

**EDAP BOARD MEETING
WISH'N WELL CAFÉ
JULY 15, 2014
7:00 A.M.**

AGENDA

- I. CALL TO ORDER
- II. CONSENT AGENDA
 - A. Minutes (page 1)
- III. NEW BUSINESS
 - A. Small Cities Program (page 3)
 - B. TIF – Stang Precision (page 6)
- IV. OLD BUSINESS
 - A. Economic Status Of Community – Update
 - B. Past Due Loans – Update
 - C. Industrial Land – Update
- V. INFORMATIONAL
 - A. Revolving Loan Report (page 13)
- VI. ADJOURN

***** Please call or email Renee at 320-243-3714 ext. 227 or at renee@paynesvillemn.com if you are not able to attend the meeting.*****

Members: Don Pietsch, Don Wiese, Bruce Stang, Chris Stanley, Alan Habben, Jean Soine, and Kay McDaniel. Advisory Member: Renee Eckerly.

This agenda has been prepared to provide information regarding an upcoming meeting of the EDAP Board. This document does not claim to be complete and is subject to change.

BARRIER FREE: All EDAP Board meetings are accessible to the handicapped. Attempts will be made to accommodate any other individual need for special services. Please contact City Hall (320) 243-3714 early, so necessary arrangements can be made.

REQUEST FOR COMMITTEE/COUNCIL ACTION

COMMITTEE/COUNCIL NAME: EDAP Board

Committee/Council Meeting Date: July 15, 2014

Agenda Section: Consent Agenda

Originating Department: Administration

Item Number: II - A

ITEM DESCRIPTION: Minutes

Prepared by: Staff

COMMENTS:

Please review the minutes from June 17, 2014 EDAP Board Meeting.

ADMINISTRATOR COMMENTS:

COMMITTEE/COUNCIL ACTION:

Motion to approve the minutes from the June 17, 2014 EDAP Board Meeting.

**MINUTES
EDAP BOARD MEETING**

JUNE 17, 2014

Jean Soine called the meeting to order at 7:00 a.m. Members present were Bruce Stang, Kay McDaniel, Al Habben, and Renee Eckerly, City Administrator. Don Pietsch, Don Wiese, and Chris Stanley were absent.

Motion was made by Stang to approve the minutes of the April 15, 2014 EDAP Board Meeting. Seconded by McDaniel and unanimously carried.

FIRST TIME HOME BUYER PROGRAM

This was a program that gave first time home buyers \$2,500.00 and they were required to stay in the house for 5 years or the money is paid back. The Board requested contacting bankers in town to see if there is a need and bring back a report.

ECONOMIC STATUS OF COMMUNITY

1. Pat Flanders Concept – Flanders was at the Council meeting last night. Pat Waddick designed a new construction site for the former Corner Drug building, Eats & Treats, and K-Payne. Flanders was looking for a public/private project. Flanders wants investors to buy in at \$25,000.00. The Board was supportive of the project.
2. Koronis Cinema – It has been mentioned again that it is closing after this set of movies are finished playing.
3. Retail Store – Possibly opening October 1, 2014 on the Kallevig/Christinsen properties.

PAST DUE LOANS

There are no past dues at this time.

INDUSTRIAL LAND

Pay Del Co is working with Ferche regarding land.

BILLBOARD

McDaniel reported that the PEP Committee is working on a new design concept.

BROCHURE

The Chamber is working on the brochure and Eckerly will follow up on it.

There being no further business the meeting was adjourned at 7:55 a.m.

Jennifer Welling

From: Renee Eckerly
Sent: Thursday, June 26, 2014 2:57 PM
To: Dan Roberts; Jake Depuydt
Cc: Jennifer Welling
Subject: RE: Using Small Cities program income on commercial property

I would put this on the next economic development agenda. I believe they will approve it.
Renee Eckerly

Sent from my Verizon Wireless 4G LTE smartphone

----- Original message -----

From: Dan Roberts
Date: 24/06/2014 9:17 AM (GMT-06:00)
To: Jake Depuydt
Cc: Renee Eckerly
Subject: Using Small Cities program income on commercial property

Jake,

I reviewed the current SCDP policies that were revised last year. There is nothing in the policies that would disallow a property owner to apply for additional rehab funds from the City's program income. I think it would be up to city staff to determine if this is something that needs to be considered, if it is decided city staff or council that this would be acceptable than Tri-CAP would accept the application from the property owner. The important thing is that once the city makes a decision is that it would be something allowed for any property owner, not just the one currently in discussion.

Dan Roberts

Community Development Director

Tri-County Action Program, Inc.

