

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING
MONDAY, MAY 2, 2011 – 8150 BARBARA AVENUE**

CALL TO ORDER/ROLL CALL The Economic Development Authority (EDA) of Inver Grove Heights met on Monday, May 2, 2011, in the City Council Chambers. President Tourville called the meeting to order at 6:05 p.m. Present were Economic Development Authority members Grannis and Piekarski Krech; City Administrator Lynch, and Executive Director Link.

3. MINUTES

Motion by Grannis, second by Piekarski Krech, to approve the minutes of the March 7, 2011 regular Economic Development Authority meeting.

Ayes: 3

Nays: 0 Motion carried.

4. ACQUISITION POLICY

Mr. Link requested that the EDA discuss a possible acquisition policy and provide direction to staff. He explained that an acquisition policy would identify the purpose of EDA acquisitions and develop a uniform process for the acquisition and disposition of property. Mr. Link summarized the acquisition policies from other entities which were included in the EDA packet, including Inver Grove Heights' Doffing Avenue Neighborhood Voluntary Acquisition Program and their current policy for the disposal of City-owned real property. He advised that the acquisition policy could address several other factors such as the City's level of flexibility and participation, specific functions (i.e. land assembly or infrastructure), how to address environmentally contaminated properties, funding, or what to do with properties once they are acquired (i.e. rental, demolition, maintenance, etc.). Mr. Link advised that three City properties that staff has identified as having long-term development potential are 1) the northwest corner of 70th and Babcock, 2) the property south of 70th adjacent to the golf course, and 3) the property east of Highway 52 adjacent to the MNDOT property.

Boardmember Grannis suggested that staff generate a draft acquisition policy incorporating the high points from the various acquisition policies in the packet to be used as a starting document for the EDA.

Dian Piekarski, 7609 Babcock Trail East, agreed, stating she would like the EDA's vision identified prior to the creation of an acquisition policy.

Mr. Link stated some possible applications that have been discussed are the acquisition, cleanup, and marketing of the MNDOT site, as well as redevelopment of the Concord area.

President Tourville stated he envisioned the acquisition and disposition policy as not being specific to any one parcel or parcels.

Boardmember Grannis agreed, stating he envisioned the EDA acquiring property over time and holding it until development occurred.

Ms. Piekarski recommended that the EDA determine their overall vision before moving forward.

President Tourville stated an EDA could focus on existing businesses, redevelopment, and/or new development.

Ms. Piekarski asked if the EDA could potentially acquire property from willing sellers and prepare it for development.

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Boardmember Grannis replied in the affirmative.

Boardmember Piekarski questioned whether they already had the authority to do that as a city, stating the City had purchased numerous properties in the Doffing Avenue area in anticipation of a riverfront park.

President Tourville stated that other cities felt they were able to do things as an EDA that they could not as a city.

Boardmember Grannis stated they reviewed the benefits and disadvantages of an EDA at a prior meeting.

Boardmember Piekarski Krech stated she would like concrete examples of the benefits of an EDA and what they have done in other cities.

Ellen Watters, Progress Plus, stated that developers are looking for sites that are assembled and shovel-ready. They prefer a site which is under one ownership and has perhaps had a Phase I Environmental done on it, making it less complex and less costly. She stated the EDA could consider assembling land in such areas as Concord, the MNDOT/Gun Club site, or the Southeast Quadrant.

Boardmember Piekarski Krech questioned whether it would be financially responsible to use taxpayer money to make land shovel ready as there were no guarantees and it could take years to sell the property.

Ms. Watters stated that one could question whether the City was putting taxpayers at risk by not assembling land and trying to bring commercial/industrial to the area which would be a benefit to the City's tax base.

President Tourville stated they could put together parcels faster as an EDA than they could as a City.

Boardmember Piekarski Krech questioned why that would be so.

Mr. Link stated his recollection from past discussions was that an EDA had more flexibility, financial tools, and liability protection than a City Council.

Boardmember Grannis stated he recalled that the EDA could purchase property for something other than public purpose (such as economic development) whereas a City could not.

President Tourville advised that the Port Authority has numerous success stories in which they have acquired property in order to attract job-creating businesses.

Mr. Link advised that today's development industry is much more demanding and expects sole ownership, completion of infrastructure, environmental investigation, and perhaps remediation.

President Tourville asked for a recap of previous materials given to the Board regarding the pros and cons of an EDA.

Ms. Piekarski stated she was opposed to government using money from the Host Community Fund to create sites in hopes of attracting developers, and preferred it be spent on roads, a new fire station, etc.

