

# **Economic Development Authority**

Regular Meeting

Wednesday, August 21, 2019

4:00 PM

City Administration Building

Council Chambers

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## **Agenda**

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1. Roll Call
2. Approval of Minutes: July 17, 2019
3. Treasurer's Report
4. Loan Report
5. Reports
  - a. OACCT
  - b. OABDC
  - c. EDA Projects
6. Old Business
7. New Business
8. Other Business
9. Schedule Next Meeting – September 18, 2019
10. Adjournment

**EDA  
Minutes  
July 17, 2019**

The Owatonna Economic Development Authority met in regular session at 4:00 PM at the Council Chambers with President Raney presiding. Commissioners Present: Brenda DeVinny, Don Boutelle, Kevin Raney, Jeff Okerberg, and Doug Voss. Also present were Troy Klecker, Greg Kruschke, Bill Owens, Brad Meier, Shirley Schultz, Karen Pehrson, Dave Beaver, and Kristen Kopp.

**Approval of Minutes.** Commissioner DeVinny moved approval of the minutes of the June 19, 2019 meeting with second by Commissioner Boutelle. All Commissioners voting Aye, the motion passed.

**Treasurer's Report.** Troy Klecker presented the revenue and expense reports for June. He said that second half payments to the Chamber and OABDC have gone out. He said that they will be working with a consultant soon and will use up all of the consulting fees. The \$10,000 for MainStreet is set aside for downtown projects, specifically the removal of metal awnings. He said that he is proposing to replace existing awnings that are a potential hazard, although the new awnings will belong to the building owners and repairs will not be the City's responsibility. He said that the awning at The Kitchen is at least 50 years old and has never been repaired. It's unclear who would be liable if anything were to happen. By removing the awnings, they will be eliminating a lot of the liability. He said that while a typical awning is \$2,000 to \$3,000, The Kitchen's awning would be \$6,000 to \$7,000 because of the length of the building. Voss asked why it's the EDA's responsibility to pay. Klecker said that they are being proactive. There is still debate over whether the awnings are the City's or the property owners'. Voss said to make sure the property owners understand that they own the awnings. Klecker said they do, and the owners are also responsible for any brick repair as well. A motion was made by Okerberg and seconded by Boutelle to approve EDA's purchase of the awnings for up to four businesses, limited to \$10,000 at the time. All Commissioners voting Aye, the motion passed.

**Loan Report.** Bill Owens presented the Loan Report for June. He said that there was an issue with Mark's Repair payment as the business sold. Klecker said that this is a State MIF loan, which is tied to the business being there for ten years. The loan has transferred to the new owner and there was a delay in automatic withdrawals. He said he believes it's taken care of now. Owens said that there is a lot of interest in the forgivable loan program and that all exterior renovations will require a front elevation. Klecker said that this will best be handled as an agenda item for MainStreet meetings.

**OACCT Report.** Chamber Director Brad Meier presented the OACCT Report for June. He said that Anisha is working with businesses over the summer and is drafting a calendar for the school year. They met with new OHS principal Kory Kath. The first Made in Owatonna Day will be in October. Raney asked about the budget for watering flower baskets. Meier said that it's good; they're a year ahead on fundraising. Schultz said that they're doing well for next year, and would eventually like every hanger to have a basket.

**MainStreet Report.** MainStreet Director Shirley Schultz presented the quarterly MainStreet Report. She said that no businesses moved or closed in the second quarter. Several businesses

have been involved in Downtown Thursdays. Voss said that Downtown Thursdays are a lot of fun and that Schultz was doing an awesome job. He noted that all of the food vendors were fairly expensive and from out of town and asked whether local people were contacted. Schultz said that they got a list of food vendors from the Arts Center. She did talk to restaurants downtown and she said that they prioritized Main Street businesses to have a spot in front of their stores. Every food vendor had to apply. She said that they want people to come downtown and they want downtown businesses to do well. There is a tight balance to juggle. Raney thanked MainStreet and Schultz. He said he knows Downtown Thursdays are lot of work and is excited to see them continue to grow. They started from scratch and have had 2,500 to 3,500 people at each of the last two events. It's a safe place for people to congregate. Schultz said it's nice to see an active and lively downtown. Raney asked if they had to close off the 300 block of North Cedar Avenue. Schultz said that they were asked to. Klecker said that he heard positive comments about closing off the extra block. Voss asked about the alley lighting. Schultz said that they hope to have it by August 1<sup>st</sup>. She said that the Design Behind the Wall event went well and feedback has been great.

