

Growth Fund Members:

Chairman,

Tim Spilman

Vice Chairman,

Mark Weide

Jeremy Bauer

Annette Behm-Caldwell

Don Boehm

Jeff Erickson

Rick Horn

Curtis Patzell

Michael J.B. Schaff

Liaisons:

City Commissioner, City of
Mandan

Mike Braun

City Attorney, City of Mandan

Malcolm Brown

City Administrator, City of
Mandan

Jim Neubauer

Chief Building

Official/Assessor, City of
Mandan

Douglas Lalim

Finance Director, City of
Mandan

Greg Welch

Business Development
Director, City of Mandan

Ellen Huber

Bismarck-Mandan
Development Association

Brian Ritter

Nathan Schneider

Lewis & Clark Regional
Development Council

Brent Ekstrom

Mandan Growth Fund

June 11, 2014

Noon

Mandan City Hall

205 Second Avenue NW

Former Morton County Library Room

1. Introductions

Those members indicated with were in attendance.

2. Consider the following minutes:

a) February 11, 2014

Boehm moved to approve the minutes, Bauer seconded.

Motion passed unanimously.

3. Consider Storefront Improvement Application for
112 Second Avenue NW

Ellen Huber reviewed the application submitted by Dot Frank. She and her husband acquired the property in January. Frank plans to begin the remodel project with exterior improvements and indicates plans to submit a Renaissance Zone application for major interior improvements in the next few months. The building has street level commercial space, currently leased to New Hope Church, and five upper-story apartments.

Exterior improvements are to include storefront and residential window and door replacement including currently boarded up windows and transoms. Three new awnings will be added to the building's front, brick will be tuck-pointed, and the north, east and south sides of the building will be painted. The plan also includes new signage and a decorative band on the building's front. The sign board serves as a place holder for business signage. If New Hope Church were not to renew its lease in 2015, Frank would look to locate a niche retail business in the space. Window air conditioning units are to be removed with central air conditioning to be installed for the building. The estimated investment in the exterior improvements is \$81,790. The request for matching funds is for the maximum \$30,000.

The application includes an automatic door opener per the local ordinance for the storefront main door. The Mandan Architectural Review Commission has approved the project as submitted. Although the copy of the application included in the meeting packets is not signed, Frank has since signed the original version of the application and it is on file in the Business Development Office.

Frank noted that her goal is to not only beautify the building but to also influence neighboring property owners to do likewise. The styles of window and awning choices are intended to be timeless. Frank said the church has one year remaining on its lease. Time will tell if the church renews its lease or seeks larger space. Frank would ultimately like to locate a niche retail business in the space.

Discussion included a question by Spilman about the funding cap. Huber explained that the Growth Fund Committee voted to recommend and the City Commission approved increasing maximum matching funds for the program in October 2013. Matching funds were increased from the previous maximum of \$10,000 to a maximum of \$30,000 with up to \$60,000 available for a corner building depending on building size and the scope of a project. This recommendation was based on changes that had occurred since the program began in 2006 including increased construction costs, the addition of the automatic door requirement and a need to keep pace with downtown Bismarck in attracting businesses where the CORE program had been increased to these same amounts.

Another question was if all four sides of the building are eligible. Huber responded that all street-facing sides of buildings are eligible and all four sides of this building can be viewed from either Second Avenue or First Street. Program criteria are included in committee informational binders or books. Adjacent properties are Vicky's Bar and behind it is a parking lot and the Old Town Tavern. The back is very visible.

Clarification was provided that all window and door openings are being replaced including boarded up windows and the transom glass above doors.

There was also a question about eligibility of the building because of its use and how much is commercial versus residential. The entire main floor is commercial and the entire second story is apartments, all currently occupied. Huber further explained that a building owned and operated by a church as for religious purposes would not be eligible, but because this is a commercial mixed-use building subject to property tax with space leased to a church and the applicant is the building owner, it is eligible. Regarding the signboard, Frank explained that it will initially feature the building's address with a smaller sign for the church. Copy on the sign board will be changeable, which will accommodate a different business if needed.

