

PROCEEDINGS OF THE ST. CLOUD ECONOMIC DEVELOPMENT AUTHORITY BOARD

A meeting of the St. Cloud Economic Development Authority Board was held on November 7, 2012, at 11:30 a.m. in City Hall Conference Room 1. Members present were Lawson, Euerle, Lenzmeier, Siyad and Libert. Gruenes was absent. Staff present were Cathy Mehelich, Tammy Campion and John Norman.

Consent Agenda: Lenzmeier moved to approve the consent agenda as follows:

Approval of September 19, 2012 EDA Board Special Meeting Minutes

Approval of EDA Revenue/Expenditure Report of September 30, 2012

Libert seconded the motion, and it carried unanimously.

Resolution Approving Sale of Property in St. Cloud Airport Business Park Second Addition to Alsam Properties, LLC: Cathy Mehelich, Economic Development Director, explained that over the past year staff has worked with Joseph Jandrisch of Alsam Properties, LLC for the Geringhoff North America project in St. Cloud Airport Business Park. The purchase of the former Donlin property was contingent upon Alsam Properties, LLC securing an option to purchase the adjacent 5-acre parcel from the EDA to accommodate for future expansion. EDA staff facilitated the negotiations between the developer and Airport Business Park investment partners, including the City of St. Cloud, St. Cloud Opportunities (SCO) and East Central Energy (ECE). The Option to Purchase Real Estate outlines the terms that have been reached between the business park partners and buyer, Alsam Properties, LLC. The agreement provides for the developer an option to exercise purchase of the lot at the set price of \$221,720 (\$1.00 per square foot) during the two and a half year period. Proceeds from the future land sale are distributed among the partners in accordance with the Loan Agreement dated April 1, 2007 and provides that proceeds will be applied to certain expenses and payments in a certain order: first to the EDA for reimbursement of its out-of-pocket development costs, East Central Energy (ECE), St. Cloud Opportunities (SCO) and City thereof. Staff

recommends approval of the Resolution Approving the Sale of Property to Alsam Properties, LLC for Lot 2, Block 1 St. Cloud Airport Business Park Second Addition.

Lawson opened the public hearing and invited testimony. There being no one wishing to speak, the public hearing was closed. Euerle inquired if Alsam Properties has the option to purchase within the next two and a half years, is it a confirmation of purchase. Mehelich confirmed the agreement was only for an option to purchase. If the term expires, the sale price will be renegotiated. The option to purchase also allows the City to continue marketing the property and if another interested buyer comes forward, Alsam Properties will have the first right of refusal. Lenzmeier asked how the sale price was determined. Mehelich stated the Airport Business Park partners have an agreed upon base price that is negotiated from. The City Assessor was contacted to find the market rate of industrial properties but there have not been any recent sales to use as comparison. In going back about three years the average was determined to be around \$0.50 to \$3.00 per square foot and the City Assessor felt that \$1.00 per square foot was a very good price. Another factor in determining the sale price was the cost that the City, ECE and SCO have put into the property. Euerle asked if there are any other active buyers. Mehelich stated that there are no other active buyers at this time. Lenzmeier questioned whether the property is listed. Mehelich confirmed the property is listed with a sale price of \$1.75 per square foot.

Libert moved to approve the Resolution Approving Sale of Property in St. Cloud Airport Business Park Second Addition to Alsam Properties, LLC for the price of \$1.00 per square foot. The motion was seconded by Lenzmeier and carried unanimously.

Consideration of Request by Greater St. Cloud Development for Contribution toward professional contract with The Center for Innovative Communities: Cathy Mehelich, Economic Development Director, introduced the President of St. Cloud State University, Dr. Earl Potter III, who is the chair for the Greater St. Cloud Development Corporation (GSDC) Downtown Corp and Marty Moran, GSDC Administrative Director.

Dr. Earl Potter III
Chair, Downtown Corps
GSDC

The GSDC has a number of corps working on specific projects, the Downtown Corporation being one. The work that the Downtown Corp has been working on recently has been exploratory. The Downtown Council has been invited to move its offices into the suite that the GSDC has at the Falcon Bank property for organizations that have separate but overlapping work. Developing the tools to support the developers in taking on projects in this area of the downtown is a key finding of our early work. There are tools available that make development more attractive to developers. There is a red zone within the government's evaluation of this region which qualifies under IRS provisions for special treatment and that area is in the downtown area of St. Cloud. This request represents our collective judgment of the best way to support the initiative that Marty will be describing. The GSDC and The Initiative Foundation have committed \$12,500 to this project and the Central MN Community Foundation has this item on their next agenda.

Marty Moran
Administrative Director
GSDC

The Center for Innovative Communities brings New Market Tax Credit (NMTC) expertise to the table. It is not something that anyone from the GSDC has expertise with. They will help work with local developers to see if there are developers interested in creating a pipeline of projects. Once it is determined if there is a pipeline of projects, the projects will be taken to The Initiative Foundation to see if the projects and the vision of the community development entity are aligned. If they are aligned, they will help us work through the application process to become a formal community development entity for NMTC.

