

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING
MONDAY, FEBRUARY 6, 2012 – 8150 BARBARA AVENUE**

CALL TO ORDER/ROLL CALL The Economic Development Authority (EDA) of Inver Grove Heights met on Monday, February 6, 2012, in the City Council Chambers. President Tourville called the meeting to order at 6:00 p.m. Present were Economic Development Authority members Grannis, Madden, and Piekarski Krech; Executive Director Link, City Attorney Kuntz, Park and Recreation Director Carlson, and City Administrator Lynch.

3A. MINUTES

Motion by Grannis, second by Madden, to approve the Minutes of the November 7, 2011 Regular Economic Development Authority meeting.

Ayes: 3

Nays: 0

Abstention: 1 (Piekarski Krech) Motion carried.

3B. CLAIMS:

Mr. Link advised there were two claims related to appraiser invoices.

Boardmember Piekarski Krech asked how much money remained in the budget.

Mr. Link replied that the claims were for \$5,000 and the 2010 and 2011 budgets included \$500,000 each year.

Boardmember Piekarski Krech questioned whether the EDA allocated money for 2011.

Mr. Lynch advised they were not able to allocate money for 2010, but had allocated \$500,000 for 2011 and would allocate another \$500,000 for 2012.

Dian Piekarski, 7609 Babcock Trail, asked to see the minutes where the \$500,000 was approved.

Mr. Link advised he would provide that information.

Motion by Madden, second by Grannis, to approve disbursements from November 8, 2011 to February 6, 2012.

Ayes: 4

Nays: 0

4A. EXCESS GOLF COURSE PROPERTIES

Mr. Link advised that the EDA will hold a public hearing on the creation of two economic development districts, consider a resolution creating the two districts, as well as a resolution approving a purchase agreement and authorizing issuance of a revenue note. He advised that the EDA directed staff to proceed with the possible acquisition of the two excess golf course properties located at 1) the northwest corner of Babcock Trail and 70th Street and 2) the south side of 70th Street, west of the golf course parking lot. He advised that statute requires that any properties acquired by the EDA must be in an economic development district. In this case the two development districts would be created with identical boundaries to the two excess golf course properties. The purchase price for the two properties would be \$1,352,000, with the proceeds from the sale paying off the remaining balance of the golf course debt. The acquisition would be funded by \$1,000,000 from the Host Community Fund and \$352,000 from the Economic

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Development Fund. At such time that the EDA sells the property for development, the proceeds of the sale would pay back the Host Community Fund first and the EDA account second. If the sale proceeds exceed the \$1,352,000, the excess proceeds would go to the Economic Development Fund. The EDA acquisition of these properties would improve the golf course's financial position, provide the EDA with an asset, and promote the City's economic development by eventually converting unused property to a use that would take advantage of the golf course amenity and increase the City's tax base. Staff recommends approval of the two resolutions.

Boardmember Piekarski Krech questioned why the EDA was the most appropriate entity to foster development.

Mr. Link replied there were a number of benefits to EDA ownership, including flexibility and availability to financial tools.

Boardmember Piekarski Krech stated she was concerned about taking things out of the hands of private developers, and she questioned whether the excess golf course properties could be transferred to the EDA rather than sold to them.

Mr. Link replied that transferring the property rather than selling it would not improve the golf course's financial situation.

Boardmember Grannis asked if the golf course bonds had to be paid off prior to transferring the property to the EDA.

Mr. Kuntz replied in the affirmative.

Boardmember Piekarski Krech asked if the documents specified that the money must go back to the Host Community Fund.

Mr. Kuntz replied they only specify that the money goes back to the City. If the EDA sells the property the first \$1,000,000 comes back to the City under the revenue note, and the EDA account second. If the sale proceeds exceed the \$1,352,000 the excess proceeds would go to the Economic Development Fund.

Boardmember Piekarski Krech questioned whether purchasing the excess golf course property would result in the betterment of the entire community.

President Tourville asked what the estimated savings was to the City for the remaining two years of the golf course debt.

Mr. Lynch replied that the remaining golf course debt is approximately \$900,000. Should the EDA purchase the golf course properties, this money could then be used for something else over the course of the next two years and the City would also have the opportunity to sell and develop the properties sooner.