320-257-4460 Direct

320-251-1612 Office

320-255-9518 fax

"If everything seems under control, you're just not going fast enough."

Mario Andretti

Community Action: Helping People. Changing Lives.

Jennifer Welling

From: Dan Roberts <Dan.Roberts@tricap.org>
Sent: Thursday, June 26, 2014 2:58 PM
To: Renee Eckerly; Jake Depuydt
Cc: Jennifer Welling
Subject: RE: Using Small Cities program income on commercial property

If it is approved, please let us know.

Thank you!

Dan Roberts
Community Development Director
Tri-County Action Program, Inc.
320-257-4460 Direct
320-251-1612 Office
320-255-9518 fax

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REQUEST FOR COMMITTEE/COUNCIL ACTION

COMMITTEE/COUNCIL NAME: EDAP Board

Committee/Council Meeting Date: July 15, 2014

Agenda Section: New Business

Originating Department: Administration

Item Number: III - B

ITEM DESCRIPTION: TIF - Stang

Prepared by: Staff

COMMENTS:

Renee Eckerly will give a verbal report. Please review the attached information on establishing a new TIF District No. 1-15.

ADMINISTRATOR COMMENTS:

COMMITTEE/COUNCIL ACTION:

Motion to approve the TIF District No. 1-15 and recommend such to the City Council.

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[VIA EMAIL]

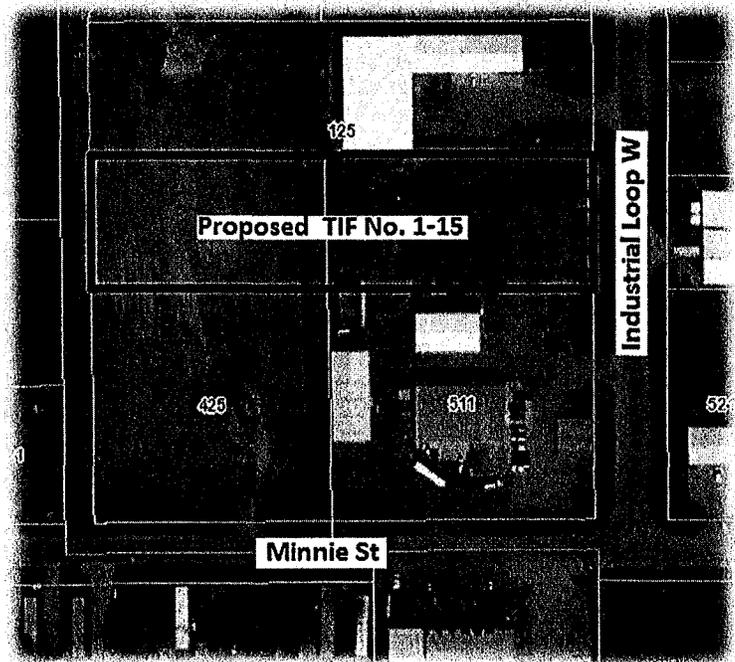
To: Economic Development Authority of Paynesville
From: Ed Tschida
**Re: Establishing New TIF District
TIF No. 1-15**
Date: July 7, 2012

BACKGROUND

Bruce Stang, owner of Stang Precision, Inc., is requesting that EDAP and the City consider the use of tax increment financing in conjunction with a proposed manufacturing facility. The 37,680-ft.² facility will be constructed on the west side of Industrial Loop West. The aerial photo to the right shows the location of the proposed TIF district.

DEVELOPMENT CRITERIA

Before using tax increment financing, EDAP and the City are required to determine the legal eligibility of the proposed project. The requirements for a project to qualify as an "Economic Development" tax increment financing district are presented in the response to question 1. In addition, EDAP and the City should consider how well the project fits economic and community development goals.



1. Does the project meet the legislative criteria and general use of the law?

A. Minnesota Statutes, section 469.174, subdivision 12 defines "economic development district" to mean a type of tax increment financing district which consists of any project, or portions of a project, which the city finds to be in the public interest because:

- it will discourage commerce, industry, or manufacturing from moving their operations to another state or municipality; or
- it will result in increased employment in the state; or
- it will result in preservation and enhancement of the tax base of the state.

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B. Minnesota Statutes, section 469.174, subdivision 4c. places the following limitations on economic development districts:

Revenue derived from tax increment from an economic development district may be used to provide improvements, loans, subsidies, grants, interest rate subsidies, or assistance in any form to developments consisting of buildings and ancillary facilities, if 85% of the buildings and facilities (determined on the basis of square footage) are used for the following purposes:

- the manufacturing or production of tangible personal property, including processing resulting in the change in condition of the property;
- warehousing, storage, and distribution of tangible personal property, excluding retail sales; and
- space necessary for and related to the activities listed above.