President Tourville stated in his opinion the EDA could assist existing businesses as well as attracting new development.

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Boardmember Piekarski Krech replied that they only had a limited amount of resources, however, and therefore the EDA should prioritize where they would like to focus their attention. She suggested that the EDA determine criteria and the method by which they would help businesses.

President Tourville agreed, stating the EDA should meet with Progress Plus and the Chamber of Commerce, discuss various ideas, and determine some initial policies for encouraging economic development in the City.

Jennifer Gale, Progress Plus, explained the benefits of the South St. Paul Futures Program which provides loans to credit-worthy firms.

Boardmember Grannis stated the activities of the EDA would likely vary from year-to-year depending on the circumstances.

Boardmember Piekarski Krech stated she would like to see examples of beneficial results due to assistance from a specific program/action.

President Tourville stated they should seriously consider assembling property in order to be prepared for potential development inquiries.

Mr. Link agreed to draft an acquisition policy as requested, stating as part of that he would identify what an EDA could do regarding acquisition that a City could not.

Boardmember Piekarski Krech asked if there were any highly sought after developable areas in the City at this time other than the Southeast Quadrant and Highway 52/DOT sites.

Mr. Link replied that the Concord Neighborhood might be added to that list in a few months.

Boardmember Piekarski Krech questioned how they would replace the existing low income housing if the Concord Neighborhood were to be redeveloped.

Joe Lynch, City Administrator, recommended focusing efforts on the two parcels near the golf course that the City already owns.

Boardmember Piekarski -Krech questioned what could be built on those properties other than homes.

Mr. Lynch replied perhaps a hotel.

Boardmember Piekarski Krech stated the neighbors would likely be opposed to a hotel; however, perhaps they could build an upgraded clubhouse facility.

Mr. Link stated the Parks Director would likely be bringing forward a proposal for the excess property west of the golf course. In regards to the MNDOT site, the City has completed Phase I investigation and the EPA a Phase II investigation, and is now in the process of doing a follow-up study regarding clean up. Once that is complete, the City could then enter into negotiations with MNDOT.

Boardmember Piekarski Krech stated she would support the City purchasing the MNDOT property as it would give the City more control over its development.

President Tourville requested an update on the two golf course properties and the MNDOT property at the next EDA meeting.

Boardmember Grannis stated another site where the EDA could be beneficial would be the Argenta/I-494 area if a full intersection were to be constructed.

5. SMALL BUSINESS LOAN PROGRAM

Mr. Link referred to several examples of small business loan programs from other cities, and asked for direction from the EDA on how to proceed. He stated the two programs that seemed most appropriate for Inver Grove Heights were South St. Paul's Commercial Rehabilitation Loan Program and Oakdale's Gap Rehabilitation Loan Program. He pointed out that a recipient's main financing mechanism would still be through a traditional bank and applications would be reviewed by a fiscal consultant.

Boardmember Piekarski Krech stated she would like specific examples of how small business loan programs convinced businesses to stay in town, helped them expand, etc.

Ms. Gale stated much of that information was confidential; however, she could contact business owners to see if they were willing to share that information.

President Tourville asked if the South St. Paul Futures Program was public information.

Ms. Gale replied that it was not.

Mr. Link advised that some of the programs in South St. Paul were public and some were private.

Boardmember Piekarski Krech stated she would like information regarding the public programs.

Ms. Piekarski stated she was more interested in retaining existing businesses by providing gap funding than loaning money to new businesses that the City had no history with. She questioned whether cities were better off investing in a successful business with a proven track record versus attracting new businesses that were unable to obtain their own financing.

President Tourville stated there were probably success stories for both scenarios; however, he knew of some businesses that would likely have stayed in Inver Grove Heights had they received gap financing.

Ms. Gale advised that most programs required existing financial records showing the company's assets and did not typically loan money to start-ups.

6. DRAFT 2012 BUDGET

Mr. Link advised that the draft 2012 budget includes approximately \$48,000 in expenditures. \$40,000 of that amount is already in the Community Development budget and will be shifted to the Economic Development budget. The additional \$8,000 would be for consultants (city attorney, bond counsel, financial consultant, etc.). The draft budget assumes no new or additional personnel costs to the City. Rather, the costs would be shifted from the Community Development Department's budget. He advised that the line item for TIF could be struck as it was determined that that money must be used for specific projects.

Boardmember Piekarski Krech questioned whether Progress Plus should remain in the City's budget rather than the EDA's as the entire city benefited from its services.

Mr. Link stated that staff feels the functions of Progress Plus fit best in the Economic Development budget.