Boardmember Piekarski Krech asked how much the City was currently subsidizing the golf course.

Mr. Lynch advised the City would pay a debt service payment of approximately \$450,000 a year for the next two years out of the Host Community Fund.

Boardmember Piekarski Krech questioned the difference between the purchase price of \$1,352,000 and the \$900,000 remaining debt service.

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Mr. Lynch replied that \$900,000 was the principle only. The City cannot call the bonds early so the sale would be an investment device to make the remaining payments as they come due.

President Tourville stated he recalled a discussion regarding possible interest savings.

Mr. Lynch advised there was a period of time when we could have called the bonds but that date has already passed.

Mr. Kuntz stated it was best to think of this as two transactions. The first transaction is to pay off the bonds. The amount the City owes for the bonds through 2014 is \$1,351,517.50. The second transaction is the transaction between the City and the EDA. The transaction is structured as such that the City will give the EDA the authority to move forward and try to foster development and sell the properties. Upon sale of the property the first \$1,000,000 goes back to the Host Community Fund and the EDA account would be paid back second. If the property is sold for more than the purchase price the EDA can determine where those monies will go.

Boardmember Piekarski Krech stated she was unaware that the City was taking that much money from the Host Community Fund every year to pay towards the golf course debt. With that in mind, she stated it made sense for the EDA to purchase the property as the City was spending that money regardless.

Mr. Lynch clarified that the golf course has been operating since 1992. In many of those years the golf course was able to pay the debt service and operating expenses out of golf course funds. However, because the debt service increased substantially in the last ten years the City has been subsidizing the debt service from the Host Community Fund.

President Tourville requested to have a record of the operating revenue for the lifetime of the golf course available when this item goes to City Council. He stated it would show that the debt service was substantially lower than \$450,000 for most years, and was paid out of golf course funds for much of the time.

Jim Mueller, 7800 Boyd Avenue, asked for clarification of the debt service payment process and whether the debt could be paid off early.

Mr. Lynch replied that the City is contractually obligated to make biannual debt service payments and cannot pay off the bonds until 2014.

Mr. Mueller questioned how much of a profit could be made as he felt the properties were likely limited to residential development because of buffering issues. He stated that once the landfill is full and the Host Community fees cease the City may have to consider selling the golf course.

President Tourville asked Ellen Watters to discuss Progress Plus's involvement with these properties.

Ellen Watters, Progress Plus, advised their 2011 fall broker materials included information about the excess golf course properties. They have also met with a developer interested in senior housing for the parcels. They plan to more aggressively market the properties upon completion of this transaction.

Motion by Madden, second by Grannis, to close the public hearing.

Ayes: 4

Nay: 0 Motion carried

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Mr. Kuntz asked if the EDA would like to retain or modify the ten year time period indicated in the revenue note.

Boardmember Grannis asked if any change to the date would have to be in this original agreement.

Mr. Kuntz replied it would be preferable to address it up front.

Boardmember Piekarski Krech suggested the revenue note's maturity date be changed from 10 years to 20 years. She asked why there was no interest being charged to the EDA for the loan.

Mr. Kuntz advised there was no legal reason that interest could not be charged; however, the money would have to come from the City to pay the interest back to the City.

Motion by Grannis, second by Madden, to approve Resolution EDA-12-01 Creating Economic Development Districts No. 1 and 2 and Resolution EDA-12-02 Approving a Purchase Agreement Between the City of Inver Grove Heights and the City of Inver Grove Heights Economic Development Authority Relating to the Sale of Excess Property Owned by the City of Inver Grove Heights Located on a Portion of the Inverwood Golf Course Property, and Authorizing Issuance of Taxable Revenue Note (Golf Course Property) Series 2012, with a modification of the maturity date from 2022 to 2032 years.

Boardmember Piekarski Krech recommended that the revenue note be changed to require that the subsequent EDA sale of the properties be "no less than \$1,000,000" rather than "at any price the Authority deems reasonable".

President Tourville suggested changing the verbiage to "no less than \$1,000,000 without City Council approval".

The motioners agreed to amend their motion to require that the revenue note be modified to require that the sale proceeds net at least \$1,000,000 unless receiving City Council approval.

Ayes: 4

Nay: 0 Motion carried.