C. Minnesota Statutes, section 469.176, subdivision 1b provides that no tax increment shall in any event be paid to the City after eight years after receipt by the City of the first increment for an economic development district,

The proposed project is capable of meeting the above legislative criteria for a tax increment financing "economic development district". The proposal is typical of the general use of tax increment for economic development efforts.

2. What new employment potential is created?

The project consists of a 37,680-ft.² manufacturing plant. The project will create new jobs over the next few years.

3. Does the project increase the tax base?

The long-term impact would be an increase of the local (City, County and School District) tax base. Table 1 shows an estimate of the annual tax increment generated by the project.

TABLE 1: TAX INCREMENT CALCULATIONS						
Local Tax Rate = 113.8946% (Paynesville, Payable 2014)						
Property Classification: Industrial						
Completion Prior to December 31, 2014						
Estimated Completion Market Value: \$1,555,600						
YEAR TAXES PAYABLE	BASE TAX CAPACITY	PROJECT'S TAX CAPACITY	CAPTURED TAX CAPACITY	ADJUSTED TAX INCREMENT	LESS ADMIN. OF 5%	NET ANNUAL TIF
2014	834	0	0	0	0	0
2015	834	0	0	0	0	0
2016	834	30,362	29,528	33,631	1,675	31,834
through						
2024	834	30,362	29,528	33,631	1,675	31,834
TOTALS				\$301,588	\$15,079	\$301,588
Present Value Discounted at 5.00% Interest Equals						\$286,508

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4. *What impact is there on City service needs?*

The proposed project expands an existing manufacturer, which due to the size of the project will have minimal effects on City services.

5. *Does the project support existing residential, industrial or commercial operations in the City?*

The project will result in an existing manufacturer adding to its operations within the City that will increase local employment, purchases at local businesses and occupancy of local residences. These activities will generally be supportive of the local economy.

6. *What is the quality of the proposed facility?*

The facilities would conform to City requirements for this type of development and be constructed similar to the existing building located at 125 Industrial Loop West.

7. *What is the financial feasibility of the proposed project?*

The project consists of a locally owned and operated firm that is in need of larger facilities due to steady and continuing growth. In order to create a financially viable project, Mr. Stang seeks a public/private-financing package that includes owner equity, bank loan, and "pay-as-you-go" tax increment financing.

8. *Would the project proceed in its present design and timetable without City assistance?*

The project would not proceed without City assistance. The proposed public/private financing is integral to financial viability of the business expansion.

9. *Is there compatibility of the proposed project with the City's overall development plans and objectives and with those of the neighborhood proposed for the project's location?*

The community supports projects that promote the development of industrial and manufacturing uses, which will benefit the community and will not result in adverse effects to the land, air, infrastructure or community as a whole. The EDAP and City also encourage these developments by providing local financial assistance.

ADDITIONAL CONSIDERATION

A portion of the area needed for construction of the new building lies within TIF No. 1-12. A prerequisite to creating TIF No. 1-15 is decertifying a portion of TIF No. 1-12 so that the property could be placed in the new TIF No. 1-15. In addition to conducting the public hearing on the new TIF district, the City would be required to adopt a resolution requesting the County to decertify undeveloped property within TIF No. 1-12. Council action on this matter would be during the same Council meeting as the TIF public hearing, and would occur before the public hearing.

OBSERVATIONS AND RECOMMENDATION

Observations:

- The development proposal meets the EDAP and City goals for financial assistance, and it will be compatible with community plans and City ordinances.
- Overall, the project appears to be a good fit for the community.
- An additional action to decertify a portion of TIF No. 1-12 is required.

Recommendation:

- If EDAP concurs with the above observations, it should recommend to the City Council to proceed with a new TIF district for the project.

Attachments:

- Attached is a review schedule for establishing a new tax increment financing district, City Council resolution calling for a public hearing and notice of public hearing.