**Tourism Report.** Tourism Director Karen Pehrson presented the quarterly Tourism Report. She said that she's been out networking at conferences. She attended her first National Association of Sports Conference and got a warm lead. Social media is no longer being freelanced, but is done in house now. They're discussing land opportunities for a future farm show with IDEAg. Two tours were booked from the Circle Wisconsin Trade Show. 2019 Tourism Awards were presented on May 15<sup>th</sup> with two new categories. 11 tours are booked in 2019, which is a 90% increase from 2018. One of these tours will be staying overnight and is looking to book another tour in the future. She gave an update on the website. Users are up 73% and the bounce rate is low, which is a good thing. She gave an update on lodging tax and occupancy, which is down across the state. She said she's been talking with the Finance Department about unpaid lodging taxes.

**OABDC Report.** Bill Owens presented the OABDC Report for June. He said that consulting hours have been good. Occupancy was 81% at the end of June and they are doing fine financially.

**Airport Report.** Airport Director Dave Beaver presented the quarterly Airport Report. He said that they're in great shape and the T-hangars are at full occupancy. Raney asked about plans to add on. Beaver said that they've identified some bigger projects so they're ready to go if, for instance, a business needs a longer runway.

**EDA Projects.** Troy Klecker presented the EDA Projects report for June. He said that the City will begin approvals for a 350,000 square foot Costco Distribution Center. The property will need to be annexed into the City and TIF is being requested for the project. Approvals will take two months and they plan to begin grading in September. Construction will last one year. He said that he gives Kruschke all the credit as he's been working on the project on nearly a daily basis since last August. For a new business to build a 350,000 square foot facility in a community where they're not currently located is very rare. The last time this happened was Rayven in 2009. This will diversify the industrial base offering a different kind of job. They will employ around 200 people. Mankato news reporters were here this afternoon doing a story on the project. He said that Daikin is looking to build a 150,000 square foot warehouse facility which will add about 50 employees. There are plans for a second phase South Pointe project on the south end of

town. Raney noted that the national trend in housing is toward apartments. Voss asked about parking around South Pointe and if they can encourage tenants to park in the parking lot as opposed to the street. Klecker said that Mac could perhaps encourage people to park in the lot or they could possibly sign the street as no parking.

**Schedule Next Meeting.** The next EDA meeting is scheduled for **August 21, 2019** at 4:00 PM at the City Council Chambers.

**Adjournment.** There being no further business, a motion was made by Commissioner Boutelle and seconded by Commissioner Voss to adjourn the meeting. All Commissioners voting Aye, the motion passed. The Meeting adjourned at 5:33 pm.

Dated: August 21, 2019

Respectfully Submitted,

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**Secretary**

**City of Owatonna**  
**Income Statement by Fund**  
**For the Period Ending July 31, 2019**

FUND 290: EDA ADMINISTRATION

Account Name	Original Budget	YTD Actual	Difference
<b><u>REVENUES</u></b>			
PROPERTY TAXES	\$ 175,000.00	\$ 87,520.00	\$ 87,480.00
LODGING TAX - 3%	250,000.00	38,051.13	211,948.87
REFUNDS & REIMBURSEMENTS	0	25	-25
TIF ADMINISTRATIVE FEE	23,700.00	0	23,700.00
INTEREST INCOME	0	699.62	-699.62
LEASES & RENTS	1,666.00	0	1,666.00
Total Revenues	\$ 450,366.00	\$ 126,295.75	\$ 324,070.25
<b><u>EXPENDITURES</u></b>			
PERSONNEL COSTS	81,282.00	\$ 46,282.18	\$ 34,999.82
OFFICE SUPPLIES	400	26.29	373.71
MINOR EQUIPMENT	400	0	400
CONSULTING SERVICES	30,000.00	0	30,000.00
TELEPHONE	200	0	200
POSTAGE	300	48	252
VEHICLE ALLOWANCE	500	412.7	87.3
TRAVEL & CONFERENCES	500	0	500
O B D - MARKET SERVICES(OACCT)	50,000.00	50,000.00	0
O B D - LOAN SERVICES (OBI)	20,000.00	20,000.00	0
MAIN STREET PROGRAM	10,000.00	200	9,800.00
OBD-SMALL BUSINESS DEV CENTER	4,000.00	3,000.00	1,000.00
PARTNERS FOR PROGRESS	10,000.00	0	10,000.00
ADVERTISING	1,000.00	0	1,000.00
MEMBERSHIPS & SUBSCRIPTIONS	200	0	200
REPAIR SERVICE - OFFICE EQUIP	200	0	200
MAIN STREET-PARKING LOT RENTAL	4,500.00	4,032.00	468
TOURIST DEVELOPMENT	237,500.00	16,819.70	220,680.30
SOUTHERN MN INITIATIVE FOUNDAT	1,667.00	0	1,667.00
TRANSFER TO OTHER FUNDS	12,000.00	6,000.00	6,000.00
Total Expenditures	\$ 464,649.00	\$ 146,820.87	\$ 317,828.13
Expenditures	\$ -14,283.00	\$ -20,525.12	\$ 6,242.12

