

PROCEEDINGS OF THE ST. CLOUD ECONOMIC DEVELOPMENT AUTHORITY BOARD

A meeting of the St. Cloud Economic Development Authority Board was held on January 4, 2012, at 11:30 p.m. in St. Cloud City Hall Conference Room 1. Members present were Euerle, Gruenes, Lawson (arrived at 11:50 p.m.), Lenzmeier, Libert, and Siyad. Staff present were Mehelich, Glaesman, Fah, and Campion.

Approval of Minutes: Lenzmeier moved to approve the minutes of December 7, 2011. Siyad seconded the motion, and it carried unanimously.

Approval of December 27, 2011 EDA Revenue/Expenditure Report: Cathy Mehelich, Economic Development Director, stated that the cash balance as of 12/27/11 was \$42,000+ which does not include \$110,000+ of second half taxes. Deanna Fah, Finance Dept., explained that there is a December 1 tax settlement and a final one in January. Libert moved to approve the December 27, 2011 EDA Revenue/Expenditure Report. The motion was seconded by Lenzmeier and carried unanimously.

Annual Meeting Business: Mehelich stated that the EDA's bylaws suggest that certain items be addressed at the annual meeting (first meeting of the year). One of the items is the election of officers. She added that there are no limitations as to how many years an EDA member can hold an office. The other items are the appointment of the Executive Director, designation of the official newspaper, and designation of the place and dates of meetings for the year. Due to the regular July meeting falling on a holiday (July 4) this year, the by-laws require that the meeting be held on the following business day.

Libert moved to retain the same slate of officers for 2012, i.e., President – Dave Gruenes; Vice-President – Diana Lawson; Secretary – Vicki Perske, Treasurer – Preston

Euerle; and Assistant Treasurer – John Norman. Lenzmeier seconded the motion. All of the current officers were willing to serve another term. The motion carried unanimously.

Lenzmeier moved to appoint Cathy Mehelich as Executive Director. Euerle seconded the motion, and it carried unanimously.

It was moved by Libert and seconded by Lenzmeier to designate the St. Cloud Times as the official newspaper for legal publications for the EDA. The motion carried unanimously.

Euerle moved to designate the regular meeting time and place for the EDA meetings as the first Wednesday of each calendar month with the exception of the July meeting to be held on July 5, at 11:30 a.m. at St. Cloud City Hall. The motion was seconded by Siyad and carried unanimously.

Consideration of EDA Resolution Recommending TIF Spending Plan and Approving the Construction Assistance Program Policy:

Mehelich stated that at the last meeting, she reported to the EDA that the available tax increment financing (TIF) balances available under the 2010 Jobs Bill is \$780,000 to \$1.5 million. The reason for the monetary range was due to a question as to the eligibility of one of the TIF districts. The Jobs Bill limits use of the funds for projects that begin construction by July 1, 2012. The EDA directed staff to develop a construction assistance program and after reviewing it last month, staff made several revisions. Mehelich stated that the Construction Assistance Program provides for reimbursement of qualified construction costs in business development projects. The Program must meet three key objectives: 1) new construction or substantial renovation; 2) job creation or job retention; and, 3) construction must start by July 1, 2012, and be completed by December 31, 2012. The assistance would be available as a forgivable loan for up to 25% of eligible construction costs. The funds cannot be used for housing projects or non-profit projects; only private businesses are eligible. The goal is to spur immediate construction of new development and expansion of commercial and industrial projects and to create and retain jobs. Mehelich said she has been working to facilitate discussions about several opportunities in the downtown

area. If the City does not use the funds, they remain in the TIF cash balances. When the TIF districts are de-certified, the funds would be redistributed among the various taxing jurisdictions. The program would provide a minimum of \$10,000 in assistance for a project. Mehelich pointed out that the resolution would also include a Spending Plan. A City Council public hearing would be required. Euerle asked the feasibility of the potential downtown projects. (Lawson arrived.) Mehelich responded that these projects have building code and handicapped accessibility issues that have been considered in the past but difficult to finance. Assistance could be provided for those types of improvements. She pointed out that the goal of the legislature was to spur completion of projects that had been put on hold. Mehelich said she would like to reach out to existing manufacturing businesses that would like to expand. Lenzmeier asked how the program will be marketed. Mehelich answered that she will reach out to the real estate community as well as the downtown business community. Lenzmeier asked if an owner of a vacant building could apply on behalf of a lease tenant for assistance because filling the vacant building would create jobs. Mehelich responded that other communities have issued the forgivable loan contingent on building occupancy by a certain deadline. Euerle asked if a business that was moving from one building to another that needs some improvements would be eligible. Mehelich said there must be job creation as a result of the move. Libert commented that downtown redevelopment projects would enhance the downtown. Gruenes stated that the statute does not require new job creation. It is his understanding that the legislature's intent was that a project creating construction jobs would be eligible. Euerle asked if the assistance would go to the building owner or the tenant. Mehelich said it depends on who is undertaking the cost of the improvements. Gruenes asked Mehelich the length of the process to turn around an application. Mehelich answered that it depends on the number of applications that are received. She stated that she has talked to the City Attorney's Office about assisting in drafting the promissory agreements and development agreements. That would

