

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING
MONDAY, AUGUST 1, 2011 – 8150 BARBARA AVENUE**

CALL TO ORDER/ROLL CALL The Economic Development Authority (EDA) of Inver Grove Heights met on Monday, August 1, 2011, in the City Council Chambers. President Tourville called the meeting to order at 6:00 p.m. Present were Economic Development Authority Boardmembers Grannis, Madden, Piekarski Krech and Klein; City Administrator Lynch, and Executive Director Link.

3A. MINUTES

Motion by Grannis, second by Tourville, to approve the Minutes of the May 2, 2011 Regular Economic Development Authority meeting.

Ayes: 3

Nays: 0

Abstentions: 2 (Madden, Klein) Motion carried.

3B. CLAIMS: None

Mr. Link asked if Agenda Item 4D could be discussed first due to a scheduling conflict with Ellen Watters.

4D. EXCESS GOLF COURSE PROPERTY

Mr. Link asked for direction from the EDA on possible acquisition of two excess golf course properties. The first parcel is located west of the golf course parking lot on 70th Street and is 10.8 acres in size, and the second parcel is located on the northwest corner of 70th Street and Babcock Trail and is 4.6 acres in size. The appraisals indicate that the two properties have a value of approximately \$1.7 million dollars. The bonds remaining on the golf course are also about \$1.7 million dollars. Mr. Link advised that EDA acquisition of the excess golf course property would improve the golf course's financial position and future development of the property would generate property tax revenues and jobs, as well as provide additional goods and services. He then discussed the next steps should the EDA decide to proceed with acquisition, including various platting and planning applications, title search, and identifying means of funding the utility extension.

Boardmember Klein asked if the western property had City sewer and water.

Mr. Link replied that it did not.

President Tourville asked if the two parcels were in the MUSA.

Mr. Link replied in the affirmative. He advised that sewer and water was currently available to the parcel on Babcock and 70th, and that utilities could be extended to the western-most parcel.

Boardmember Madden asked if staff had seen interest from developers over the years regarding the excess golf course properties.

Mr. Link replied that staff received occasional inquiries regarding the property on 70th and Babcock. He advised they had not received inquiries regarding the western-most property, however, the development community was likely unaware it was available.

Boardmember Piekarski Krech questioned how much of the western lot was developable, stating the septic drainfield for the golf course ran through it and much of the lot was a ravine.

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Mr. Lynch advised that if the lot was developed and utilities extended, it would negate the need for the drainfield. He advised that currently utilities were in place up to Robert and 70th and one block east to Allan Way.

President Tourville asked if the neighborhood north of the golf course had septic systems.

Mr. Lynch replied in the affirmative, stating no properties west of Babcock had City sewer and water.

Dian Piekarski, 7609 Babcock Trail East, asked for clarification of the appraisal details.

Mr. Link replied that the appraisals were done three years ago by Metzen Appraisal and assumed sewer and water on both properties. The appraisals had a range of value up to \$1.7 million dollars.

Boardmember Madden suggested getting another appraisal to determine the current value.

Ms. Piekarski questioned whether the City would see a profit after incurring the costs for sewer and water extension.

President Tourville noted that the City would receive property tax revenue once the parcel was developed.

Boardmember Piekarski Krech advised there could be significant cost involved in getting the western parcel shovel-ready as it would need extensive dirt work due to the topography.

Boardmember Klein suggested staff keep this site in mind when dirt becomes available from other projects.

Boardmember Piekarski Krech stated the western property was at one time planned to be a farm in the city, she was concerned about bringing something in next to the developed golf course that had not been planned, and felt it may be difficult to meet the Northwest Area stormwater regulations for the western parcel due to its difficult topography.

Mr. Link stated the Northwest Area ordinance had built-in flexibility to address such topographical and environmental features. He added that he was not familiar with former plans for a farm in the city.

President Tourville stated he recalled the previous plan for a farm in the city but stated the most recent discussions were for it to be used as a golf practice center.

Mr. Link stated the golf course manager has indicated they have no need for the subject properties.

Ms. Piekarski suggested the EDA determine their overall vision before proceeding forward.

Mr. Lynch stated this would be a mechanism to improve the financial position of the golf course as it was 100% financed when it was developed. He advised that while the EDA should at some point determine their overall vision, the golf course's financial situation needed to be addressed as soon as possible.

President Tourville asked for clarification that any money must go towards the debt service of the golf course prior to 2014.

Mr. Lynch replied in the affirmative.

Ms. Piekarski asked where the excess cash in the Water Fund originated from.