FUND 292: EDA LOANS

DEPT 690: EDA

Account Name	Original Budget	YTD Actual	Difference
<b><u>REVENUES</u></b>			
INTEREST INCOME	\$ 8,000.00	\$ 9,735.25	\$ -1,735.25
INTEREST - COMMERCIAL LOANS	675	412.07	262.93
INTEREST - LOW DOC TIER II	1,865.00	917.3	947.7
Total Revenues	\$ 10,540.00	\$ 11,064.62	\$ -524.62
<b><u>EXPENDITURES</u></b>			
LOAN PROGRAM REIMBURSEMENT	0	5,371.77	-5,371.77
Total Expenditures	\$ 0	\$ 5,371.77	\$ -5,371.77
Expenditures	\$ 10,540.00	\$ 5,692.85	\$ 4,847.15

FUND 294: EDA LAND

DEPT 690: EDA

Account Name	Original Budget	YTD Actual	Difference
<b><u>REVENUES</u></b>			
TIF ADMINISTRATIVE FEES	340	0	340
INTEREST INCOME	2,000.00	5,151.94	-3,151.94
LEASES & RENTS	40,000.00	18,335.25	21,664.75
Total Revenues	\$ 42,340.00	\$ 23,487.19	\$ 18,852.81
<b><u>EXPENDITURES</u></b>			
CONSULTING SERVICES	17,000.00	2,610.00	14,390.00
INSURANCE	300	150	150
REAL ESTATE TAXES	21,000.00	24,724.76	-3,724.76
LAND PURCHASES	0	2,518.29	-2,518.29
OTHER IMPROVEMENTS	0	90	-90
Total Expenditures	\$ 38,300.00	\$ 30,093.05	\$ 8,206.95
Expenditures	\$ 4,040.00	\$ -6,605.86	\$ 10,645.86

**City of Owatonna**  
**Balance Statement by Fund**  
**31-Jul-19**

FUND 292: EDA LOANS

Account Number	Account Name	Ending Balance
ASSETS		
292-000-000-10100	BANK ACCOUNTS	\$ 155,508.94
292-000-000-10900	INVESTMENTS	800,000.00

FUND 294: EDA LAND

Account Number	Account Name	Ending Balance
ASSETS		
294-000-000-10100	BANK ACCOUNTS	\$ 283,083.95
294-000-000-10900	INVESTMENTS	200,000.00

**CITY OF OWATONNA**  
**EDA - LOAN PROFILE**  
**As of : July 31, 2019**  
 prepared 8/7/2019

**EDA - Improvement Notes**

<u>Borrower</u>	<u>Loan Date</u>	<u>Int Rate</u>	<u>Years</u>	<u>Original Balance</u>	<u>Current Balance</u>	<u>Monthly Payment</u>	<u>Status</u>	<u>Type</u>	<u>Notes</u>
Williams	9/1/2016	5.250	7	20,000.00	12,546.64	285.03	Current	Retail	
Wagner's	10/1/2018	2.500	7	43,480.63	40,125.30	564.78	Current	Retail	Didn't pay Nov & Dec 18
Total				<u>63,480.63</u>	<u>52,671.94</u>	<u>849.81</u>			

