried unanimously.

Consideration of 2012 EDA Budget and Resolution Establishing the EDA Tax Levy:

Mehelich stated that there have been no changes in the dollar amounts in the EDA budget between last month's discussion and this month. However, the Finance Director has indicated that it is the City's goal to show a balanced budget. Mehelich noted there is a difference of approximately \$2,000 between the revenues and expenditures. She requested that a motion to approve the budget include a reduction in revenues of \$2,000 from the interest in order to balance the budget. John Norman, Finance Director, stated that he believes that it was an oversight when the budget numbers were entered. Mehelich noted that last month there was discussion regarding metrics and the Indicators of Success. The measurements of success for the Economic Development Department are primarily business retention and expansion projects, marketing activities, business developments, job creation and retention, leveraging outside sources and tax base growth. The indicators will be tracked in this first year and goals established in the strategic planning process. Mehelich noted that she included information from the Downtown Council which explains the benefits the City receives for its dues payment to the Downtown Council. She stated that there may be an opportunity for the EDA and City Council to discuss the level of financial participation from the EDA as some of the Downtown Council's activities may be more closely related to the Park & Recreation Dept. and general

marketing. Mehelich pointed out that at this point the level of financial participation in the Greater St. Cloud Development Corp. (GSCDC) is an estimate at this time. Chairperson Gruenes believed that the Downtown Council does provide good services from a business and economic development standpoint; however, it appears that the Park Dept. also derives a large benefit from their services. Lenzmeier moved to approve the Economic Development budget subject to a reduction in revenues of \$2,000 from interest. Siyad seconded the motion which carried unanimously.

Lenzmeier moved to approve the "Resolution Adopting the Special Levy for Payment in the year of 2012." The motion was seconded by Libert and carried by a vote of 4-1 (Johnson opposed).

Consideration of Resolution Authorizing Approval of Modifications to the Approved

Contract for Private Development with Microbiologics, Inc.: Mehelich noted that the EDA approved the TIF and the contract for private development with Microbiologics last month. Approval of the City Council is required for any tax increment financing district and business subsidy over \$150,000. At the City Council meeting, changes were incorporated into the contract for private development. The new language prohibits the transfer of development property and assignment of the subsidy agreement; and the second change is in the business subsidy agreement, making the provisions for failure to achieve job and wage goals more restrictive for the company and more beneficial to the City and EDA. The City Council as well as Microbiologics have approved these changes. Lenzmeier asked why the City would want to restrict the ability to transfer the property and the assignment as it seems it would place a greater burden on the City. Mehelich responded that since the City is providing a financial subsidy, the Council wanted to be assured that the business stays in operation for the term of the assistance. She added that the business would be allowed to transfer subject to EDA approval. It is similar to language that was also added to the Marco project. Lenzmeier commented that if the alternative is for the company to fail, she believed transfer should be allowed. Mehelich stated that consideration should be given to whether the new company can complete the obligations of the agreement. Libert explained that the City Council felt that every project should include the option for the EDA to either approve or deny a transfer. Mehelich stated

that last month the EDA approved the business subsidy agreement which stated that if the company did not achieve job and wage goals, the dollar amount would be reduced by approximately \$200/job. In subsequent negotiations, the amount was increased to almost \$2,000/job if they did not meet the goal. Libert moved to approve the "Resolution of the Economic Development Authority of the City of St. Cloud, Minnesota Authorizing the Approval of Modifications to the Approved Contract for Private Development with Microbiologics, Inc." with the two amendments. Johnson seconded the motion, and it carried unanimously.

Discussion of Economic Development Strategic Planning Process: In reviewing past minutes, Mehelich noted that there were preliminary discussions regarding the strategic planning process which was suspended until the EDA Director was hired. Also, the GSCDC's visions and goals should be completed in October and will be considered during the strategic planning process. Mehelich pointed out the four examples of Strategic Plans from other cities. She asked for input from the Commission relative to the desired background detail, whether some components of the plan will require outside consultant services, and the timeline for the process. A typical timeframe would be three to six months. Lenzmeier said that initially, she does not believe the level of detail found in the Madison, WI plan is necessary. She said the plan should be an evolving document that is reviewed/updated annually. Chairperson Gruenes stated that the GSCDC will vote on August 4 on eight strategic objectives for the EDA: 1) Growing business; 2) Act as a talent magnet; 3) Expand manufacturing base; 4) Being a transportation hub, in particular, attracting commercial air service; 5) technology cluster; 6) Engage leaders in the work of the GSCDC; 7) Healthy lives; and, 8) Vibrant downtown. He said the EDA should consider how they can play a part in achieving those objectives. Gruenes said he does not believe an outside consultant will be necessary to complete the plan. Demographic information can be obtained from other sources such as the State Demographer's Office. Lenzmeier recommended that the EDA either meet with the State Demographer's Office annually or at least receive an annual report from them. Libert suggested that the plan not be too complicated. Gruenes suggested that it would probably take three or four meetings before the Plan

