

**BELLE PLAINE ECONOMIC DEVELOPMENT AUTHORITY
REGULAR MEETING
DECEMBER 11, 2017**

PLEDGE OF ALLEGIANCE.

President Krant led those present in the Pledge of Allegiance.

1. CALL TO ORDER. 1.1. Roll Call.

The Belle Plaine Economic Development Authority met in Regular Session at 5:058 p.m. on Monday, December 11, 2017 at City Hall, 218 North Meridian Street, Belle Plaine, MN. President Rick Krant called the meeting to order with Commissioners Cary Coop, Chris Meyer, Lisa Fahey, Nathan Shutes, Crystal Doyle and Dick Coleman present. Also present was Community Development Director Cynthia Smith Strack. Cory and Sarah Czepa.

2. APPROVAL OF AGENDA.

MOTION by Commissioner Coop, second by Commissioner Shutes, to approve the agenda as presented. ALL VOTED AYE. MOTION CARRIED.

3. APPROVAL OF MINUTES. 3.1. Regular Session Minutes of November 13, 2017.

MOTION by Commissioner Coop, second by Commissioner Fahey, to approve the Regular Session Minutes of November 13, 2017. ALL VOTED AYE. MOTION CARRIED.

4. TREASURERS REPORT.

4.1. Approval of Bills.

MOTION by Commissioner Coop, second by Commissioner Coleman, to approve the payment of bills as presented. ALL VOTED AYE. MOTION CARRIED.

5. BUSINESS.

5.1. Financial Incentives Update.

Commissioners acknowledged the Financial Incentives Update.

5.2. Request for Revolving Loan Fund Loan: Cory and Sarah Czepa Doing Business As Natural Fitness.

Community Development Director Smith Strack explained Cory and Sarah Czepa owners of EOA Properties, operating as Live 2 B Healthy and doing business as Natural Fitness, a Minnesota Corporation closed on the property at 321 Walnut Street South on November 30th. Strack noted Live 2 B Healthy/Natural Fitness will be relocated to the site from lease space elsewhere within the community. Strack stated the Applicants are requesting an \$84,000 loan from the EDA Revolving Loan Fund (RLF). Loan proceeds will be used for interior improvements and fixed assets. Project uses total \$496,000; sources of capital include: \$203,000 Hometown Bank, \$168,00 Small Business Administration, \$84,000 Belle Plaine Economic Development Authority, and \$41,000 equity. Security proposed is a second position on residential property at 3485 230th Street East, Prior Lake. Smith Strack explained one new job will be created and two jobs will be retained in conjunction with the improvements.

Smith Strack noted a loan review sub-committee consisting of Commissioner's Fahey and Coleman and Finance Director Dawn Meyer reviewed several documents prior to making a recommendation regarding

the loan request. Documents reviewed included: the loan application; proposed funding sources/uses; a business plan; 2015, 2016 and 2017 year to date business balance sheets and profit/loss statements; 2015 and 2016 business and personal tax returns; credit scores; taxes paid on the residence proposed for security; an appraisal of the residence proposed as security; a current mortgage statement; an appraisal and title commitment for the property at 321 Walnut Street South; letters of intent from HomeTown Bank and the Small Business Association; and financial analysis completed by John Endris from Scott County Open to Business. Smith Strack distributed materials noting data was private, confidential and would need to be immediately returned for shredding upon approval.

Smith Strack also referenced analysis performed by Commissioner Coleman and loan documents prepared including: a loan agreement, mortgage, personal guarantees from both Cory and Sarah Czepa, and a promissory note.

Smith Strack stated the proposed loan appeared to be consistent with the purpose of the RLF which includes providing the capability and incentive for owners of existing businesses to upgrade the appearance, structural condition, and operating efficiency of their places of business, thereby improving their marketability and retaining and expanding job opportunities.

Smith Strack noted the proposed development was consistent with planned use envisioned in the Comprehensive Plan and was allowed in the applicable zoning classification as a permitted use.

Smith Strack stated RLF goals met appear to be: consistency with the Comprehensive Plan, conforming use in the B-2 District, the project promotes the highest and best use of land/existing building, and the project will not significantly or adversely increase local utility, park, and transportation system use or demand.

Smith Strack stated qualifying uses of funds include interior improvements and fixed asset financing in conjunction with job creation and retention. Applicants were eligible for consideration under standards requiring corporations to be in good standing and creditworthiness as defined in the loan standards.

Smith Strack reviewed standards pertaining to the general nature of RLF loans. The minimum RLF loan amount is \$5,000 under policy. The proposed request is \$84,000. Any RLF loan issued can't exceed forty percent (40%) of the project and seventy-five (75) percent of the available RLF balance. As proposed the loan is 17.5% of the project and less than 50% of the available RLF balance. Terms allowed are a maximum of ten years with a minimum rate of two and a half percent for interior improvements and a maximum of seven years at a minimum of three percent interest for fixed asset acquisition. Equity required was to be ten percent of the value of the project. As proposed the \$41,000 equity injection equated to eight point three percent of the total project. Strack noted an exception to that requirement would have to be acknowledged if the loan was approved. Strack noted security for the proposed loan was a second position on residential property and personal guarantees. Documents examined indicated a strong equity position in the residential property.

