

Harmony EDA Minutes

August 1, 2013
7:30 AM

Community Center
Council Room

Present: Chris Skaalen, Steve Cremer, Steve Donney, and Deb Swenson

Also present: Jean Ingvalson, Eric Slindee, Jill Fishbaugher, Theresa Knutson, Jerome Illg, and Chris Giesen

The regular meeting was called to order at 7:30 AM by Chris Skaalen

Minutes

The minutes of the July 11, 2013 meeting were reviewed. Motion by Cremer, second by Swenson to approve the minutes as presented. Motion carried unanimously.

Financial Report

The financial report was reviewed and loans were discussed. Motion by Swenson second by Cremer to approve the financial report as presented. Motion carried unanimously.

Heritage Grove

Theresa gave the operations report. The annual fire alarm inspection occurred recently and no issues were reported.

The board discussed that this would likely be the last month that a Heritage Grove report would be needed because of the sale. The board thanked Theresa for all of her work.

Harmony Sterling Drug

Donney discussed the news Sterling Drug's corporate office had given regarding its shortening of hours. Eric Slindee, Jean Ingvalson, and Jill Fishbaugher were also present to discuss. The board was very concerned.

Donney said that he had several conversations with various community stakeholders and the drug store's corporate officers on this issue. He proposed that the EDA conduct a survey to determine the community's perception of the store and the proposed reduction in hours. Then he suggested the board meet with Sterling to discuss the findings of the survey and the community's concerns as well as ideas the community has for improvements. The board stressed that they wanted to do whatever they could to prevent the loss of a business. The board designed a survey to be implemented by staff and Donney said he would set a meeting with Sterling.

Skaalen left the meeting at 9:15 AM

Revolving Loan Request

Giesen presented a revolving loan request on behalf of KNR Properties (Jeremy Kruegel) in the amount of \$40,000. The loan would allow the business to purchase the former Klip Joint building in downtown Harmony. The total project cost was \$45,000. Giesen explained that in order to approve the loan the program's guidelines must be deviated by allowing the business to have more than one loan at a time, allow for a loan greater than

\$25,000, allow the EDA to finance more than 50% of a project, allow for owner equity to be less than 20%, and to allow for a loan term of greater than 10 years.

Giesen explained that the business did not get their paperwork in on time but requested that the application still move forward, which did not allow for a full loan committee review. He discussed the business's financials.

The board was concerned about the business being overleveraged and having so much of the EDA's funds invested in one business. They asked staff to discuss potential foreclosure issues, if they were to ever arise, with the city attorney. Consensus of the board was to refer the request back to the loan committee.

Swenson left the meeting at 9:30 AM

Skaalen entered the meeting at 9:31 AM

Heritage Grove

The board discussed the sale of Heritage Grove. Consensus was everything was moving forward well. As a part of the sale, the board would need to authorize the defeasance of the existing bonds in order to establish an escrow account to cover future payments of principal and interest to the bondholders through the call date in 2016.

The board discussed the defeasance resolution. Motion by Skaalen second by Cremer to approve, on the condition the sale of Heritage Grove closes, the "Resolution Providing for the Defeasance of the Outstanding \$2,580,000 Housing Development Refunding Bonds, Series 2008A (City of Harmony, Minnesota General Obligation) and Authorizing the Execution of an Escrow Agreement. Motion carried unanimously.

The board discussed the escrow account agreement. Motion by Donney, second by Cremer to approve, on condition the sale of Heritage Grove closes, the new escrow account agreement. Motion carried unanimously.

Illg and Giesen gave an update on the request to the Fillmore County EDA for a forgivable loan to help offset Harmony's loss on the sale of Heritage Grove. They mentioned that with the assistance of Mike Bubany of David Drown Associates, they were able to design a mechanism where Fillmore County could provide forgivable loan of approximately \$57,000 to the Harmony EDA solely through funds generated by Harmony tax payers. They said that they were presenting to the county board in a couple of weeks but that the approval for the request may pose a challenge since the sale of Heritage Grove was not contingent upon this request being made and therefore the "but-for" test set in county policy likely could not be met. However, it was noted that with the mechanism that was designed to provide the funding, state statute did not require a "but-for" test which would allow Fillmore County to deviate from their local criteria in order to assist Harmony.

Chamber Report

Jean Ingvalson gave the chamber report. She said that the 4th of July went very well, but they will need more volunteers next year and she also discussed plans for National Night Out.

She mentioned that there were 1,300 visitors in June and 1,900 in July.

Prospects/ Community Update

Giesen gave an update on prospects.

Adjournment

The next regular meeting will be on September 5, 2013 at 7:30 AM at the Community Center.

Motion by Cremer, second by Donney to adjourn the meeting. Motion carried unanimously. The meeting adjourned at 10:00 AM.