

ECONOMIC DEVELOPMENT AUTHORITY
MEETING MINUTES
AUGUST 8, 2006

The meeting was called to order at 7:00 a.m., President Jim Kreft presiding.

Members Present: President Kreft, Noack, Rosenfeld, Sorenson, Vrklan, Councilmember Borchert, Councilmember Voight

Members Absent: None

Also Present: Director Krueger, Asst. Director Schultz, Mayor Czech, Jeff Hennen

Motion by Noack, seconded by Rosenfeld, and passed by unanimous vote to approve the minutes from the July 11, 2006 meeting as presented.

It was the consensus of the EDA Board that the Financial Report for July and Lot Acquisition Loan Report were approved as presented.

Jeff Hennen was present and stated that he was on a fact finding mission inquiring on the possibility of using TIF money for his Planned Unit Development. He explained that he was working with the State on a Building Better Neighborhoods Program and the State likes to see city involvement in these types of programs. Hennen gave some background on the program. He stated that the homes would be in the \$150,000-\$170,000 price range and the neighborhood would include market rate homes also. Hennen spoke briefly on the various grants available with this type of program and how they help buyers get into the homes. Assistant Director Schultz commented that St. Peter had 2 separate developments done using this program. He suggested that the EDA and Council should take a tour of these areas. Hennen stated that the City of Nicollet also had one of these neighborhoods done. Kreft explained that the EDA as a whole has not reviewed the Housing Study yet, but it is recommended within the study to use TIF for these types of developments. He added that the EDA has not implemented using TIF in this way in the past. Director Krueger commented that it is a given with this type of program that TIF has to be used. He stated a preliminary engineering report would have to be done to determine what Mr. Hennen's expenses would be (infrastructure costs, etc. which would indicate what the tax capacity would be) and then the City's TIF Consultant would look it over and give their recommendations. Sorenson questioned if TIF could be used for the whole plat or just the State program portion. Krueger commented that in using TIF for housing certain guidelines have to be met and the market rate homes would not qualify. Hennen commented that he would like to get this started yet this year, but due to the time of year and process needed it probably won't happen until next year. He stated that the infrastructure would be done all at one time (no phasing).

Director Krueger gave an update on G.E.I.S. He stated that G.E.I.S. has filed Chapter 11 Bankruptcy. On the list of creditors, the City of Arlington is second on the list at an amount of \$210,585. Krueger commented that the Bankruptcy court is in Iowa. He and Attorney Arneson have started the filing process, which included having Director Krueger being appointed to the Bankruptcy Committee. This Committee looks at all the assets and debtors and tries to facilitate with the court system a recommendation as to how they will be paid (if the company liquidates, re-establish the company or find a buyer). He stated the entire process could take anywhere from 9 months to 2 years to complete and it also depends on what the court decides. Director Krueger commented that once the filings are

taken care of, Attorney Arneson will have to excuse himself from this case as he is not a bankruptcy attorney, plus there is a conflict of interest; he has done work for G.E.I.S. and/or some employees in the past. Attorney Arneson will help to find an attorney to handle the case in Iowa. Sorenson commented that the City of Arlington should get representation in Iowa as soon as possible. Krefl agreed and that this representation should be as aggressive as possible.

Motion by Sorenson, seconded by Vrklan, and passed by unanimous vote to pursue hiring an attorney in Iowa to handle the bankruptcy proceedings related to G.E.I.S.

Further discussion was held on what is owed if any to DEED. Director Krueger stated that he believed the City does not owe any money to DEED at this time. He stated that DEED will only be going after the money given to G.E.I.S. through an Ag loan. They have essentially given up on collecting the money owed on the loan with G.E.I.S. and have subordinated the amount due to the City of Arlington so it can collect and revolve it back into the system. Krueger commented that this information was presented to the Council. Sorenson questioned the status of Mr. Klitzke's condition. Krueger commented that they have inquired but the Klitzke's are not giving out any information. Vrklan questioned what the total amount of debt was for G.E.I.S. and if they were still working. Krueger believed the debt to be over \$1.5 million. He stated that equipment has not moved here in Arlington for some time and was not sure if their other branches were operational or not. The Courts have full control over the assets at this time.

Assistant Director Schultz updated the EDA on the Hotel Marketing Study. He stated that it came back very favorable for a placement of a hotel in Arlington. Schultz commented that he already had 1 inquiry from Carlson Companies (Country Inn & Suites) for a copy of the study and other developers are starting to inquire also. Sorenson expressed concern that under traffic counts a specific number was not listed. Krueger commented that this was not a full spectrum study; more information is generally seen in the 2nd and 3rd phases. This first phase contains just enough information to spark the interest of developers to want to pursue the next phases, which then would be at their expense, not the City's. Krefl commented that he felt the study could have elaborated more about the Sibley Medical Center and its need for lodging.

Schultz stated that he has been in contact with Lyle Fahning from Technical Services about setting August 28th as the date to hold the tour of TSE facilities. It was agreed that later in the day would be better for everyone. Schultz will send out postcards to everyone with the time.

Schultz gave an update on the Golden Hearts proposed expansion. After his last conversation with Laura Kicker, it was his understanding that she was strongly considering waiting until next year due to the time needed to process everything (TIF). He informed her that if she is still interested in TIF to allow the process to move forward, that way all the paperwork could be done and everything would be in place, contractors could be lined up and she could be ready to break ground in the first part of March. He made it clear to her that if she intends to move forward TIF could not be utilized because of the process mandated by the State; the City of Arlington has not control over this.

Mayor Czech invited those present to the ground breaking ceremony for the Good Samaritan Center's expansion project, which is scheduled for Friday.

Schultz commented that he has tentatively lined of Lisa Heinz from the Minnesota Extension Service for Friday, September 22nd for the Strategic Planning Session at the Technology Center either from 12:00-4:00 pm or 1:00-5:00 pm. Schultz will confirm the date and time and let the EDA know.

Schultz commented that the Housing Study is done and he and Director Krueger were starting to go through it. Krueger commented that he would like to see a joint EDA/Council meeting so that Mr. Griesert could present it to everyone. He stated that the housing study come back better than he thought. Schultz commented that the housing study and what Mr. Hennen was proposing actually would work hand-in-hand very nicely with regards to housing capacity. The final draft will be handed out to everyone prior to the joint meeting (dated to be decided).

Kreft stated that a letter had been drafted Denny and sent to Jim and Paul Soeffker reminding them that their lot loans come due on November 24th.

Kreft questioned if Technical Services had responded to the City about the parking lot on Main Street. Schultz stated that Lyle Fahning had contacted him and said they were not really interested because of the same concerns the City has (not sure where property lines are, should they blacktop/hard surface the whole parking lot or just part of it, would it be open to the public and how would they restrict it). Kreft questioned if the Council had discussed this. Krueger commented that Bolton & Menk is doing some work on this (determining property lines, etc.).

Kreft questioned if the Comprehensive Land Use Plan would be incorporated within the EDA Strategic Plan. Director Krueger commented that P&Z Administrator Jenness would be invited to participate in that portion of the Strategic Plan.

The next meeting was scheduled for Tuesday, September 12, 2006 at 7:00 a.m. Krueger will check to see if a public meeting can be held before the election; public meetings are not to be held on election days. Kreft suggested that if the meeting has to be moved to schedule it before the joint meeting.

Motion by Voight, seconded by Sorenson, and passed by unanimous vote to adjourn the meeting.

Director David L. Krueger

President Jim Kreft