

PROCEEDINGS OF THE ST. CLOUD ECONOMIC DEVELOPMENT AUTHORITY

A meeting of the St. Cloud Economic Development Authority was held on April 4, 2012, in City Hall Conference Room 1. Members present were Euerle, Gruenes, Lawson, Lenzmeier, and Siyad. Libert was absent. Staff present were Mehelich, Campion and Norman.

Approval of Minutes: Euerle moved to approve the minutes of the regular meeting of March 7, 2012, and the special meeting of March 26, 2012. The motion was seconded by Lenzmeier and carried unanimously.

Resolution Providing Preliminary Approval and Approving Issuance and Sale of Revenue Refunding Bonds (SCSU Foundation Project), Series 2012A: John Norman, City Finance Director, noted that this item should have been listed on the agenda as a public hearing. He explained that in 2002, SCSU issued private activity bonds that went through the HRA for approval as required by State Statute and was subsequently approved by the City Council. SCSU now has an opportunity to refinance the bonds at a much better interest rate. The City has an adopted policy on the use of private activity bonds for educational facilities. The policy also sets a fee for the City for the transaction. It is capped at \$50,000, which would be the fee for this particular transaction. Norman noted that this issue net of attorney fees, advisor fees, and the City fee would save the Foundation an estimated \$1 million or \$140,000 annually. That would be a 10% annual savings on the debt service payment. He stated that he and the City Administration would recommend that when the \$50,000 fee is paid to the City on closing, the money be placed in the EDA's General Fund. Chairperson Gruenes opened the public hearing and invited testimony on the request. The following persons testified:

Craig Wruck
SCSU

He is Vice-President of University Advancement at SCSU and is also the Executive Director of the St. Cloud State University Foundation. He pointed out that the savings resulting from the refinancing of the bonds will benefit the students as it is the student activity fees that pay for

these bonds. The Foundation's Board of Trustees approved this transaction at its last meeting.

There being no one else wishing to speak, the public hearing was closed. Lawson recused herself as she has a conflict of interest. Lenzmeier moved to approve the "Resolution Providing Preliminary Approval and Approving the Issuance and Sale of Revenue Refunding Bonds (St. Cloud State University Foundation Project), Series 2012A, and Authorizing the Execution of Documents Relating Thereto". Siyad seconded the motion which carried by a vote of 4-0-1 (Lawson abstaining).

Resolution to Consider Granting Approval of a Term Sheet Between the EDA and Loghouse Enterprises, Inc. for Development of Property Located at 3358 Southway Drive and

Authorizing the Preparation of a Development Agreement: Cathy Mehelich, Economic Development Director, stated that the application from Loghouse Enterprises dba Executive Express was reviewed by staff and it meets the minimum qualifications. Minor revisions were made to the scoresheet based on recent EDA discussions. Executive Express (Larry and Connie Logeman, owners) is proposing a renovation and expansion of its existing facility at 3358 Southway Dr. The proposed project includes new construction of approximately 2,000 sq. ft. for van storage and maintenance and expansion of 2,000 sq. ft. for office space. The amount of assistance being requested is \$85,250 structured as a deferrable or forgivable loan over a 5-year period. The total project cost is estimated at \$485,000. The project would create 9 new full time jobs with an average wage of \$16.44/hr. in addition to retention of 17 full time jobs. Larry Logeman, Executive Express, introduced Eric Peterson of Farmers and Merchants State Bank, the lender, as well as Bill Senn of WLS Consulting, the project manager. Logeman stated that he purchased the business in 2005. At that time, they had 10 employees and 8 vehicles. The business has grown beyond the current building's capacity. They have more vehicles than can be stored inside. Also, he needs to expand the professional staff, and there is very limited office space. Currently, there is no training/meeting room or break room. The project would involve a 40% expansion of the garage space and would triple the office space. Logeman stated that last fall, they had the opportunity to be the shared ride

services provider at the MSP airport. It was done on a national bid process, and only two companies were left - Executive Express and the "incumbent". In order to accomplish that, he would have to hire 80 employees and purchase 30 more vehicles. They were looking at the options for renting space. Although Executive Express was not selected as the provider, they may have the opportunity once again to submit a bid. At the present time, their restricted space is limiting their opportunities. Euerle asked how long into the future the expansion would accommodate the company. Logeman responded that it would probably be sufficient for another 10 years. Euerle said he understands the current site is relatively tight and questioned how they could accommodate the Go My Ride service out of the MSP airport if they were awarded that contract. Logeman answered that contract would require that all the vehicles be in Minneapolis because it provides transportation only within 20 miles of the airport. Euerle asked the applicant what his plans would be if his application is not approved. Logeman stated that the garage expansion could possibly happen, but they would have to look for rental office space off-site. Gruenes asked what the increase in Executive Express' ridership has been since he purchased the business. Logeman estimated that the ridership under the former owner was 8,000 people/year; last year, the ridership was 42,000. Gruenes then inquired as to how many of those riders support the Central Minnesota business community, i.e. business travel as opposed to leisure travel. Logeman responded that traditionally one-third is business travel; one-third is seniors, and the remaining one-third is miscellaneous, including a significant amount of international students. Business travelers look for a schedule that has frequent runs, and business traveler ridership has increased. Gruenes commented that Executive Express is an integral part of Central Minnesota's transportation system. Siyad asked if Executive Express has any service contracts with companies. Logeman answered that they offer a frequent travel program which is used by the V.A. Hospital. They do have a contract for blood deliveries for the Red Cross and with some airlines for delivery of lost luggage. Euerle asked if the plans for the project are ready to go. Bill Senn, Project Manager, explained that the concept drawings and estimate are completed, and are waiting for approval of this request to complete the final architectural plans and get a permit to start construction in early May.