Lenzmeier asked who the company is and where they are located. Moran stated The Center for Innovative Communities is led by Sean Allen in Rochester, MN. He and his team members have completed a similar project for the Community Foundation in Rochester. Lenzmeier asked if they would be located in St. Cloud. Moran stated they will be located in Rochester and will travel to St. Cloud to help with the process. Lawson asked if the City would be sustaining the team once they establish the framework and Moran confirmed that the City would. Mehelich noted the NMTC tool is to stimulate economic development and contracting a firm with experience would help the City move forward. She stated that she supports the combined efforts with GSDC on the tool. Mehelich provided a new map for the board members highlighting areas in the City that are eligible for the NMTC, especially those that are identified as severely distressed which is largely based off of poverty rates as established by the U.S. Treasury. This map is based off of the 2000 Census and it shows a

large amount of the downtown area extending past the University is identified as severely distressed and is a priority area for investors who are looking to fund NMTC projects. Euerle commented that more of the downtown area is eligible even though it is not identified as severely distressed. Mehelich stated that other areas are eligible but they do not rate as high. NMTC can be a very competitive process. The community development entity, potentially The Initiative Foundation, would need to compete with other community development entities for the Federal tax credit dollars. A pipeline of projects in eligible areas is required in order to be rewarded those dollars. Euerle asked what the likelihood was of a project getting approved in a distressed area versus a severely distressed area. There are areas that are labeled as distressed but do not show on the map as such. Mehelich noted that these areas are identified based off of the 2000 Census. When the information from the 2010 Census is available, it may identify more or different distressed areas. If a project is located in an eligible area that is not severely distressed, the community development entities will look at how the project meets other priorities. Lenzmeier asked if the definition of distressed areas was based on residential incomes but for commercial development and Mehelich confirmed they were. Lenzmeier inquired if the dollars are restricted after they meet the criteria for the NMTC. Moran stated he did not believe they would be restricted after they are approved by the application process. Mehelich stated that to facilitate the NMTC, projects that are \$4 - \$5 million dollars in scale are needed to make it feasible. One example of NMTC being used in the St. Cloud area is the ING Direct project which was a large scale office development. Euerle asked if the developer had researched the NMTC information themselves and Moran confirmed they had. Euerle then asked if the NMTC was available for anyone who was looking to develop and if The Center for Innovative Communities is to help organize the information. Mehelich stated the company would help us better utilize the tools of the NMTC. Euerle asked if there is history of a developer getting availability, why there is a need for an outside company. Moran stated that this is not a tool that we have at our disposal. The use of NMTC by the developer was more of a one-time occurrence. Libert commented that the developer for the ING Direct project had the expertise to find many different tools and used everything possible to get

them. One of the important things is to get all of the projects together and get commitments for the projects. Euerle asked how long the agreement was for and Moran stated that the term is project related. Euerle asked what would happen if the EDA decided not to contribute a portion of the funding. Moran stated the GSDC would not move forward until there are dollars committed. The GSDC and The Initiative Foundation have committed funds to the project and are waiting on the decisions of the City of St. Cloud and the Central MN Community Foundation. Lenzmeier commented that The Center for Innovative Communities would expedite the use of the NMTC and to build the pipeline. Mehelich stated that she and Community Development Director, Matt Glaesman, would be working very closely on the different development opportunities. The use of this tool should not require City approval like Tax Abatement or Tax Increment Financing does. Euerle inquired if the Community Foundation decided not to contribute, would the other partners increase their contribution or find another partner. Moran stated they would look for another partner to contribute. Lenzmeier noted the possibilities for contributors are unlimited for a project like this. Euerle asked what other organizations this has been presented to. Moran stated that these four organizations have been the main focus and it has not been presented to others. Libert asked if there was any known opposition from the Central MN Community Foundation and Moran stated there were no oppositions he was aware of. Lawson commented that the project seems to align with the community priorities and other initiatives in the region. Euerle asked since the timeline is project related if it would end when the tax credits are gone. Moran stated that there is a seven year life cycle to use the tax credits once awarded. Euerle asked if there is any historical data showing this effort improving the possibilities of success. Moran stated he does not have any statistics regarding success rates. Euerle commented that from a staff's perspective this would be an efficient use of an outside source. Mehelich agreed that the City does not have the staff time or resources to become fully knowledgeable with this tool but that staff will be working with the consultants and will have some influence on the outcomes. Euerle asked if there was anticipation of commitment to another type of program such as this. Mehelich stated there was not. She explained the EDA currently supplies \$40,000 to the GSDC to be used

towards their work on the six primary objectives they have identified. This contribution of \$12,500 would give them a significant push towards one of their objectives that has the most benefit to the City of St. Cloud. Mehelich asked if any other consulting firms had been considered and Moran stated there had not been. Lenzmeier asked if the city could be an owner on the project and Mehelich stated she was unsure. Mehelich noted the GSDC has been sponsoring smaller workshops for the local development and financing community about NMTC to help them understand how it works. Euerle asked what the tax credit percentage is on a typical \$4 - \$5 million project and Moran stated it is a 39 percent tax credit. Mehelich stated there is a lot of interest surfacing from developers about what opportunities are available. Lenzmeier stated she believes using a consulting firm would allow for a jumpstart into the program and would be something we could offer that other communities cannot at this time.

