



CHEDA Board Meeting Minutes
Tuesday, October 22, 2019, 7:00 a.m.

Present: Kurt Heldstab, Craig Morgan, Steve Erickson, Leon Kremeier, Paul Eickhof and Tom Vedbraaten

Liaisons to the Board: Dale Stainbrook and Angelica Weasner

CHEDA Staff: Craig Hoiseth, Tiffany Jones, Theresa Tahran and Beth DeBoer

Others present: Mike Christopherson, Rob Silvers, Shannon Stassen, Clayton Briggs, Michelle Christopherson, Christine Anderson, Chris Plante, Lee Groeschl, Jimmy Gosse

Absent: Betty Arvidson

- 1) President Heldstab called the meeting to order at 7:00 a.m.
- 2) **PUBLIC FORUM** – No comments from public, Heldstab closed the public forum.
- 3) **PUBLIC HEARING – 5 Year Plan/Annual Plan**
Heldstab opened the public hearing regarding the 5 Year/Annual Plan for comments, no comments Heldstab closed the hearing.
- 4) *Motion: Member Vedbraaten moved to approve the Agenda as presented, second by Kremeier. Motion carried unanimously.*
- 5) *Motion: Member Erickson moved to approve the September 17, 2019 CHEDA Board Meeting Minutes as presented, second by Morgan. Motion carried unanimously.*
- 6) *Motion: Member Erickson moved to approve the Consent Agenda second by Kremeier. Motion carried unanimously.*
- 7) **Main Agenda**
 - a) **Amended Resolution 1-5-2019 – 2019 Capital Funds Increase** –
Hoiseth stated HUD has increased our 2019 Capital Funds to \$81,399, this is an increase of roughly \$447, so we need to amend the May resolution.

Motion: Member Morgan moved to approve Amended Resolution 1-5-2019 – 2019 Capital Fund Increase, second by Kremeier. Motion carried unanimously.

- b) **Resolution 1-10-2019 – Civil Rights Certification** – Hoiseth stated this is an annual document that goes along with our PHA Plan and emphasizes our commitment to fair practices and not discriminate.

Motion: Member Vedbraaten moved to approve Resolution 1-10-2019 – Civil Rights Certification, second by Erickson. Motion carried unanimously.

- c) **Resolution 2-10-2019 – 5 Year PHA Plan** – Hoiseth stated that every year we do a Streamlined PHA Plan and then on the fifth year we also are required to have a 5 Year PHA Plan. This is a summary of the activities and mission of the Housing Authority.

Motion: Member Eickhof moved to approve Resolution 2-10-2019 – 5 Year PHA Plan, second by Heldstab. Motion carried unanimously.

- d) **Resolution 3-10-2019 – POHP** – Hoiseth stated this resolution is the authorization for the Housing Authority to borrow \$1,758,512 in order to fund the POHP project for plumbing at Oak Court. Last month the Board approved the increased amount (\$500K) of the POHP plumbing project be leveraged at 10% instead of the 20% which had been approved for the original project costs. This was presented to MN Housing, and after two committees and Board approval the POHP grant was increased to this amount with the added amount at 10% match. Vedbraaten inquired on how the debt would be paid back. Hoiseth noted that the debt will be paid back through the GO bonding after project completion. Erickson asked about the time frame. Hoiseth stated we just last week commenced the project action and all are hoping to have the project completed by the end of next year. The loan closing for this debt will hopefully be completed within the next 4-6 six weeks in order to make the December deadline. Vedbraaten asked if we had risk to borrowing this money. Hoiseth stated we do, if we are unable to manage the project to completion as we have articulated to MN Housing in our application and subsequent meetings. Although, we do believe we will be able to accomplish this as described.

Motion: Member Vedbraaten moved to approve Resolution 3-10-2019 – POHP, second by Morgan. Motion carried unanimously.

- e) **Resolution 4-10-2019 – Flat Rent** – Hoiseth stated every year HUD publishes Fair Market Rent (FMR). Public Housing Agencies are required to set rents at a minimum of 80% of FMR in their area. That has been CHEDA's position in prior years. However, this year the FMR actually had a downward FMR. If we continue to see a downward trend we may want to evaluate our percentage as we do not wish to be seen as direct competition to other

landlords and rental properties. By comparison, our Section 8 program is at 110% FMR. Vedbraaten verified that this is done annually.

Motion: Member Morgan moved to approve Resolution 4-10-2019, second by Kremeier. Motion carried unanimously.

