



CHEDA Board Meeting Minutes
Tuesday, July 16, 2019, 7:00 a.m. + 616 5th Ave South

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

Liaisons to the Board: Dale Stainbrook and Angelica Weasner

CHEDA Staff: Craig Hoiseth, Tiffany Jones, Theresa Tahrn, and Beth Deboer

Others present: Jake Fee, Mike Christopherson, Rob Silvers, Don Cavalier, Shannon Stassen, Terri Heggie, Lee Groetsch, Janna Biermeier, Christine Anderson, Kevin Ross, and Clayton Briggs

Absent: NONE

- 1) President Heldstab called the meeting to order at 7:00 a.m.
- 2) PUBLIC FORUM –
- 3) *Motion: Member Arividson moved to approve the July 16, 2019 CHEDA Board Meeting Agenda as presented, second by Erickson. Motion carried unanimously.*
- 4) *Motion: Member Kremeier moved to approve the May 21st Board Meeting Minutes as presented and the June 11th, 2019 Special Board Meeting Minutes, second by Eickhof. Motion carried unanimously.*
- 5) **Consent Agenda**
Member Morgan requested to remove the Revolving Loan Financials from consent agenda. Member Heldstab requested to remove the VTP Financials from consent agenda.
Motion: Member Morgan moved to approve the consent agenda with the removal of Revolving Loan Financials and VTP Financials, second by Vedbraaten. Motion carried unanimously.
 - a) CHEDA Bills Payable (Check 45986-46255 Totaling \$313,021.65)

6) Main Agenda

Revolving Loan Financials – Morgan mentioned that CHEDA has some history with past due accounts and asked that he hear from staff on the status of those accounts. Morgan asked if there was anything the Board could do to assist staff on the recovery of the funds. Hoiseth referred to the summary sheet for the revolving loans. He stated that conversations with B&E Meats have been frequent and as of right now they are current and up to date on payments. Cycle of Threads and Cofe are two loans lumped together with Jerry Snow. Conversations with Mr. Snow are very frequent and unfortunately he is behind with us and his landlord. Mr. Snow's business is running the same as when Dawn owned it. He is able to cover all the direct costs, labor and gross materials but is unable to service the debt or pay the facility rent. Hoiseth stated that it is clear that Crookston loves the Bistro but we all simply don't patronize it enough. Eickhof mentioned that the Bistro has poor service. Vedbraaten asked if Mr. Snow is around enough to understand what he needs. Hoiseth replied stating that Mr. Snow is moving to Crookston as his primary residence. Hoiseth answered Morgan's question by saying that we are working on a solution to service the debt, but cash flows are not sufficient and do not reflect projections. Hoiseth stated that the Crookston Inn brought in a \$4,000 payment which doesn't bring them to current but very close. The Crookston Inn has been listed for sale. The summer months have been good for hospitality industry in town primarily due to heavy contractors in the area. Hoiseth stated that he had been having good conversations with Paul Kezar from A+ Mobile Brakes in April and May. In June, Mr. Kezar wrote CHEDA a check for \$3,000 but unfortunately the account didn't have sufficient funds. Since June, we have been unable to contact him, and learned he has moved away from town. Hoiseth recommended that we pursue legal action on that loan if the Board so wished. Vedbraaten stated that if he has been writing bad checks then it is time to pursue action.

VTP Financials – Heldstab asked Weasner when we could get more current financials on VTP since the last month we received was March. Weasner replied that she should be done with April in the next day or two.

a) POHP Fund Update/Status Report– Hoiseth stated that the A/E firm is looking for partial payments on the work they have completed thus far. CHEDA did commit to 20% of the project cost and will need authorization to withdraw the funds from reserves to make payments.

Motion: Member Morgan moved to authorize the necessary transfer of funds from the public housing reserves to the public housing money market account to be used our twenty percent matching dollars, second by Kremeier. Motion carried unanimously.

Hoiseth mentioned that we are slipping on the project timeline. He stated that MFHA and the A/E firm are very concerned about this as we need to finalize the loan by December or we lose funding, and there are several steps that need to take place prior to loan closing.

