

**EDA
Minutes
May 15, 2024**

The Owatonna Economic Development Authority met in regular session at 4:00 PM in the Charles S. Crandall Center – Meeting Room at City Hall Building with President Raney presiding. Commissioners present: Dan Boeke, Andrew Cowell, Pat McDermott, Corey Mensink, Kevin Raney, and Doug Voss. Commissioners absent: Brenda DeVinny. Also present were Troy Klecker, Brad Meier, Lisa Cochran, and Kristen Kopp.

Approval of Minutes. Commissioner Boeke moved approval of the minutes of the April 10, 2024 meeting with second by Commissioner Cowell. All Commissioners voting Aye, the motion passed.

Treasurer's Report. Troy Klecker presented the revenue and expense reports for April. He said they've made first half payments to the Chamber and OABDC, as well as the half year of rent for the Stendel Parking Lot Lease. We'll circle back with him toward the end of the year to see if he will sell it.

Loan Report. Troy Klecker presented the loan report for April. He said that Selective Looks is showing as non-current. What happened is she discontinued the automatic withdrawals in December. She came in March and paid, but then was late again. She made a payment today or yesterday to get herself current, so we're good. She will be getting back on the automatic payments.

OACCT / OPED Report. OACCT Director Brad Meier presented the OACCT Report for April. He invited the members to come to signing day on May 29. It will be starting at 4:30 pm at Torey's. They will recognize students going into the workforce. So far there are 12-15 students. Boeke said it's an impressive event and done well. Meier said the work experience grant is a nice thing to be able to offer to students and businesses. It will probably end up being 16 kids up to \$15 / hour up to 160 hours. It ranges from mechanic to manufacturing to accountant to physical therapy. The SteeleCoWorks Coordinator has taken a position at the high school. They are in the process of reconfiguring the position so it's not repetitive with what the high school offers. OPED has been active with the Real Estate Journal. The next event we'll be at is retail and restaurants, which will be good. Sean Williams coordinated a non-traditional financing event, which was well attended. The Growth Breakfast is tomorrow morning. We have leaders from Mayo, Allina, and OMC speaking. The Ted G Ringhofer scholarship was presented to Ethan Armstrong. Raney asked how OPED works toward filling small businesses in the downtown district. We've lost some, such as boutiques. Are we actively pursuing small businesses to fill them? Meier said there is interest in space downtown, which is great. We have lost boutiques. Small retail is very difficult right now. It's not just retail, but we've had meetings with the hotel. Everyone is feeling a little bit of a slowdown. Downtown ends up being its own incubator because the spaces are smaller, and maybe better price points, so there is some turnover in those spots. Cochran said in the classes Sean Williams is doing, he's had people who've had feasible business ideas who are actively looking for a space. She said she's also talking to people, and we have some things coming that are exciting. Klecker said that's the nature of a downtown. Meier

said Curly Girlz is closing, so Sean and himself went and talked to her. He said a few people are interested in it as there is a kitchen. We're pushing out this new opportunity. There was some discussion about downtown businesses.

OABDC Report. Community Development Director Troy Klecker said that the number of hours for consulting is way up. Part of that is we have a full-time person doing it now. Williams is doing a really good job with services and classes. He has a whole business plan of programs. Cochran said Williams has been very instrumental helping Glenda Smith with tourism doing a workshop. People will walk out with a marketing plan if they don't already have one. She gave an update on forgivable loans. Cowell said that it feels like this is the first time we've had a business development center where we can refer people. The workshop on lending was well attended and very refreshing. Klecker said it was a very good move to go to a full-time director. Mensink asked if we had an idea of how many LLCs are operated out of homes. He said he thinks there are a lot more than we realize and wondered if we can market to them, too. Maybe a cohort of those folks would like to relocate outside of the home because isolation is a real thing. Klecker said even the boutiques could maybe go together to get one shared space. Mensink said commercial kitchen space is usually in high demand.