5A. SMALL BUSINESS LOAN PROGRAM

Mr. Link asked the EDA to further discuss the administration of the Small Business Loan Program and provide direction to staff. He noted that the EDA expressed interest in two options, with the first one being administration by City staff with assistance from a loan review committee made up of volunteer bankers similar to the South St. Paul Futures program. Steve Carrier is in attendance to make a brief presentation in regards to the Futures program. The second approach would be contracting with another organization, such as the Metropolitan Consortium of Community Developers (MCCD), to administer the loans. A representative from MCCD will also make a presentation tonight. Following this discussion, Mr. Link requested the EDA discuss the issue of whether or not financial information from loan applications would be available to the public.

Ms. Watters introduced Steve Carrier, a Boardmember of Progress Plus who has been involved with South St. Paul Futures for a number of years.

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Mr. Carrier advised that he is employed with Bremer Bank but works with South St. Paul Futures on their loan review committee. He explained that Futures is a non-profit program that promotes businesses and growth. Futures formed a loan review committee which primarily consists of financial professionals. The committee receives, reviews, and processes applications, many of which are referrals from banks and credit unions. They then make a recommendation to the Futures board, where it is either accepted or voted down. If the loan is made it is closed by the loan committee, the loan committee works with outside counsel to draft the necessary documentation, and the loan is funded. The loan servicing is contracted out and they work with Progress Plus for the billing and day-to-day administration. He advised this has been a successful program that has benefited over 30 businesses over the last 20 years.

President Tourville asked if there was a maximum loan.

Mr. Carrier replied their maximum loan is \$100,000, but the typical loan is \$50,000.

Boardmember Madden asked what the success rate was.

Mr. Carrier replied in the eight years he has been involved in Futures they have made 15 loans, two of which have defaulted.

Boardmember Grannis asked why they only averaged two loans per year.

Mr. Carrier replied because it is a narrow market and difficult to find loans to fund. He advised that typically the loans they see through South St. Paul Futures are not loans that would be underwritten through normal commercial banking or financial institutions. He advised that promoting business sometimes means taking a bigger risk than a typical financial institution would. The loan committee evaluates the risk; however, and highlights it in their recommendation for the overall board to vote on. He stated they try to protect themselves and have thus far done a good job of minimizing their losses. He further explained that typically the HRA will match the dollar amount that Futures puts into the program.

Boardmember Grannis asked what the average loan amount was.

Mr. Carrier replied the average loan from Futures is \$50,000 and \$50,000 from HRA.

President Tourville stated many cities are investing in their EDA's because they get a better return than they would on traditional investments.

Mr. Carrier stated the program allows businesses to get financing they would not be able to get from other sources. This keeps them in business and keeps jobs in the community.

Jim Roth, MCCD, gave an overview of the organization. He advised they are an association of non-profit community development organizations working across the metropolitan area. Their members are engaged in affordable housing development, commercial corridor vitalization, and small business development. MCCD has been a small business lender since 1989, with their original mission being primarily working in inner city neighborhoods in Minneapolis. In 2007 they merged with a smaller St. Paul association and made the decision to serve the seven county metro area. In an effort to recover the cost of their services they started the "Open to Business" program which directly contracts with municipalities. They currently contract with 15 cities to provide their small business loan program. They bring their own loan capital but will also partner. They closed 110 loans in 2011.

Rob Smolund, MCCD, discussed the "Open to Business" program. He advised the program provides an opportunity for municipalities to help entrepreneurs gain access to financing and one-on-one counseling.

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This includes counseling on business planning, organization, financial management, marketing, determining a business's feasibility, etc. The process includes determining if the applicant has a viable business, how much capital they need, and a strategy for acquiring the necessary resources. He stated MCCD has their own capital as well as partnerships with area banks to help small business owners obtain loans and revolving lines of credit. Many times MCCD will match the funding available from the bank in an effort to get the business owner the capital needed. Another option is to have an arrangement such as that of Brooklyn Park. MCCD recently entered into an agreement with the City of Brooklyn Park to share the exposure; if MCCD provided \$25,000 the City provided up to \$25,000. In this case Mr. Smolund would originate the loan, do the loan reports and analysis and present it to his loan committee. It would then go to the Brooklyn Park Development Corporation Committee. MCCD would fund the loan in participation with Brooklyn Park Development Corporation. MCCD would service the loan and pay Brooklyn Park Development Corporation the quarterly interest collected for their portion of the loan. They also have a program similar to a 504 program where MCCD would partner with a bank to provide financing for small real estate purchases.