**SCHEDULE OF EVENTS TO ADOPT
TAX INCREMENT FINANCING DISTRICT DOCUMENTS
FOR
STANG PRECISION, INC. EXPANSION PROJECT
CITY OF PAYNESVILLE, MINNESOTA
TAX INCREMENT FINANCING DISTRICT NO. 1-15**

DEADLINE DATE	DESCRIPTION	MEETING TYPE	MEETING TIME
Tuesday, July 15, 2014	EDA meeting to review Project	Regular	7:00 A.M.
Friday, July 25, 2014	Notification of County and School District (30 days before public hearing) TIF No. 1-15 Plan must be mailed by this date to school and county		
Monday, July 28, 2014	City Council adopts Resolution calling for public hearing	Regular	6:00 P.M.
Friday, August 08, 2014	Forward Notice to Legal Paper (On or before date to the left)		
Wednesday, August 13, 2014	Publish Notice of Hearing - City's Legal Newspaper - Wednesday Publication - Notice must include map of TIF No. 1-15		
Monday, August 25, 2014	Date of Public Hearing	Regular	6:15 P.M.
Monday, August 25, 2014	City Council adopts Resolution creating Tax Increment Financing District No. 1-15	Regular	6:00 P.M.
Tuesday, August 26, 2014	Request TIF District Certification from County Auditor		
Monday, September 01, 2014	File documents with City, county and state (on or before date to the left)		

**RESOLUTION CALLING PUBLIC HEARING ON THE PROPOSED
ESTABLISHMENT OF TAX INCREMENT FINANCING
DISTRICT NO. 1-15 WITHIN DEVELOPMENT DISTRICT NO. 1
AND THE PROPOSED ADOPTION OF A TAX INCREMENT
FINANCING PLAN RELATING THERETO**

BE IT RESOLVED by the City Council (the "Council") of the City of Paynesville, Minnesota (the "City"), as follows:

1. Public Hearing. This Council shall meet on Wednesday, August 21, 2014, at 6:30 p.m., to hold a public hearing on the following matters: (a) the proposed establishment of Tax Increment Financing District No. 1-15, and (b) the proposed adoption of a Tax Increment Financing Plan relating thereto, all pursuant to and in accordance with Minnesota Statutes, sections 469.174 through 469.179, both inclusive, as amended (the "Act").

2. Notice of Hearing; Filing of Plan. The City Administrator is hereby authorized to cause a notice of the hearing, substantially in the form attached hereto as Exhibit A, to be published as required by the Act and to place a copy of the proposed Tax Increment Financing Plan on file in the Administrator's office at City Hall and to make such copy available for inspection by the public.

Adopted this 23rd day of July 2014.

Jeffrey Thompson, Mayor

ATTEST:

Renee Eckerly, City Administrator

The motion for the adoption of the foregoing resolution was made by Councilmember _____ and duly seconded know will by Councilmember _____. Upon a vote being taken the following members voted in favor thereof:

_____.

_____.

Those against same:

_____.

**EXHIBIT A
NOTICE OF PUBLIC HEARING ON
TAX INCREMENT FINANCING DISTRICT NO. 1-15**

TO WHOM IT MAY CONCERN:

Notice is hereby given that the City Council of the City of Paynesville, Minnesota will meet at the City Hall in Paynesville, Minnesota, at 6:30 p.m. on Wednesday, August 21, 2014 to consider the formation of Tax Increment Financing District No. 1-15, and the adoption of a tax increment financing plan pursuant to Minnesota Statutes, sections 469.174 through 469.179, both inclusive, as amended. Such persons as desire to be heard with reference to the above proposal will be heard at this meeting. The map accompanying this notice shows the location of Tax Increment Financing District No. 1-15. Copies of the proposed Tax Increment Financing Plan are on file in the office of the City Administrator and are available for public examination. Written or oral statements will be considered.

