

**INVER GROVE HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY MEETING
MONDAY, MAY 7, 2012 – 8150 BARBARA AVENUE**

CALL TO ORDER/ROLL CALL The Economic Development Authority (EDA) of Inver Grove Heights met on Monday, May 7, 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, and Secretary Fox.

3A. MINUTES

Motion by Madden, second by Piekarski Krech, to approve the Minutes of the February 6, 2012 Regular Economic Development Authority meeting.

Ayes: 3

Nays: 0 Motion carried.

3B. CLAIMS:

Motion by Madden, second by Piekarski Krech, to approve disbursements from February 7, 2012 to May 7, 2012.

Ayes: 3

Nays: 0

4A. RESOLUTION AUTHORIZING 2012 TRANSFER TO EDA FUND FROM HOST COMMUNITY FUND

Mr. Link presented a resolution ratifying the transfer of \$500,000 from the Host Community Fund to the Economic Development Fund for the year 2011. He advised that though it was clearly the intent of the City Council and the EDA to transfer the funds, the documentation of the transfer is lacking. He stated this was likely due to there being no EDA and no Economic Development Fund at the time. Staff recommends approval of the resolution to ratify the transfer.

Boardmember Madden stated his understanding was that they had transferred the 2011 funds.

Boardmember Piekarski Krech questioned the funding regarding the excess golf course property purchase.

Boardmember Grannis arrived at 6:10 PM.

Mr. Link replied that \$352,000 of the acquisition was funded from the Economic Development Fund. The fund had \$500,000 in it at the time from the 2012 transfer. The remaining \$1,000,000 of the acquisition was funded from the Host Community Fund. The action being sought tonight is to ratify the 2011 transfer of \$500,000.

Boardmember Piekarski Krech asked if the City had taken \$2,000,000 to date from the Host Community Fund for the EDA.

Mr. Link replied in the affirmative, stating \$1,000,000 went to the purchase of the excess golf course property, a transfer of \$500,000 was made to the Economic Development Fund in 2012, and the issue being discussed is the intended transfer of \$500,000 for 2011.

President Tourville asked if Mr. Link could provide the EDA with an accounting of the Economic Development Fund debits and credits.

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Mr. Link replied in the affirmative.

Boardmember Piekarski Krech stated she was under the impression that the EDA, rather than the City, had purchased the golf course and she was not comfortable with this resolution as she thought she voted against it in 2011.

President Tourville asked if the 2011 transfer had already been done.

Mr. Link replied it had not. This resolution would ratify what the City thought had already been done.

Dian Piekarski, 7609 Babcock Trail, suggested the accounting be reviewed as there seemed to be some confusion, and she suggested that the EDA receive a budgetary spreadsheet at every meeting rather than just approve the recent claims. She noted that the minutes should reflect whether or not Boardmember Piekarski Krech voted for the 2011 transfer.

Mr. Link advised that the documentation was available for 2012, but not for 2011. He stated staff would draft a document showing the balance, expenditures, etc. of the Economic Development Fund.

4B. SMALL BUSINESS LOAN PROGRAM

Mr. Link asked the EDA to further discuss the Small Business Loan Program. He recapped the memo from Progress Plus which summarized the level of loan defaults from other cities'/EDA's small business loan program performances. He noted that the purpose of this type of program is to supplement conventional bank loans and it does entail some risk.

Boardmember Madden asked how losses were recovered when a loan defaulted.

Mr. Link replied that it was a revolving loan program so those loans that were repaid would go back into the account from which the loans are made.

Boardmember Madden stated he was hesitant to loan money to a company which a bank did not want to loan money to. He asked if most cities overall felt these programs have been a success.

Mr. Link replied in the affirmative. He noted that one city stated that even if a loan were to default the city would still benefit from the property improvements made because of the loan. In regards to alternatives for administration, Mr. Link stated that the South St. Paul Futures model has a loan review committee which reviews applications and makes a recommendation to the Board. This program is administered by the Chamber of Commerce, involves local banks, and costs up to \$2,000 a year. The second option is Metropolitan Consortium of Community Developers (MCCD), who could provide loans with or without the use of City funds. This program would provide a wide variety of technical assistance and would cost \$10,000 a year.

