

Pursuant to due call and notice thereof, a meeting of the North Mankato Port Authority Commission was held in the Council Chambers of the Municipal Building on Monday, August 6, 2018.

President Arnold called the meeting to order at 6:30 p.m. The following were present: Commissioners Norland, Arnold, Olenius, Dehen, Whitlock, and Freyberg, Executive Vice President Harrenstein, Finance Director McCann, and City Clerk Van Genderen. Absent: Commissioner Steiner

Approval of the Minutes

Commissioner Norland moved, seconded by Commissioner Olenius, to approve the minutes of the Port Authority meeting of July 16, 2018. Vote on the motion: Norland, Arnold, Olenius, Dehen, Freyberg, and Whitlock, aye; no nays. Motion carried.

Approval of Bills

Commissioner Dehen moved, seconded by Commissioner Norland to approve the bills as presented. Vote on the motion: Norland, Arnold, Olenius, Dehen, Freyberg, and Whitlock, aye; no nays. Motion carried.

Consider Adopting Resolution Calling a Public Hearing on the Adoption of a Business Subsidy Loan.

Executive Vice President Harrenstein reported the request came from NextGen RF Design, Inc. RF Engineering refers to radio frequency research. The company has 12 full-time employees and is currently in Waseca, Minnesota. Waseca is aware of the potential move to North Mankato. The applicant is requesting financial assistance in purchasing the building located at 2130 Howard Drive. Executive Vice President Harrenstein reported the gap financing requested is \$300,000 from the Revolving Loan Fund, with a 15-year term and a 4% interest rate. In exchange for the longer term, NextGen agreed to a slightly higher interest rate than the 1% plus prime. The current owners of 2130 Howard Drive have a TIF district that will be coming off of the books in 2018 or 2019. NextGen is not requesting a TIF district, but are interested in an abatement. An abatement, unlike a TIF, does not capture all of the taxes, it only captures the City's portion which is approximately 1/3 of the taxes. Executive Vice President Harrenstein stated the Commission would need to consider if the property has already been incentivized before deciding to approve an abatement. He reported the project meets several of the economic development goals including increasing the tax base, diversifying the local economy, retain or increasing local jobs, encouraging additional private development, providing an economic impact and encouraging a fast growing business. The business also received a bank letter of commitment. City Staff recommends setting a Public Hearing for 6:30 p.m. on Monday, August 20, 2018.

Lucas Tholen and David Mitchell from NextGen appeared before the Commission and reported the company that resides in Waseca saw an opportunity to expand in North Mankato. The move would provide the company with an increased talent pool. Mr. Tholen noted the company designs radio frequency products for commercial, medical

and military applications. The business is almost ten years old and has 12 local employees conducting business locally, nationally and internationally. Mr. Tholen noted one of the goals of the move is to expand their relationship with MSU and South Central College. President Arnold asked if the company offered internships. Mr. Tholen stated yes, they currently have an intern who will be joining the company full-time. Council Member Whitlock requested clarification on anticipated growth of the company. Mr. Tholen reported the company is expanding and has exhibited a 20-25% growth over the last three year period and the number of employees employed increases with company growth. President Arnold asked Commissioner Olenius from his professional banking experience if he had concerns with the Port Authority stepping in and making the loan. Commissioner Olenius stated the nature of the loan is gap financing and he would not be concerned. Commissioner Olenius requested clarification on the total cost of the project as there seemed to be conflicting numbers. Mr. Tholen acknowledged the discrepancy by noting some of the numbers were still being finalized. Commissioner Olenius requested clarification on the equity NextGen would be providing. Mr. Tholen stated it would be 10%. Council Member Freyberg stated that since this was essentially a mortgage, the Port Authority should consider a closed session to allow open discussion with the business. President Arnold requested clarification on the request for an abatement. Executive Vice President Harrenstein clarified that the company is requesting an abatement. He stated an incentive like the abatement must be viewed as short-term opportunity cost that allows for a long-term gain and must be balanced with job acquisition. The property will soon be returned to the tax rolls so the Commission must determine if the investment in the property has already been made and if further abatement would align with the goals of the Port Authority. Mr. Tholen appeared before Council and stated he respects the policies of the Port Authority and they applied for the abatement for the additional savings that would allow for the establishment of a scholarship fund and accelerate the hiring process.

President Arnold requested clarification on having a closed session on August 20, 2018, before the Port Authority Public Hearing. Executive Vice President Harrenstein stated he would need to consult with the attorney to determine if it is legal. President Arnold requested clarification on if staff recommends the abatement. Executive Vice President Harrenstein stated he could not recommend the abatement, but did recommend setting the Public Hearing for the business subsidy loan.

Commissioner Freyberg moved, seconded by Commissioner Norland to adopt Resolution Calling a Public Hearing on the Adoption of a Business Subsidy Loan. Vote on the motion: Norland, Arnold, Olenius, Dehen, Freyberg, and Whitlock, aye; no nays. Motion carried. President Arnold clarified the Public Hearing would be held at 6:30 p.m. on August 20, 2018.

Other Business

None.

Open Meeting to the Public

Barb Church, 102 Wheeler Avenue, appeared before the Commission and requested clarification on what the Commission was going to do on August 20, 2018. Executive Vice President Harrenstein clarified that there would be a Public Hearing to consider a \$300,000 business subsidy loan to NextGen RF Design, Inc.

Phil Henry, 1300 Noretta Drive, appeared before Council and thanked the Commission for their deliberation and stated the property should be put on the tax rolls.

There being no further business, Commissioner Dehen moved, seconded by Commissioner Norland, to adjourn. Vote on the motion: all ayes. Motion carried. The meeting was adjourned at 7:09 p.m.

President

Secretary