

**CHEDA Board Meeting Minutes**  
**Tuesday, July 18, 2017, 7:00 a.m. † VTP**

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

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

Others present: Jake Fee, Bobbie Baird, Wayne Melbye, Mike Christopherson, Kristi Thorfinnson, Shannon Stassen Dale Stainbrook, & DeAndra Navratil

Absent: Amanda Lien and Chris Bates

- 1) President Heldstab called the meeting to order at 7:00 a.m.
- 2) PUBLIC FORUM - None
- 3) *Motion: Member Vedbraaten moved to approve the July 18, 2017 CHEDA Board Meeting Agenda as presented, second by Kremeier. Motion carried unanimously.*
- 4) *Motion: Member Erickson moved to approve the May 16, 2017 Board Meeting Minutes as presented, second by Eickhof. Motion carried unanimously.*
- 5) *Motion: Member Heldstab moved to approve the consent agenda with removing Rehab Loans to main agenda item g, second by Morgan. Motion carried unanimously.*
  - a) CHEDA Bills Payable (Check 42748-42988, 43062-43082 Totaling \$330,584.64)

**6) Main Agenda**

**a) Resolution 1-7-2017 Disposition of 1610 Barrette St.-**

*Motion: Member Kremeier moved to approve Resolution 1-7-2017 Disposition of 1610 Barrette St, second by Vedbraaten. Motion carried unanimously.*

**b) Resolution 2-7-2017 Site Control of Parcel for Agassiz Townhomes-**

Hoiseth stated this resolution clears of some language with a legal description of the parcel on the west side of Broadway for Agassiz Townhomes. Closing on this would likely be Sept/Oct. Meier asked if the legal description was given by the law office, Hoiseth said yes.

*Motion made by member Vedbraaten to approve Resolution 2-7-2017 Site Control of Parcel for Agassiz Townhomes, seconded by member Kremeier. Motion carried unanimously.*

- c) Resolution 3-7-2017 Accepting 2017 Capital Funds** –Hoiseth stated the 2017 capital funds will go towards: elevator upgrades, clothes dryer, air handler and air compressor. Hoiseth also mentioned legislation approved some bonding, so we will be applying the GO Bonds again soon.

*Motion made by member Meier to approve Resolution 3-7-2017 Accepting 2017 Capital Funds, seconded by member Morgan. Motion carried unanimously.*

- d) Resolution 4-7-2017 Accepting Crookston Jobs Inc. Assets** – Hoiseth noted that Crookston Jobs Inc. has dissolved and has decided to transfer approximately \$107,000 from money markets and CDs, along with a receivable from DEE Inc. (roughly \$31,000) and 3 properties located in the industrial park. Meier ask if houses would fit within the mission of these Crookston Jobs Assets. Hoiseth stated the assets would become a new line item on the funds summary report. These assets will follow the mission of Crookston Jobs Inc.: Creation and retention of jobs, so housing would probably not be considered, but noted once the Board accepts the control of said assets, the Board then is the final decision maker.

*Motion made by member Vedbraaten to approve Resolution 4-7-2017 Accepting Crookston Jobs Inc. Assets, seconded by member Eickhof. Motion carried unanimously.*

**e) Memorandum for Sick Time HSA**

In 2014 the CHEDA Board of Commissioners approved a severance of 50% of accumulated sick leave be put into a HSA upon leaving CHEDA. This is a memorandum of understanding to setup the necessary HSA account. Hoiseth noted under \$500 in severance value would likely be paid in cash.

*Motion made by member Morgan to approve Resolution Memorandum for Sick Time HSA, seconded by member Kremeier. Motion carried unanimously.*

- f) 2018 Preliminary Budget & Stipend Request** – Hoiseth noted that the past couple of years we have requested \$130,000 and in looking at the preliminary budget numbers we should be fine with that request again for 2018. Morgan stated it's important to hold the line with the request, as taxpayers and businesses are in need of some relief from continued escalations. He added that City Council has often stated that when we are in need of funds for certain projects we simply put forth a request for funding those specific projects. The Preliminary Budget is an agenda item typically considered in greater detail at our September meeting.