would be adopted. It needs to have clear goals, state how successes will be measured, and should tie back into the budget. Chairperson Gruenes recommended that three board members be part of the planning process for the strategic plan and decide how the public will be engaged in the process, e.g. public hearing, survey. Lenzmeier and Chairperson Gruenes volunteered to serve on the subcommittee. Mehelich stated that she concurs that a consultant would not be necessary to compile the demographic information. However, the subcommittee can consider whether they want to utilize in house staff (Matt Glaesman and Mike Williams) to facilitate the process or whether it should be contracted out. She stated that it may be the Board's preference to contract out for gathering input from various key stakeholders. Libert said that if the purpose of the public process is to get public opinion, he does not believe that will be extremely valuable. He thinks that certain groups need to be targeted in order to receive the desired end result. Lenzmeier suggested that the EDA could take their presentation to the Chamber of Commerce because the business community needs to support the plan. Gruenes asked that the Board consider whether the strategic plan should be limited to the eight priorities of the GSCDC. Libert suggested a public survey be taken. Siyad commented that certain groups need to be targeted rather than holding a general public hearing. Mehelich emphasized the importance of differentiating between the GSCDC and the EDA processes. Gruenes stated that the EDA plan could be more specific than the GSCDC's plan. He recommended that all the EDA members share their comments with the subcommittee. He also suggested that it be a three-year plan.

Director's Report: Mehelich informed the Board that there are three development prospects in various stages and two expansion projects. She pointed out that the City Council approved the Microbiologics expansion project, and the City is processing an application for State grant funds to be awarded to the City that would, in turn, be provided to the company. Relative to organizational issues, Mehelich said staff is attempting to compile a list of the EDA's assets in terms of buildings, lots, etc. to determine marketing strategies as well as a list of the EDA's obligations (TIFs, loan funds, etc.). Mehelich stated that in the next few months, she will bring to the Board draft policies for TIF

applications and tax abatement. The policy guidelines will help create a more streamlined application process and better alignment between the EDA and the City Council on the use of the incentives. Mehelich noted that she is participating in the GSCDC's strategic plan process which offers her an opportunity to build partnerships with other entities. Also, shovel ready sites will be uploaded onto the DEED website. Consideration must be given to signage to place in the business parks. Mehelich said she has had requests to call a Business Park Control Committee comprised of partners, owners and/or investors to update them since the transfer from the HRA and to talk to them about future marketing goals and objectives. Mehelich informed the Board that Tammy Campion, Senior Planner, has been working on the EDA website in conjunction with the City's updated website. The new City website will be launched in November.

Mehelich stated that the City received an application for tax abatement today from Dubow Textiles located on Lincoln Ave. The abatement would include both City and County participation for a combined total of approximately \$45,000. The City's portion would be \$17,348. The project would be a 12,500 sq. ft. expansion onto the existing 22,000 sq. ft. facility. The project investment is \$800,000. The tax abatement would assist the company in upfront capital costs and allow them to ease into the increase in taxes that would be generated as a result of the project. Only new taxes generated from the expansion would be abated for a period of three years followed by incremental increases to ease the company into the new tax stream over an eight to nine year period. Mehelich asked the Board for direction on this project as applicant would like to begin construction in September or October. Libert asked how many new jobs would be created. Mehelich answered that five new jobs are proposed, and there have been eight new hires in the last four months. Chairperson Gruenes asked why applicant is applying for tax abatement rather than TIF. Norman explained that he did not believe the project would meet the statutory requirements of TIF. Chairperson Gruenes asked if the \$45,000 includes the City's fees, and Mehelich responded that it does not. Libert suggested that Benton County act on the request first, followed by the City. Lenzmeier was apprehensive about delaying a decision as the City has been aware of this project for

months. Mehelich clarified that she has communicated to Dubow Textile that there is a statutory process that must be followed for tax abatement projects; and therefore, they may not meet their September deadline. Libert explained that he wants to be sure that everything is in order on the project before taking action as the previous projects considered by the City Council have not been “clean” deals. Mehelich explained that she was not part of the initial process on the Marco and Microbiologics process. Chairperson Gruenes commented that the history of public subsidies in the City indicates they haven’t been used that frequently. They have primarily been used on major redevelopment projects and those that create significant public benefit/job creation. His concern would be that if this project were approved with public subsidy, every small expansion may have a request for assistance. Norman noted the costs for legal counsel are the same whether it is a large or small project. Lenzmeier questioned if business counseling should be provided as an alternative to a subsidy. Chairperson Gruenes said that a gap lender with a favorable interest rate may provide a greater benefit to the owner. Mehelich indicated she is working with Benton County Economic Development on a revolving loan fund that may be better suited for the project needs. Mehelich stated that this type of situation should be part of the EDA’s strategic planning discussions to identify the types of business development projects to focus staff and financial resources.

Adjournment: There being no further business, the meeting was adjourned at 12:45 p.m.

Vicki Perske, Secretary