<b>Profile by Loan Performance</b>	<u>Status</u>	<u>Number of Loans</u>	<u>Original Balance</u>	<u>Current Balance</u>	<u>% of Current Balance</u>
	Current	2	63,480.63	52,671.94	100.00%
	Non-current	0	-	-	0.00%
		<u>2</u>	<u>63,480.63</u>	<u>52,671.94</u>	<u>100.00%</u>



**EDA - Low Doc Notes**

Borrower	Loan Date	Int Rate	Years	Original Balance	Current Balance	Monthly Payment	Status	Type	Notes
American Legion Post 77	10/6/2014	1.625	7	20,000.00	6,920.17	252.05	Non Current		Last payment 6/26/19
Completely Kids	9/1/2016	-	3	5,000.00	138.85	138.89	Current		
Completely Kids	9/1/2016	1.625	7	20,000.00	11,942.19	252.05	Current		
Family 1st Insurance	4/1/2017	-	3	5,000.00	1,111.08	138.89	Current		
Family 1st Insurance	4/1/2017	1.625	7	19,609.00	13,318.42	247.13	Current		
Paula Trender	4/6/2018	-	3	5,000.00	2,916.65	138.89	Current		
The Kitchen	10/1/2017	-	3	5,000.00	2,083.31	138.89	Current		
				<u>79,609.00</u>	<u>38,430.67</u>	<u>1,306.79</u>			

Profile by Loan Performance	Status	Number of Loans	Original Balance	Current Balance	% of Current Balance
	Current	6	59,609.00	31,510.53	81.99%
Non-current	1	20,000.00	6,920.14	18.01%	
		<u>7</u>	<u>79,609.00</u>	<u>38,430.67</u>	<u>100.00%</u>

**EDA - MIF Flood Recovery**

Borrower	Loan Date	Int Rate	Years	Original Balance	Current Balance	Monthly Payment	Status	Type	Notes
Plemel (direct loan)	6/22/11	-	10	27,378.50	5,247.95	228.15	Current		
Marks Repair (direct loan)	4/5/12	-	10	39,327.50	11,467.25	254.85	Non-Current		Business was sold
Owatona Country Club (direct)	5/7/12	-	10	82,363.50	23,336.54	686.36	Current		
Cars-N-Credit (direct loan)	4/30/13	-	10	71,657.00	28,065.78	597.14	Current		
Plemel (deferred loan)	6/22/11	-	10	27,378.50	27,378.50	-			Forgiven after 6/22/21
Marks Repair (deferred loan)	4/5/12	-	10	39,327.50	30,581.00	-			Forgiven after 4/1/22
Owatonna Country Club (deferred)	5/7/12	-	10	82,363.50	82,363.50	-			Forgiven after 5/1/22
Cars-N-Credit (deferred loan)	4/30/13	-	10	71,657.00	71,657.00	-			Forgiven after 4/30/23
<b>Total</b>				<b>441,453.00</b>	<b>280,097.52</b>	<b>1,766.50</b>			

Profile by Loan Performance		Status	Number of Loans	Original Balance	Current Balance	% of Current Balance
	Current		8	441,453.00	280,097.52	100.00%
	Non-current		0	-	-	0.00%
			<b>8</b>	<b>441,453.00</b>	<b>280,097.52</b>	<b>100.00%</b>

**EDA Land Fund**

Borrower	Loan Date	Int Rate	Years	Original Balance	Current Balance	Annual Payment	Status	Type	Notes
Gopher TIF note	10/25/07	-	9	301,000.00	-	33,445.00	Current		Paid in Full July 2018
Rayven TIF note	10/20/08	-	9	143,760.00	-	15,973.00	Current		Paid in Full Dec 2018
Gateway #2 TIF note	12/31/16	3.000	25	472,889.00	472,889.00		Current		TIF Guarantee
Arrow Ace TIF note	12/1/17	3.000	25	350,000.00	350,000.00		Current		TIF Guarantee
Nicolai TIF note	12/31/17	3.000	25	524,845.17	524,845.17		Current		TIF Guarantee
<b>Total</b>				<b>1,792,494.17</b>	<b>1,347,734.17</b>	<b>49,418.00</b>			

