

Economic Development Authority
Regular Meeting
Wednesday, September 16, 2020
4:00 PM
City Council Chambers

1. Agenda

Documents:

[EDA AGENDA 09-16-2020.PDF](#)

2. Roll Call

3. Approval Of Minutes: August 13, 2020

Documents:

[EDA MINUTES 08-13-2020.PDF](#)

4. Treasurer's Report

Documents:

[3. TREASURERS REPORT.PDF](#)

5. Loan Report

Documents:

[4. LOAN REPORT AUGUST.PDF](#)

6. Reports

6.I. OACCT

6.II. OABDC

Documents:

[5.B. OABDC REPORT SEPTEMBER.PDF](#)

6.III. EDA Projects

Documents:

[5. C. EDA PROJECTS REPORT SEPTEMBER.PDF](#)

7. Old Business

8. New Business

9. Other Business

10. Schedule Next Meeting – October 21, 2020

11. Adjournment

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1. Roll Call
2. Approval of Minutes: August 13, 2020
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
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EDA MINUTES - DRAFT Copy
August 13, 2020

The Owatonna Economic Development Authority met in regular session on Thursday, August 13, 2020 at 4:00 PM at the Council Chambers with President Raney presiding. Commissioners Present: Corey Mensink, Kevin Raney, Doug Voss, Jeff Okerberg, Tom Peterson, and Andrew Cowell. Also present were Troy Klecker, Bill Owens, Brad Meier, and Jeanette Clawson. Commissioner Brenda DeVinny was not present.

Approval of Minutes. Commissioner Okerberg moved approval of the minutes of the July 15, 2020 meeting with second by Commissioner Peterson. All Commissioners voting Aye, the motion passed.

Treasurer's Report. Troy Klecker presented the revenue and expense reports for July.

OACCT Report. Chamber Director Brad Meier presented the OACCT Report for July. Work Force initiatives are starting to ramp up; there should be students back in the high school a few days each week, so we are working with employers for opportunity to job shadow and internship and work experiences. Hope to have this established prior to the opening of school. The Jump Start Owatonna distributed \$94,000 to 45 businesses; the initiative is done and now working to evaluate the program to determine what impact does this program have/had on the community?

Loan Report. Bill Owens presented the Loan Report for July, one new application was received for the 2020 Forgivable Loan Program from Firestone at 102 N Oak for \$9,901. This will be the fifth loan approved from the \$50,000 allocated for this program leaving an available balance of \$4,652.32. Commissioner Voss asked if all projects will be completed this year. Klecker responded some may not, he will be contacting companies approved for loans to follow-up with them on their plans. Loan applications will continue to be accepted until funds have been allocated and spent. Commissioner Raney asked if an incentive could be awarded to the Central Campesino Building for updates. Klecker explained the intent to the business loan is for improvement to properties for business interest, there was some interest in this property; but they are no longer interested and currently looking at another property. Currently considering what improvements to make, will update the water supply so the sprinkler system will work, considering removing the metal exterior or demolition interior walls to open up, the building is very narrow and deep with concrete backing so little play in modification options. Commissioner Mensink made a motion to approve the loan application received from Firestone, Commissioner Cowell seconded the motion, all members voted aye in approval. Owens commented this forgivable loan is equivalent to \$15,000-\$20,000 equity as there is no debt equity involved.

OABDC Report. OABDC Director Bill Owens presented the OABDC Report for July. Consulting has been slow over the last few months because of COVID concerns. Many contacts have been made by phone; he has received more contacts in the last 13 days than he received in the three prior months. One tenant will be leaving the office area at the end of August, but another tenant will be moving in and there is space available in the Industrial Area.

EDA Projects. Community Development Director Troy Klecker presented the EDA Projects for July. The Daiken project is complete and will be removed from the list. Bubba's building has several unknowns which should be addressed to increase marketability: interior demolition,

sprinkler system updated and exterior update for better street appeal. Commissioner Okerberg commented the City hired an architect for design options which the EDA should review, he also suggested using the prison crew to do some of the manual labor involved at minimal costs. Commissioner Mensink suggested posting copy of architectural drawings showing the potential exterior and interior to increase market appeal. Commissioner Voss suggested hanging a banner with a picture printed on it showing what it could look like. Commissioner Cowell questioned the cost of updating the water and sprinkler system. Klecker responded there is bulk so there will be several unknown costs, he will put some figures together, inquire if utilizing the prison crew is an option and present report at the September meeting. ISG has prepared a bid for the roof repair on the former Centro Campesino roof, once the roof is done, interior cleanup and demo could begin, estimating cost will be \$150,000. Commissioner Voss asked if Little Caesars would reopen, Meier commented he will follow-up with the franchise owner, believes they had difficulty finding workers and have closed. Caribou Coffee is coming along, this will be a drive through option on Bridge Street. Commissioner Raney asked if Starbucks on Bridge changed their hours, there have been some frustrated comments on Facebook; Meier commented Starbucks is also available at Target and now at Hy-Vee.

