



MINUTES OF THE REGULAR EDA MEETING

EDA Members Present: Russ Smith, Shelly Peterson, Steve Micke, Dave Bjerkness, Lara Wilkinson, Mike Schultz, Ross Peterson

EDA / Staff Members Absent: Shelly Peterson (EDA); Kelly Zink (Ex-Officio)

Staff Present: Brian Fritsinger, Holly Butcher, Al Cottingham (City); Connie Christenson (Carlton County EDA)

Others Present: Erin Anderson (Commonwealth); Deb Shaff (Cloquet HRA); Steph Fredrickson (Cloquet HRA Board); Diana Dyste (Sherman Associates)

CALL TO ORDER

President Ross Peterson called the meeting to order at 8:01 a.m.

ANNOUNCEMENTS, ADJUSTMENTS, CORRESPONDENCE AND OTHER

None.

APPROVAL OF MEETING MINUTES

President Ross Peterson asked for any corrections or additions to the April 13, 2016 Regular Meeting Minutes? Hearing none he asked for a motion.

Motion: Commissioner Bjerkness moved, and Commissioner Smith seconded, that the EDA approve the Regular Meeting Minutes from April 13, 2016.
(Motion passed 6-0.)

President Ross Peterson asked for any corrections or additions to the May 4, 2016 Special Meeting Minutes? Hearing none he asked for a motion.

Motion: Commissioner Schultz moved, and Commissioner Wilkinson seconded, that the EDA approve the Special Meeting Minutes from May 4, 2016.
(Motion passed 6-0.)

APPROVAL OF APRIL 2016 EDA FINANCIALS

Ms. Butcher reviewed the April 2016 cash and loan balances. She noted the Cloquet Home Center loan as delinquent on December, January, February, March, and April loan payments with no water/sewer bill payment since August 2015. The Cloquet Home Center has closed and has an offer



on their building at this time. The City will await closure on this offer and its process. If sold, the cooperative liquidation will be handled by Woodlands National Bank. Ms. Butcher provided an update on loan file reviews done with President Ross Peterson. Commissioner Peterson asked for a motion to approve the April 2016 financials.

Motion: Commissioner Micke moved, and Commissioner Schultz seconded, that the EDA April 2016 financials be approved. (Motion passed 6-0).

BRIEF UPDATES

Ms. Butcher provided updates for the City and Chamber and Ms. Christenson provided updates on County projects.

ACTION ITEMS / PRESENTATION / DISCUSSION

A. Sherman Tax Credit Application: 509 Carlton Avenue (Cloquet Middle School)

Ms. Butcher provided an overview of the Cloquet Middle School proposal from Sherman and Associates reviewing the differences between the 9% and 4% proposals and their impacts on debt service, target occupancy, and different leverage program and gap financing needs. She referenced a preliminary site plan, the section of the Housing Study related to rental affordability, the Cloquet Housing Study Task Force Recommendations specifically calling out this housing project opportunity, and Comprehensive Plan Housing section. Diana Dyste provided comment on the status of the project, their goals, and plans to pursue historic tax credits for the project. She stated the project will be privately owned and managed.

B. Cloquet HRA / Commonwealth Tax Credit Application: 900 Block 14th Street (New Building)

Ms. Butcher provided an overview of the Cloquet HRA proposal from Commonwealth reviewing the differences between the 9% and 4% proposals and their impacts on debt service, target occupancy, and different leverage program and gap financing needs. She referenced a preliminary site plan proposing 35 units and noted they had been granted a density variance from the Planning Commission. The proposed project is to be publically owned and operated by the Cloquet HRA. Ms. Butcher noted key policy and plan support including information related the use of tax credits as the mainstream financing tool, the section of the Housing Study related to rental affordability, the Cloquet Housing Study Task Force Recommendations specifically calling out this housing project opportunity, and Comprehensive Plan Housing section.

Secondly, Ms. Butcher reviewed Mn. Stat. 469.040 which notes that an HRA can pay no less than 5% Payment in Lieu of Taxes (PILOT) however the percentage is a direct negotiation



with the local community in which the project is located (Cloquet). As such, the Cloquet HRA and Developer have requested clarity on the percentage level of PILOT to be paid on the proposed second Cloquet HRA building in an effort to prepare accurate project budget and proformas for the 9% and 4% models. Mr. Fritsinger weighed in on the question stating he could support the use of 5% PILOT as in the future it would provide additional operational dollars to the HRA rather than having a request from the HRA for other tax dollars.

C. EDA Action Related to Authorizing City Resolution of Support for Tax Credit Applications for Sherman, Commonwealth project.

Ms. Butcher explained the Greater Minnesota competitive MHFA tax credit pools, stating that she had spoken to the Manager of the Tax Credit Division of MHFA who said with such great needs they recommend submitting both projects coming out this small Greater Minnesota city and to be poised in the future to answer the question on what priority level they hold with the City (e.g. #1, #2 priority). EDA members discussed there is no immediate pressing reason to have that prioritization discussion today. President Ross Peterson asked for a motion.

Motion: Commissioner and President Ross Peterson moved, and Commissioner Bjerkness seconded, that the EDA Support housing tax credit applications to MHFA (the State) for both Sherman Cloquet Middle School Tax Credit Application as well as the Cloquet HRA/Commonwealth Tax Credit Application for construction of a new building north of Aspen Arms. Further, it is recommended that the PILOT payment for the proposed new Cloquet HRA building be 5%. (Motion passed 5-0, Commissioner Schultz had to depart the meeting).

D. Downtown Business District Meetings: Updates & Next Steps

Ms. Butcher provided an update of the April Downtown Business District Meetings where the Minnesota Mainstreet Program provided a presentation to the group. In summary, the business and property owners feels they have provided the City comments about what is working well and what needs to be addressed to remain competitive and the ball is in the City's court to further address. As businesses and property owners, they'd like to consider different formats to organize and network.

Next meeting date

June 1, 2016



CLOQUET ECONOMIC DEVELOPMENT AUTHORITY
City Hall 1307 Cloquet Avenue Cloquet, MN 55720
May 11, 2016 at 8:00 a.m.

ADJOURNED 9:37 a.m.

Respectfully submitted,

Holly L. Butcher, Community Development Director