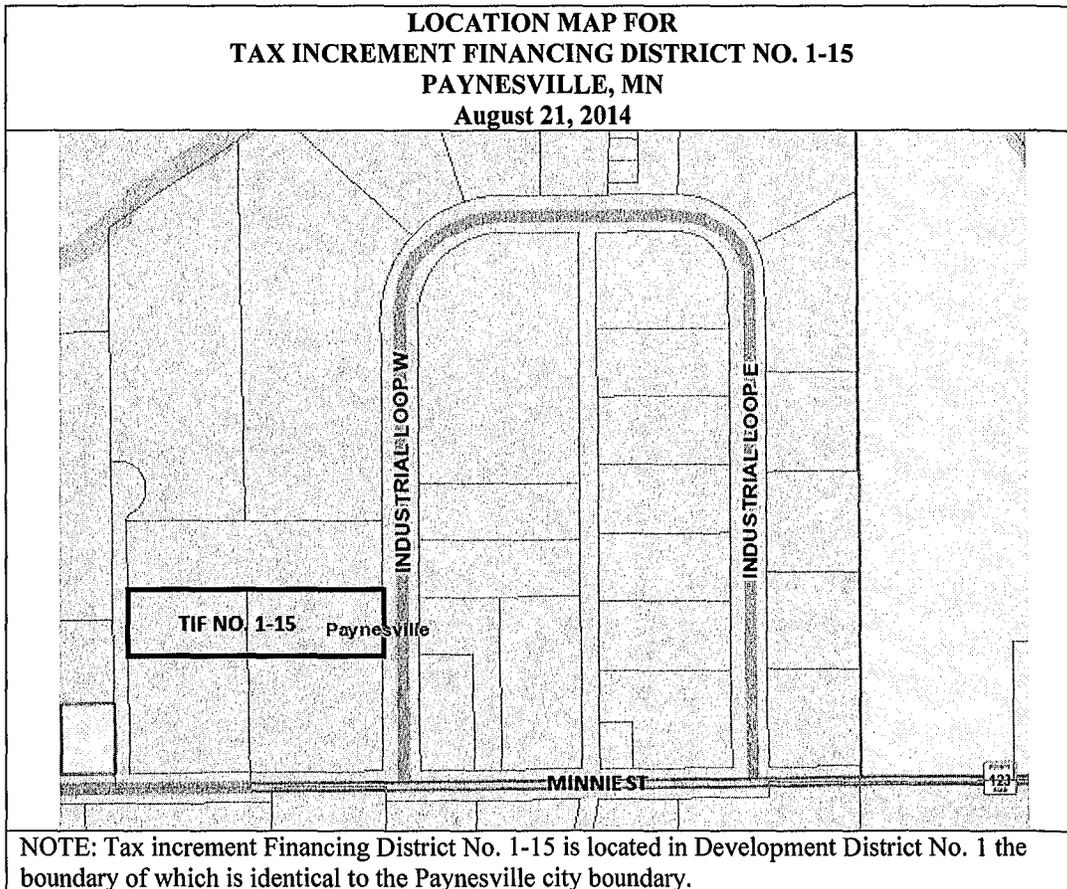
Any person with residence in the City of Paynesville, or the owner of taxable property in the City, may file a written complaint with the City if the City fails to comply with M.S. § 116 J.993 to 116J.995 (the Business Subsidy Act). No action may be filed against the City for the failure to comply unless a written complaint is filed.

All interested persons may appear at the public hearing and present their views orally or in writing.

Dated: This 6th day of August 2014.

BY ORDER OF THE PAYNESVILLE CITY COUNCIL

BY: /s/ Renee Eckerly
Renee Eckerly
City Administrator



12A

REVOLVING LOAN STATUS REPORT

Date of Update:

7/1/2014

	Business Name	Outstanding Balance	Date of last Payment	Amount of Last Payment	Current/Next Due Date
*	Bloom Corner Floral #2	\$ 18,794.28		\$ 341.90	6/15/2014
	Eats & Treats	\$ 17,259.22	6/16/2014	\$ 177.99	7/3/2014
	Koronis Lanes	\$ 6,284.20	2/20/2014	\$ 197.79	10/1/2014
*	Louis Industries	\$ 280,941.16	6/5/2014	\$ 12,126.90	9/4/2014
#	Louis Industries Deed Part A	\$ 20,000.00	6/5/2014	\$ 175.00	9/4/2014
	Louis Industries Deed Part B	\$ 56,188.23	6/5/2014	\$ 2,425.38	9/4/2014
	Midwest Cylinder #2	\$ 171,906.33	6/12/2014	\$ 2,115.64	7/22/2014
*	Queen Bee's Bar & Grill	\$ 82,641.76	6/11/2014	\$ 1,019.64	6/20/2014
*	Skinz #4	\$ 95,511.45	6/17/2014	\$ 637.96	7/15/2014
*	Skinz #5	\$ 85,274.18	6/17/2014	\$ 969.08	7/30/2014
*	Savage Land Partnership	\$ 325,606.90	7/1/2014	\$ 1,957.36	9/3/2014
	<u>Sweet Nook Bakery</u>	<u>\$ 12,209.06</u>	<u>6/17/2014</u>	<u>\$ 272.88</u>	<u>7/17/2014</u>
*	Joint Loans w/Township				
#	Joint Loans w/State				
	TOTAL OUTSTANDING BALANCE	\$ 1,172,616.77			
	LATE PAYMENTS:				
	Bloom Corner Floral	\$ 341.90	Due: 6/15/14		
	Queen Bee's Bar & Grill	\$ 509.82	Due: 6/20/14		
	TOTAL DELINQUENT	\$ 851.72			
	CITY REVOLVING LOAN BALANCE (available)	\$ 206,352.48	updated 5/31/14	(unaudited)	
	CITY EDAP BALANCE	\$ 151,495.87	updated 5/31/14	(unaudited)	
	TOWNSHIP LOAN BALANCE (available)				