Old Business. The City received \$1.9 Million CARES ACT funds and has proposed to allocate \$500,000 towards Small Business Assistance. Steele County also plans to allocate approximately \$500,000 towards this program, which will be administered by the EDA. We must approve the loan program so the City and County can proceed with their fund allocations. Ehlers has been contacted to manage our program, Keith Dahl, Municipal Advisor is present to explain various program options. Mr. Dahl was introduced; he explained each city needs to decide what type of program they want to offer and create one accordingly. Several Program Options to consider are: a One Application Period Program which allows review of all applications for awards based on need, he believes this most effectively addresses business needs; a Rolling Program offers grants on a first come/first serve basis which does get funds out the quickest but many times funds don't go to the businesses needing it the most; a Rolling Application Period Program will allow receipt of applications for a two week period which are then review and payments issued; if funds remain available, there will be another application/review/payout process; a Lottery System Program accepts applications and funds then awarded to businesses whose names are drawn at random. The program proposed is a One Application Period Program to provide up to a \$10,000 grant to businesses with 50 employees or less, that incurred unreimbursed costs due to COVID-19. The application period will run from August 31st through September 21st, grants would be awarded based on business needs and all program funds must be spent by November 15th, consultant fees will also be reimbursable through the program. Commissioner Mensink commented he approves shortening the application period, so it is not a big race to submit. Commissioner Voss commented he does not like the Rolling Program process, the first companies to complete the application and submit will be those with full accounting staff and may not be those needing the most assistance. Commissioner Cowell questioned what type of businesses are eligible, will non-profit companies be considered. Klecker responded the program was structured to not include non-profit companies. Commissioner Mensink made a motion to approve this proposed program contingent on funding allocations from the City and County, Commissioner Peterson seconded the motion; all members voted aye in approval.

New Business. There was no new business to discuss.

Other Business. Commissioner Cowell asked if an offer was made on the property on 141 E Fremont. Klecker advised the property's assessed value is \$68,400 and an initial offer was

made for \$62,000; we negotiated and settled at \$68,000 plus \$3,000 towards closing costs. Commissioner Okerberg asked on the status of the home on West Bridge Street and 32nd Avenue; Klecker advised the tenant has been advised of the property sale but no formal notice or eviction has occurred. The home will be demolished but this may not occur until next spring, the tenants are currently looking for another home.

Schedule Next Meeting. The next EDA meeting is scheduled for September 16, 2020 at 4:00 p.m. in City Council Chambers.

Adjournment. There being no further business, a motion was made by Commissioner Voss and seconded by Commissioner Peterson to adjourn the meeting at 5:15 pm. All Commissioners voted aye in approval.

City of Owatonna
Income Statement by Fund
For the Period Ending August 31, 2020

FUND 290: EDA ADMINISTRATION

Account Name	Original Budget	YTD Actual	Difference
<u>REVENUES</u>			
PROPERTY TAXES	\$ 185,000.00	\$ 123,340.00	\$ 61,660.00
LODGING TAX - 3%	250,000.00	91,996.79	158,003.21
REFUNDS & REIMBURSEMENTS	0	710.00	-710.00
TIF ADMINISTRATIVE FEE	35,969.00	14,995.65	20,973.35
INTEREST INCOME	1,000.00	276.77	723.23
LEASES & RENTS	1,666.00	0.00	1,666.00
Total Revenues	<u>\$ 473,635.00</u>	<u>\$ 231,319.21</u>	<u>\$ 242,315.79</u>
<u>EXPENDITURES</u>			
PERSONNEL	84,398.00	55,346.76	29,051.24
OFFICE SUPPLIES	400	35.00	365.00
MINOR EQUIPMENT	400	0.00	400.00
CONSULTING SERVICES	30,000.00	34,000.00	-4,000.00
TELEPHONE	200	0.00	200.00
POSTAGE	300	85.98	214.02
VEHICLE ALLOWANCE	500	364.80	135.20
TRAVEL & CONFERENCES	500	0.00	500.00
O B D - MARKET SERVICES(OACCT)	50,000.00	50,000.00	0.00
O B D - LOAN SERVICES (OBI)	20,000.00	20,000.00	0.00
DOWNTOWN ENHANCEMENTS	15,000.00	17,504.00	-2,504.00
OBD-SMALL BUSINESS DEV CENTER	4,000.00	3,000.00	1,000.00
PARTNERS FOR PROGRESS	10,000.00	5,000.00	5,000.00
ADVERTISING	1,000.00	547.50	452.50
MEMBERSHIPS & SUBSCRIPTIONS	200	0.00	200.00
REPAIR SERVICE - OFFICE EQUIP	200	0.00	200.00
MAIN STREET-PARKING LOT RENTAL	4,500.00	4,032.00	468.00
TOURIST DEVELOPMENT	237,500.00	82,921.89	154,578.11
SOUTHERN MN INITIATIVE FOUNDAT	1,667.00	0.00	1,667.00
TRANSFER TO OTHER FUNDS	12,000.00	8,000.00	4,000.00
Total Expenditures	<u>\$ 472,765.00</u>	<u>\$ 280,837.93</u>	<u>\$ 191,927.07</u>

