

PROCEEDINGS OF THE ST. CLOUD ECONOMIC DEVELOPMENT AUTHORITY BOARD

A meeting of the St. Cloud Economic Development Authority Board was held on Thursday, July 5, 2012, at 11:30 a.m. in City Hall Conference Room 3. Members present were Euerle, Gruenes, Lawson, Libert, Lenzmeier and Siyad. Staff present were Mehelich and Norman.

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

Approval of May 2, 2012 EDA Board meeting minutes

Approval of EDA Revenue/Expenditure Report of May 31, 2012

Lawson seconded the motion which carried unanimously.

2013 EDA Budget: Cathy Mehelich, Economic Development Director, informed the Board that the City's budget process starts in June, but she has not yet met with City Administration regarding her budget request. The EDA budget will be brought to the EDA for approval at the August meeting followed by City Council review and approval. Mehelich explained that there is no increase proposed for the 2013 budget. Expenditures are proposed as relatively the same after the EDA's first full year of operation. Mehelich pointed out that contributions to the GSCDC and the Downtown Council were placed in the Advertising and Marketing line item as opposed to Dues and Subscriptions because of the function and service those contributions provide. Lawson inquired as to what is included in the Dues and Subscriptions line item. Mehelich responded that it includes the memberships and subscriptions for the International Economic Development Council (IEDC), the Economic Development Association of MN (EDAM), the MN Commercial Assoc. of Realtors (MnCAR), Central MN Manufacturer's Alliance and other related professional publications. Euerle noted that there were utility expenses in this year's budget related to the Tri-Cap building at 700 W.

St. Germain St. that are not included in the 2013 budget. He asked when the MTC will take over that building. Mehelich answered that the Tri-Cap property is not included in next year's budget because the MTC has been awarded the grant funds needed to proceed; however, the transfer of the property will probably not occur until this fall. Repairs and Maintenance Services of \$1,000+ is included for the miscellaneous remaining EDA properties (Industrial Park West, Salvation Army lot, and the Dan Marsh lot downtown). Chairperson Gruenes asked if the fees for Professional Services will be offset with developer fees. Mehelich answered that she anticipates that developer fees will offset those costs for specific projects and financing application requests. The legal and financial costs reflected in the Professional Services line item are related to miscellaneous EDA issues; e.g. EDA property transactions, TIF projects and other previous HRA project obligations of the EDA, etc. Some of the legal and professional service fees are billed back to the specific TIF district accounts as available. Chairperson Gruenes questioned if the \$95,000 transfer from the HRA to the EDA was restricted for CDBG. John Norman, Finance Director, stated that it was a one-time transfer and believes it was moved into CDBG. Mehelich asked that the Board members contact her with any suggested amendments to the budget prior to the August meeting. Norman pointed out that the budget recommendation to the City Council comes from the EDA Board, not staff. Chairperson Gruenes asked staff to have a response for the August meeting as to how the \$40,000 contribution to the GSCDC and the \$10,000 to the Downtown Council will be used. Libert said he would prefer a larger marketing budget. Mehelich commented that the GSCDC has done a good job in developing an identity; however, the EDA has not hired outside professional services for creative marketing; it has been done by in house staff. She added that there is some funding built into the 2012 budget that could be used for marketing. Mehelich said that state law dictates the maximum EDA tax levy which is based off a small percentage of the taxable market value. She explained that St. Cloud's levy request is approximately 50% of the maximum allowed by law which indicates that the EDA's budget is very lean for a City of this size. In addition to more aggressive marketing, some EDA's incorporate capitalizing a local revolving loan fund from their levy; however, the City at this time does not have