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Mr. Lynch replied that users pay over time into the system as a means of capital replacement.

Ms. Piekarski stated she would prefer to limit the taxing district to just those parcels rather than expanding it for future flexibility.

Boardmember Grannis advised he would prefer to purchase the golf course property using a funding source other than the Sewer and Water Fund. He felt it was unfair to make the golf course pay for property they were not using, and that the EDA's purchase of the parcels would expedite development of the property.

President Tourville asked if Boardmember Grannis would support a combination of the Sewer and Water Fund and another funding source.

Boardmember Grannis replied that he would not support tying up any Sewer and Water Fund monies in property, and would prefer to use Host Community Fees, Closed Bond Funds, etc.

Boardmember Klein suggested selling the property as is.

Boardmember Grannis stated it would be much easier to sell if it had City sewer and water.

Boardmember Piekarski Krech stated the properties in question were likely worth less than the \$1.7 million dollars they were appraised at three years ago. With this in mind, she questioned whether it was worthwhile for the EDA to purchase the excess golf course properties if in doing so they did not completely eliminate the golf course's debt. She stated an alternative would be for the City Council to mandate that the golf course debt be charged back to the City rather than the golf course.

President Tourville stated another alternative would be for City Council to pay off the golf course bonds with money from the Host Community Fund.

Boardmember Grannis stated he would prefer that the EDA purchase the properties.

President Tourville suggested looking into the City buying the golf course property outright.

Mr. Lynch stated staff suggested that a couple years ago, but there was no support for it as people wanted the golf course to be self supporting.

Boardmember Grannis advised that one of the reasons the EDA was created was because it offered so many advantages to the ownership of property that we would not have as a City.

Mr. Lynch stated that owning the property would give the EDA the flexibility to do a partnership, outright sale, profit sharing, etc.

Boardmember Grannis asked if Boardmember Piekarski Krech would be willing to acquire the properties as an EDA at the current appraised amount.

Boardmember Piekarski Krech replied in the affirmative, stating she still questioned how much good that would do if the golf course debt was not completely eliminated.

President Tourville suggested that the City Council could make the decision to pay off the remaining debt rather than leave it in investments that are paying only minimal interest.

Ms. Piekarski recommended using an appraiser specializing in commercial development, and asked if the appraisal would be for raw land or with utilities extended.

Boardmember Grannis stated he would like to see both.

Mr. Link clarified that the EDA would like 1) updated appraisals done by an appraiser specializing in commercial properties, 2) a valuation of the property with sewer as well as an estimate of the sewer extension costs, 3) the development potential of the property and the impact the ravine may have on it, 4) funding possibilities other than the Sewer and Water fund, and 5) means of addressing the golf course debt other than EDA acquisition.

President Tourville stated that utility extension costs would eventually be recouped by the users once the property was developed, adding that the City may decide to run the utilities along 70th from Babcock to Allan Way.

Boardmember Piekarski Krech asked if the Angus Avenue neighborhood was exempt from sewer and water.

Mr. Link replied it was not; stating only the neighborhood to the north was excepted (Athena and Arlene Avenues).

President Tourville asked if the City would send out an RFP for the appraisal.

Mr. Link replied in the affirmative, stating he would anticipate the cost to be \$3,000-\$4,000 based on recent appraisals done.

As a way of moving this forward prior to the regularly scheduled November 7th EDA meeting, President Tourville suggested sending out an RFP as soon as possible and adding it to the City Council agenda as a special meeting of the EDA.

Mr. Lynch advised that the City could send an RFP to the three or four appraisal services they currently have in their technical consultant services pool.

Motion by Klein, second by Madden, to request that staff obtain proposals to perform an appraisal of the two excess golf course properties, and that the item then be placed on the City Council agenda for their action.

Ayes: 5

Nays: 0

4A. SMALL BUSINESS LOAN PROGRAM

Mr. Link asked for EDA direction on the draft Small Business Loan Program Guidelines, especially in regards to the issues detailed in the report. He advised that the draft guidelines are structured as such that eligible projects would be primarily building construction to make the business more appealing from the outside or for code improvements. He stated that staff had an opportunity to speak with the City's bond counsel and financial consultant, who advised that the EDA does not need to establish an economic development district or business subsidy criteria.

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Boardmember Grannis stated he would prefer to focus mostly on the retention of existing businesses in existing buildings. He advised that bringing in new development could result in existing tenants moving to the new buildings and thus creating new vacancies.