President Tourville asked if the annual fee for the "Open to Business" program was a flat \$10,000, regardless of the size of the city, number of applications processed, hours of consultation, etc.

Mr. Smolund replied in the affirmative, stating the \$10,000 annual fee included unlimited hours of service, consultation, and loans. He advised that some smaller cities, such as New Hope and Golden Valley, have combined into one program.

Mr. Roth added that if they are not able to finance the entire loan amount themselves they will sometimes partner deals with other sources such as MEDA, Women Venture, or the William C. Norris Institute.

Mr. Smolund stated because they are a Certified Development Financial Institution, they receive funds from the Treasury Department as well. The two funds they use that have no restrictions are EQ2 funds from Wells Fargo and US Bank.

President Tourville asked if other cities had local involvement.

Mr. Smolund replied Brooklyn Park is the only city they currently have a joint loan program with.

Mr. Link asked for details regarding MCCD's work with local banks.

Mr. Smolund replied if Inver Grove Heights were to become an "Open to Business" city, MCCD would implement a marketing campaign. They would ask the City to set up meetings with local bankers to allow MCCD to explain their program. He advised that bankers appreciate MCCD because they like to have someone they can refer people to if they themselves are unable to offer a loan.

Mr. Kuntz asked Mr. Smolund to elaborate on an earlier remark that one city had their own loan committee in addition to MCCD's loan committee.

Mr. Smolund advised that Brooklyn Park has their own board that acts as a loan committee. This committee must review and approve any MCCD loans done in the City prior to their implementation.

Mr. Link stated he contacted a couple cities that work with MCCD and they spoke highly of them.

President Tourville asked if Mr. Link spoke with the City of Brooklyn Park.

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Mr. Link replied he only spoke with the cities of St. Louis Park and Minnetonka; however, he read a newspaper article in which Brooklyn Park stated they were pleased with the program.

Ms. Watters stated that Brooklyn Park has partnered with MCCD and is very pleased. They have seen business inquiries increase and they are happy with MCCD's customer service, administrative process, and regular office hours.

Mr. Kuntz referred to a memorandum from his office addressing the relationship of financial information submitted by applicants and the City's responsibility in regards to the Data Practices Act. He summarized what data was deemed private upon submission and what data was reclassified to public at the point that financial assistance was awarded. He pointed out that several documents remain private, such as income tax returns, marketing plans, etc.

Mr. Link asked for direction on how to proceed in regards to implementing a small business loan program.

Boardmember Piekarski Krech stated she was not ready to determine yet what would best serve the City's needs.

Ms. Piekarski asked if applicants could be referred to MCCD without investing any of the City's money in the loan program outside of the \$10,000 annual fee.

President Tourville replied in the affirmative.

Ms. Piekarski stated a \$10,000 annual fee was preferable to loaning out the City's money and taking the risk of a default.

President Tourville advised that although some loans in other cities had resulted in default they may have still made a profit as the default was not necessarily for the entire loan amount.

Ms. Piekarski stated she would have liked to see documentation from the South St. Paul Futures representative as to whether or not the program made a profit over the last 15 years. She was concerned about the risk of loaning money to businesses that for one reason or another could not get a loan from traditional sources. She questioned whether the City should get involved with such a program, especially since they have had some difficulty finding loan applicants. She supported the idea of applicants receiving counseling and technical assistance, but was opposed to loaning out money from government entities.

Ms. Watters stated that South St. Paul Futures is a successful revolving loan program that has been active for 20 years. Because loans continue to be repaid they have the capital to lend out more. She advised that in regard to the difficulty of finding loans, there is not a lack of demand but rather finding an applicant with the right profile who is ready at the same time as the loan funds are available. She stated that currently Inver Grove Heights does not have the same tools that many of the competing communities do when it comes to helping businesses expand and relocate and that programs such as these can help make a difference in growing and retaining businesses in Inver Grove Heights.

Mr. Link advised that information provided at an earlier EDA meeting indicated that the number of failed loans was small. He offered to provide that information again if it would be helpful.

