



**CHEDA Board Meeting Minutes**  
**Tuesday, December 19, 2017, 7:00 a.m. + VTP**

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

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

Others present: Jake Fee, Wayne Melbye, Mike Christopherson, Kristi Thorfinnson, Mary Holz-Clause, Christel Vigness

Absent: Lee Meier and Dale Stainbrook

- 1) President Heldstab called the meeting to order at 7:00 a.m.
- 2) PUBLIC FORUM - None
- 3) *Motion: Member Morgan moved to approve the December 19, 2017 CHEDA Board Meeting Agenda as presented, second by Kremeier. Motion carried unanimously.*
- 4) *Motion: Member Vedbraaten moved to approve the October 17, 2017 Board Meeting Minutes as presented, second by Erickson. Motion carried unanimously.*
- 5) **Consent Agenda** – Vedbraaten requested to remove the Rehab Loans from the consent agenda. (*see Main Agenda item c.*)

*Motion: Member Morgan moved to approve the consent agenda with the Rehab loans being removed, second by Kremeier. Motion carried unanimously.*

- a) CHEDA Bills Payable (Check 43375-43451, 43453, 43464-43655, 43744-43764  
Totaling \$414,140.59)

**6) Main Agenda**

- a) **Functionally Fit** – Hoiseth introduced Christel Vigness to the Board and stated Vigness would like to purchase some cardio equipment and replace the 20+ year old stationary equipment at a later date. Functionally Fit has requested a loan from CHEDA for \$43,400 for the equipment acquisition. Vigness stated she would like to replace the treadmills with newer, technologically advanced and sleeker treadmills that are a bit lower to the ground. The elderly sometimes have trouble getting on and off equipment. Vigness stated she has increased the customer base and are currently having classes at the leased and recently remodeled old Carquest building. Functionally Fit is looking to add another instructor to teach Cross Fit classes. Hoiseth stated the quote for new equipment reflects high price and excellent quality so to acquire it all at one time would be a very substantial

investment, thus things will be purchased in stages. Eickhof asked which gym seems to have the younger population. Vigness wasn't for certain but thought possibly Anytime Fitness but could really say for sure as she isn't sure of clientele at SNAP Fitness. Vigness did state she would like to see more of the younger population at Functionally Fit as the purchasing of JJ's brought with it a more mature workout audience. Hoiseth asked if the two apartments above Functionally Fit are full and operating. Vigness stated they are full with good tenants and they did renovate one of the apartments this past year. Hoiseth stated the loan being considered would be best serviced as 7 years with a payment under \$600 per month. A ten year term would bring payment to roughly \$444 and 5 year would be \$804. Vedbraaten asked if the cash flow looked good. Hoiseth stated he feels comfortable but he did not calculate in the residual value of current equipment. If Vigness sells this older equipment it would be used to assist in the positive cash flow model. Heldstab asked about marketing to attract the younger clients. Vigness stated she hasn't yet but does plan to in the near future. Hoiseth stated that Functionally Fit has assisted in the creation of a more vibrant downtown and other businesses, such as Wonderful Life Foods appreciates the extra customer traffic derived from her clients and Vigness personally.

*Motion: Member Vedbraaten moved to approve \$43,400 7year term 4.25% interest loan to Functionally Fit, second by Morgan. Motion carried unanimously.*

- b) SBDC** – Heldstab welcomed Mary Holz-Clause and did introductions around the room for the new Chancellor. Holz-Clause stated typically an SBDC regional center operates through universities. Currently there is two years left on the contract with the SBDC center in Duluth. The SBDC is a non-profit and requires a one to one match for all funding dollars. The \$45,000 contribution to SBDC will not be going to programming. The request of CHEDA is a \$15,000 per year contribution for two years with the City of Crookston and UMC providing matching dollars. The SBDC does counseling and assists in the financing for new and small businesses. The students at the university can assist with some things but these newer businesses often require the utmost of confidentiality: example marketing plans or intellectual property discussions. There has also been some conversation about a Maker's Space which also could also be provided for at VTP. Holz-Clause stated she would like to see the SBDC office located at the VTP and then evaluate after six months or a year. A downtown or alternative location could be considered after a time when the local SBDC effectiveness is evaluated. The obvious relationship with CHEDA is cooperation with individuals in need of technical and operational support during the startup and early years of business. The SBDC hasn't had a presence for a few years so they will need to market services and while the hope was to launch early in January that appears to be a bit too aggressive. CHEDA and the City would have representation to serve on the search committee. The employee for the SBDC would need to be self-guided and assertive and the selected candidate would be an employee of the University and would receive that benefit package. After launching of the SBDC office and establishment of a local presence, the intention is to seek other partners for a match of funds. Examples of people to match would be banks and other

surrounding communities. The person hired would have an Advisory Council to include CHEDA and for the first year or two would report directly to Holz-Clause.