result in a cost savings to the applicant and less administrative time spent by ED staff. Lenzmeier emphasized that time is of the essence.

Libert moved to approve the “Resolution of the Economic Development Authority of the City of St. Cloud, Minnesota, Recommending a Spending Plan and Approving the Construction Assistance Program Policy.” Lenzmeier seconded the motion which carried unanimously.

Sale of Property at 700 West St. Germain Street: Matt Glaesman, Community Development Director, explained that a decision on the sale of the property at 700 West St. Germain Street is not needed today as a public hearing will be held in February. He stated that his memo outlines the questions that have been asked about the transaction and his responses. The EDA is now in possession of the property due to the transition from the HRA. The HRA purchased the property almost 21 years ago for \$215,000 to be used for CDBG eligible activities. Tri-CAP occupied the property for approximately 20 years. Relative to the question asking if the MTC has provided a budget to upgrade the facility and the sources and uses of the funds, the MTC has a preliminary building renovation budget of \$1.2 million to make it functional. The MTC will be requesting \$75,000 of CDBG funds to assist in the elevator upgrade. Glaesman informed the Board that the City will be receiving approximately \$500,000 in CDBG funds, more than originally anticipated. The property is approximately 16,000 gross sq. ft. with the main and upper floor being functional. However, the basement is not fully functional. Glaesman acknowledged that the proposed use will raise parking problems. The property was appraised at \$710,000 in 2009. It is proposed that the sale of the property would go to public hearing in February with the proposal that MTC would pay \$10,000 toward improvements; the property would be used for Metro Bus Travel Training, Community Outreach, and Mobility and Assessment Center programs; and, if the MTC were to sell the property, the EDA would receive half the proceeds from the sale. Euerle asked how the \$10,000 amount for improvements came about. Glaesman answered that it was based on the cost for the EDA to maintain the property during its vacancy, e.g., paying utility bills and fixing broken windows. Euerle then asked how

requiring only a \$10,000 payment for improvements is justified for a building that was appraised at over \$700,000 even though improvements are necessary to upgrade the elevator, stairs, etc. Glaesman commented that it is going to be used by another governmental operation, and it is probably not realistic that the EDA could sell the property for the appraised price due to necessary improvements. Euerle asked if there has been any other interest expressed in the building, and Glaesman said no one has shown any interest in the past two years. Gruenes asked if there would be any restrictions on future use of the building if the MTC receives and uses CDBG funding for the improvements. Subject to a conversation later today with HUD, Glaesman said those expenditures could be forgiven, and the CDBG funding would have no impact on future use.

Tony Kellen, Director of Operations for the MTC, explained that the MTC has had a grant request in place with MnDOT, Office of Transit. Two years ago, they had \$1+ million that flowed to the DOT from the federal government that was earmarked for a facility expansion for offices and a training center at their current office along Hwy. 10. The MTC transferred its grant money from the current location to secure the property next to the transit center (old Northwestern Mutual Life building). In reviewing their space needs, they also considered purchase of the old Opera House next to the transit center. The MTC has outgrown their current location for driver training space and supervisory staff. Relative to community outreach, Kellen stated that the MTC has three travel guides and two Somali travel guides that do training on the transit system. The 700 West St. Germain site would be near the MTC's 10 downtown core routes. The first phase of the proposal would use only the first floor of the building for travel training and driver staff training needs. Lenzmeier asked if there are similar facilities or if the proposal is unique. Kellen explained that the MTC has received 42 applications for Dial-A-Ride services in the past month. The Center would have the resources to train people who are disabled or elderly and lose their driver's license to use the regular bus system rather than the para-transit system which is very expensive to operate. Lenzmeier questioned whether there