Hoiseth stated that a continuing problem is answering the question on the sprinkler system. Vedbraaten asked who needs to give that answer. Hoiseth replied stating that the City has the final authority. Hoiseth mentioned that MHFA has never had to install a sprinkler system in any of the projects that they have funded in past. Councilman Stainbrook asked if the cost of the project and the percentage of the work dictate if you need fire suppression. Hoiseth stated that that is how some people have been interpreting the statues but that is not how MHFA interprets that. Stainbrook stressed his concern about not having fire suppression in the building and any potential liability the City might have. Hoiseth stated that we carry the liability insurance on this building, like all buildings, for that very reason. Hoiseth mentioned that Oak Court is not the only Public Housing building in the state. There are many in the state of MN and all the projects that have been completed have not required fire suppression. Stainbrook asked if WSN has been in contact with MHFA. Hoiseth replied that they have and MHFA doesn't believe it has ever been stated that we would need fire suppression in the building but it has been an interpretation by WSN. Erickson inquired is seems that MHFA would know these rules inside and out. Hoiseth replied that MHFA assist the legislature in writing the statutes. Hoiseth mentioned that if WSN was hired by the City to oversee this project that they should be getting the answer to the question from the State regulators and it should be a yes or no answer. Vedbraaten stated that it is an answer that somebody should know and it shouldn't take two months for that answer. Hoiseth mentioned that we do have a real risk of losing a \$1.3 million grant if we cannot get this accomplished timely. Eickhof asked what happens if we are required to install fire suppression. Hoiseth stated that the project would likely come to a stop as the cost is over \$500,000 and CHEDA doesn't have the money to cover those costs. The only other available option is for the City to provide the necessary dollars. Councilman Fee asked who gets the final sign off on that question and doesn't understand why it takes this long. City Administrator stated that the current building official works for WSN. The City is required by law to have a building official so Brad Bail was hired to act as such. Stassen stated that he believed that the current building official, Greg Hefta, weighed in on June 6th. Stassen mentioned that they have been working with attorneys to expedite it but need to make sure they are getting it right also. Erickson asked what the timeline looks like for the project. Hoiseth replied stating that the bid documents are prepared but the process must wait for the answer to fire suppression. Hoiseth stated that we could be awarding the contract as soon as September. The project will be completed in 10 phases with each phase predicted to take about a month or maybe a bit more.

- b) 2018 Audit Report** – Hoiseth stated that we received our 2018 Audit Report. This report is completed annually by Brady Martz. Hoiseth stated that compliments need to go to staff as Brady Martz said that this was the cleanest audit they have ever seen out of CHEDA and the process went extremely well. The report was distributed to the Board and it is likely we will formally accept the Audit Report at the September meeting

c) Request for 2020 Stipend— Hoiseth stated that the city's budget process is underway and part of that process is the EDA budget. The Board needs to come up with a recommendation for the stipend request. Vedbraaten asked what the current stipend is. Hoiseth stated that it is \$140,000 for 2019. Morgan asked if there was an increase last year. Hoiseth replied stating that it did increase by \$10,000 last year and as that was the first increase for a few years. Morgan suggested that the stipend stay the same for next year, as CHEDA should set an example to try and hold the line on expenses and taxpayer dollars. Vedbraaten agreed that the stipend should stay the same. Hoiseth mentioned that a couple years ago the SBDC was formed in Crookston and CHEDA went to the City and asked for those funds in the amount of \$30,000 for two years which has now been placed in the hands of UMC. Hoiseth stated that this would be a new year to support the SBDC and asked how or if the Board would like to fund it again. Morgan asked if we could put in a request to the City for those funds. Hoiseth mentioned that the stipend would be a possible funding stream by which we could support the SBDC as it would not involve the Housing Authority.