*Motion made by member Vedbraaten to approve stipend request of \$130,000 from the City of Crookston, seconded by member Morgan. Motion carried unanimously.*

**g) Rehab Loan**

Vebraaten noted that when the \$50,000 rehab loan repayment is made in August he thinks we should consider that money paid back to the City earlier than agreed upon. Stainbrook stated if we pay back that would leave us with only \$25,000. Vedbraaten said if the program is good it should be able to self fund itself. Stassen stated we could re-evaluate at the end of the year to pay the City back

\$50,000. Hoiseth stated Adams just paid a loan off in the amount of \$25,000. Jerde has been approved for the second half of their \$50,000 loan that we now have currently in the account, which would leave us with a \$0 balance. We also have a couple applications out right now, waiting for people to submit. The Lessard loan is scheduled to be repaid in August.

## 7) **A) Other**

Housing Study Update – The last housing study was completed in February 2014 and we have all worked together to accomplish many of the recommendations of the study. The study proved very effective in driving potential investment. We have further targeted housing in the comprehensive plan. The city lacks 55 and older living options, and the 2014 housing study does not adequately depict this. In order to have a better opportunity to secure investment for such a demographic and to provide a more contemporary look at the Crookston market, Hoiseth is recommending we update the existing study, as an affordable option. Updating the housing study this Fall would create value and would cost us \$8,900. We haven't gotten any bids other than from Community Partners Research who has completed the last 2 housing studies. Hoiseth stated last October we went through the housing study line by line and noticed we were low on market rate apartments. Northridge built The Meadow apartment building by Drafts and they filled in just a couple months. We also have Agassiz Townhomes in the works, which will add another 30 townhomes to the community workforce housing option. It's very difficult to build a community if we don't have housing. Hoiseth noted while it is not desirable among existing landlords, it is imperative that we have some vacancy signs out in order to grow our population. A up to date housing study given developers creates assurances for investment. The housing study completed 2014 was \$14,000. Meier asked if we could have the next housing study focus on existing housing. Hoiseth stated at the Sept. meeting we could request Community Partners here and convey what our specific thoughts and needs are. Stassen mentioned that he felt the current housing study has been very valuable. Hoiseth asked is anyone would like to see other bids. Heldstab stated Community Partners has done a good job. Vedbraaten asked if there would be a set time when to do housing study. Hoiseth stated they would mostly likely start soon and have it completed early in 2018.

*Motion made by member Vedbraaten to approve updated housing study completed by Community Partners for \$8900, seconded by member Kremeier Motion carried unanimously.*

**B) The Fournet Building Discussion and Recommendation** – Hoiseth provided the Board with the documentation provided by Jeff Evers. Eickhof asked if this was the only documentation that was received. Hoiseth noted that he has requested information for several weeks but unfortunately this is all he has received. Meier has emailed Hoiseth some questions which we have gone over. Hoiseth noted CHEDA is not making the final decision here today, only providing a recommendation at a request of the City Council. In March 2017 Evers met with the City Council to request the funding and from that the Council has requested CHEDA evaluate and form a recommendation. Eickhof asked about the scratched out information. Hoiseth noted that the documents are what Evers had provided. Heldstab stated there were no