could be a loitering problem in front of the building. Kellen responded that the MTC has a wide variety of clientele and would not characterize the proposed site as a bus stop location. The facility would be used for classroom training as well as offering simulator equipment. This would be a pilot project for the Health and Human Services Dept. Lawson asked for the timeline for renovating the upper two floors. Kellen answered that the first floor would be done immediately. They would like to lease space on the second floor depending on the eligibility of funds for improvements. Chairperson Gruenes asked what percentage of the MTC levy is paid by St. Cloud taxpayers. Tom Cruikshank, Planning Director for the MTC, answered that St. Cloud is the largest contributor, approximately 60%. Gruenes explained that if the EDA were to ask the appraisal price for the building, it would be basically taking the taxpayer money from the MTC levy and placing it the EDA's pocket. Cruikshank concurred with Gruenes. He stated that the MTC can leverage other monies (State grant) to pay for building improvements which will raise the value of the building. He added that the MTC needs to mitigate the environmental issues in the building. Chairperson Gruenes expressed a concern for handicap accessibility as there are only two handicapped parking spaces in front of the building. In structuring the transaction, it could be a \$710,000 sale with \$700,000 of in-kind contributions from the City or EDA contingent upon the MTC receiving State funding. Libert said it is not realistic to think that the building is an asset to the City at \$700,000 because the City cannot make the necessary improvements to the building. In fact, it becomes more of a liability. He said he believes the MTC has a viable proposal. However, he would request that employees in that building commit to not parking on the street. Kellen noted that the employees would have ramp permits. The plan is for the MTC to use this building on a long term basis. Euerle stated that the 2009 appraised value is almost meaningless. The MTC's proposal can fit the building. He stated that the asset is being repurposed; it is not really economic development. However, it brings a new use to the downtown. Siyad said it makes sense to allow the proposed use so that the building does not continue to be vacant and cost the City money. He asked what kind of training is being done

with Somalis. Kellen answered that the MTC received several grants to pay two women who work about 20 hrs./week. They work directly with the Somali population on how to ride the bus and how to read the schedules. The MTC recently received a grant from the State of MN to continue their work in 2012. Siyad asked about the wheelchair training. Kellen answered that the training is primarily for the MTC drivers. However, they do have a staff member that is State certified as a trainer who occasionally does regional training activities. Lawson stated that the social value of the proposed use is very important. Although there may not be direct economic development benefits, there are indirect benefits. Glaesman pointed out that those are arguments that will be made for the CDBG funding application. The proposed use would meet HUD objectives. Euerle asked what the MTC will do if the sale is not approved, and Kellen replied that they would probably look at expanding on their existing site; however, they probably would not be able to accommodate the community outreach element. Mehelich stated the community outreach element mobilizes people who may not otherwise be able to take advantage of employment opportunities; therefore, there will be a social/economic benefit. Relative to leasing of space, Kellen stated it would lower the overhead costs of having another facility. He noted that the MTC signed a contract with Jefferson Bus Line to handle their computerized ticketing operations. That contract operation generates \$50,000/yr. in revenue, covering the operating costs for the downtown transit center. Lenzmeier asked how the new location operation would be funded beyond the initial cost. Kellen answered that it will be included in the annual budget. Eighty percent of the operation is funded through state and federal dollars. The MTC also has significant contract operations with SCSU.

Libert moved to direct staff to set an EDA public hearing in February on the sale of the property. Euerle seconded the motion, and it carried unanimously.

Director's Report: Mehelich summarized the EDA's accomplishments in 2011 as well as proposed 2012 activities. Euerle inquired if there are currently any active prospects. Mehelich answered that there is one who is interested in expanding into the St. Cloud area who

is also working with the GSCDC. The Donlin building in the Airport Business Park would be an opportunity for this company. This prospect could create over 200 jobs. Lawson emphasized the importance of tracking data relative to what companies are looking for when considering expansion or new development and the length of time that is spent on a prospect beginning at the time of initial inquiry.

In regard to the Ethics Policy, Chairperson Gruenes asked if Board members are allowed to do business with the City even if it is not related to an EDA project. Glaesman answered that will be considered by the City Council on Monday, January 9. Libert stated that currently no Board member can be involved in any project that involves the City. The Council will be considering that provision as well as a more lenient one. Lenzmeier commented that the current provision is very restrictive for the Board members.

Lenzmeier asked for an update on the Airport. Chairperson Gruenes stated that the GSCDC has become involved in that issue and has set a goal to have service to Chicago within one year. GSCDC funds have been allocated to hire lobbyists and consultants to get it done.

Adjournment: There being no further business, the meeting was adjourned at 1 p.m.

Vicki Perske, Secretary