

Pursuant to due call and notice thereof, a Joint Workshop of the North Mankato City Council and North Mankato Port Authority was held in the Municipal Building Council Chambers on October 24, 2011. Mayor Dehen called the meeting to order at 6:00 p.m. The following were present for the meeting: Mayor Dehen, Council Members Steiner, Norland, Schindle and Freyberg, Port Authority Commissioners Knutson, Abbott, Kirschbaum and Arnold, Attorney Kennedy, Administrator Sande, Finance Director Thorne and City Clerk Gehrke.

Port Authority President Bob Knutson presented background information describing the purpose of the Port Authority, what it has accomplished and their objectives to expand the industrial park and redevelop the downtown. He noted the downtown redevelopment is a main priority outlined in the Envision 2020 plan. President Knutson reported a 3.1 percent increase in the City's tax base for next year and a compound increase of 4.5 percent over the last ten years which is due in part to the City's ability to attract new businesses. He noted the City is having its best year for commercial/industrial building permits issuing \$16.6 million for the period of January 1, 2011 through September 30, 2011.

President Knutson reviewed the initial \$500,000 received from the State of Minnesota which was loaned to Sween Corporation. When Sween repaid the loan, the Port Authority was able to keep those funds in the Port Authority Revolving Loan Fund to be used for economic development. He noted that less than 1.00 percent of the City's tax capacity is Tax Increment Financing (TIF) whereas the State average is between 2.00 and 5.00 percent. The Port Authority has several shovel-ready sites for development and has made tangible improvements to the Central Business District. He stated although the 422 Belgrade Project is not the normal TIF timeframe, he believes the project in this building is an asset to the neighborhood and the tax base will increase in this area because of the project. President Knutson stated the Port Authority will continue working to bring businesses and jobs to North Mankato and redeveloping the Central Business District.

Mayor Dehen stated that since he and Council Member Freyberg are new to the Council this joint meeting will ensure that everyone is philosophically on the same page and include ground rules that everyone is comfortable with.

Commissioner Arnold noted that past-President Wade Hensel, who was in the audience, recently moved to Lake Washington and thanked him for all he has done for the Port Authority. Executive Director Sande also reported that Wade is in attendance as the BENCO representative as BENCO is the Port Authority's partner in the Joint Economic Development Fund.

Council Member Freyberg reported his concerns of the Central Business District Grant Program date back to April 2011. He stated he is not opposed to the program but believes that public dollars that come from the Sales Tax Fund should not be used for furnaces and normal repairs as he does not see the benefit to the public but believes these items should be in the company's normal business plan. He would like to see CBD grant dollars used for street or sidewalk design or other items that are equally shared by the public. He also expressed his concern that the Port Authority is trying to do the marketing, banking and improving property and then putting a 25-year TIF on it, which is probably going to need improved again in 25 years

versus new construction which has a 9-year TIF. He stated he understands that Legislatively the Port Authority can do this but believes it is not in the best interest of the City to defer tax collections from an improved property for 25 years. He referenced 422 Belgrade when it was Ray's Market and the balance of the loan which has not been paid. Executive Vice President Sande reported the remaining \$62,000 loan has been referred to the City Attorney. Council Member Freyberg asked for an explanation of the rationale for investing \$455,000 in property that is currently valued at \$400,000 with no signed lease agreements in hand. President Knutson stated this is not the normal project but the property is not the norm and could set empty for 20 years without TIF. He stated it is not just the property that is going to be improved but the entire neighborhood surrounding the project. He also stated the last thing we want to do is lose control and have several empty buildings. President Knutson also reviewed that Tax Increment Financing was originally designed to do redevelopment projects because of the extra-ordinary costs of preparing the site and demolition versus a new building.

Commissioner Arnold reported these projects would not happen without the help of Tax Increment Financing and spoke of the attractive building constructed on an empty lot in the 200 Block of Belgrade. He stated that 422 Belgrade Avenue is an important project that will also enhance the Central Business District.

Council Member Freyberg stated that with a 20-30 percent residential rental vacancy rate, it is discriminatory in nature to subsidize a project that includes new rental units so heavily. Council Member Freyberg stated he believes that 40 percent financing by the Port Authority is too high. President Knutson stated those are the same terms that were offered to anyone who would step up to the plate to do a redevelopment. Council Member Schindle reported that originally the Marigold site needed four floors in order to have the project work and was revised to two floors which may have left out some interested developers.