Profile by Loan Performance		Status	Number of Loans	Original Balance	Current Balance	% of Current Balance
	Current		5	1,792,494.17	1,347,734.17	100.00%
	Non-current		0	-	-	0.00%
			<b>5</b>	<b>1,792,494.17</b>	<b>1,347,734.17</b>	<b>100.00%</b>

# Memo

To: Economic Development Authority  
From: Brad Meier, President/CEO  
Date: 8/21/19  
Re: OACCT Economic Development Update

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## Economic Development

- **See attached report for leads and ‘in progress’ reports.**

## Workforce

- Important school bond decision Nov. 5<sup>th</sup>
- Business Calendar (Handout)
- FAQ’s (Handout)
- Meeting with State of MN on specific business workforce needs

## MainStreet

- Reviewing EDA Forgiveable loan applications for design aspects of projects
- Working with group from Owatonna Forward to complete a couple of the wayfinding components of our plan

## OPED

- Developer event in TC
- Marketing event in Owatonna-Oct

## Commercial listings

- Updated and toured downtown buildings that are vacant including one with commercial kitchen.
- New industrial property for sale.

<u>Company</u>	<u>Date of Inquiry</u>	<u>Service Provided</u>	<u>Follow ups</u>	<u>Conclusion</u>	<u>Project Outcome: Green (progressing), yellow (probable); red (not moving)</u>
Person looking for a single office space	1/22/2019	Mr Rafi Dworsky called last week checking on office space that could be rented by the hour. He is a Speech Therapist working out of Faribault. I called Herzog Swanson to see if they had a space and they called Mr. Dworsky directly.	I called Mr. Dworsky to check to see if he found space and to suggest a couple of different options here in Owatonna. He said that he had found space at a rest home. His number is 507-210-1862		
National Mutual; Jeff Long	2/5/2019	Mr. Long is working to set up a location in Owatonna. Working with him to identify locations for office and people to potentially run the office.	We've talked twice in person and stay connected via email. Providing possible names and office locations. April they found a person to run the operation and have opened up their business in Owatonna.		
Downtown Hotel project	1/22/2019	Continue to dialogue with the HK Hospitality leadership about the project needs and next steps.	Part of the PR to continue to tell community about project. I wrote a column in people's press about the efforts and where they're at. 3/15/19 last conversation was that pieces are coming together and Jim Kelley would be coming to town in March. 6/11/19 no updates to report.		
Expansion lead	2/11/2019	Heard about possible expansion project for a local manufacturing company. Working to track down the validity and see if we can figure out their needs.	multiple calls into the contact.		
Local business looking to relocate	2/13/2019	local business is looking for 5000-10000 sq ft building with more visibility to move their business. Also looking for ideas on what to do with existing building.	Provided an initial contact for space that would fit their criteria, but that building is now in the process of being sold. Provided some other leads and keeping an eye out for other options.		
Local manufacturing business will need to relocate in the next year.	2/27/2019	Local business will need to move out of their existing location because building is being sold. They have approx. year and a half before they need to make the move. Moving will be challenging, so they want to find the right fit. Approx. 10,000 sq ft.	Reviewed several options with the owners. They are concerned about cost with the options. Have connected them with Bill Owens to do a review of what they can afford for overhead on a different building.		

Local Church in need of space	2/28/2019	This is a continuation from the prior year, they are now again looking for approx. 10,000 sq ft for their church. They've been operating out of another church doing services on Saturday nights. They need Sunday mornings.	Continued discussions on space. They have worked out a deal with the current church to do Sunday services as well, so will stay put.		
Downtown Building Quietly for sale	3/8/2019	Met with business and they stated for the right situation, they're open to moving locations.	Followed up with pricing.		
Retail Space and work space downtown	4/2/2019	Spoke via phone about their needs. Will be in town Friday and will meet.	4-5-19: met with the two leaders of the location search and went through 6 property options. Provided address and contact information and will follow up with EDA details of renovation program after April meeting. They have identified a location and are moving to a space in Owatonna in May. 8/1/19 leasing space in owatonna.		
Contact about possible purchase of local business	4/4/2019	Contact from a business real estate broker about a local businesses contact and viability.	Provided appropriate information about the business.		
Local manufacturing company looking for 35-50k sq ft of warehouse space	5/8/2019	Reached out to all our contacts who have space available.	Provided information on 3 possible locations locally with contact information.		
Working with a major event to have a permanent location in Owatonna.	5/1/2019	Their organization needs 50 acres for this particular type of event.	Working with City and County to identify options. City providing maps of each space that have been ID'd. Will meet with the company in August.		
Met with OPED partners with company interested in former Chart Building for a new mfg business.	4/30/2019	Discussion was on timing of building acquisition; worker needs.	Chamber portion of discussion about workforce and ways they can engage with our efforts to attract talent. 8/14/19: toured chart site; Rise plans to close on it in September and do significant renovations to open early 2020.		
Working with Airport group on options for growing flights from Owatonna.	4/30/2019	Setting up a meeting with business leaders and a company that provides service.	Looking at a June timeframe for the initial discussion. 5/29 postponed at urging of CEO group. 8/15/19 there is still interest in this concept.		