Hoiseth mentioned that there are an abundance of grants available which CHEDA hasn't been able to seek. CHEDA's current resources don't allow for the time and research it takes to be successful with grant opportunities. Kremeier stated that a good grant writer is worth his weight in gold and you can get money from places you wouldn't believe. Hoiseth stated that when looking at the budget for next year we should consider allocating funds for grant writing whether it comes from the VTP resources or CHEDA's budget. Councilman Cavalier asked Stassen who writes grants for the City. Stassen replied stating that the staff has done a lot of them but the larger grants such as the SCDG have been done by an outside party. Vedbraaten stated that he would like to see the stipend stay at \$140,000 and if a grant is available and we need to hire somebody to look into it at that time. Erickson asked what the city does to pay their grant writers. Stassen replied that they write most of them themselves. Stainbrook asked if VTP had any reserves that could cover the SBDC request. Councilman Briggs stated that he thinks that this request needs to be looked into more and suggested that the stipend stay at \$140,000. Councilman Fee stated that we are running thin on the EDA side and if the SBDC asks for funding it could leave the EDA even thinner. Stainbrook asked if we could use some of the money from VTP for these types of CHEDA budget improvements. Hoiseth stated that we have been able to accumulate reserves at VTP and if we can use money from this account as the governing authorities see fit. At the end of the day, the City and CHEDA are working from the same pie and where we take the slices out of doesn't matter as long as the community thrives. Arvidson asked if we have seen a request from the SBDC. Christine Anderson, SBDC Business Consultant, stated that they are in the process of working on a request for funding to all communities and local businesses. She stated that they will ask their current sponsors for continued support and it's her personal request that we sponsor one more year. Anderson also stated that she can report that she has been working with three more businesses in Crookston in the last week and a half.

Motion: Member Arivdson moved to approve the stipend request of \$155,000 with \$140,000 being for the operations of the EDA and \$15,000 to be under consideration for the continued support of the SBDC for 2020, second by Kremeier. Motion carried unanimously.

- d) B3 – Biermeier–Hair Connexion** - Hoiseth presented the B3 grant request. Biermeier Chiropractic has requested a grant to fund a new high efficient heating source. Jana Biermeier stated that their current heating source is a boiler that has been there for 30+ years. Vedbraaten asked if this request fits the criteria of the grant. Hoiseth stated that it fits the criteria. Vedbraaten requested that we look at the program again and make some edits for clarity. Hoiseth indicated he would do that before the end of the year. Hoiseth stated that Hair Connexion received \$1,500 at the June meeting but we forgot to include the \$1,000 for being a Crookston High School Graduate. Hoiseth interfaced with the board afterward which all voting members agreed to give the additional \$1,000, but this too needed formal action today.

Motion: Member Vedbraaten moved to approve the B3 grant in the amount of \$4,000 as recommended, second by Morgan. Motion carried unanimously.

Motion: Member Kremeier moved to approve an additional \$1,000 for Hair Connexion as recommended and already provided, second by Heldstab. Motion carried unanimously.

- e) Regal Academy Child Care Center Grant Acceptance** –Hoiseth reported that since the May CHEDA board meeting when the board allocated \$50,000 for childcare, CHEDA was successful in obtaining some grants. The partners that have given funds for childcare include Halstad Telephone Company (\$7,500), Ottertail Power Company (\$10,000), Northwest MN Foundation (\$10,000), and a commitment by the Crookston Township Board (\$1,500). The DEED grant that has been awarded to Ericka Lechki still has a balance of \$16,000 which will all go to Regal Academy. In total, Regal Academy now has dedicated resources of \$45,000 that has been given by various sources. Hoiseth reported that the build out of the childcare center will happen without the need of the \$50,000 of tax payer money that CHEDA allocated. Morgan congratulated staff for not taking the easy way and working towards finding these other partners.

Motion: Member Morgan moved to accept the grants from Halstad, Ottertail, Northwest MN Foundation, and the Crookston Township in the amount of \$45,000 and appropriate the funds to Regal Academy, second by Erickson. Motion carried unanimously.

- f) MBFC Grant Acceptance** - Hoiseth stated that the Minnesota Business Finance Corporation provided a \$1,000 grant for the use of the co-working space at VTP. CHEDA applied for the grant so the check came in our name.