President Tourville asked Mr. Link to contact the City of Brooklyn Park and provide an update on the success of their program at the next EDA meeting.

The EDA agreed to take no formal action at this time.

5B. PROGRESS PLUS UPDATE

Ms. Watters summarized Progress Plus's proposed 2012 Work Plan, including 1) providing support to the EDA in terms of research, program development, and marketing, 2) assisting with tasks associated with the Concord redevelopment planning efforts, 3) establishing, maintaining, and analyzing database information, 4) responding to business inquiries, 5) implementation of the business retention program, and (6) marketing the City via their website, brochures, e-newsletter, news releases, development conference participation, and various broker events. She advised that they plan to celebrate the grand opening of Argenta Hills and Target. They will also include Mr. Link on ten retention visits in 2012.

Boardmember Piekarski Krech stated that while she understood promoting Target's grand opening, she was concerned about the negative impact Target could have on existing businesses.

Ms. Watters stated where people chose to make their purchases was beyond Progress Plus's control, however, they would try to help any business that was feeling threatened. She noted that studies have been done showing that small hardware stores can actually thrive in the face of a big box by filling a different niche.

Boardmember Piekarski Krech stated she has seen many small stores try to find their niche but eventually be forced to close.

Ms. Watters stated there are many factors that influence a business's success or failure.

Mr. Link stated one of the reasons the EDA is considering the Small Business Loan Program is to help smaller businesses rather than focusing solely on big box.

Boardmember Piekarski Krech suggested perhaps focusing the retention visits on businesses that may be impacted by Target.

Boardmember Madden stated big box stores can sometimes help small businesses by attracting customers to the area.

Ms. Piekarski stated she gets frustrated when the City spends money on outside consultants rather than using existing resources. She stated in order to promote economic development in the City the link to the EDA should be clearly visible on the City's website and the EDA meetings should be printed in the *Insights* newsletter. She asked whether a public hearing notice for the EDA meeting was published in the newspaper.

Mr. Link replied in the affirmative, stating it was advertised in both the local newspaper and the St. Paul Pioneer Press.

President Tourville agreed with Ms. Piekarski's suggestion to put a clear EDA or Progress Plus link on the City's website as well as listing the EDA meetings in the *Insights* newsletter.

Mr. Link advised that the Assistant City Administrator plans to work on the City's website later this year and would look at incorporating a link to the EDA as part of that larger project.

President Tourville stated perhaps a temporary link could be put on the website in the meantime with basic EDA information.

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Ms. Piekarski asked to see documentation from the EDA meeting and the City Council meeting as to the allocation of \$500,000 to the EDA budget as well as a breakdown of who voted for and against it.

5C. 2012 WORK PLAN

Mr. Link requested direction regarding the EDA's 2012 Work Plan. He summarized the draft work plan which included acquisition of excess golf course property, continuation of the establishment of a small business loan program, researching how other cities' EDA's are financed and structured, and acquisition of the Gun Club site for future development.

President Tourville suggested the Southeast Quadrant be added to the work plan.

Mr. Link agreed to add it to the EDA 2012 Work Plan.

5D. GUN CLUB SITE:

Mr. Link advised that the County recently met with MNDOT, and the County agreed to work with them regarding environmental investigation of the site. MNDOT has not heard from the County since that meeting. The issue is that the County's standards are much stricter than MPCA standards. MNDOT is stating that the cost of adhering to these stricter standards makes certain projects unaffordable. He advised that he would keep the EDA updated on the progress of this issue.

Mr. Mueller suggested asking for assistance from the County Commissioner in regards to this issue.

Ms. Piekarski questioned how much space the soils would take up if it were all to be removed and disposed of at the landfill.

6. ELECTION OF OFFICERS

Mr. Link asked the EDA to elect officers for the year 2012.

Motion by Madden, second by Grannis, to appoint Tourville as President, Piekarski Krech as Vice-President, Klein as Treasurer, the City's Finance Director as Assistant Treasurer, and the Executive Director's designee as Secretary.

Ayes: 3

Nay: 1 – Grannis Motion carried.

7. NEXT MEETING

Mr. Link advised that the next meeting is scheduled for May 7, 2012.

8. ADJOURNMENT: Motion by Grannis, second by Madden, to adjourn. The meeting was adjourned by a unanimous vote at 8:31 p.m.