**August-19**

June				SBDC Consulting			
Client No.	Sessions	Hours	New	Type	Location	Assistance	Operating
1 C60392	1	1.75	1	Service	Owatonna	Business Plan	0
2 C60393	1	1.75	1	Manufacturing	Owatonna	Business Plan	0
3 C60357	1	2.25	0	Other	Owatonna	Business Plan	1
4	0	0.00	0				0
5	0	0.00	0				0
6	0	0.00	0				0
7	0	0.00	0				0
8	0	0.00	0				0
9	0	0.00	0				0
10	0	0.00	0				0
	3	5.75	2				1

Month	Hours	Month	Hours		Number	Sessions	Hours
December-18	20.00	June-19	20.00	New	2	2	3.50
November-18	15.75	May-19	13.00	Presently Operating	1	1	2.25
October-18	6.00	April-19	8.00	Retail	0	0	0.00
September-18	9.00	March-19	12.00	Restaurant	0	0	0.00
August-18	3.25	February-18	6.08	Manufacturing	1	1	1.75
July-18	9.00	January-19	8.75	Other	1	1	2.25
			130.83	Client Total	3	3	5.75

**Manufacturing Area Occupancy**

Current	85%
Budget	61%
YTD Performance to Budget \$	\$ 11,195
YTD Performance to Budget %	125%

**OFFICES**

\$	3,966
	153%

## August 21, 2018 EDA Meeting

### EDA Projects Report

- The first building is full of tenants. The developer is looking to sell the site for the second building on the old Hardees/Budget Mart site. The EDA paid for the consulting costs to complete the TIF requirements for the project and will be paid back over the life of the district which would be up to 25 years.
- The City has conveyed the 5 properties along East Pearl Street to Steve Nicolai for an apartment building. All the structures have been demolished on the site. Tax Increment Financing has been approved to reimburse the EDA the expenses to acquire and clear the properties over a 25 year period. The developer has sold the property to another developer who could possibly do a larger project. The City Council approved transferring the development agreement to the new developer. An expanded apartment building would require changes to the development agreement and to the TIF Plan.
- The City has purchased 14 acres from Viracon in the industrial park. The land will be used to swap land with Cemstone as part of a deal to have Cemstone build a new facility in the industrial park in the next 5 years. The City Council has approved using tax increment financing for the new Cemstone site. A draft development agreement and lease agreement are being reviewed and are planned to be presented to the City Council for approval.
- Equity Growth Owatonna, LLC has completed construction on a 54 unit, 5 story apartment building at 111 East Vine Street. The apartment building opened for tenants on June 1<sup>st</sup>. Tax Increment Financing has been approved for this project.
- The City has purchased the property at 147 West Pearl Street for redevelopment. Demolition of the 4-plex is completed. The City has an agreement with the owners of Family Video to market the property for redevelopment.
- The swap of property with James Brothers is now completed so they can begin relocating their operations to the industrial park.
- The City continues to work on filling the former Bubba's building.
- HK Hospitality is working on a possible hotel and event space on the 200 block of North Cedar Avenue. Staff will continue to work with the developer for a possible project.
- The City will begin approvals for a 350,000 Costco Distribution Center. The property will need to be annexed into the City and TIF is being requested for the project.
- Daikin is proposing a 150,000 square foot warehouse next to their facility on Hoffman Drive. TIF is being requested for the project as was as funds from the Minnesota Investment Fund. A MIF application has been submitted to the State on behalf of Daikin.