FUND 292: EDA LOANS

Account Name	Original Budget	YTD Actual	Difference
<u>REVENUES</u>			
INTEREST INCOME	\$ 15,000.00	\$ 9,156.72	\$ 5,843.28
OTHER REVENUE	0	125.00	-125.00
INTEREST - COMMERCIAL LOANS	450	238.72	211.28

INTEREST - LOW DOC TIER II	1,400.00	560.02	839.98
Total Revenues	\$ 16,850.00	\$ 10,080.46	\$ 6,769.54
<u>EXPENDITURES</u>			
LOAN PROGRAM REIMBURSEMENT	0	15,555.56	-15,555.56
Total Expenditures	\$ 0.00	\$ 15,555.56	\$ -15,555.56

FUND 294: EDA LAND

Account Name	Original Budget	YTD Actual	Difference
<u>REVENUES</u>			
REFUNDS & REIMBURSEMENTS	22,287.00	0.00	22,287.00
TIF ADMINISTRATIVE FEES	1,172.00	1,119.29	52.71
INTEREST INCOME	7,500.00	8,079.50	-579.50
INTEREST - EDA LAND LOANS	0	20,250.72	-20,250.72
LEASES & RENTS	35,000.00	0.00	35,000.00
SALE OF PROPERTY	0	7,370.35	-7,370.35
Total Revenues	\$ 65,959.00	\$ 36,819.86	\$ 29,139.14
<u>EXPENDITURES</u>			
CONSULTING SERVICES	17,000.00	6,377.75	10,622.25
ADVERTISING	0	82.88	-82.88
INSURANCE	500	375.00	125.00
REAL ESTATE TAXES	21,000.00	18,128.04	2,871.96
LAND PURCHASES	0	189,447.13	-189,447.13
OTHER IMPROVEMENTS	0	6,501.80	-6,501.80
Total Expenditures	\$ 38,500.00	\$ 220,912.60	\$ -182,412.60

City of Owatonna
Balance Statement by Fund
31-Aug-20

FUND 292: EDA LOANS

Account Number	Account Name	Ending Balance
ASSETS		
292-000-000-10100	BANK ACCOUNTS	\$ 83,159.80
292-000-000-10900	INVESTMENTS	900,000.00

FUND 294: EDA LAND

Account Number	Account Name	Ending Balance
ASSETS		
294-000-000-10100	BANK ACCOUNTS	\$ -38,386.30
294-000-000-10900	INVESTMENTS	800,000.00

CITY OF OWATONNA
EDA - LOAN PROFILE
As of : August 31, 2020
 prepared 9/8/2020

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	10,199.40	285.03	Current	Retail	
Wagner's	10/1/2018	2.500	7	43,480.63	35,246.40	564.78	Current	Retail	
Total				<u>63,480.63</u>	<u>45,445.80</u>	<u>849.81</u>			

Profile by Loan Performance	<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	45,445.80	100.00%
	Non-current	0	-	-	0.00%
		<u>2</u>	<u>63,480.63</u>	<u>45,445.80</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	3,986.85	252.05	Current		
Completely Kids	9/1/2016	1.625	7	20,000.00	9,568.97	252.05	Current		
Family 1st Insurance	4/1/2017	-	3	5,000.00	0.00	138.89	Current		Paid in Full March 2020
Family 1st Insurance	4/1/2017	1.625	7	19,609.00	11,013.82	247.13	Current		
Paula Trendera	4/6/2018	-	3	5,000.00	1,111.08	138.89	Current		
The Kitchen	10/1/2017	-	3	5,000.00	694.41	138.89	Current		
				<u>74,609.00</u>	<u>26,375.13</u>	<u>1,167.90</u>			

Profile by Loan Performance	Status	Number of Loans	Original Balance	Current Balance	% of Current Balance
	Current	7	79,609.00	26,375.13	100.00%
Non-current	0	-	-	0.00%	
		<u>7</u>	<u>79,609.00</u>	<u>26,375.13</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	2,966.45	228.15	Current		
Marks Repair (direct loan)	4/5/12	-	10	39,327.50	8,918.75	254.85	Current		Business was sold
Owatona Country Club (direct)	5/7/12	-	10	82,363.50	16,472.94	686.36	Current		
Cars-N-Credit (direct loan)	4/30/13	-	10	71,657.00	22,094.38	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
Total				441,453.00	262,432.52	1,766.50			