Asked about timing of the project, Frank said she'd like to start right away to get the windows in before winter. She'd like approval to call back all the bidders to get on their schedules.

Mike Schaff moved to recommend approval the project for up to \$30,000 in matching funds for the project. Jeff Erickson seconded. Motion carried unanimously.

4. Growth Fund Status Report

Storefront Improvement Projects — Huber reviewed the summary of funding and the status report on projects included in the meeting packet. Twenty-nine projects have been completed and one approved project is nearly complete.

Property Tax Exemption for New and Expanding Businesses — A summary of projects for new commercial construction and additions approved for exemption was included in meeting packets. The summary covers projects approved since February 2011, which was when the Growth Fund Committee and City Commission adopted a policy creating two-tiers of exemption with the higher tier tied to having at least one job created for every \$100,000 of structural value at the end of year 2 and sustained through year 5. Some of the projects approved in 2011 have just now completed their second year.

Jeff Erickson asked about High Plains Apache as a new business having six jobs in year one and down to four in year two. Huber explained that based on its \$409,800 building value, the four would still be sufficient for the higher exemption amount at one job per \$100,000 of structural value. Huber noted that she is in the process of working with the Assessing Department to review data on construction start dates, dates of certificates of occupancy, whether some of the applicants are subject to the automatic door requirement depending upon building use and if so, compliance status. Another aspect under review is the final structural value in comparison to the number of jobs created as certified in reports collected annually by the Bismarck Mandan Development Association.

Discussion included noting that GR8-Auto is not receiving an exemption because the applicant chose not to install an automatic door and that Infinity Ventures only received an exemption on two of its three approved apartment buildings because the third building was not completed within the required two years of application approval.

Since state law changed in 2013 to eliminate retail and service businesses from eligibility for property tax exemption for new and expanding businesses, Huber said other programs are becoming more important such as the N.D. Opportunity Fund and other loan pools. Arby's is conducting due diligence on a site near the new Thrifty White Drug and had previously inquired about property tax exemption. The franchise owner recently called and Huber explained the changes. He expressed disappointment but indicated he would likely proceed with the project. Site and building plans were submitted and approved by Architectural Review Commission, so that is a positive step. The City continues to receive inquires about exemptions for northwest Mandan and the east end of Memorial Highway.

Don Boehm asked about projects at Collins and Main. American Bank Center bought the former Iverson building and will occupy the first floor and part of the second. The remainder is available for lease. The redevelopment project on the northeast corner of the intersection is mixed use with 3,000 sf of street level commercial space and 30 apartments. The Renaissance Zone local property tax exemption will be cut in half if the commercial space is not leased within a year after completion and will end if not leased within two years.

Edgewood Vista has taken out a building permit for its phase two addition despite not getting the property tax exemption as requested in August.

Boehm asked if the N.D. League of Cities or anyone is looking to restore the property tax exemption tool. Jim Neubauer explained that he is not aware of any organized effort. There may be an opposite legislative effort to further tighten incentives.

Overall — The financial report for the Growth Fund was also included in meeting packets. The fund annual is allocated \$250,000 from the sales tax fund. This amount covers the operation and management of City Business Development and Communications as well as funding for economic development projects including the Storefront Improvement Program and the Retail and Restaurant Incentive Program. Any unspent funds budgeted for O&M annually are retained in the economic development category unless the Commission takes other action. The Economic Development portion of the financial statement includes repayments from when the Growth Fund made direct loans to businesses. The Lewis and Clark Regional Development Council (LCRDC) now assists the City with loan servicing and collections on these loans.