EDA Projects. Community Development Director Troy Klecker presented the EDA Projects for April. Cemstone's agreement with the City goes until May 2025. They have to be moved out. Their plan is to build the second building, but they are finding that the site is not as big as they'd like it to be. They have inquired about leasing the land on the east side of Riverside from us for a few years to put their material sales on that side. They would vacate everything else so we can move toward redevelopment. It doesn't sound like it would be long term at this point, and we can collect some money in the short term. The big structure would come down. They would still use the office building. We have shown 117 West Bridge a couple of times and one party is still interested. At the last meeting, the EDA approved moving forward with purchasing 151 Bridge Street West. There are still some reservations from Council Members on that. Klecker said he had a lengthy conversation with Darrin Stadheim and Scott Mohs. He expressed the desire to work together on a project rather than them just selling the property to us. There is a willingness to work with us. Rather than just sell it to sell it, he convinced them to hang onto it for now and work toward a bigger project so it's not just the City working on it. For the greater good of everything we want to do down there, it is better to work together. One thought might be that it's not just that one corner building, but maybe a redevelopment project that would take a few more buildings, including our 148 West Main Street. We probably need to do something to 148 Main Street West. A wall is failing and the roof is leaking. Boeke asked if we can still use our funding options if we collaborate with private owners. Klecker said we can assist with funding. There are a number of key pieces that are in place and we have a willing owner. Raney asked about the old Hardees/Budget Mart site. He said that's been out there for years and years and years. Klecker said we typically don't market for other people. We know what's available and it's listed on the website. We don't get a ton of people looking to go on the south end. Raney asked if Redline Development group cares if something is on there. Klecker said there isn't a ton of pressure. We're generating enough TIF, so we're not going to be out anything. It's a vacant lot just like any other vacant lot. There are a few more tenants in 202 West Bridge Street. The Ascend project is moving along. Scooter's Coffee is ready for their permit and could start at any point in time. It's a different franchise owner than the one who went through the process of getting

zoning approvals. Foamcraft is moving along well. We will be demoing 139 East Pearl Street this summer.

Old Business:

Downtown Second Floor Commercial Space Contest. Lisa said the application is a Google Doc. She took what she and Troy talked about with the goal and criteria. It was pretty easy to fill out. Boeke asked the bankers what they think about the economy. Cowell said savings rates are at all time lows and credit cards are at all time highs. It's 20% real inflation. Agriculture is fine—they had three of the best years they've had. You're not going to see a lot of projects built. Mensink said they thought they had inflation under control, but they didn't. Inflation is real, especially in housing. There are also developers that have things coming due that worked really well five years ago. There is a lot of uncertainty. There is a real surge in entrepreneurs. Klecker said if we're going to move forward on it, it would be good to have the program approved at the next meeting.

Approve Repayment Agreement for 224 Cedar Avenue North. Klecker said he's had numerous conversations with Oscar Mazariego. He wants to turn the property back over and he's agreeable to paying what he owes. We talked about a repayment agreement. There are \$8,500 in consulting fees as well as unpaid taxes from last year up to this year with penalties. We just found out there are also unpaid utility bills which need to be settled before it's transferred. It adds up to about \$20,000. We want to see some sort of interest on it. We came to the conclusion of a five-year pay back at 3% interest. Oscar was agreeable. Klecker said he's working with City Attorney Mark Walbran. The hope was to get something signed to present to you. He met with the Mazariegos yesterday and his wife wasn't ready to sign it. The attorney hasn't been able to look at it yet. He got a text during this meeting that the attorney will look at it Friday. Oscar said he still intends to pay it back. Mark Walbran said we could go ahead and approve it conditionally based on those terms. If the attorney should change the terms, he would have to bring it back next month. Mensink asked where the 3% came from. Klecker said it's a number we agreed upon based on some of our loans and TIF agreements. At the time he signed this, interest rates were more at the 3% rate. Raney asked if he's paying 100% of the utilities. Klecker said yes, up to the day of transfer, as well as property taxes. Mensink asked, in retrospect, would we ever put a penalty in the contract. Klecker said he would prefer not to do that. When we go into these deals, we're trying to incent someone to do something. It might scare someone off. Raney asked if there is an additional fine if he pays late. Klecker said if we treat it like an EDA loan, we're pretty forgiving. With the loans, someone is doing something we want to see happen. Mensink said this was a brand new concept and comes with risk. Klecker said he wants the EDA to be business friendly. Raney said it's a marketable building. Mensink said it could be interesting. A motion was made by Mensink and seconded by Boeke to approve the repayment agreement for 224 Cedar Avenue North for \$8,500 and any unpaid taxes and utilities at the time of transfer. All Commissioners voting Aye, the motion passed.

