

Harmony EDA Minutes

September 8, 2016
7:30 AM

Council Room
Community Center

Present: Chris Skaalen, Steve Donney, Andy Batstone, and Kerry Kingsley

Also Present: Andrew Kingsley, Jim Simpson, Andy Craig, Jerome Illg, and Chris Giesen

The regular meeting was called to order at 7:32 AM by Chris Skaalen.

Minutes

Motion by Donney second by Kingsley, to approve the minutes of the August 4, 2016 meeting as presented. Motion carried unanimously.

Financial Reports & Claims

Illg and Giesen reported that all loans were current. The Chamber of Commerce submitted a letter requesting 2nd half 2016 funding in the amount of \$12,250. Motion by Donney, second by Kingsley to approve the financial report and pay the claim as requested. Motion carried unanimously.

Harmony Gardens & Floral Loan Request

Andrew Kingsley was present to request a loan for his family's new business, Harmony Gardens & Floral. They specialize in fresh-cut flowers, gifts, and locally grown produce. In order to purchase equipment necessary for startup and ongoing operations, Mr. Kingsley has requested a \$19,920 EDA loan. Giesen explained that the loan would follow the board's standard terms; 3% fixed APR for a term of 7 years. Collateral would be personal guarantees of Mr. Kingsley and his wife, as well as title liens on 3 vehicles. They also requested 6 months interest only payments to start. The loan committee reviewed the application in detail and recommended that the EDA approve as requested. The board discussed the project with Mr. Kingsley. Motion by Skaalen, second by Batstone to approve the loan as requested. Motion carried 3-0. Kingsley abstained.

Harmony Spirits Project Proposal

Jim Simpson and Andy Craig were present to discuss their Harmony Spirits micro-distillery project. They requested several items from the EDA:

1. The purchase of a portion (120.5'x 120' southern portion) of the downtown lot owned by the EDA for \$1.
2. A 5 year, first right of refusal on the remaining 90'x 76' northern portion, allowing them to purchase it for \$1 if they substantially complete a building valued at least \$125,000 on it within 12 months of exercising the right of refusal.
3. A \$25,000 EDA loan with a 10 year 3% APR fixed term.
4. A \$10,000 forgivable EDA loan, paid upon completion of the building.

Having been duly noticed, Skaalen opened a public hearing at 7:40 AM to consider the sale of Real Estate to Harmony Spirits, LLC. Mr. Simpson and Mr. Craig discussed their project in detail with the board. Giesen reported that the loan committee had reviewed the details of the project with the owners and recommended that the EDA approve the

requests as presented. Skaalen asked three times for additional public comment. Hearing none, the public hearing was closed at 7:45 AM.

The board discussed the project at length with the owners. Consensus of the board was that the property was acquired and prepped for economic development and a project that would create tax base, jobs, and other opportunities for Harmony and that this project would achieve those goals. The board also agreed that the sale of this property for \$1 for the right project had been something that the board had intended to do since the property was originally acquired and this project met that intention.

Giesen explained that originally the developers requested assistance via tax increment financing (TIF) but upon further investigation the setup cost would not be beneficial relative to the benefit received. Because of this, a forgivable loan of \$10,000 was recommended as an alternative because it would provide a similar level of assistance, fashioned in a similar method to the new home rebate where the increased property taxes received would repay the loan but in essence it would act as a forgivable loan to the business.

It was also discussed that because of the issues around gaining federal liquor licensing and also simultaneously raising shareholder equity, the project couldn't start right away. Giesen reported that the approval of the land sale, financing package, and development agreement would allow the business owners to move forward with securing shareholder equity and move forward with the licensing process but that everything the board is approving is contingent upon the owners securing that shareholder equity and financing. Because of this it was requested that the project have the ability to close before, but no later than May 1, 2017. This would give the business the ability to secure the remaining equity and financing with minimal negative issues if they are not able to move forward. The board again discussed at length. Motion by Donney, second by Kingsley to approve the sale of land, financial assistance, and development agreement as requested. Motion carried unanimously.

Chamber of Commerce

There was no chamber report but it was mentioned that a roundtable meeting would be held to discuss various issues on September 21, 2016 at 6:00 PM, at the golf course.

Business Subsidy Policy Updates

Skaalen opened a public hearing at 8:00 AM to accept public comment on revisions to the city's business subsidy policy. Giesen reviewed the recommended updates to the city business subsidy policy. The updates were mainly due to changes in state law and the ending of the JOBZ program. He discussed the various criteria and explained that generally subsidies under \$150,000 aren't applicable to the policy, but that the board would retain the ultimate right of review to allow deviations from the policy if they deem it in the best interest of the city to do so. Asking three times for comments from the public and hearing none, Skaalen closed the public hearing at 8:25 AM. The board discussed; the consensus was that the updates were needed and that the updated language gave the city a way to measure projects but still keep some flexibility. Motion by Kingsley, second by Batstone to adopt the revised business subsidy policy as presented. Motion carried unanimously.

Revolving Loan Fund Policy Updates

Giesen reviewed several recommended changes to the revolving loan program guidelines which hadn't been updated since 2010. The recommended changes were the same as the changes discussed last month, but based on the previous meeting's discussion the provision to limit loan amounts to restaurants was removed. The board reviewed the changes that were discussed at last month's meeting again and discussed. Consensus of the board was that the proposed changes would help streamline the application process but that they retained enough flexibility to make accommodations for projects that made sense to support. It was also agreed that the subsidy policy and program guidelines should be reviewed at the annual meeting so that new and returning board members will have better knowledge of the programs as well as offer a natural time to consider additional updates. Motion by Donney, second by Skaalen to adopt the revisions to the revolving loan fund guidelines, as presented. Motion carried unanimously.

Prospects/Community Update

Giesen discussed the dental attraction project. The board discussed the pro forma projections he had put together and discussed how to utilize them in marketing for a new dental office. Several suggestions were made to revise the pro forma numbers and the board asked to discuss those changes at the next meeting.

Adjournment

Motion by Kingsley, second by Donney to adjourn the meeting. Motion carried unanimously. The meeting adjourned at 9:14 AM. The next regular meeting will be held on October 6, 2016 at 7:30 AM, at the Community Center.