City of Blaine
Anoka County, Minnesota
Minutes
EDA

Blaine City Hall
10801 Town Sq Dr NE
Blaine MN 55449

The purpose of the Blaine Economic Development Authority is to increase the City's commercial/industrial tax base, provide employment opportunities, undertake redevelopment to enhance and maintain neighborhood economic stability, and address special needs, such as senior housing. As authorized under Minnesota State statutes, the Blaine City Council also serves as the Blaine Economic Development Authority.

Thursday, November 15, 2018 **7:20 PM** **Council Chambers**

1 Call to Order

The meeting was called to order at 7:25 p.m. by President Ryan followed by the Roll Call.

2 Roll Call

Quorum Present.

ALSO PRESENT: Planning and Community Development Director Bryan Schafer; Public Works Director Jon Haukaas; Police Chief/Safety Services Manager Brian Podany; Finance Director Joe Huss; Economic Development Coordinator Erik Thorvig; Public Services Manager/Assistant City Manager Bob Therres; City Engineer Dan Schluender; Senior Engineering Technician Jason Sundeen; and City Clerk Catherine Sorensen.

Present: 6 - Commissioner Clark, Commissioner King, President Ryan, Commissioner Swanson, Commissioner Jeppson, and Commissioner Garvais

Absent: 1 - Commissioner Hovland

3 Minutes

3-1 OCTOBER 4, 2018 EDA MINUTES

Attachments: October 4 Minutes

Moved by Commissioner Swanson, seconded by President Ryan, that the Minutes of October 4, 2018, be approved.

Motion adopted 5-0-1 (Commissioner Clark abstained).

Aye 5 - Commissioner King President Ryan Commissioner Swanson Commissioner Jeppson Commissioner Garvais

Abstain 1 - Commissioner Clark

4 New Business

4-1 ESTABLISHING A BLAINE SMALL BUSINESS LOAN PROGRAM

Economic Development Coordinator Thorvig stated at a recent EDA meeting, staff was asked to research potential financing options for small businesses to complete remodeling or expansion projects. About 2-3 times per year staff is approached by a business that is struggling to obtain bank financing to complete a remodeling or expansion project. Typically, the situation occurs due to lack of equity and/or low value of existing assets (typically the real estate) resulting in a lower amount a bank is willing to lend towards a project. The difference between what a business is able to obtain in financing versus what the project costs is often called a "gap". The City of Blaine doesn't currently have a formal program to assist in project financing. Typically, staff will direct the business to the Open to Business program which offers gap financing. The Open to Business program has provided a total of $350,000 in loans to two Blaine businesses since the program began in 2015. Large to medium sized businesses have access to certain grants and loans from the Minnesota Department of Employment and Economic Development.

Mr. Thorvig explained staff researched two comparable neighboring cities to determine what programs they offer. Coon Rapids has two programs that provide loans for commercial rehabilitation and real estate/M&E purchases. Brooklyn Park has a real estate and equipment loan program. It was noted staff contacted Mike Mulrooney with the Central Minnesota Development Company (CMDC). CMDC specializes in SBA lending and is very active in Blaine and the north metro. Several cities utilize the services of CMDC for underwriting and servicing of business loans. Staff is proposing to have CMDC complete the underwriting and servicing of Blaine’s loans. Mr. Mulrooney provided some suggestions for Blaine’s program based on his experience with other cities. Most notably he suggested having a minimum loan amount of $5,000 and increasing the maximum loan amount to $75,000 (up from $50,000 presented at workshop). He also provided information as to what their fees would be for underwriting, credit and background checks. Staff provided further comment on the proposed loan program and recommended approval.

Commissioner Clark stated he supported the proposed loan program. He requested building equipment not be considered collateral for the loans. Mr. Thorvig stated this was the City’s intent.

Commissioner King explained he supported the program as well and asked how the loans would be tracked by staff. Mr. Thorvig reported the loans would be tracked internally but would be serviced externally.

Moved by Commissioner King, seconded by Commissioner Jeppson, that Resolution No. 18-23, "Establishing a Blaine Small Business Loan Program," be approved.

Motion adopted unanimously.

Aye 6 - Commissioner Clark Commissioner King President Ryan Commissioner Swanson Commissioner Jeppson Commissioner Garvais

4-2

FORGIVING CERTAIN HOME LOANS AS PART OF THE HASTINGS STREET RECONSTRUCTION PROJECT LITIGATION

Economic Development Coordinator Thorvig stated in November 2016, the City of Blaine EDA offered an emergency loan program to assist homeowners impacted by the sewer backup that occurred on Hastings St. The terms of the loan were 0% interest, deferred (no monthly payments), and forgivable if the homeowner stays in their home for 20 years. If the homeowner were to sell prior to 20 years, the loan would be paid back via proceeds from the sale. The maximum loan amount was $10,000. Six residents took advantage of the loan program and a total of $55,684.29 was borrowed. The addresses of the properties with loans are:

8690 Hastings Street - $10,000
8695 Hastings Street - $8,757
8504 Hastings Street - $9,631
8685 Hastings Street - $7,294
1801 86th Lane - $10,000
8600 Hastings Street - $10,000

Economic Development Coordinator Thorvig explained the first five addresses listed were involved in the Hastings St. litigation against the City of Blaine. Part of the litigation settlement was to forgive the home loans to those five properties. Staff is not recommending forgiving the loan at 8600 Hastings Street as they were not part of the litigation. A total of $45,684 would be forgiven. The loan program is set-up as a revolving loan program so these funds would be lost. The program has roughly $1,000,000 available; therefore, the loss of $45,684 shouldn't impact the viability of the program to continue.

Commissioner Clark stated he was contacted by Councilmember Hovland requesting he bring forward a motion to forgive the loans for the properties that were not included in the litigation.

Commissioner Swanson excused himself from the meeting at 7:41 p.m.

Moved by Commissioner Clark, seconded by Commissioner Jeppson, to forgive the loans for those properties not included in the litigation as well.

Motion failed 0-5-1 (Commissioner Swanson abstained).

Nay 5 - Commissioner Clark Commissioner King President Ryan Commissioner Jeppson Commissioner Garvais

Abstain 1 - Commissioner Swanson

Commissioner Garvais stated he did not support the forgiveness of these loans given the fact these properties did not participate in the litigation process. He feared a blanket forgiveness could set a precedent. Also, he explained that part of the funds being requested were to complete an addition on the home at 8600 Hastings Street that was not there prior to the damage.

Commissioner Clark asked if staff was aware of why some residents chose to join the litigation and some did not. City Attorney Sweeney stated he was not aware of this decision and was not involved in these conversations.

Moved by Commissioner Clark, seconded by Commissioner Jeppson, that Resolution No. 18-24, "Forgiving Certain Home Loans as Part of the Hastings Street Reconstruction Project Litigation," be approved.

Motion adopted 5-0-1 (Commissioner Swanson abstained).

Aye 5 - Commissioner Clark Commissioner King President Ryan Commissioner Jeppson Commissioner Garvais

Abstain 1 - Commissioner Swanson

5 Other Business

None.

6 Adjournment

Moved by Commissioner Jeppson, seconded by Commissioner King, to adjourn the meeting at 7:48 p.m.

Motion adopted unanimously.

Aye 6 - Commissioner Clark Commissioner King President Ryan Commissioner Swanson Commissioner Jeppson Commissioner Garvais