formal requests or bids. Hoiseth stated no formal bids, only verbal numbers being provided from Evers and nothing has changed from the beginning of request. That request was that the funds would be used for elevators and skylights. The original plan was for 2 elevators but would only be doing 1 and in the future perhaps add the other. Morgan stated that there is no payback clause, therefore Evers is asking for a grant/gift. Hoiseth stated he had met with Evers and his primary lender and they were unwilling to lend if there was additional debt on the project. Kremeier stated this gift would essentially give Evers equity, with him bringing very little to the project. Hoiseth stated yes, the elevators and skylights would create the necessary equity to get the ratios correct for the primary lender. Erickson said this could result in another several hundred thousands of dollars in the form of a TIF. Hoiseth stated Evers specifically states there must be no new taxes collected during those years. Tri-Valley has looked at 2<sup>nd</sup> floor and has indicated they would lease the space if Evers prepares it fit for their purpose. CHEDA could possibly use the remaining space for incubating tenants, creating a maker space, or other community uses. Stainbrook asked if the school and county needed to be involved with a TIF. Hoiseth stated the City will decide on having such a district. Weasner mentioned that the City is required to do a public hearing but essentially we can just do it. Vedbraaten asked what other businesses do. Heldstab noted that Landlords for space for DaRoos just down the street filled out an IRP application and did all the necessary paperwork, and subsequently were provided a loan. Vedbraaten stated he does not feel comfortable granting the funds to Evers. Erickson said he would like to see payback of even as low as 1-2%. Hoiseth noted Evers came and presented this plan in good faith, and he has been active in the Crookston real estate market and seems to have demonstrated trustworthiness. Eickhof stated he suspects the project will cost more than what Evers is projecting and asked what happens if this project does not go forward. Hoiseth stated if this project doesn't proceed with Evers, he will likely just rent out the old Four Season space like the Johnson family did previously. The building was purchased for a low enough investment that even with the existing two tenants, the cash flow is acceptable. Hoiseth says a motivated developer and a willing primary tenant such as TriValley will be hard to see aligning again, so this may be our last opportunity to see significant development in the Fournet Building. Stainbrook noted that if nothing is done for 50+ years then the City ends up on the hook and we have another building like the Wayne Hotel. Eickhof mentioned he would have liked to have seen the drawings and this overall lacked the content and professionalism one would expect with such a big project. Hoiseth noted that Evers doesn't want to spend the \$20 – \$30,000 it will take to get such renderings if there is not appetite to do the deal. Morgan stated that is how development is done and he needs to invest these dollars up front if he wants to obtain free money from Crookston. He stated short cuts in the process and an overall lack of information makes it very difficult to commit large tax payer provided resources, even more so as a pure grant. It was mentioned that Evers needs to do what is required otherwise this request just doesn't sit well. Hoiseth mentioned there is a checklist for an IRP loan application, to include personal finances along with personal guarantees. Hoiseth asked Evers to provide that same information as an IRP loan, but we have not seen that information. Melbye stated when recently the developer that were interested in the Old High School came to Council for the same thing and didn't have documentation the Council wasn't interested. Kremeier stated if there's no documentation then it is difficult to agree to such a development. Without tax base being added to, or no direct jobs being

created or retained, it doesn't pass the most basic of economic development tests. CHEDA's primary focus is always built upon those key measurements. Hoiseth stated the directive was given to Evers to work with him and then come the CHEDA with the best deal. Hoiseth has been told by Evers's, this is his best deal. If we don't push forward we certainly could lose the other \$800-\$900,000 investment that would accompany this for our downtown. Heldstab said with such creative financing we need to be extremely careful, as the precedent is set and it's difficult stopping without showing favoritism. Others will be lining up wanting their grant. If there was \$300,000 equity by Evers, this would go forward. The missing piece is the \$300,000 equity. Stainbrook mentioned he recalled that Drafts received land for a specific amount and received an abatement. Hoiseth stated Drafts only received a loan and their deal had no tax relief although it was requested later. There was concern that this was only Phase 1 and that Evers would be back, needing to ask for more funds and we would be in an extremely difficult position. Hoiseth noted that he didn't feel Evers would come back for another request, and has assured him that future project phases would be just himself and his primary lender. Baird mentioned that Tri-Valley would have a 10 year lease but Tri-Valley operates on grant funding and what if they don't get funded. Hoiseth mentioned he has requested to see a copy of the agreement and/or lease but has not received a copy, so we are uncertain of the level of back out clauses Tri-Valley may or may not have. Melbye stated no one on the Council is willing to give away \$300,000 with no new taxes being collected besides. Vedbraaten commented that he has no appetite for this deal and would like to see things done like we have done before with requests (loans and tax abatements). Hoiseth did ask Evers if he would be willing to get a partner to help with the \$300,000, but Evers was not interested in that ownership model. Fee indicated a low interest loan was ok but can't stomach free money and hopes the package will come back better than this deal we have in front of us. With all CHEDA board members and all City Council representatives around the room commenting, it is noted there was consensus to not have a grant/gift and no new taxes as part of the Fournet building deal.

