

PROCEEDINGS OF THE ST. CLOUD ECONOMIC DEVELOPMENT AUTHORITY BOARD

A special meeting of the St. Cloud Economic Development Authority Board was held on March 26, 2012, at 11:30 a.m. in City Hall Conference Room 1. Members present were Euerle, Gruenes, Lawson, Lenzmeier and Libert. Siyad was absent. Staff present were Mehelich, Campion, and Norman.

Resolution Granting Approval of a Term Sheet Between the EDA and Kruse Group LLC for Development of the Property Located at 110 Waite Ave. So. and Authorizing the Preparation of a Development Agreement: Cathy Mehelich, Economic Development Director, stated that background on this project (new construction of retail store for J. F. Kruse Jewelers) was presented at the March 7 EDA Board meeting. She stated that staff has worked with the developer and the primary lender and prepared a financing recommendation that is outlined in the revised Term Sheet. The primary difference is that the assistance will be structured as a 0% fixed rate loan at a reduced amount of \$105,000 which was the gap identified after receiving the appraisal. That loan would be payable over a five year period which is compatible with the company's projected cash flow. Mehelich clarified that structuring the TIF funds as loans that are repaid to the City do not become revolving loan funds but are required to be redistributed to the city, county and school as originally required by the TIF at the end of the term of the respective TIF district. Mehelich stated that the Term Sheet acts as a preliminary development agreement. The final development agreement will need EDA Board and City Council approval. The tentative date for Council action would be April 23.

Euerle concurred with the revisions to the Term Sheet and 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 Kruse Group, LLC for Development of the Property Located at 110 Waite Ave. South and Authorizing the Preparation of a Development Agreement." Lenzmeier seconded the motion, and it carried unanimously.

Resolution Granting Approval of a Term Sheet Between the EDA and Friesz Properties

LLC for Development of the Property Located at 2506 1st St. So. and Authorizing the

Preparation of a Development Agreement: Mehelich stated that the background on this request was presented at the March 7 meeting. This project is a redevelopment of the former and vacant Schwinn Bike building at 2506 1st St. So. for a dental clinic. Based on the EDA Board's direction, staff identified \$50,000 in redevelopment costs related to demolition and site preparation. The original amount of public assistance requested (\$107,500) remains the same. Of that amount, \$50,000 would be a deferrable loan that may be forgiven after five years subject to redevelopment cost. The balance (\$57,500) would be structured as a 0% fixed rate loan payable over a five year period which will be compatible with applicant's cash flow. Gruenes stated the distinguishing feature of this request is that there is an existing building that will be demolished resulting in extraordinary demolition costs, and redevelopment will significantly improve the aesthetics of that property. Russ Karasch of Keystone Design Build stated that the preference would be up to \$55,000 as a deferrable loan because the estimate for demolition and site preparation is from July 2011. He added that the amount of cleanup required is unknown. Mehelich stated that there could be another funding source through the MN Dept. of Employment and Economic Development which has a Contamination and Investigation Cleanup Fund which pays up to 75% of the cost of investigation and cleanup as a grant when there is a new project anticipated for a site. Lenzmeier asked if the applicant would return the \$50,000 (deferrable loan) if they receive grant money. Mehelich answered that the funds are structured as an "up to" amount that would have to be verified. She stated that the original redevelopment construction costs were estimated at \$53,000 which included \$5,000 of contingency. Euerle said he would oppose raising the dollar amount because that exploration should have been done as part of the purchase of the property.

Libert concurred with the revisions to the Term Sheet and 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 Friesz Properties, LLC for Development of the Property Located at 2506 1st

Street South and Authorizing the Preparation of a Development Agreement.” The motion was seconded by Lawson and carried unanimously.

Adoption of the 2012-2014 Economic Development Strategic Plan: Mehelich stated that since the Strategic Planning retreat in November 2011, the Strategic Plan has been drafted and edited. It has been shared with various entities for their input with no significant changes. The Work Plan will be developed by staff.

Lawson moved to approve the 2012-2014 Economic Development Strategic Plan. Lenzmeier seconded the motion, and it carried unanimously.

Other Business: Tammy Campion, Senior Planner, distributed a summary of the types of businesses that have made inquiries about the Construction Assistance Program; 23 businesses have contacted the Economic Development Office inquiring about the Construction Assistance Program. Also included were the four EDA primary objectives and whether the businesses met any of these objectives. Fifteen of the businesses (65%) were retail or service oriented. A final application was received today from Executive Express which will be considered at the April meeting. Mehelich stated that at this time, staff is making their recommendation on the strength of a potential application and whether a business should proceed with a formal application based on meeting at least one of four primary objectives. She asked the Board for guidance on how to proceed with these inquiries, particularly in light of the Board’s recommendations for renegotiating of financing terms for the retail and service business applications that have been considered. Euerle inquired if worksheets have been done on any of these other inquiries, and Mehelich stated they have not since many are simply inquiries. Lenzmeier asked if any other applications are anticipated. Mehelich answered that today is the deadline for formal applications to be considered at the April meeting; therefore, she assumes the only application will be from Executive Express. She added that there will be another deadline at the end of April for the May meeting. Campion stated there is one strong applicant that may submit an application for the May meeting. Mehelich noted that outreach regarding the Construction Assistance Program has been done with the Downtown Council, local MNCAR chapter, manufacturers,

commercial brokers, attorneys, accountants, and the Chamber of Commerce. Gruenes suggested that some thought should be given to alternative financing that may assist those making inquiries such as the SBA 504 Program, the Initiative Foundation, and the Micro-Loan Program. Lawson noted there are two Micro-Loan Programs.

Mehelich gave an update on the eligibility of using Norwest TIF District balances for the CAP program. In working with Administration, EDA attorney and financial advisor, it has been decided that the City will try for special legislation that would ratify the district year and authorize the City to use those balances for public infrastructure costs in the downtown area rather than uses under the 2010 Jobs Bill.

Mehelich stated that the draft development agreement for Arctic Cold Storage will be on the April agenda. There is also a refunding bond that was originally funded by the HRA for SCSU Foundation for the stadium and Atwood Addition which has matured and needs to be refunded.

Lenzmeier noted that she will be abstaining on the Executive Express application as she was the appraiser.

Gruenes asked the status of MTC's purchase of the former Tri-CAP building at 700 West St. Germain. Champion answered that the MTC is waiting to find out if they receive the \$600,000 grant from MNDOT. The Planning Commission recommended to the City Council that the MTC receive \$75,000 in CDBG funding for elevator improvements for that building. The Council will consider that at their April 23 meeting.

Adjournment: There being no further business, the meeting was adjourned at 12:05 p.m.