Profile by Loan Performance	Status	Number of Loans	Original Balance	Current Balance	% of Current Balance
	Current	8	441,453.00	262,432.52	100.00%
	Non-current	0	-	-	0.00%
		8	441,453.00	262,432.52	100.00%

EDA Land Fund

Borrower	Loan Date	Int Rate	Years	Original Balance	Current Balance	Annual Payment	Status	Type	Notes
Gateway #2 TIF note	12/31/16	3.000	25	472,889.00	465,230.08		Current		TIF Guarantee
Arrow Ace TIF note	12/1/17	3.000	25	350,000.00	349,838.75		Current		TIF Guarantee
Nicolai TIF note	12/31/17	3.000	25	524,845.17	524,845.17		Current		TIF Guarantee
Total				1,347,734.17	1,339,914.00	-			

Profile by Loan Performance	Status	Number of Loans	Original Balance	Current Balance	% of Current Balance
	Current	5	1,347,734.17	1,339,914.00	100.00%
	Non-current	0	-	-	0.00%
		5	1,347,734.17	1,339,914.00	100.00%

September-20

Consulting for August								
Clients	Sessions	Hours	New	Operating	Hours		Inquiries	Inquiry Hours
					2020 YTD	2019 YTD		
3	6	6.50	0	3	54.25	108.75	0	0

Occupancy for August			
Manufacturing		Offices	
Total Leasable Space	25,200	Total Leasable Offices	11
Total Leased Space	22,020	Total Number of Leased Offices	9
Present Occupancy %	87%	Present Occupancy %	82%
Budget Occupancy %	61%	Budget Occupancy %	63%
YTD Performance to Budget \$	\$ 8,986	YTD Performance to Budget \$	\$ 2,144
YTD Performance to Budget %	117%	YTD Performance to Budget %	115%
Number of Tenants	7	Number of Tenants	9

EDA Loan Programs						
Standard Programs	Number of Loans	Original Balance / Committed	Current Balance / Advanced	Amount Past Due	Available to Advance	
Low Doc Notes (Tier I and II)	6	\$ 74,609	\$ 26,375	\$ -		
Improvement Notes	2	63,481	45,446	-		
MIF Flood Recovery	8	441,453	262,433	-		
Land Fund	3	1,347,734	1,339,914	-		
		\$ 1,927,277	\$ 1,674,167	\$ -		
Special Programs						
2019 Forgivable Loans - Exterior	10	\$ 90,050	\$ 14,506		\$ 75,544	
2019 Forgivable Loans - Interior	10	90,000	20,000		70,000	
		\$ 180,050	\$ 34,506		\$ 145,544	

September 16, 2020 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. 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 land swap between the City and Cemstone is completed. The City now owns the current Cemstone site and Cemstone owns 14 acres of vacant land in the industrial park. Cemstone will have 5 years to build a new facility on the new site. The City will then redevelop the current site once Cemstone moves out. Tax Increment Financing is being used to assist with the 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 business that was looking at the former Bubba's building has decided to purchase a different building downtown. We will be putting a "For Sale" banner on the property and marketing the property. We will proceed with additional improvement to the property to remove some of the obstacles for a potential business.
- A new development group 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.
- Work continues on a new 354,000 square foot Costco Distribution Center. The City has completed all approvals for the project. TIF is being used for the project. The project will include public improvements. Public improvements will likely be completed next year.
- Work has begun on the site for a new facility for Minimizer. Minimizer has purchase 13 acres in the industrial park from the City for a new 100,000 square foot manufacturing facility. The project is to be completed in spring of 2021.
- Tax Increment Financing and a development agreement has been approved for Foremost Brew Pub at 136 West Bridge Street. Work has begun on the project.

- The City has purchased the property at 117 West Bridge Street formerly owned by Centro Campesino. The property needs a new roof and bids are being sought for a new roof. The EDA would pay for the roof with the intent of redeveloping the property and utilizing tax increment financing to recoup our costs from the project.
- The City owns the property at 148 West Main Street that was damaged from a collapsed roof. A redevelopment project is being sought for that property.
- The City Council has approved tax increment financing for Bosch to construct a 266,000 square foot warehouse facility in the industrial park. The City has received a DEED grant for \$176,000 to help pay for a public cul-de-sac to serve the property. The EDA would upfront the costs of the for the public improvements which would be paid back with the first year of increment from the project. Construction should begin on the project this month.
- The City Council has approved tax increment financing for a 36 unite market rate apartment at 660 Mound Avenue. Construction should begin this fall on the project.