

# CITY OF COTTAGE GROVE

## **E**CONOMIC **D**EVELOPMENT **A**UTHORITY

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### **MINUTES** **May 10, 2005**

Pursuant to due call and notice thereof, a regular meeting of the Economic Development Authority was held at City Hall, 7516 80th Street South, Cottage Grove, Minnesota on the 10th day of May 2005.

#### **CALL TO ORDER**

The meeting was called to order at 7:30 a.m. by EDA President Shiely.

#### **ROLL CALL**

**Members Present:** Gerry Weingartner, EDA Secretary/Treasurer  
Sandy Shiely, EDA President  
Mike Wennen, EDA Member  
Jim Wolcott, EDA Member  
Glen Kleven, EDA Member

**Members Absent:** Myron Bailey, EDA Vice President  
Al Boche, EDA Member

**Others Present:** Ryan Schroeder, EDA Executive Director  
Howard Blin, Community Development Director  
Ron Hedberg, Director of Finance and Administrative Services  
Monica Percic, Management Analyst

#### **APPROVAL OF MINUTES**

Glen Kleven moved to approve the April 12, 2005 Economic Development Authority Minutes. EDA Member Weingartner seconded and the motion carried unanimously.

## **DEVELOPMENT UPDATE**

Ryan Schroeder informed the EDA that American AGCO has broken ground on its phase two building. A user for the site west of AGCO is interested in pursuing a multi-tenant building and getting in ahead of the rest of the market. Staff is considering extending 97<sup>th</sup> street, although it is unclear where the centerline of the road will be, because that is dependent upon the lot depths on the West side of the park. Schroeder commented that no one on staff has seen an updated design for the Zitzloff Auto Body project and that there is no expectation to see anything revised soon. He reported that the Public Works department is coordinating a volunteer tree planting project for July. Schroeder mentioned that the success of The Shoppes at Gateway North had created a parking situation where the lot is sometimes at 80% capacity and that staff is working on parking arrangements with the lot north of Ruby Tuesday or at Oakwood Park. He stated that Kellison will be holding a May 12 groundbreaking at 10:00 AM and that City staff was not informed of or involved in the planning of this event, but that staff would follow-up to see if any assistance was needed. Schroeder informed the EDA that digging has begun in Grove Plaza and also stated that the oral surgeon moved from the dental building neighboring City Hall to the Children's World building. Schroeder also updated the EDA on the status of the Cottage Square Center and related that City staff has met with Washington / Ramsey Counties and HUD and it seems the progress has slowed in making several of the units affordable housing, even though the developer has signed off on the concept. Schroeder concluded the development update with a mention of the list of 2004 development permit activity, which was attached to the agenda.

## **EAST RAVINE**

Howard Blin updated the EDA on the meeting schedule regarding development in the East Ravine:

- May 31: Community Advisory Team meeting
- June 5: Joint City Council / Planning Commission meeting
- June 20: Public Open House
- June 27: Planning Commission Hearing
- July 20: City Council action

## **TWIN CITIES COMMUNITY CAPITAL FUND**

Ryan Schroeder introduced the Twin Cities Community Capital Fund (TCCCF) and reported:

- A number of cities in the area are planning on participating in the fund
- Cottage Grove created a revolving loan fund, but has never entered into a loan agreement with any business; nevertheless the mechanism exists
- Is the EDA interested in this lower-risk mechanism?

Scott Martin, the Twin Cities Capital Fund representative, gave a detailed overview of the fund and other background information, some of which included:

- Fund represented by Northland Foundation, which develops innovative economic development resources nationally
- Started in greater Minnesota, was asked to create a fund similar for the Twin Cities
- Greater Minnesota fund currently has 36 loans and \$9 million in financing
- Enrollment in TCCCF began in January / February 2005
- Still in process of enrolling members in TCCCF and talking to interested parties
- Found that for Twin Cities area, it was not unusual for cities to have a loan mechanism, but to not have made any loans
- TCCCF will be operational when it has achieved \$2 million in participation commitments
- Commitments must be made no later than October 1
- Current rate of participation is already at \$1 million
- TCCCF allows cities to make “gap loans” to attractive businesses in the community and is ideal for managing risk and highly leveraging funds
- Brooklyn Park joined on May 9 at the \$50,000 level
- Other cities that have joined include Eagan, Minnetonka, Oakdale
- Levels of membership are Class A (\$200,000), Class B (\$100,000 – 200,000), Class C (\$50,000 – 100,000)
- At upcoming organizational meeting, the fund members will caucus and vote by class to elect members to the board
- Although members can always increase their level of investment, the lending capacity of a city is determined by its membership class
- Members can make loans up to 10 times their participation level
- For instance, a Class B member with \$100,000 investment can make as many loans as desired up to \$1 million each
- The borrowers must have a bank that is willing to partner and take first position on the loan
- TCCCF loans will always be the subordinate lender and in second position
- This makes the TCCCF loan a “gap loan”
- TCCCF is not “subsidized” financing, but does have rates (.5 – 1.0) less than those at banks currently
- Loan terms range from 4 years equipment loans to 20 years
- Mr. Martin overviewed the process:
  - The City’s role is to bring loans to the table, after which TCCCF contacts the borrower and the borrower’s bank
  - A loan application is submitted, which is similar to a commercial loan application
  - Loan is approved
  - Binding commitment letter is sent
  - Closing 30 – 60 days after title work
- Cities’ investments must remain in the TCCCF for 3 years to ensure stability, after which the investment could be reduced
- On a \$100,000 commitment, \$90,000 is a deposit and \$10,000 is money at risk or working capital