enough staff time to accommodate a revolving loan fund. Lawson emphasized that if the City would like to increase the levy request at some point, it is of the utmost importance that the successes and short term wins of the EDA be emphasized; that will require good marketing. Lenzmeier concurred. Libert added that a big win would justify an increase in the levy request and asked if he could make a recommendation to the City Council to increase the levy to 60% of the maximum allowed by law without that recommendation from the EDA Board. Norman replied that the state's deadline for the levy request is September 15. He stated that it may be preferable to have that increased levy recommendation come from the EDA Board. Libert questioned the increased cost to the taxpayer if the levy were raised to 60%. Norman said he will bring back that information at the August Board meeting. Mehelich said she would also bring back information on the cost of an aggressive marketing campaign. Chairperson Gruenes asked if the Board is advocating for a contingency fund or a marketing fund. Libert thought it would be more of a contingency fund. Mehelich stated that the EDA is a relatively new organization and believes there may be a need to be more aggressive in general marketing of the EDA as a new point of contact and the services we have to offer. Lawson commented that it is important to use some of the marketing money to welcome new businesses to St. Cloud that have gone through the EDA. Chairperson Gruenes requested that Norman provide a forecast of the reserve balance contingency. Although local firms may potentially have conflicts, Chairperson Gruenes suggested that staff compare the legal fees of local firms with the fees of our current legal counsel. Mehelich noted that our current legal counsel is the same firm that was used by the HRA and was retained by the City for continuity purposes as issues arise in older projects transferred from the HRA. In talking to a local firm that was used by the HRA for some of their less complicated projects as well as for some business park transactions, they are comparable in fee structure to our current legal counsel. Mehelich said she will attempt to use a local firm on future projects when possible. Libert said he would encourage using a local firm when possible. Chairperson Gruenes reiterated that the Board should forward any of their budget suggestions to the EDA Director.

Consideration of Developer Fee Policy: Mehelich stated that one of the primary services of the EDA Department is to facilitate applications for business financing assistance provided by the EDA/City. It is common practice for cities to charge for outside legal and financial consultation fees associated with drafting of development contracts. In researching the practices of other cities, staff has developed a draft policy for a \$10,000 deposit to be paid upon application for TIF, tax abatement or a revolving loan fund. She found that some cities do not charge for facilitating applications to the State of MN on the MN Investment Fund. Those applications can be limited to just a couple a year. JobZ tax exemptions has less agreement negotiations because it is established by the DEED office. Staff is not proposing any reimbursement of EDA staff time associated with the applications as it is one of the services provided by the office. Mehelich stated that other cities require initial non-refundable fees of \$3,000 to \$5,000 at time of application, followed by a \$10,000 deposit for outside legal/finance costs incurred. She suggested that the City Council should also approve the developer fee policy following the EDA's recommendation. Lenzmeier stated that she would discourage the upfront fee from being so high that it would deter business interest. Chairperson Gruenes asked if the policy would include the Construction Assistance Program; Mehelich said it would not since that program has expired. He pointed out that if a business with a large, more complicated request would back out, the City would have incurred a large expense. Mehelich suggested that a smaller upfront fee of \$5,000 could be required but that all additional legal and financial costs would be reimbursed by the developer. Euerle said he would prefer a stepped approach with the first \$5,000 being non-refundable plus incurred actual expenses with a cap on it. He then commented that he would be interested to know when Zucker Systems will submit their final report of their assessment of the City's development process. He is particularly interested in the input from the developers that were interviewed. Mehelich believed the report will be submitted in the next month. Lenzmeier said she would support a \$10,000 fee upfront. Mehelich said she will re-draft a policy based on the EDA's discussion and bring back for review next month.

Director's Report: Mehelich stated that since the May meeting, staff has been processing the four Construction Assistance Program projects approved by the EDA. Three of the projects proceeded with construction prior to the July 1 statutory deadline. She noted that J F Kruse was not able to obtain the site control necessary to start construction work prior to the statutory deadline. However, they are still hoping to proceed with their project. In addition, four of the businesses that initially inquired about the program proceeded without the assistance.

Mehelich stated that she is working with the GSCDC on two very large prospects in business park negotiations, financing assistance and assistance with supplier networks in the area.

In response to complaints about the condition of the old Dan Marsh lot in the downtown (an EDA property), Mehelich stated that the City initiated some improvements including landscaping, installation of flagpoles and lighting, and installation of a granite marker with dedication of that site by the Mayor as World Heritage Corner. Improvements were made with \$5,000 of financial assistance for the flags committed from the Central MN Community Foundation and Initiative Foundation as well as a donation by Monumental Sales of the granite marker. She stated it would be appropriate for the EDA to pay for the landscaping improvement costs, She indicated it is still the EDA's intent is to market the property and eventually sell it for development. The cost for landscaping and cement work was \$8,000. Lenzmeier moved to approve reimbursement to the City of up to \$8,000 for improvements to the old Dan Marsh site. The motion was seconded by Libert and carried unanimously.

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