Motion: Member Morgan moved to accept the grant for VTP co-working space in the amount of \$1,000 and to utilize the funds on the VTP build out. Second by Arvidson. Motion carried unanimously.

g) Advisory Committee – Epitome Energy – Heldstab informed the board that the committee met on July 2nd for the first time. This committee is comprised of CHEDA Board members, City Council members, and Community members. A follow-up meeting was cancelled due to the funeral of Mayor Genereaux and has now been scheduled for July 23rd and it is open to the public. This group will deal with the continued due diligence regarding Epitome Energy and potential incentives to assist the company.

h) Multi Family Development – Property Purchase Agreement – Hoiseth stated that CHEDA held a closed meeting on June 16th, and the Board gave authorization to move forward on selling the land south of Casey's. The purchase agreement is being drafted with a sale price of \$90,000. The conditions of the sale will be to remove some top level fill, bring sewer to the site, and provide for a two year tax abatement. Council Member Stainbrook asked if the sale needs a special hearing. City Administrator Stassen stated that it is only required for city owned property.

Motion: Member Vebraaten moved to approve the sale price of \$90,000 for Parcel 82.00083.00 which can be negotiable, second by Eickhof. Motion carried unanimously.

i) Vertical Malt Loan – Hoiseth reported that he has met with Vertical Malt and requested a milestone chart of what will happen in the next year and a half. Vertical Malt has that plan and it was presented. This is designed to help take the business to the next level. Vertical Malt wishes to hire a consultant to help design the building and work on the finances for the business/malt house. Vertical Malt is asking for assistance in paying for the consultant. Member Erickson asked if the 16-20 months on the loan was a solid number or could that change. Hoiseth stated that the 20 months would get us to the point that the facility would be built. The financing model that they are working on with their primary lender should be in place by early next year. The loan that we currently have with them and this request could be rolled into the capitalization of the organization. Hoiseth stated that he is unsure of the actual dollar amount it will take to get this finalized so he recommended a monthly amount until completion while monitoring the milestone chart. Heldstab asked where the money would come from. Hoiseth said that it could come from the revolving loan program or Crookston Jobs fund. Member Arvidson asked if any of the references have been contacted. Hoiseth stated that he has not however Vertical Malt has been working with this consultant for quite some time and he is pretty well renowned for this type of business. Arvidson asked if the contract is open-ended so if the 16 months aren't enough time can the contract continue. Hoiseth read the scope of work for the contract which includes,

Malt house design and equipment sourcing, malt house installation and project management, malt house commissioning, and ongoing support. The ongoing support would continue after the 16 months if needed, but would require separate approval. Member Erickson asked if the primary lender is secure. Hoiseth replied Bremer Bank is the chosen lender at this time, but not confirmed. Arvidson stated that if they were interested in funding this that the Board should probably put a cap on the amount of funds or time. Arvidson asked staff to meet with Tim and Adam regularly monthly to get updates on the milestones. Member Morgan suggested that the Board approve up to \$4,000 each month, on a month to month basis, with a quarterly review being offered back to the Board.

Motion: Member Morgan moved to approve the loan request of \$4,000 a month for Vertical Malt up to 16 months with quarterly reviews, second by Arvidson. Motion carried unanimously.

- 7) Other** – Hoiseth thanked the Board for coming to the house for a tour. The house is close to being completed and will soon be put up for sale.

Hoiseth mentioned that the code of conduct has been passed by the City Council which means the CHEDA Board is now held to those standards.


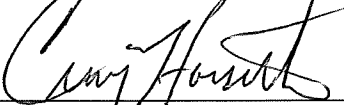
Hoiseth reported that South Shores has paid their loan entirely. CHEDA chose not to go along with the assumption agreement for the debt to transfer to the new owners as he was unable to obtain certain information during the due diligence process.

Hoiseth mentioned that Morgan Terpstra has inquired about the lot north of B&E. He would like to construct a building on that lot for his business. Was the Board willing to move forward with selling that lot? Consensus was to proceed.

Board Reports- NONE

There being no further business to come before the board, President Heldstab adjourned the meeting at 8:27 a.m.

These minutes were officially approved on September 17, 2019

Attest:  and 
Board President Executive Director