Kremeier asked if the regional office in Duluth would go away. Holz-Clause stated hoping for the contract to come to UMC ultimately. Currently the NW Foundation has someone that receives \$50,000-\$60,000 which the foundation contributes and has the capacity to do so. Vedbraaten asked what happens after the two years is up, do we contribute the same amount. Holz-Clause stated after two years she hopes to have more of a partnership, so the contribution level would be reduced. SBDC is designed to not make money because thus they are unable to charge for their services. Vedbraaten asked if they think we can find the right person quick. Holz-Clause stated she will be starting to invite people to be on a search committee, and recruitment will be underway shortly. The proposed salary for this position will be approximately \$60,000. Vedbraaten stated that a few years back we had an office for the SBDC here at VTP. Hoiseth stated that was true and that he worked very closely with them. Many of the clients who visited with Bob Knutson were then followed up with CHEDA to provide assistance. Holz-Clause also stated the SBDC regional offices work well with local economic development organizations and not just for startups only, but also with existing businesses in need of some support services. When the SBDC was at VTP they saw both people here at VTP and would also travel to other communities. Holz-Clause stated realistically it will take a couple years for it to be properly marketed and create that extra feeder for CHEDA. Heldstab asked how many centers there are. Holz-Clause stated there are 8-9 centers in MN. Morgan asked what the Advisory Council's role would be. Holz-Clause reminded everyone of the confidentiality but said there role would be suggestions to consultant and a presence in the community. The advisory group would also approve and monitor the effectiveness of a plan of work. Holz-Clause did note that she will need to do some more research. The consultant position would be posted for one month as is required for university jobs with hope of having a broad pool of candidates to interview. The desire is to have someone hired by March 1, 2018. Holz-Clause stated the ideal candidate would be someone with ample business experience, perhaps recently retired. The candidate would receive 300 hours of vacation which is a policy of the University. Heldstab asked how big the Advisory Council would be. Holz-Clause stated it would consist of CHEDA, City and Holz-Clause with likely a few business owners, so about 6-10 people. Holz-Clause stated there is a diversity of businesses out there, so far she has met 5-6 people that are interested in small businesses. Heldstab clarified that the SBDC would be meeting with new and existing businesses. Holz-Clause stated the SBDC can work with businesses that have fewer than 500 employees.

Hoiseth stated the funds from CHEDA would come from funds being transferred to CHEDA originally earmarked for the DCDP. This amount totals \$40,000 of which \$30,000 could be dedicated to the SBDC partnership. The remaining \$10,000 will allow the 2018 stipend to be reduced by that amount. Morgan stated that in the past he had utilized the services of the SBDC and it was a positive experience. Erickson asked what happens if we don't find someone by March. Holz-Clause

stated that we would continue looking. The position is important to find the right person, and not rush the process just to see it filled. Heldstab asked if anyone in Duluth or Bemidji may be interested in position. Holz-Clause stated that is a possibility.

*Motion made by member Morgan to approve \$15,000 contribution to the SBDC for 2018 and \$15,000 contribution in 2019, seconded by member Kremeier. Motion carried unanimously.*

- c) Rehab Loan** – This item was removed from the consent agenda. Vedbraaten asked if there has been any movement on the past due loan for Pedrick. Hoiseth stated he has had very recent correspondence by email with Pedrick. Pedrick has not been successful in refinancing his home but he is trying again through Quicken Loans. Pedrick has stated that he does not anticipate any problems this time with his application. Hoiseth stated it is difficult to follow up on effectively as there is no banker to talk to. We should possibly see a payoff of the remaining \$20,000 for Pedrick in February as his refinancing occurs.

Hoiseth did mention that Luke Normandin on North Front did complete their project and pay off their rehab loan early. They have recently purchased another house in town and have applied for another loan, which we will likely consider in January.

Fee verified the terms of CHEDA Rehab Loans. Hoiseth stated the terms of the loan are 1 year maximum duration, unless completed or occupied sooner with 2% interest annual interest rate. Hoiseth commented the program was designed to be very user friendly and that has resulted in strong interest in the rehab loans. Erickson commented that although we have had problems on one loan, that is a low percentage and the program overall is doing great things in and about the community, so we need to keep it available.

*Motion made by member Heldstab to approve Rehab Housing Loans status, seconded by member Vedbraaten. Motion carried unanimously.*

## **7) Other Business**

**Housing Study** – Hoiseth noted Community Partners have completed the draft of the housing study and is on track for a January or February release. We did receive the MN Housing Partnership Strengthening Rural Communities Grant so our cost will only be half of the \$8900 that the Board approved. The discussions with the Housing Study Consultant were positive and he stated there have been numerous accomplishments from items identified from the previous housing study.

**POHP Funds Oak Court** – We have re-applied for the PHOP funds which the application is due tomorrow. Hoiseth asked the board what the ceiling level would be for leverage for a \$1.2 million project. The last time we applied we used \$260,000 for leverage and some in-kind contributions such as hotels charging a lower rate as tenants are displaced there. This application will focus on the remainder of the items from last application with more emphasis on the plumbing overall project and ADA requirements being addressed. Morgan asked how long the reserves have been there and are they growing. Hoiseth stated we have been trying to build up the reserves with strong emphasis on the budget for many years. Hoiseth suggested \$350,000 to \$380,000 for leverage maximum and the Board agreed with that range. By law, we need to maintain the reserve balance at a certain level in case of government shutdown or new fund unavailability.

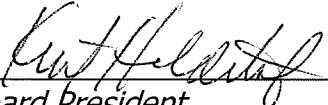
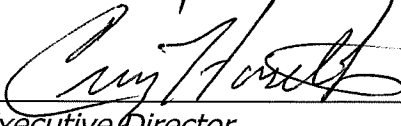
**CT HOUSE** – Hoiseth stated we purchased the CT students jackets for a cost of around \$2,000 for the jackets and embroidery work. The board has previously approved up to one half of the last house sold to go to the school district, and it was requested we provide these jackets, and felt it was a good use that demonstrated teamwork and comradery. The comments back have been very good and the students have demonstrated their appreciation by a framed "thank-you" to CHEDA.

### **Board Reports**

Weasner – The last flood home at 515 Bridge Street has been sold and transferred. Hoiseth commented that at year end the balance to the Flood rental homes will be \$10,000 and the Board needs to decide what we will do with those dollars in 2018. Any excess over and above the \$10,000 has been going into the Workforce Housing Fund.

**There being no further business to come before the board, President Heldstab adjourned the meeting at 8:15 a.m.**

*These minutes were officially approved on* January 23, 2018

Attest:  and   
Board President Executive Director