- f) **POHP Update** – As discussed during the resolution to borrow funds, MN Housing has agreed to fund the rest of the half million needed for POHP Project. The initial kick off meeting has been held with architects, general contractor and sub contractors. We have moved the first 5 residents to our vacant rooms and demo of their five apartments has commenced. As this demo was underway we ran into some asbestos under the linoleum in bathrooms. Our options were \$130,000 to mitigate or \$25-\$30,000 to skim coat the linoleum. Our contingency is set at roughly \$150,000 so we chose to skim coat. We feel good about qualifications and communication set with the contractors and subs. Hoiseth also noted the way we crafted the schedule, our local subcontractors had opportunity to provide services for the project and over \$700,000 has been awarded to our local supply chain which is fantastic for Crookston.
- g) **Manufacturing Week** – Crookston will recognize Manufacturer’s Week the last week of October. The manufacturers will include: Eickhof, New Flyer, American Crystal, SunOpta, and DEE Inc. Each will be submitting stories for the local media and there will be tours of the facilities conducted on Monday, Tuesday and Wednesday. At each facility we hope to thank them for all they do for the community and learn more about their mission, staff, opportunities and challenges that they face. Last year during time spent with these major employers a common theme of challenges were available workforce and their development along with child care. CHEDA Board members, all staff, and elected officials are certainly invited to attend. Eickhof stated he submitted his story a week ago. Christopherson and Silvers acknowledged they would be providing some media coverage prior to and during Manufacturer’s Week.
- h) **Advisory Committee Update – Epitome Permitting & EAW -**
Hoiseth stated the Advisory Committee will meet next Tuesday, October 29th. The agenda will include further discussion will be about creating a TIF District and the loan agreement. The first two invoices for air permitting were provided and they amount to nearly \$50,000. The Dept. of Ag grant to Epitome Energy for \$1M will also be discussed, which are matching dollars. The Dept. of Ag has determined their grant will be distributed at a 4 to 1 ratio rather than 1 to 1, which we were of the understanding it to be when we presented the \$250,000 loan originally in August. The two firms being contracted for the air permitting and environmental assessment worksheet are Sunde and Wenck. Hoiseth wanted to be sure to get the information out in front of everyone again, particularly because of this leverage amount being

confirmed at only a 4:1 match. Morgan requested clarification that the Dept. of Ag isn't changing their grant amount, just that they want Epitome to put in more money upfront. Hoiseth noted that was correct, as the Dept. of Ag is still giving the full \$1M, but Epitome has to provide \$4M to get it. The environmental assessment worksheet does have some good overall value as it's nice for us to know the condition of the property and any hindrances for development. Eickhof stated that back at September 5th meeting here at VTP there were discussions about investing, he asked when that would start and wondered how that was proceeding. Hoiseth stated the first \$2M investors achieve a 3 to 1 incentive which was to encourage our local producers to invest early and retain and create as much local wealth as possible. This year has been particularly tough on the area farmers and they are with good reason very protective of their liquidity. Looking at the harvest difficulties and forecast, we do not expect that to change and consequently Epitome has decided they must seek investment outward as they cannot predict a change in our local producer's willingness to invest in the near future. This will move into a larger equity pool. Vedbraaten asked where they are at with the equity drive. Hoiseth stated he does not know but even if he did, that isn't public information but it is certainly something we could request to know from Epitome privately, particularly as we start putting in our funds. Morgan thought it was great idea for the Advisory Committee to discuss this 4:1 versus 1:1 leverage ratio and bring a recommendation back to the CHEDA Board. Heldstab asked if there was deadline to issue check. Hoiseth stated we don't want to rush before everybody is informed and comfortable, however any delay is certainly impacting the overall permitting process initiating. Heldstab stated the Advisory Committee will discuss next week and come back with a recommendation to the CHEDA Board. There is no CHEDA Board meeting scheduled for November but we will likely schedule one in early November if the Advisory Committee comes forward with a recommendation that requires action by the CHEDA Board.