He added that they want to make sure that the process moves forward in order to make the financial commitment. Mehelich explained that staff made several changes to the CAP Application Review worksheet. Question #4 relative to the ratio of public investment to job opportunities was changed by basing it only on the number of new jobs created, and Question #7 relating to return on investment is based on estimated annual property tax increases as a result of the project and the estimated payback period. The project ranks very high based on the EDA's primary objectives and criteria. Mehelich stated that staff has worked with the developer and their lender to determine that a payable loan structure is not a feasible option for the project. Therefore, staff is recommending that the assistance request of \$85,250 (total project cost of \$484,000) be structured as a forgivable loan. If approved by the EDA, a draft development agreement could be brought back for approval at the May 2 meeting followed by City Council action on May 7.

Lenzmeier announced that she will abstain on the vote as she was involved in the appraisal process. Lawson moved to approve the "Resolution of the Economic Development Authority of the City of St. Cloud Granting Approval of a Term Sheet Between the EDA and Loghouse Enterprises, Inc. for Development of the Property Located at 3358 Southway Drive and Authorizing the preparation of a Development Agreement." Euerle seconded the motion which carried by a vote of 4-0-1 (Lenzmeier abstaining).

Resolution to Consider Granting Approval of a Contract for Private Development Between the EDA and Arctic Cold Storage for Development of Property Located at 4139

Roosevelt Road: Mehelich stated that the EDA approved the request for Construction Assistance from Arctic Cold Storage for up to \$110,000 structured as a deferrable/forgivable loan. Staff has worked with EDA Counsel in preparing the draft development agreement which requires both EDA and City Council approval. In order to receive the funding, Mehelich explained that applicant must provide paid invoices for the completed improvements, and staff will verify that the work was completed. A certificate of completion would have to be issued before the end of the year, and the funds for the project would also have to be issued before the end of the year. A prorated share of the

loan would be forgiven each of the five years of the loan period provided the job and wage goals are met for the first two years and that the property and project are maintained for a period of five years. Mehelich stated that this will be placed on the April 23 City Council agenda. Lenzmeier moved to approve the “Resolution of the Economic Development Authority of the City of St. Cloud Granting Approval of a Contract Between the EDA and Arctic Cold Storage, Inc. for Development of the Property Located at 4139 Roosevelt Road.” Euerle seconded the motion, and it carried unanimously.

Other Business: Euerle asked for the fund balance for the Construction Assistance Program. Mehelich responded that the total funds available in the Program was \$786,000 (excluding the Norwest TIF). The total funds approved for the four final applications that have been approved is \$407,750, leaving a balance of \$378,000. The leveraged private investment of these applications is \$2 to \$5 million. The new construction as a result of these projects will be 30,000 sq. ft. The total number of jobs retained will be 79 with 23 new jobs being created at an average wage of \$14-\$15/hr. The total market value increase of the approved projects will be \$2 million with an increase in annual taxes of \$61,000. Mehelich stated that the last round of applications are due the end of April. She noted that legislation is being proposed to extend the temporary construction authority up to another 18 months.

Euerle stated that he had an inquiry from a prospective applicant from Minneapolis interested in locating in the downtown; he referred the person to staff. The business wouldn't own the building, but it would bring a significant number of jobs downtown. Mehelich explained that if the business doesn't own the building or have a related entity that owns the building, it is difficult to secure the necessary funds.

Lenzmeier asked if there would be any repercussions relative to TIF if ING were to close. Norman answered that there are TIF funds associated with this project which would be done next year; tax abatement funds would then be triggered. Mehelich stated that the property owner would still have a financial obligation; however, she pointed out that ING is not the property owner. She also

noted that the TIF and potential future tax abatement is dedicated to the parking ramp improvement rather than the business.

Gruenes suggested that the EDA and staff think about creative ways to structure assistance for businesses that don't own the property but yet would result in job growth in a downtown location.

Adjournment: There being no further business, the meeting was adjourned at 12:30 p.m.

Vicki Perske, Secretary