Mayor Shiely wanted to know if the EDA has questions about the Fund at a high level, and one member asked if there was ceiling or a limit to the number of participants in the Fund.

Mayor Shiely asked about who determines if a borrower meets the criteria set forth for borrowers? Mr. Martin responded that it is up to the City to source appropriate borrowers and that the City can source borrowers to work with TCCCF if they meet the City-established borrowing eligibility criteria. Ryan Schroeder responded that the City could always have additional criteria in terms of a particular borrower or project. Scott Martin reiterated that the City can use the tool as it wants to use it, but also recommended to not attach too many strings, since one of the benefits of the program was that it can get capital to those business owners who need it. Glen Kleven echoed that it is not like TIF, where the City can lose tax money. Mayor Shiely recommended continuing the conversation with City Council. A member asked what happens after the TCCCF meets the \$2 million start up level and Scott Martin responded that after that initial \$2 million commitment is met, the 10% working capital that otherwise would be returnable then becomes a fee for participation (not refundable). Jim Wolcott inquired what would happen if the City wanted to make a loan in June. Mr. Martin replied that the goal for the Fund is to be up and running by July 1. Ryan Schroeder mentioned that the City currently does not have a lot of projects that are greater than \$3 million and discussion ensued as the level of participation in the Fund that the EDA might recommend to the City Council, with several individuals naming \$100,000 as their preferred commitment level. Wolcott asked how important is the tool and Schroeder responded that not having the tool might be a disincentive for businesses looking to locate in communities that do offer the tool. Glen Kleven requested to know what the downside to the Fund is and Mayor Shiely posited that a situation could potentially arise where a business that the City was not particularly interested in inquired about the financing. Ryan Schroeder recommended that applications are only offered to those businesses after approval by resolution of the EDA or City Council to provide oversight.

### **STRATEGIC PLAN**

Ryan Schroeder recommended delaying discussion about the strategic plan to the June meeting. Mayor Shiely stated that she felt Goal 1 and Goal 5 were the same and recommended some other changes. Jim Wolcott suggested that staff move "quality townhouses" into Group B priorities, especially as the East Ravine develops. Schroeder commented that the plan can be reviewed more at the next meeting.

### **SPRING SHOWCASE UPDATE**

Monica Percic overviewed the success of the 2005 Business Spring Showcase and presented the financial outcomes of the event as an informational item. A member suggested attempting to advertise the event on the radio, especially in the Hastings market.

### **GATEWAY FENCING UPDATE**

Monica Percic reviewed the status of the project, stating that the group met on May 3<sup>rd</sup> to talk about the project with stakeholders and will distribute the fence agreement once in receipt of all legal descriptions.

### **2005 GOLF OUTING UPDATE**

Monica Percic updated the EDA on the status of the Golf Outing and recommended that the Golf Outing somehow reflect the 10<sup>th</sup> anniversary of the event. There was discussion about how best to recognize the success of the event, from purchasing better give-away items to having professionally designed marketing materials. Jim Wolcott suggested that the best way to make the event something special would be to offer more events on the course, for instance:

- Longest drive for men, women, and over 50 years of age
- Longest putt
- Closest to pin
- And others of that sort.

Another recommendation was to offer a champagne toast start or a nicer meal to make the attendees feel as if they are participating in a special event.

### **CALENDAR**

The EDA members were reminded that there will be an upcoming joint meeting with the City Council on May 18<sup>th</sup> at 6:30 PM. EDA members commented that they would prefer more advance notice of such meetings in the future.

### **ADJOURN**

Jim Wolcott made a motion to adjourn, which was seconded by Mayor Shiely. The meeting adjourned at 9:15 AM.

Respectively Submitted

Monica Percic  
Management Analyst