- i) **2020 Budget** – Heldstab stated while we normally would, we certainly do not need to approve the budget at this time. It something we want to do in the upcoming weeks. If there are any questions please direct them to Hoiseth or Heldstab. Hoiseth indicated staff was able to make some shifts to certain expenditures to bring the overall budget very close to a break even number, actually a bit in the black. Hoiseth stated that over the past several months we have seen an escalation of legal fees. Our customer, APG was on a merry go round of things needed to comply with the comprehensive plan and ended up frustrating them so we are not certain of the development even coming to Crookston. CHEDA was billed over \$2000 in legal fees for APG alone and Hoiseth said he wasn't sure what the City was billed additionally for APG. If this is the new normal procedure for buying and selling property, we must take a closer look at legal fee line item on the budget. Hoiseth noted that he did have a discussion with Reynolds about all of these steps in the process and we

need to all do better. Perhaps a flowchart of when each item needs attention could be constructed for future reference. Also, there may be extra trips to the Twin Cities regarding a possible bonding bill, so the travel line item will also be reviewed and potentially needs to increase. If you looked at the workforce housing line items you'd notice there isn't a profit built in. Our latest agreement for the school district has them receiving \$4,000 after the first semester and \$4,000 after the second semester. This year the school house is being built at 1603 Hoven Lane. Speaking of housing, at the last board meeting it was discussed to possibly use a realtor to sell the house at 616 5th Ave S. At that time we were looking at selling for \$199,000. When thinking about incorporating a realtor fee, and working with Tri-Valley, we ran the numbers and did obtain a verbal commitment of \$185,000 cash for that house. We are proceeding with the purchase agreement. Hoiseth indicated he was appreciative of the budget input and feedback and still welcomes any and all questions and ideas.

8) Other Business

Hoiseth stated that the Board didn't pull the revolving loans from the consent agenda, but we do need to have conversation regarding Chick-a-dee. Hoiseth would like to have some discussion on whether the Board would like to proceed with liquidating the assets of the Bistro and coffee shop. It is apparent after two tries with two different owners that we just cannot seem to make a go of it at this location. Mr. Snow would like to possibly partner with CHEDA with another business adventure at a later time, considering the use of resources garnered by an asset sale. Eickhof asked what the value on the assets would possibly be. Hoiseth stated the assets would roughly value at \$47,000. Eickhof asked what Snow currently owes. Hoiseth stated it's \$85,000 for Cofe'. Erickson asked who would head up the liquidation of assets. Hoiseth stated possibly auction or reach out to regional businesses that may be interested. Vedbraaten asked how the funds would come back to CHEDA. Hoiseth stated the funds would likely be put into an escrow account as the liquidation process moved ahead, and then finally back to CHEDA. Evers hasn't been charging rent to hold the assets. Hoiseth has received several calls from employees and employee's parents stating that they didn't receive their last paychecks. Board members indicated that had to be between Snow and the employees and not CHEDA. Stainbrook asked about the Cycle of Threads loan. Hoiseth stated that loan was part of the overall purchase of the business from Bjorgos and this amount was added to the debt to service as a pass through from the previous owners. Mr. Snow felt the build out of the bistro and the existing customer base was valuable enough to assume that debt. Eickhof asked if Evers has reached out for us to move the assets out so he can rent the building. Vedbraaten inquired if there was any back rent. Hoiseth stated there is some back rent but Evers hasn't requested us to move the assets out of the building. Morgan stated that there are some integrity issues here regarding coming back to the Board we must consider prior to any future business opportunities. Eickhof stated it would be tough to get the full price of the assets.

Hoiseth stated at a later date there could be discussion of a future business plan venture, but for now he is only seeking guidance on the liquidation. Erickson asked if there are legal fees to be incurred for the liquidation. Hoiseth stated there will likely be legal fees as we need to follow the law on the liquidation process. Hoiseth reassured the Board that when they see a past due loan client listed on the loan status report - do know that the staff has been in contact with that person and/or business. Some other EDA's publicly announce past due clients, but CHEDA has typically not done it that way, but we do stay very engaged with accounts that are not keeping up with proper payments. Hoiseth also noted that legal recourse is never a great thing to have happen, but sometimes this is just the nature of gap lending where security is often weak.

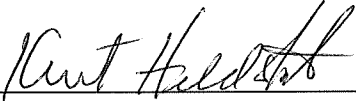

Motion: Member Eickhof moved to approve Hoiseth to moved forward with liquidation of the Cofe', bistro assets, second by Vedbraaten. Motion carried unanimously.

Board Reports

Lee Groeschl welcomed everyone to attend the MNwest Entrepreneur Summit on Tues. October 29th. Cost is \$55 Attendee, \$35 Early Stage Companies (0-3 year) and \$15 Students. There will be 80 business professionals coming to the area. There will be opportunities for networking and learning about what's happening outside of Crookston.

There being no further business to come before the board, President Heldstab adjourned the meeting at 7:50 a.m.

These minutes were officially approved on December 17, 2019

Attest:  and 
Board President Executive Director