

## **BRAINERD ECONOMIC DEVELOPMENT AUTHORITY**

**Thursday, July 11, 2019**

### **Official Minutes**

Pursuant to the call and notice thereof, President Menk called the meeting of the Brainerd Economic Development Authority to order at 7:34 a.m.

Present were Commissioners Ed Menk, Kelly Bevans, Jerry Sinner, and Gabe Johnson. Commissioner Wayne Erickson was noted as absent. Also present were City Administrator Torstenson, Community Development Director Chanski, Finance Director Hillman, Tyler Glynn, BLAEDC economic development officer, John Schommer, HRA rehab coordinator, and Mikaela Huot, financial advisor with Baker Tilley.

#### **Approval/Amendment of Agenda**

MOVED AND SECONDED BY COMMISSIONERS BEVANS AND JOHNSON, DULY CARRIED, TO APPROVE THE AGENDA.

#### **Approval of Minutes**

MOVED AND SECONDED BY COMMISSIONERS JOHNSON AND BEVANS, DULY CARRIED, TO APPROVE THE MINUTES FROM THE JUNE 6, 2019 EDA MEETING AS PRESENTED.

#### **Approval of Financial Report**

MOVED AND SECONDED BY COMMISSIONERS BEVANS AND SINNER, DULY CARRIED, TO APPROVE THE FINANCIAL REPORT AS PRESENTED.

Finance Director Hillman stated the City received 70% of the tax settlement in June but it was not receipted in at the time of this statement due to the changeover of computer software at Crow Wing County.

#### **Update from HRA – John Schommer**

##### **Revolving Loan Fund**

Mr. Schommer indicated the Traveling Art Pub showed interest in the fund but has not yet turned in an application.

##### **Small Cities Development Program (SCDP)**

Mr. Schommer stated there are currently two homes bidding with the owners working on the applications. He said he has been working with Sarah Hayden-Shaw regarding the old Iron Rail building with the commercial portion out for bid. He indicated they are waiting for some paperwork from the tenants regarding the rental units.

Mr. Schommer said there are two MHFA (Minnesota Housing Finance Agency) projects taking place in the City.

## **Housing Updates**

He explained a developer has purchased seven more lots in Brainerd Oaks, but there has been no current activity in Serene Pines or Dal-Mar Estates.

## **Update from BLAEDC - Tyler Glynn**

### **Unified Fund**

Mr. Glynn explained they have processed one more new loan for a project in Brainerd with another being closed out within the next couple of weeks. He stated BLAEDC, along with the assistance of CTC and Clow Stamping, has recently created a small entrepreneurial fund with Junior Achievement (JA) at the high school. He said this helped fund the Sports for Life program at the YMCA in which youth takes in donations of gently used sports equipment to sell, along with new water bottles. He indicated that BLAEDC is also assisting with the funding for the Destination Downtown competition.

Mr. Glynn stated he provided the preliminary marketing update to the intern regarding the industrial lots that he will be working on with the City shortly.

## **New Business**

### **Industrial Lot Update**

City Administrator Torstenson indicated based on the work of the subcommittee, the value of the industrial lots needs to be determined.

Ms. Mikaela Huot, financial advisor with Baker Tilley stated she put together an Industrial Park sample analysis showing tax abatement analysis and tax increment financing (TIF) for available lots, which was distributed. She explained these are assumptions based on current information and future assumptions we believe growth would be. She indicated these assumptions may be discussed and adjusted. She stated the available lots are broken down by:

- Acres
- Calculated cost based on acreage
- The maximum square footage buildable area
- Square foot value (\$60)
- Tax Capacity
- Tax Rate
- Annual Increment
- Cumulative Increment (assuming an economic development district, which a maximum term of 8 years after receipt of first increment = 9 years)

She explained the following example from the spreadsheet:

Using Lot 1 Block 1 – this lot consists of 1.69 acres. She explained using a base line of \$5 million, which is the total amount the City invested on the 50 acres, the recoverable cost of this lot

would net \$169,937. Using an expectable buildable area (30%) would net a 22,085 square foot building. The value per square foot (\$60) = \$1,325,095. The Tax Capacity to that value would estimate \$26,502 x combined tax rate for all the taxing entities, would net an annual increment of \$38,174 with a cumulative increment (assuming an economic development district over a 9-year period) of \$343,570.

Commissioners asked questions and discussion took place.

Commissioner Menk questioned the ability to integrate a commercial business into an industrial zoning district and what steps need to be taken in order to allow this if there is interest by a potential company.

Community Development Director Chanski stated some areas are zoned I-1 (Light Industrial) district which allows for some commercial; the I-2 (Heavy Industrial) district does not. He indicated it would need to be rezoned and suggested that not occur until an interested party comes forth.

Commissioner Menk suggested a “hybrid” type zone that could be a mix of industrial and commercial to expand to potential population when marketing the lots. However, tax abatement properties cannot overlap with tax increment finance property.

Community Development Director Chanski has been directed to bring the idea to the Planning Commission, as the Commission is currently working on simplifying the zoning ordinances.

The Commission thanked Ms. Huot for the presentation.

City Administrator Torstenson indicated she has been working with BLAEDC regarding the marketing of the industrial lots. She stated she researched the City of Hutchinson on the process they used in marketing their industrial lots. Their city has created two different documents; a “one-pager” that has the highlights of information in one document and a document they call their economic development resource profile.

Mr. Glynn stated this information is already on the BLAEDC website and it would be easy for the city intern to access the information and produce a one-page document for these industrial sites to be used on the city website.

### **Fund Allocation / Budget**

Finance Director Hillman presented a spreadsheet showing a preliminary EDA budget and examples of how the EDA could create their budget for 2020. She stated there could be an agreement drawn up; similar to what the HRA has, or we could continue to allocate. Commissioner Johnson stated an agreement between the EDA and the City is needed to lay out the percentage of income and staff time. He said this shows transparency and the expectations for both entities.

Commissioners have directed staff to draft an agreement to bring back to the EDA at the August meeting.

MOVED AND SECONDED BY COMMISSIONER SINNER AND JOHNSON, DULY CARRIED, TO STAY WITHIN THE MAXIMUM STATE STATUTE DOLLAR AMOUNT FOR THE BUDGET.

## **Old Business**

### **Strategic Planning**

City Administrator Torstenson indicated she obtained a proposal from Big River Consulting for strategic planning services. She said the proposal came back at \$4,710 to have the firm discuss with how we want to progress with economic development and would include items 1, 2 and 3 from the packet.

Commissioners Bevans suggested not to proceed at this time, as we need to work on selling the industrial lots.

Commissioner Sinner stated an internal plan is needed in order to strategically sell but agreed that investing in a financial planner should wait until a later date.

City Administrator Torstenson asked if the commission would like to include this in the 2020 budget.

Commissioner Sinner indicated a place holder of \$5,000 in the budget would be appropriate as this could be a concept of going forward with a plan.

City Administrator Torstenson indicated it would be very beneficial for members to attend any economic conferences or seminars that are available. She stated she has learned a lot from these sessions.

### **Call for Applicants**

Commissioner Menk stated he may have a couple of potential applicants that have shown interest and he will follow up with them on the applications.

### **Commissioners' Comments/Questions and Other Business**

None

### **Informational**

- August – Future Development Opportunities, Accept Final Audit Statement, Budget Discussion & Annual Report to Council (due by September 18)
- October – Budget discussion, Other

### **Adjournment**

The Authority adjourned at 8:47 a.m.

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Secretary/Treasurer