He stated a recent development is that the Dakota County CDA has expressed an interest in contracting with MCCD on behalf of all cities in the County. Their proposal would include a staff member assigned to Dakota County who would have an office in the Eagan CDA office building. This would require a minimum participation by cities. The cost to the City of Inver Grove Heights would be \$7,500 with the CDA paying the other \$7,500. Mr. Link suggested that no action be taken tonight to give staff time to get more details and discuss this recent development more fully.

Boardmember Piekarski Krech questioned how much the CDA would pay towards the program.

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Mr. Link stated his understanding was that the total cost would be \$150,000, with the CDA paying \$75,000 for their portion and the cities involved collectively paying the other \$75,000.

Mayor Tourville stated he was more prone to look at a Futures model; however, the recent development regarding CDA's involvement with MCCD could make him reconsider. He noted that several questions still had to be answered, including how long the CDA would be willing to pay half the costs.

Boardmember Grannis stated previously he preferred the Futures model, but after looking at the services provided by MCCD and what the CDA was willing to pay, he now thinks MCCD might be the better choice.

Boardmember Piekarski Krech stated one of the benefits of using MCCD was the technical assistance they provided, especially for start up businesses.

Boardmember Madden stated there were more resources available with MCCD.

President Tourville questioned what would be included in MCCD's fee, how long the CDA would be willing to pay half the fee, and whether one MCCD representative would be enough to cover all of Dakota County. He stated the cities he has spoken with consider the technical advice provided by MCCD a tremendous resource.

Ellen Watters, Progress Plus, stated for an extra \$4,000, under the CDA proposal, the City would get more value than they would through Futures. She stated the services provided by MCCD would fill a gap that currently exists as they could help write business plans, figure out complex financing, etc.

Mr. Link stated MCCD is also able to help prospective businesses determine whether or not they have a viable business plan. He advised that currently most cities are not able to financially help businesses and it would be beneficial to have someone to refer people to for both business and financial advice.

President Tourville suggested that Mr. Link advise the CDA that the Inver Grove Heights EDA is very interested in the program but is not yet willing to commit.

The EDA unanimously agreed to President Tourville's recommendation.

President Tourville questioned whether all cities in Dakota County would participate in the CDA/MCCD program.

Mr. Link stated the CDA's initial reaction was that the amount MCCD expected the CDA to pay on behalf of the townships seemed high.

Dian Piekarski, 7609 Babcock Trail, stated that even though they do not provide loans, the City is currently able to provide financial assistance to businesses through various other methods, such as foregoing assessments, paying for infrastructure, TIF, etc. She advised she was concerned about the potential for government to grow should this program be put in place, she was concerned about the risk involved, and was not convinced that a small loan program was essential to bringing businesses to the City. She asked if staffing would be kept to a minimum if the EDA utilized an organization such as the MCCD.

Mr. Link replied that in a larger City doing dozens of loans a year MCCD would probably replace what cities would otherwise have to add to staff. In regard to the previous comment regarding other methods of financial assistance, Mr. Link advised that many of the tools mentioned are not appropriate for small businesses (i.e. TIF is only cost effective for larger projects, most small business projects do not require infrastructure, etc.).

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President Tourville questioned what would happen if some cities dropped out of the program.

Mr. Link advised he would bring the EDA's concerns and tentative interest in the program to the CDA.

Mr. Link asked the EDA to provide staff with direction regarding the draft guidelines as they relate to whether the program's purpose and what the maximum loan amount should be.

Boardmember Piekarski Krech stated that discussion should take place after the EDA determines which venue they are going to use to administer the program.

President Tourville agreed, stating MCCC would have more money available than a Futures program.

Mr. Link asked if the EDA wanted to focus primarily on existing Inver Grove Heights businesses, new businesses, or both.

Mayor Tourville stated he would be interested in helping both existing and new businesses.

Boardmember Madden questioned whether a program such as this could help established businesses needing temporary assistance.

Mayor Tourville stated that many businesses use South St. Paul Futures because of the lower interest rate, not because they cannot get traditional financing.