The Growth Fund used to set aside specific funding amounts for the Storefront Improvement Program and the Retail and Restaurant Incentive Program. Specific funding amounts are no longer being set aside, but rather kept in the general Economic Development category, to allow flexibility for business assistance programs depending upon the need and the funding available ranging from Storefront Improvement and the Retail and Restaurant Incentive to matching funds for Bank of North Dakota PACE programs.

Of the \$87,896.30 in the remaining balance for Storefront Improvement, \$30,000 was previously approved this year for the Andra Miller project and another \$30,000 will be allotted to the Frank project pending Commission action. Provided the projects are completed, this fund will be reduced to \$27,896.30.

The Retail and Restaurant Incentive Program has a balance of \$29,312.50. A separate report was not included on the latter program, but Huber noted that three business start-ups had been previously assisted with the program. Those businesses are the Harvest Brazilian Grill, Brea Boutique, and Destiny Screen Printing (dba Meriwhether Trading Co.). Meriwhethers did close this spring after about 18 months of total operation. The other two businesses are successful.

Spilman asked if a project is not completed to the scope intended, such as Storefront Improvement, if the applicant still receives the funding. Huber explained that staff follow up to be sure projects are completed as approved in application. Changes in scope would be subject to approval by or funding would not be provided if not completed as required.

Regarding the FlexPACE funding provided for Fort Lincoln Foundation purchase of the riverboat, Spilman asked about follow through on a verbal offer by Executive Director Tracy Potter to assist with costs for a fence behind the depot. Huber explained that this was not a contingency for approval and Neubauer explained that the Foundation is assisting with and part of Heritage Plaza Foundation efforts for more comprehensive improvements to the depot and beanery buildings and the space behind the buildings. Since some people like to watch the trains, the plan is for some displays about railroad and other community history.

Don Boehm asked for discussion on whether the Growth Fund was doing enough to assist businesses. Huber and Brent Ekstrom explained that there is a lot of assistance occurring beyond what is reflected on the Growth Fund financial statement. Requests for gap financing for business start-ups and expansions are now handled directly by the LCRDC. LCRDC staff identified an opportunity and twice asked and recommended that the City of Mandan provide matching funds for USDA Intermediary Relending Program applications. The result is two \$1 million revolving loan pools established in 2007 and 2009 respectively. Businesses in Mandan and a 10-mile radius in Morton County are eligible. USDA provided a long-term, low interest loan of \$750,000 with the City providing a match of \$250,000 from its sales tax fund. The agreement for the matching funds names the LCRDC as administrator of the program. Loan applications are submitted directly to the LCRDC and its loan committee makes the decisions. Huber explains that this is friendlier to businesses than having an application made public for consideration by the Growth Fund Committee and City Commission. Ekstrom noted that the original \$1 million in both funds has been loaned out and is now revolving. Ekstrom will provide a report on the IRP I and II loan fund activity at a future Growth Fund Committee meeting.

The LCRDC additionally now has a Certified Development Corporation for SBA 504 loans and is administrator of the N.D. Opportunity Fund, another revolving loan fund for a consortium of 38 cities led by the City of Mandan.

Huber noted that ideas of other ways to provide assistance to business start-ups and expansions are welcomed. The Mandan Tomorrow – Leadership, Pride and Image Committee had applied earlier this year for a Bush Foundation Community Innovation Grant to create a Memorial Highway Storefront and Landscape Improvement Program. The Mandan application was not among the Foundation’s finalists. The committee may ask the Growth Fund in the future to consider funding such a program.

A meeting may be needed in late June to consider another potential Storefront application. Staff will let the committee know if a meeting is needed.

5. Other Business

Nathan Schneider was introduced as the newly hired new director of business development for the Bismarck Mandan Development Association. Schneider's duties include the business retention and expansion program and assistance with retail recruitment for Mandan. Schneider previously was with the N.D. Development Fund within the N.D. Department of Commerce.

6. Adjourn

Schaff moved the meeting adjourn. Boehm seconded. Motion carried.