Lenzmeier made a motion to approve the request by Greater St. Cloud Development Corporation for contribution of \$12,500 toward professional contract with The Center for Innovative Communities. The motion was seconded by Euerle. Euerle clarified that if the Community Foundation decides to contribute then the project would move forward, but if they choose not to contribute, either another partner will be found or the matter will be brought back to the EDA. Moran confirmed. Lawson called for a vote and the motion carried unanimously.

Resolution Authorizing Execution and Delivery of a Certificate of Completion and Execution and Directing Delivery of a Tax Abatement Revenue Note, Series 2012 (Marco, Inc. Project): Cathy Mehelich, Economic Development Director, stated in June 2011 the City and EDA approved a Contract for Private Development with Heatherwood Development, LLC and Marco, Inc. to provide financial assistance in the form of Tax Abatement to support new construction. The Contract for Private Development requires the EDA to approve and provide a Certificate of Completion upon compliance with the construction of the Minimum Improvements. A Certificate of Occupancy was issued by the City Building Department and satisfies the completion of the Minimum Improvements. Staff recommends approval.

Euerle moved to approve the Resolution Authorizing Execution and Delivery of a Certificate of Completion and Execution and Directing Delivery of a Tax Abatement Revenue Note, Series 2012. The motion was seconded by Tohow and the motion carried unanimously.

Mehelich also noted that Marco, Inc. is very satisfied with the work the EDA and Community Development Department has done with this project and is requesting that only \$7,500 of their \$15,000 deposit be returned.

Other Business: Cathy Mehelich, Economic Development Director introduced Ashley Skaggs, taking the place of Vicki Perske as Planning Secretary. Mehelich recommended a motion to appoint Skaggs as the EDA Secretary. Board members asked Skaggs to provide some background information on her. Skaggs stated that she worked in Human Resources for Gander Mountain Company for ten years prior and has been with the City of St. Cloud for nearly a month. She will be taking over all of Vicki Perske's responsibilities.

Lenzmeier made a motion to appoint Skaggs as the EDA Secretary. The motion was seconded by Tohow and carried unanimously.

Director's Report: Mehelich informed that the Greater St. Cloud Development Corporation and Downtown Council are hosting an Open House on Friday, November 16 from 4:00 p.m. to 6:00 p.m. Mehelich noted if EDA members were able to attend it would be appreciated.

Mehelich stated that a joint meeting with City Council is tentatively scheduled to share the EDA Annual Report on Monday, December 10 at 6:00 p.m. There will be opportunity to discuss the EDA's role in economic development and highlight strategic goals. Mehelich asked that EDA members attend if possible. Lenzmeier asked how long the meeting is anticipated to last. Mehelich noted she will check where the item is listed on the Council agenda and doesn't anticipate it to last longer than half an hour.

Mehelich stated three construction assistance projects are near completion: Arctic Cold Storage, Friesz Dentistry and Executive Express. Staff is working to issue certificates of completion and disburse the TIF funds before year-end as required by statute.

Economic Development is working with a couple existing businesses to facilitate their expansion opportunities both Downtown and in the Business Park. The role is largely helping identify potential sites for the projects and identifying different financing opportunities that are available through state and local resources.

Mehelich explained that EDA Chair, Dave Gruenes, asked her to share an overview of the Geiringhoff North America project. A case study was completed by the CEO of GSDC, John Kramer, to show the roles that are played with a new prospect. Mehelich and Kramer began working with Geiringhoff shortly after the Donlin building was announced as closed. Several steps were taken to determine key issues and respond to the needs of the company. Since sites in Sauk Rapids were also being considered, it was determined to have a coordinated regional recruitment effort together with the GSDC. The organizations supported Geiringhoff with a supplier network of manufacturers and assembling connections in the state of Minnesota. Originally 90 percent of their components would have been manufactured out of state or country and simply assembled in Minnesota. Due to the connections that were made with the manufacturers, much of the work will now be done in Minnesota. Currently Geiringhoff is in the process of hiring key management positions who will then hire line staff for production to begin early next year. Lenzmeier commented that a three year window is a short amount of time and their intent to grow quickly is exciting. Libert commented on interest in Geiringhoff's technology that is generating from other companies. Mehelich stated that all of the EDA's accomplishments will be compiled in the EDA annual report.

Adjournment: There being no further business, the meeting was adjourned at 12:25 p.m.

Ashley Skaggs, EDA Secretary