Commissioner Arnold referenced the projects that recently came off TIF and are now on the tax rolls and the many jobs that have been created. Executive Vice President Sande reported the Capstone Project will be coming off TIF in 2012. Council Member Schindle stated he would like to see Tax Increment Financing for manufacturing jobs. Council Member Freyberg stated he believes that developers are going to come to us without TIF incentives. Mayor Dehen stated that job creation is a priority. Council Member Schindle referenced the restaurant projects that have not been successful. Some discussion was held about the restaurants that have received Port Authority help and have been unsuccessful.

President Knutson reported that the CBD grants are a small part of what the Port Authority Commission does and asked the Commissioners and Council for their suggestions for the criteria for Central Business District grants and loans. Commissioner Abbott stated he has no problem with items going to the Council for their approval.

Council Member Schindle asked about the parking plan for the Central Business District. Executive Vice President Sande reported that additional parking spaces were recently constructed at the end of Nicollet Avenue and four options have been reviewed for parking in the CBD but staff has been waiting for resolution of the Budget Mart property on Belgrade. Staff has heard that someone is interested in both the Belgrade Avenue Budget Mart and the

Commerce Drive Budget Mart and we are working to confirm that information. In response to a question from Council Member Schindle about the possibility of returning the Budget Mart to a convenience store, Executive Vice President Sande reported the tanks are still in the ground at the Belgrade Avenue site but have been removed at the Commerce Drive site. He reported that several merchants in the CBD have agreed to share parking.

Commissioner Kirschbaum stated the CBD grants are a small part of what the Port Authority does. He would not have a problem with those items going to the City Council for approval. He also spoke of the necessity for business owners receiving grants or loans to show up at the meetings.

Jim Whitlock, owner of Brickhouse Graphics, appeared and gave a brief history of the group, Business on Belgrade, which has held the Blues Festival for the past three years to draw attention to the Central Business District. He thanked the Port Authority and Council for the CBD grants and stated although Christy's Café is not in operation, the interior work completed with the grant is still in place for a restaurant. He spoke of the zoning of the CBD done years ago which limits the businesses allowed to operate in this area.

Sharon Schaller, owner of Sharon's Craft, appeared and thanked the Port Authority and Council for the grant for her business. She stated she is working to make the CBD a part of the regional City Center and looking at ways to get more people to North Mankato.

Wade Hensel, BENCO, appeared and spoke of the new substation that is being built with the goal to have it completed by late next fall. The substation will provide an additional 115 kb line and allow North Mankato to continue to grow. Executive Vice President Sande reported this line gives redundancy so there is no interruption of service. Mr. Hensel also spoke of BENCO's partnership with the Port Authority beginning with the 100,000 square foot building, Northport Center, which has been sold, and continued with the purchase of 100 acres for industrial development in 1997 and recently the purchase of the 50-acre Rist parcel.

Council Member Freyberg stated he strongly believes the meeting times of the Port Authority meetings should be changed so they are held between 6-8 p.m. since 80 percent of the people work 8 a.m. to 5 p.m.

President Knutson reiterated that less than 1.00 percent of the tax base is in Tax Increment Financing, the downtown is extremely important; the Port Authority is working on development in the hilltop area noting that 150 employees were added to a business that was started three years ago.

Council Member Schindle asked if the CBD could be expanded to include Commerce Drive. Executive Vice President Sande reported there are different criteria for the CBD including zero lot lines, and the sales tax money was specifically for the CBD. Council Member Norland asked if an amendment to the sales tax fund could be made to broaden its use. Executive Vice President Sande stated a better fit for Commerce Drive may be the Community Development Fund.

Additional discussion was held about the time of the Port Authority meetings with the suggestion to have the meetings prior to the Council meetings. President Knutson reported that the majority of the Port Authority meetings are called for specific actions. Council Member Abbott stated he would prefer the Port Authority meetings to be at night.

There being no further business, the Joint Council/Port Authority Workshop was adjourned at 7:18 p.m.

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Mayor

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City Clerk