



CHEDA Board Meeting Minutes
Tuesday, December 11, 2018, 7:00 a.m. + VTP

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

Liaisons to the Board: Angel Weasner and Dale Stainbrook

CHEDA Staff: Craig Hoiseth, Tiffany Jones and Theresa Tahrán

Others present: Wayne Melbye, Mike Christopherson, Rob Silvers, Shannon Stassen, Clayton Briggs, Terrie Heggie, Jeremy Olson, Mary Holz-Clause and Michelle Christopherson

Absent: None

- 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 December 11, 2018 CHEDA Board Meeting Agenda as presented, second by Kremeier. Motion carried unanimously.*
- 4) *Motion: Member Heldstab moved to approve the October 16, 2018 Board Meeting Minutes as presented, second by Morgan. Motion carried unanimously.*

5) Consent Agenda

Motion: Member Erickson moved to approve the consent agenda, second by Eickhof. Motion carried unanimously.

- a) CHEDA Bills Payable (Check 45069-45345 Totaling \$333,573.33)

6) Main Agenda

- a) **Vertical Malt**-Adam Wagner showed a brief slide show presentation. Vertical Malt grows barley on their family owned farm and from that raw material performs a malting operation, which finally is marketed to craft brewers and distillers around the region. The malt has been penetrating the local market with knowledge that the product is controlled all the way to the customer. Some of the local brewers in the area are: Rhombus House and Half-Brothers in Grand Forks, Bemidji Brewing Company and Revelation Ale Works and Far North Spirits both in Hallock, Junkyard Brewing in Moorhead. They are looking at expanding their business, and have been working with CHEDA to find a new location on the

south end of town using 5-7 acres to build a 20,000 sq. ft. building. Vertical malt is hoping to break ground in 2019. Wagner states their financials look good to support the 3 million dollar anticipated budget for the project. There will be an anticipated 10-14 month build out of the facility to include new larger equipment, increasing capacity from 2 ton per week to 25 ton per week. Their goal in 3 years is to employ roughly 8-10 more people. There has been an advisory committee set up to provide some early guidance and business modelling to the Wagner's, which now is morphing into a smaller group to assist in the planning phase of the new building design, budgeting, investment and timelines. The hope is to put the financing into place by mid-2019, construction and relocation scheduled in 2020. Adam Wagner also wanted to voice appreciation for the CHEDA Board's commitment to the company, not only in offering the revolving loan, but also for the assistance in space and time resources.

b) Childcare Center Update (Jeremy/Wayne) – Melbye and Olson visited Benson, MN where a childcare center opened in an older portion of a school. Melbye reported the childcare center is a separate entity but the school pays for the water, heat and electricity. The childcare has external help from the school, city businesses and manufacturers. Benson school district is about 2/3 the size of Crookston School District. Benson childcare center has people from outside their area enrolled in the childcare center. Olson stated that childcare centers require commercial kitchens. This childcare center is run under the community education program but operates in the red. The first year it was approximately \$80,000, but each year they try and reduce the operating loss, working toward a goal of breakeven, which has not yet been attained. Olson and Melbye stated they would like to find out what the real need for Crookston region is. Numerous numbers have been thrown out there, but it is important that we would "right size" our childcare center for our particular market. Is the real need 5 or 35 or 65? This makes a big difference in how we might pursue this problem. Michelle Christopherson stated she was at a recent meeting with State Senators and it was discussed that childcare is a real need statewide. Holz-Clause stated that UMC childcare center operates in the red as they don't get Head Start subsidy. Olson also wanted to make sure that current daycare providers are brought into the conversation from the beginning as we do not wish to compete with them or harm their business model in any way, only try and compliment what they are doing. Olson did state the school district is looking at expanding their 3-4 yr old pre-school program, and this intent had to be included into any potential modelling, as this is the age group that is most profitable for childcare centers.

c) Rev Loan Request – Crookston Inn – The Crookston Inn has applied for a \$25,000 loan from our Rev Loan Fund. The loan terms requested were to pay it back to CHEDA in one year. Heldstab suggested the board extend the Crookston Inn current loan of roughly \$17,000 and then include the requested \$25,000 for two years. This would help their cash flow a bit versus payback in just twelve months. Hoiseth stated the Jacobson's were in favor of that if the Board was so inclined. Hoiseth stated the Crookston Inn has been doing a fantastic job in investing in the property, and actually has been able to realize a small profit in the first three quarters of 2018. The difficulty remains the property taxes have

increased so high, they are having a hard time saving up enough cash to pay them each year. The previous two years, the City Council has agreed to pay the entire tax bill through extension of the IRP loan program, but this year less is required, which is great news! Their current business model has been changing which they have worked with CHEDA to implement modifications to the facility and to the workforce, which has resulted in some stronger revenues and reduction of expenses. The primary lender stated CHEDA extending \$25,000 to the Crookston Inn would be welcomed. Fee asked if there was a reason we weren't at or above prime lending rates. Hoiseth stated we have kept lower our interest rates lower to help the business cash flows and allow for better stronger contributions from the primary lender. Increasing loan rates often help blend the overall rates of debt to the customer into something that allows for stronger income statements.