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Mr. Lynch advised that the Economic Development account would be part of the General Fund; not a separate entity.

President Tourville asked if it could be tracked.

Mr. Lynch replied in the affirmative, stating all operating expenses would be line items just like department budgets. It would show a \$500,000 transfer into the General Fund.

Boardmember Piekarski Krech questioned whether the EDA had to be a separate entity.

Mr. Lynch advised that because the EDA consisted of all City Council members it did not have to be a separate entity.

Ms. Piekarski questioned whether the EDA budget would be included on annual tax statements.

Mr. Lynch replied it would not as the \$500,000 did not come from general taxes but rather from the Host Community Fund. He advised that all EDA expenditures and revenues would be included in the annual audit.

7. PROGRESS PLUS UPDATE

Ms. Gale distributed the 2011 First Quarter Retention Visit Report. She advised they met with the new CEO of CHS and agreed to keep them informed of any new or increased fees. She stated the companies they visited were no longer experiencing layoffs and some have hired additional staff. She advised that Progress Plus has accelerated their marketing efforts the past couple months. They have also updated their website which now generates a notice to everyone on the email list whenever a property/building is for sale or there is a new post.

Ms. Watters stated their 2011 first quarter inquiries have significantly increased from first quarter 2010. She stated that existing businesses are now looking at improving and expanding their facilities. The City of Inver Grove Heights has been competitive in regards to a number of fairly large industrial users looking for space. They have had discussions with smaller office users as well, including strong interest in the vacant medical CV building. She advised that a number of national retailers are beginning to scout locations, and Progress Plus is aggressively marketing the A & W property. She advised that Inver Grove Heights has a higher vacancy rate than most of the metro region which means it will take them longer to catch up. She advised there were deep discounts in the lease market as well as the buyer's market. At the August EDA meeting Progress Plus will present plans for the broker event which will be specific to Inver Grove Heights and will feature many of the properties discussed tonight, including the City-owned properties.

Boardmember Piekarski Krech questioned whether there was enough connectivity available in the City.

Ms. Watters noted that they did an analysis last year and discovered that the industrial park on Claude Way did not have high speed internet access.

President Tourville stated that Qwest was willing to bring high speed internet to the area; however, the business owners had an issue with the cost. He stated Dakota County recognizes the importance of broadband to development and has implemented an initiative to provide telecommunications to its businesses and residents.

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Mr. Lynch advised there is talk of running a commercial telecommunications spine throughout the county which would have the ability to add on services to private sector businesses.

Boardmember Piekarski Krech stated that improving the access to certain areas of the city would facilitate growth of small businesses.

Mr. Lynch stated one of the specific benefits of an EDA is their ability to enter into limited partnerships. A study could be performed to determine where connectivity was needed, such as the Northwest Area. Infrastructure for cable and broadband could be put in at the same time as new roads, sewer and water in cooperation with a partner.

Boardmember Piekarski Krech stated her interest would be in having technology available as a means of enticing development.

Mr. Link advised that the City of Burnsville installed miles of fiber optic for the purpose of attracting business.

Boardmember Piekarski Krech asked why one of the criteria for qualifying for a small business loan was that the business not be retail.

Mr. Lynch replied mainly because retail typically does not create permanent full-time jobs with benefits.

Ms. Watters stated most cities used subsidies for businesses that provided family-supporting wages (i.e. manufacturing or office jobs), and that typically if you get higher paying jobs retail will follow.

Ms. Piekarski asked if the program would be unable to help a small pizza shop or gas station.

Mr. Link stated that some cities give loans to retail and some do not.

Ms. Gale stated that restaurants are considered high risk as they typically have a small profit margin.

Ms. Watters stated that some cities will pursue a retail strategy as part of a revitalization of an area. They will help with the funding of exterior improvements that add to the aesthetic appearance of the region and hopefully stabilize the neighborhood.

President Tourville stated he was not opposed to helping retail businesses with the Small Business Loan Program.

Boardmember Piekarski Krech stated she would be willing to help retail as well, particularly if they needed a small loan in order to be code compliant or to remain in business.

8. CLAIMS: None

9. OTHER BUSINESS: None

10. NEXT MEETING

President Tourville advised that the next meeting is scheduled for August 1, 2011.

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Mr. Link stated the next agenda would include a draft Acquisition Policy, additional information regarding the Small Business Loan Program, the benefits or drawbacks of EDA's in relation to the two programs, and a review of Progress Plus marketing activities.

11. ADJOURNMENT: Motion by Grannis, second by Piekarski Krech, to adjourn. The meeting was adjourned by a unanimous vote at 7:48 p.m.