Ms. Piekarski asked if the EDA would fund businesses with cash flow issues.

President Tourville replied they would not. He asked if the other Boardmembers were opposed to helping new businesses.

Boardmembers Grannis and Piekarski Krech replied they would like to help both new and existing businesses.

Boardmember Grannis stated he felt the maximum loan amount should be closer to \$50,000.

Boardmember Madden agreed, stating a loan less than that would be of little help in today's economy.

President Tourville stated that one advantage of the MCCC/CDA program is the amount of money available.

Ms. Watters stated she supported allowing loans up to \$50,000, noting that the cost of adding an ADA compliant restroom would be at least \$15,000. She advised that during the Concord reconstruction project there were at least three impacted businesses that would likely have taken advantage of a program such as this. Ms. Watters stated that new businesses often inquire as to whether the City has any money available, many of which are looking to renovate an existing lease space. She noted that typically small businesses are looking for financial incentives rather than large box stores.

4C. PROGRESS PLUS UPDATE

Ms. Watters summarized the first quarter 2012 update. She advised that they had another meeting with affected businesses regarding the Concord redevelopment concept plans. They reassured them that this was a long-term voluntary plan and no businesses would be forced to relocate. She noted that inquiries

are up from the last two years, many businesses in the area are looking to expand, and a number of national chains are actively looking for sites in this region. She noted that Greater MSP is creating a strategy to attract large data centers. In response, Progress Plus identified and submitted information regarding one potential site in Inver Grove Heights that met the extensive list of criteria. She stated that currently many cities are limiting outside storage, thereby excluding businesses from coming into their city. Since there seems to be a need for this type of business, she and Mr. Link have had discussions regarding whether a business such as this would bring enough value to the City to be of interest. Ms. Watters stated they are in the process of scheduling six retention visits. On a recent visit with Americinn Hotel they learned that it has a new owner. Jennifer Gale has already met with the new general manager. They also met with Cellular Connection in Arbor Pointe. Their representative stated they were generally pleased but found it confusing to determine the leasee's responsibilities versus the building owner's responsibilities. They suggested the City have a checklist for businesses coming into the City explaining the various responsibilities, contacts, etc.

President Tourville stated that such information should be outlined in the lease agreements.

Ms. Watters stated they continue to market the City via their website, monthly e-newsletters, *Southwest Review* articles, etc. They are in discussions with Greg Munson, McGough and Target regarding grand opening events. There will be a public grand opening in July and the Chamber plans to host a broker-oriented event in the fall after Target is open and some of the adjacent main street buildings are constructed. Ms. Watters briefly discussed the City's data profile, employment numbers, and space availability.

4D. GUN CLUB SITE UPDATE

Mr. Link advised that an environmental investigation was done last year on the Gun Club site. The MPCA determined that further investigation is necessary. Staff met with MNDOT in October 2011, at which time MNDOT advised they planned to perform additional environmental investigation and they questioned whether the City would be willing to conduct additional investigation in partnership with MNDOT. The City received tentative approval from the County to perform the City's portion of the environmental investigation, but MNDOT opposed the County's involvement because of their higher remediation standards. The City is still exploring the partnership, without County involvement, and anticipates receiving a work plan from MNDOT within the next couple weeks for the additional environmental investigation. He advised that additional investigation would help determine the development costs, give the City a more accurate value of the property, and provide information needed to market the site.

4E. SOUTHEAST QUADRANT UPDATE:

Mr. Link advised that Fine Associates has been speaking with developers interested in a retail/office development on their property; however, they would like to see a transit facility. Subsequently Fine Associates approached Metro Transit and they agreed to do a study. The findings show there currently is not enough ridership to warrant a transit facility. The results of the study will be discussed tomorrow at a meeting with Fine Associates.

President Tourville stated Metro Transit could reconsider the issue if a large building with many employees was built on the property.

5. NEXT MEETING

President Tourville advised that the next meeting is scheduled for August 6, 2012.

6. ADJOURNMENT: Motion by Grannis, second by Madden, to adjourn. The meeting was adjourned by unanimous vote at 7:29 p.m.