Motion: Member Heldstab moved to \$25,000 rev loan to Crookston added to current loan and be extended both for a 2 year period at 4.5%, second by Vedbraaten. Motion carried unanimously.

- d) Housing Rehab Loan Program Terms** – Hoiseth stated the Board had directed him to analyze this at the last meeting and bring forth a recommendation for changing the terms to put more “teeth” into the program for those who might be in default. Hoiseth acknowledged all loans have been paid back, and we have had only one real problem loan since inception of the program. That was an unfortunate circumstance that largely was outside of the control of the customer, creating a personal hardship and we do not want to over react to one problem over the many years of successful applicants. The success of the program has been the ease of using it, and has been regarded as doing a great job for the City of Crookston, and our desire should be to keep the participation rate high, and building in big penalties may negatively impact that. Hoiseth recommended instead of penalizing borrowers who may run late in paying back the loan with a higher interest rate, we could instead simply add a modest administrative fee. Hoiseth suggested adding this administrative fee would allow compensation for the extra staff time required in the follow-up process. This would likely be fairest as the staff time is essentially the same for a small rehab loan versus a larger one. Vedbraaten stated he agreed with this concept, and asked what would the fee amount be? Hoiseth stated this fee should be no more than \$100 per month, and he would rather see something smaller to start off, perhaps only \$50-\$75 per month. The loan in addition to the administration fee would also continue to accrue the 2% interest rate for the housing rehab loans.

Motion: Member Vedbraaten moved to adding an administrative fee of \$50 a month for past due loans, second by Morgan. Motion carried unanimously.

- e) Housing Rehab Loan - Adams** – Hoiseth stated Serenity Adams has been working with her father rehabbing homes and now is requesting a rehab loan for herself. She has purchased a home at 406 Houston Ave and will be rehabbing the interior of home and finishing up garage that has been built. Her plans are to sell the home when completed.

Motion: Member Vedbraaten moved to approve \$25,000 rehab loan to Serenity Adams, second by Kremeier. Motion carried unanimously.

f) Housing Rehab Loan - Normandin – Hoiseth mentioned the Normandin’s work closely with Jerry Persson, Luke’s father-in-law. They currently have completed a home at 231 Washington Ave with a rehab loan and waiting for it to sell. This rehab loan is due January 31, 2019. They are now requesting \$40,000 to rehab 123 Washington Ave which they plan to rehab and sell when completed. The rehab will include: new plumbing, windows, siding and HVAC improvements. Vedbraaten asked about the current amount in rehab fund. Hoiseth stated we currently have \$43,000 total, so with the Adams loan just approved, we would need to borrow funds to meet this demand. Vedbraaten suggested we could move some from the recently allocated money from the City \$350,000 Development account. After brief discussion Heldstab and Morgan both suggested moving funds from the workforce account, and paying back that account as we did at the October Board meeting. There was agreement that we wanted to move slowly in the utilization of the \$350,000 until after clear objectives were identified and enough time was spent thinking upon the strategic development initiatives of the City Council and CHEDA.

Motion: Member Morgan moved to approve \$40,000 rehab loan to Luke Normandin and moving the necessary funds from the workforce housing account to cover loan, second by Erickson. Motion carried unanimously.

7) Other Business

Hoiseth stated Agassiz Townhomes will be having an Open House on December 13th, so if anybody has not had opportunity to see the finished product and would like to, please take advantage of this 11:00-3:00 window on Thursday.

Hoiseth asked board members to review the 2019 CHEDA Board Meeting schedule. The schedule is only being proposed and if the Board wished to meet more often or less, or perhaps at a different time or place, please bring that input forward. Remember, the January meeting is the Annual meeting when the officers are installed.

The house the Board has discussed and approved as an outflow of the Housing Institute has been built and is currently sitting wrapped up at Homark in Red Lake Falls. This October was not only difficult for farmer’s harvest, but also for laying foundations and infrastructure. We chose the conservative option and move the house on to the Carmen View Estates lot in the spring. This will save costs to the concrete work, the heating of the home, and also the insurance costs over the winter. Hoiseth did note CHEDA agreed to put in \$50,000 for this home but only needed to contribute \$25,000 as Kevin Ross also contributed \$25,000, which has resulted in a really nice partnership of sharing the risk. The contractor agreed to maintain the pricing as quoted for the concrete work in the spring.

Board Reports

None


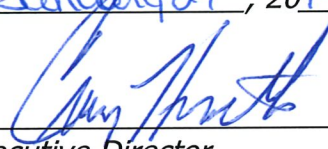
There being no further business to come before the Board, President Heldstab called for a motion to close the meeting to all except CHEDA Board members only at 7:45 a.m.

8) Close Session (MN Statue 13D.05 Subd. 3 and MN Statue 13D.05 Subd.2)
To evaluate the performance of an individual who is subject to authority."

9) Open Meeting

There being no further business to come before the Board, President Heldstab adjourned the meeting at 8:30 a.m.

These minutes were officially approved on January 29, 2019

Attest:  and 
Board President Executive Director