Boardmember Piekarski Krech stated she would like the program to incentivize new businesses to move into existing spaces.

Boardmember Piekarski Krech suggested that retail and restaurant businesses be eligible to use the program as they would generate property taxes and create jobs, whether they be living wage jobs or not. She stated she would support helping to bring in a franchise that does not already exist in the City.

Ms. Piekarski stated in her opinion loaning money to a franchise would be less risky than loaning money to a start-up company with no track record. She advised that the owner of a franchise would receive training from the parent company on price point, profitability, advertising practices, etc. and would therefore be more stable. She added that there is a need for teen jobs.

Ellen Watters, Progress Plus, stated the cities she spoke with stressed the importance of leaving the program flexible enough for policy makers to make exceptions on a case-by-case basis.

President Tourville stated he would prefer to exclude restaurants at this point because of the risk involved. He advised that depending on how much the EDA wanted to put into this program, they may be able to help only 3-4 businesses a year, and that most restaurants would not meet the criteria for the program anyway.

Boardmember Grannis stated that the public is continually stating there is a need for more restaurants and therefore he would be in favor of providing loans to restaurants.

Boardmember Piekarski Krech suggested the EDA leave themselves flexibility by wording it that 'priority will be given to'.

Jennifer Gale, Progress Plus, advised that instead of putting boundaries on the type or size of business, other communities have instead evaluated the applications based on their merits (number of jobs to be created or retained, what kind of assets are being brought forward, etc.). She stated the less limited the criteria is the more help the EDA may be able to offer.

Boardmember Piekarski Krech suggested adding verbiage regarding the value of the jobs created and the retention of such jobs, or perhaps that loan forgiveness may occur if they increase or maintain a certain number of employees.

President Tourville suggested the EDA determine where they would like to target the money.

Mr. Link advised that the cost of the program may not be as much as originally anticipated because the maximum loan would likely be \$20,000, and most EDAs process only one to three a year.

President Tourville stated many companies do not want to apply for the programs because of the public nature of the applications.

Boardmember Klein questioned how many existing businesses would take advantage of the program.

Ms. Gale stated many companies are intimidated by having to discuss their debt at a public meeting.

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President Tourville asked if the criterion from the Pohlad Foundation was included in the draft program.

Mr. Link replied it was not, but rather the draft program was based primarily on similar programs in Oakdale and South St. Paul.

Ms. Watters advised that the draft criterion was very similar to that of the Pohlad Foundation.

President Tourville stated that while he would like flexibility, he also felt it important to have specific criteria with which to measure the merits of applications. He felt a specific dollar amount was important, especially when considering franchises.

Ms. Watters stated the loan amounts were likely too small to interest a national franchise. She recommended determining the primary purpose of the program as a first step, such as Boardmember Grannis's suggestion to focus primarily on retention of existing businesses and filling existing space.

Boardmember Klein stated this could be a great incentive program for bringing small businesses into empty storefronts.

Ms. Watters advised that all cities she spoke with approach such programs conservatively and are cognizant of their role as stewards of the public dollar. She reiterated that such programs are just a small portion of the total financing necessary and that Progress Plus often learns of the need for gap financing through the local banks.

Ms. Piekarski asked for clarification regarding using a first come/first serve basis versus establishing a deadline and then prioritizing the applications.

Mr. Link replied that establishing a deadline could be counterproductive due to the fact that they anticipated only one to three applications per year.

Ms. Piekarski questioned why the City would not actively seek out companies to fill existing spaces and she asked for clarification of the process.

Ms. Watters replied that if a program like this was adopted, Progress Plus would contact the brokers and developers associated with the 14 or so significant retail lease sites in Inver Grove Heights. Those individuals would then use the program as a sales tool to entice companies to the City.

Mr. Link stated it appeared as if the EDA would like to focus primarily on existing businesses and filling empty storefronts, and that the majority of the Boardmembers were in favor of including retail and restaurant.

The Boardmembers replied in the affirmative.

President Tourville asked for discussion regarding eligible and ineligible projects.

Boardmember Piekarski Krech recommended removing or giving lower priority to 'new construction' on the list of eligible projects.

Boardmember Klein stated he would only be interested in financing renovations of existing buildings.

Boardmember Piekarski Krech suggested removing 'new construction' from the list of eligible projects while still retaining the ability to consider such projects using the flexibility built into the program.

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Mr. Link asked if it would be acceptable to leave 'new construction' on the list of eligible projects but add verbiage in the criteria stating that the program is aimed primarily at existing businesses and existing storefronts.

