



**MINUTES OF THE EDA MEETING**

**EDA Members Present:** Russ Smith, Shelly Peterson, Dave Bjerckness, Ross Peterson, Adam Bailey, Steve Micke

**EDA/Ex-Officio Members Absent:** Mike Schultz (EDA)

**Staff Present:** Nancy Klassen, James Barclay, Holly Hansen (City); Kelly Zink (Cloquet Area Chamber of Commerce); Connie Christenson (Carlton County EDA)

**Others Present:** Todd Hagen, Ehlers; Dave Chmielewski, Blackhoof Development/Country Club Patio Homes LLC

**CALL TO ORDER**

President Ross Peterson called the meeting to order at 8:00 a.m.

**ANNOUNCEMENTS, ADJUSTMENTS, CORRESPONDENCE AND OTHER**

None.

**APPROVAL OF MEETING MINUTES**

President Ross Peterson asked for any corrections or additions to the March 1, 2017 Meeting Minutes? Hearing none he asked for a motion.

**Motion:** Commissioner Bailey moved, and Commissioner Shelly Peterson seconded, that the EDA approve the Meeting Minutes from March 1, 2017.  
(Motion passed 6-0.)

**APPROVAL OF FEBRUARY 2017 EDA FINANCIALS**

Ms. Hansen reviewed the February 2017 cash balances and loans for the EDA. For the cash balances, she noted increases in Fund 201 and 203; no change in Funds 202 and 204, a zero balance in Fund 206, and an operational deficit in Fund 207 which will be addressed structurally by the City for future years. Ms. Hansen noted in the future there will be a Fund 208 for new Small Cities funding from DEED. All loans are current with the exception of the Cloquet Home Center loan which is on the agenda for action next.

**Motion:** Commissioner Micke moved, and Commissioner Bjerckness seconded, that the EDA approve the February 2017 Financials.  
(Motion passed 6-0.)



The EDA is now asked to recommend to the Cloquet City Council that it authorize the charge-off of \$31,273.25 in loan funding (Fund 203, City Fund) for the Cloquet Home Center. The February financials applied \$7,922.48 towards the \$39,225.85 outstanding Cloquet Home Center loan. The amount of remaining uncollectable city loan dollars total \$31,273.25. At this time the business has closed, the property has sold and there are no further legal mechanisms to pursue repayment to the City. The EDA is asked to recommend to the Council a formal acknowledgement of a loss of \$31,273.25 in Loan Fund 203 (Charge-Off) and to remove that outstanding balance from the City financial books.

The EDA discussed that removing this from the books does not mean it is not collectable. President Ross Peterson stated that the City has the ability to sue the guarantor but there must be a judgement issued to do so. Ms. Klassen stated the City does use a collection agency. Commissioner Shelly Peterson discussed that her business has a bad debt account to keep that knowledge present to review, Carlton County does the same. Carlton County stated that they are evaluating their options related to collections, the City Attorney advised staff not to spend additional legal fees pursuing the loss.

**Motion:** Commissioner Bailey moved, and Commissioner Micke seconded, to recommend to the Cloquet City Council that it authorize the charge-off of \$31,273.25 in loan funding (Fund 203, City Fund) for the Cloquet Home Center. (Motion passed 6-0.)

### ACTION ITEMS / PRESENTATION / DISCUSSION

#### COUNTRY CLUB PATIO HOMES PROJECT: TIF APPLICATION REVIEW

Todd Hagen, the City's Financial Advisor joined the meeting via phone and developer Dave Chmielewski of Country Club Patio Homes LLC provided an overview of the project. Ms. Hansen reviewed the project scope also noting this was the first application Cloquet has received for 12 single family owner-occupied patio homes. Ms. Hansen reviewed that the use of TIF for single family owner-occupied requires that 95% be sold to income restricted families under the statewide median income thresholds of: 100% statewide median income for 1-2 family homes \$77,100 or family size of 3 or more under 115% median income \$88,665. [The median family income is the higher of (1) the area median gross income for the area in which the housing is located (County) and (2) the statewide median gross income (Minnesota)]. The developer discussed concerns around having to finance the gap (TIF Note amount) which under a rental project is included in primary financing or equity but on a single family project must either be sold upfront or carried long term by investors. Mr. Hagen noted that while there is no developer



fee is there is one area to note, the developer owns the land and applied a 4% inflation so if there is an area of wiggle room noting developer type fee it is this area.