New Business:

Swap Lots with Alexander Lumber. Klecker said he's been talking to Josh at Alexander Lumber about their lots next to what we bought (on Rose Street) and also on North Elm by O-

Town Auctions. That's not ideal for them because they have to haul stuff back and forth. Having things more consolidated would be better. Meillier would be interested in swapping for two of our lots on East Fremont Street as he is interested in expanding their storage area. He would bring most of what is stored on North Elm down there. It would be a fenced in storage area. For those two smaller lots, we talked about trading for the parking lot on Rose Street next to our vacant lot, kind of across from the Eagles. It benefits them as well, and he would probably put the Elm lot for sale. Although we are not getting a building that brings in tax base. We started buying those because those houses were in horrible shape. This is a good way to get a business to be more efficient and expand a little bit. We still have three lots on Fremont and allows someone to do something more productive on North Elm. Raney said about a year ago the County came with a project that we didn't like the aesthetic of. Are we not as concerned about the north end of the downtown? Klecker said when you get north of Rose Street it is a little more industrial. Alexander Lumber is a retail business. Yes it's a storage yard, but for the product they sell, they need a storage area. The B-3 District doesn't have design standards in the Zoning Ordinance. If we're holding out for a historic building, we'll be waiting our lifetime. We want to help them to be successful. The lot right behind our historic courthouse is much different than what's on Fremont. Raney said he'd encourage Klecker to encourage Josh to make it aesthetically pleasing. Klecker said they've had many conversations about that. What he needs is a little more efficiency in operations and to keep some of his product dry. Mensink said it sounds like we have a lot to gain. Klecker said he'd rather have the Rose Street property—it is the more visible street and he'd want to protect the look of a future project there. A motion was made by Mensink and seconded by Cowell to approve the lot swap with Alexander Lumber. All Commissioners voting Aye, the motion passed.

Exterior Forgivable Loan – 141 Bridge Street West. Cochran said that this is Heintz Insurance. He's doing tuckpointing, which is automatically approved from a design standpoint. A motion was made by Mensink and seconded by Cowell to approve a \$10,000 loan for exterior improvements for 141 Bridge Street West. All Commissioners voting Aye, the motion passed.

Exterior Forgivable Loan – 120 Oak Avenue South. This is the OACCT. Cochran said she's seen the plans and she approves of them. Klecker said he'd rather see the loan go toward the façade as that goes more with the guidelines of the program. Meier said that's no problem. Cochran said they will have to approve the siding that is going up. Meier said the plan is to install a wood product over the other doorway at the conference space so they tie together. In between would be a dark brown so that it doesn't look like house siding. Right now the wood siding is rotten. We were going to paint it, but it wouldn't last more than two years. They will freshen it up with new paint on the brick. Klecker said signage has been included in some of these exterior projects if you're creating a sign template for where a sign would go. Cochran said that hardy siding is approved in her guidelines. Klecker said if the signage is a portion of a larger project it has been approved. Cochran said signage is listed as something that is covered. Klecker said part of it is more historically accurate signage. Cochran said that their building is not historic. They don't want to use the vinyl or aluminum siding. There is no sign they can make or design that is going to be historic. We have to make sure aesthetically it is on par with the Graif building. A motion was made by McDermott and seconded by Boeke to approved a \$10,000 loan for exterior improvements for 120 Oak Avenue South. All Commissioners voting Aye, the motion passed.

Exterior Forgivable Loan – 315 Cedar Avenue North. This is the dress shop. She is ready to do an exterior façade with windows, signage, windows, and door. The project will far exceed the \$10,000 without the signage. A motion was made by Cowell and seconded by McDermott to approve a \$10,000 loan for exterior improvements for 315 Cedar Avenue North. All Commissioners voting Aye, the motion passed.

Schedule Next Meeting. The next EDA meeting is scheduled for **June 19, 2024** at 4:00 p.m. in Charles S. Crandall Center – Meeting Room at City Hall. This is Juneteenth and a holiday. The Commissioners moved the meeting up to **Wednesday, June 12, 2024**. Raney said he would not be able to attend.

Adjournment. There being no further business, a motion was made by Commissioner Voss and seconded by Commissioner Boeke to adjourn the meeting at 5:26 pm. All Commissioners voting Aye, the motion passed.