Boardmember Klein asked why 'interior remodeling and projects started prior to EDA approval' were on the ineligible project list.

Mr. Link replied that interior remodeling may not have an impact on valuation and taxes.

Mr. Lynch advised that the EDA cannot reimburse companies for costs already incurred.

Ms. Piekarski asked if the EDA could disallow a business owner from using the program if they met all the criteria.

President Tourville replied in the affirmative.

Boardmember Klein questioned whether the EDA could use the program to help a business owner who started a project but then unexpectedly ran out of money.

President Tourville replied they could not.

Ms. Piekarski asked if loan forgiveness was part of the program.

Mr. Link replied that it was not; he stated he would research how and where it should be added to the guidelines and bring that information to the next EDA meeting.

4B. PROGRESS PLUS MARKETING PROGRAM

Ms. Gale discussed the different marketing techniques used by Progress Plus. She then distributed a packet of information giving examples of what Progress Plus has done in regards to marketing for the City of Inver Grove Heights. She explained that most of their inquiries come through their website and electronic communications. The website is continually being updated with information and articles of interest to IGH, which then goes out to everyone on the contact list. She advised that their monthly newsletter is sent to over 500 brokers and development professionals. This year's brokers' tour will highlight Inver Grove Heights only and they anticipate 20-25 real estate brokers to be in attendance. The tour will begin at Inverwood Golf Course and will include visits to the Northwest Area, Gun Club property, Concord Boulevard, Rock Island Swing Bridge, Target/Argenta Hills site, and will then return to Inver Wood for an afternoon of golfing, paid for by the City. They will also hand out material and will electronically distribute that material to those that could not attend. She advised that they also participated in the Minnesota Association of Commercial Realtors (MNCAR) Expo last year and had approximately 400 people go through their booth. They are working on producing new materials for this year's Expo. Ms. Gale discussed the various publications they produce, including regular press releases to the local newspapers and *Patch*, and advised that they could serve as a conduit for marketing new programs adopted by the EDA.

The Economic Development Authority took a ten minute break at 7:50 PM.

4A. PROGRESS PLUS UPDATE

Ms. Watters discussed Progress Plus's Mid-Year Update and their status regarding the various items on the adopted Work Plan. She stated they continue to provide research and analysis to the EDA and will actively market the Small Business Loan Program when developed. She stated they are awaiting further direction regarding the Concord redevelopment planning study and are anticipating being involved in business outreach. She discussed the 2010 census data provided, including age and employment statistics.

Boardmember Piekarski Krech questioned the rationale for the large drop in employment after 2007.

Ms. Watters replied it was likely due to the broader economy.

President Tourville advised that the tenant for the first floor of the CHS building left that year as well.

Ms. Watters advised that responding to inquiries from business and industry is the foundation of what they do. She advised that Progress Plus receives approximately 25 emails a day through MNCAR regarding new listings and changes in user requirements. Progress Plus follows up on those inquiries and provides available options in IGH. She advised that retention visits are another service that Progress Plus provides and that Tom Link has been included on several of the visits to key employers.

Ms. Piekarski suggested that Councilmembers be included in the retention visit rotation.

President Tourville stated there are retention visits being done exclusive of Progress Plus to discuss what is happening in their businesses and how they could grow.

Boardmember Piekarski Krech stated she would like to be included in any such visits.

Boardmember Madden stated that he and Boardmember Klein would be available as well.

4E. 2012 BUDGET:

Mr. Link requested that the EDA consider approval of the draft 2012 budget and recommend it on to City Council. He advised that most of the costs were shifts from previous years' Community Development budgets, with the only new costs being for professional services (i.e. consultants and promotional materials).

Boardmember Piekarski Krech asked if it was Progress Plus's responsibility to create promotional materials.

Mr. Link replied that Progress Plus would be responsible for most of the promotional materials; however, these funds would be used to create materials other than those done by Progress Plus.

President Tourville stated that Progress Plus is in the Mayor/Council budget.

Mr. Lynch advised that in 2010 the City shifted the funding for Progress Plus and community events to the Host Community Fund. They are proposing the same for 2012.

Motion by Grannis, second by Madden, to recommend to City Council adoption of the Economic Development Authority's 2012 budget as proposed.

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Ayes: 5

Nays: 0

5. NEXT MEETING:

Mr. Link advised that the next meeting is scheduled for November 7, 2011.

6. ADJOURNMENT: Motion by Piekarski Krech, second by Klein, to adjourn. The meeting was adjourned by a unanimous vote at 8:22 p.m.