Smith Strack alluded to a terms letter included in the EDA packet. The terms letter has been accepted by the Applicants and is based on the loan subcommittee's recommendation to approve an \$84,000 loan with a ten-year term at 2.5 percent fixed. The subcommittee's recommendation is based on: credit scores, financial analysis conducted by John Endris (Scott County Open to Business), ability to service debt, strong equity position on the residential dwelling, creation of an additional job and retaining of two other jobs, the enabling of a business to expand and grow in Belle Plaine, the Applicant's proven history of doing business in Belle Plaine, adding of value to an existing structure, and overall creditworthiness.

Commissioner Coleman reviewed analysis he performed and recommended the EDA approve the proposed loan as reviewed by the loan subcommittee.

Commissioner Coop questioned how the City will get its money back if the business goes under. Community Development Director Smith Strack and Commissioner Coleman explained the City/EDA will have a second position on the Applicant's Prior Lake home. If the Czepa's default on the loan, the City would foreclose on property. Commissioner Coop inquired as to the nature of business for Live 2 B Health/Natural Fitness. Owner Sarah Czepa stated their business focuses on health and wellness. Czepa added that in the 321 Walnut Street location they are hoping to cater to youth. Natural Fitness has been in business in Belle Plaine since 2006.

MOTION by Commissioner Meyer, second by Commissioner Fahey, to approve Resolution 17-005 A Resolution Conditionally Approving Terms of Loan to Cory and Sarah Czepa (D.B.A. Natural Fitness), Recommending the City Council Approve the Terms of the Loan, and Authorizing the Execution of Loan Documents. ALL VOTED AYE. MOTION CARRIED.

5.3. ROSE Loan: Cory and Sarah Czepa Doing Business As Natural Fitness.

Community Development Director Smith Strack explained Cory and Sarah Czepa doing business as Natural Fitness have submitted an application for a ROSE loan for new awnings at 321 Walnut Street South. The Applicant's purchased the former Lutheran Home Thrift Store and will relocate their fitness business from lease space. The Applicant's propose adding awnings to the main and secondary entries. The project is part of a larger project including interior redesign.

Smith Strack referenced cost estimates included in the EDA packet which illustrate a project cost of \$2,200 if lettering is not included on the awnings and \$3,520 if lettering is included on the awning. Smith Strack noted the ROSE loan standards do not allow provided for grants for new signs. She noted the lettering on the awnings could be construed as a sign. Smith Strack noted that if the EDA did not wish to include consideration of awning lettering in the grant, the Applicant could still be eligible for the maximum loan amount due to other qualifying project expenses including interior improvements. Other qualifying expenses were able to be used as up to fifty percent of the required Applicant match.

Commissioners reviewed and discussed the ROSE Loan application and estimates. Commissioner Coleman noted if the awnings contained business lettering and the business did not remain open for a year the EDA could have assisted a project that is no longer relevant. Community Development Director Smith Strack explained to Commissioners the promissory note would require pro-rated repayment of the loan if the business closes prior to the one-year ROSE Loan term.

MOTION by Commissioner Coop, second by Commissioner Meyer, to approve Resolution 17-006 A Resolution Approving Terms of a ROSE Program Loan to Cory and Sarah Czepa for a Structure at 321 Walnut Street South. ALL VOTED AYE. MOTION CARRIED.

5.4. Recommendation: Listing of Laredo Street Lot

Community Development Director Smith Strack explained the EDA has been discussing listing a 5.72-acre industrial parcel adjacent to Laredo Street and South Street. Smith Strack further explained at the previous meeting the EDA directed a sub-committee to meet with John Behnke from Coldwell Banker Burnett to clarify items contained in a request for information. EDA Members Fahey and Coleman and Smith Strack met with Mr. Behnke and discussed: lowering the commission rate to five percent; instituting a flat fee in the event of a land cost write-down incentive arrangement; split agent sales; and a potential listing price.

The recommendation from Commissioners Fahey, Coleman and Smith Strack is for the EDA have additional discussion directly with Mr. Behnke regarding sales terms prior to the EDA making a recommendation to the Finance Ways and Means Committee and City Council. Listing of the property had been a priority for the EDA at past meetings, to those ends a special EDA meeting is recommended in December.

Commissioner Coleman summarized the subcommittee meeting with Behnke. Coleman noted Behnke was not able to lower the commission rate without approval from Coldwell Banker's management team. Community Development Director Smith Strack opined the subcommittee had thorough discussion with Behnke and that many discussion items arose, therefore, more input from the entire EDA is requested.

After some discussion of a potential special meeting, the EDA agreed to place the item on the January 8th regular meeting for discussion.

6. ADMINISTRATIVE REPORTS.

6.1. Commissioner Comments.

Commissioner Fahey expressed appreciation for the uplighting Downtown and how nice it looks at night. Commissioners expressed a heartfelt thank you to Pat Krings for her many years of service, time and commitment to the EDA.

6.2. Director's Update.

Community Development Director Smith Strack provided highlights from the Director's Update.

6.3. Upcoming Meetings.

1. Regular Session, 5:00 pm, Monday, January 8, 2018.

The Commissioners were reminded of the upcoming meetings as listed.

7. ADJOURNMENT OF REGULAR SESSION.

MOTION by Commissioner Coop, second by Commissioner Coleman, to adjourn the meeting at 6:27 p.m.
ALL VOTED AYE. MOTION CARRIED.

Respectfully submitted,

Renee Eyrich
Recording Secretary