Ms. Hansen noted that since the EDA packet was sent out on Friday that she had been corrected as there was a legal name change from the original application from Country Club Townhomes LLC to County Club Patio Homes LLC. Secondly, since the staff report was issued last week the developer had inquired about the brokerage fees associated with the sale of the units, this increased the cost per unit from \$235,000 to \$241,000. As such Ehlers reviewed the financials for eligible TIF reimbursable costs, again tying the development to those. As such Ehlers proposes the EDA consider extending the term of the TIF note to 17.5 years for a total TIF Note of \$488,444 (plus 4.5% interest over term of TIF District) maintaining that discounted purchase price to \$198,900. Ms. Hansen noted that if market absorption is slow, then these units would be allowed to be rented again at the requirement of either:

- 20% of the units at 50% of median income; or
- 40% of the units at 60% of median income.

Commissioner Bjerkness inquired about what a patio home is, Ms. Hansen displayed an image of the unit, the developer chimed in on how they are constructed, their size and layout. Ms. Hansen reviewed market trends in what now defines a starter home and its amenities and the pressure it has put on the move up market. Commissioner Bjerkness inquired about specific details related to the Cloquet Housing Study and how this project meets that need. Ms. Hansen noted the break down in owned housing needs and rented needs focusing on the owned need for “move-up” quality affordable housing. The bulk of need for owned housing in Cloquet is in this move-up category. EDA members had positive comments on the price for purchase, rent pricing, and layout. President Ross Peterson mentioned that Dave Chmielewski has discussed potential financing of the project with Frandsen Bank and Trust as such he is recusing himself of the vote.

**Motion:**        **Commissioner Shelly Peterson moved, and Commissioner Smith seconded, to recommend** the EDA move to approve CLOQUET ECONOMIC DEVELOPMENT AUTHORITY RESOLUTION RECOMMENDING THE ESTABLISHMENT OF DEVELOPMENT DISTRICT NO. 4 AND ADOPTING A DEVELOPMENT PROGRAM THEREFOR; AND THE ESTABLISHMENT OF TAX INCREMENT FINANCING DISTRICT NO. 4-1 THEREIN AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR which requests approval to City Council to consider the following:

- A TIF Housing District for a term of 26 years with an annual tax increment provided to the developer for a term of 17.5 years and the issued TIF note would



be \$488,444 (plus 4.5% interest over term of TIF District) maintaining that discounted purchase price to \$198,900.

- Development Program for the Establishment of Development District No. 4 and establishing Tax Increment Financing District No. 4-1 therein and adoption a Tax Increment Financing Plan therefor; and
- Preparation of a resolution for an interfund loan to advance certain costs in connection with the TIF District No. 4-1; and
- Preparation of a resolution authorizing the execution of a development agreement with Country Club Patio Homes, LLC and the execution of a Tax Increment Revenue Note be approved for the development; and  
**(Motion passed 5-0.)**

**BRIEF REGIONAL ECONOMIC UPDATES**

Chamber, County, and City staff provided updates. The County noted a upcoming county airport hangar project. Commissioner Shelly Peterson noted that the Carlton County Airport in Cloquet is an underutilized resource and could benefit from increased marketing of what it has to offer, noting deficiencies in regional air charter systems.

**Next meeting date**

May 3, 2017.

**ADJOURNED 9:29 a.m.**

Respectfully submitted,

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Holly L. Hansen, Community Development Director