**Revolving Loan Request from Drafts** – Hoiseth provided a loan recommendation sheet for Drafts. Hoiseth apologized for the last minute loan request, but the situation demanded swift attention. Drafts are requesting a \$30-50,000 loan over 10 years and 4.25%. Drafts do currently have a couple IRP loans both for \$50,000 each. Both loans together have been paid down to roughly \$70,000. They are currently in a cash flow pinch right now and essentially if you don't pay taxes you don't have a liquor license. Hoiseth stated they could possibly get the IRP committee together. Vedbraaten asked if it would be one or the other (CHEDA or IRP). Hoiseth said yes, only one. If the IRP committee was brought together, approve this loan and the City Council confirm it, the 30 thousand could be placed on an IRP receivable. However, for consideration today, CHEDA board must act as if we will originate and maintain the loan here, as we have no assurances of the IRP process playing out accordingly. Hoiseth mentioned Drafts has been adversely impacted in three areas. Property taxes have gone up, a lack of events in the CSC and Crookston overall, and the minimum wage has also gone up with all three contributing to their shortfall. Eickhof mentioned that restaurants nationwide are struggling, even McDonald's. Vedbraaten asked if they have missed any IRP payments. Weasner noted they haven't.

*Motion made by member Vedbraaten to approve \$30,000 loan request to Drafts with a term of 10 years with 4.25% interest, seconded by member Kremeier Member Morgan abstained from vote. Motion carried unanimously.*

CHEDA Audit – Hoiseth mentioned we have received copies of the audit and they have been provided to the Board and other hard copies are available. If anyone would like we can invite Brady Martz to a board meeting to present the audit and/or answer any questions. Heldstab mentioned he stopped by during audit and visited with Brady Martz.

2016-2017 CT Workforce House – We have some landscaping touchups left to do but it seems as though we will be anticipating roughly a \$7,000 profit. Hoiseth stated last year we split this profit with the School District and would like to hear if it's the board's desire to do so again this year. Kremeier and Heldstab liked this idea. Hoiseth indicated Travis Oliver exceeded all expectations and the overall educational experience has been excellent with the kids. Oliver held some open houses for the parents of the student he was working with. Additionally, we have acquired the last lot on Barrette St for the 2017-2018 CT Workforce House. There remains one small lot on the north end of the development, but Hoiseth has recommended leaving this lot undeveloped to allow for commercial options and access. We hope to be pouring cement in late August on the next house being ready for the new school year. This next house design on the south end of Barrette Estates will be a bit larger than the few previous years, fitting in well with these south end homes. Vedbraaten asked if the instructor is able to give input on the house, Hoiseth said yes and we welcome all input.

*Motion made by member Morgan to approve offering up to half of the anticipated \$7,000 profit from 2016-2017 workforce housing project to the school district, seconded by member Heldstab. Motion carried unanimously.*

## **Board Reports**

Meier asked if the voucher program was still on a freeze. Jones stated we are not.

*Motion made by member Vedbraaten to close meeting at 8:03 am, seconded by member Kremeier. Motion carried unanimously.*



## **Closed Agenda** (Motion to close meeting pursuant to MN Statue 13D.05 Subd. 3)

- b) Government property sales or purchases

*Motion made by member Morgan to open meeting at 8:11 am, seconded by member Kremeier. Motion carried unanimously.*

**There being no further business to come before the board, President Heldstab adjourned the meeting at 8:12 a.m.**

*These minutes were officially approved on 9-21-17, 2017*

Attest:  and .  
*Board President Executive Director*

