

**Growth Fund Members:**

Chairman,

Mark Weide

Vice Chairman,

Don Boehm

Dan Anderson

Jeremy Bauer

Jeff Erickson

Rick Horn

Curtis Patzell

Michael J.B. Schaff

Tim Spilman

**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, 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**

**Tuesday, April 7, 2015**

**Noon**

**Veterans' Conference Room**

**Mandan City Hall**

**205 Second Avenue NW**

1. Introductions

*Chairman Mark Weide called the meeting to order.*

*Members indicated with a  were in attendance. Program Coordinator Krista Harju, Lee Weisbeck, Starion Financial, and Randy Rhone, Developers, LLC, were also in attendance.*

2. Consider for approval the following minutes:

a) March 5, 2015

*Mike Schaff moved to approve the minutes from the March 5, 2015 meeting. Rick Horn seconded. The motion passed unanimously.*

New Business

3. Consider an application for a Bank of North Dakota FlexPACE interest buy down by Developers, LLC for Memorial Square Shopping Center, 4524 Memorial Highway

*The committee reviewed an application for an interest buy down of permanent financing for a retail and service center utilizing the Bank of North Dakota Flex PACE program by Developers, LLC for Memorial Square Shopping Center.*

*Rhone introduced the project. He said he plans to create a destination shopping center for Mandan that offers unique restaurants and retail shops. He believes it will make it easier for new businesses to open in Mandan, as there is not a lot of retail space of 2,000 sf or less suitable for franchises currently available for rent. He feels Memorial Highway is the ideal location, as it is a highly trafficked area and is centrally located between Bismarck and Mandan. It has easy access to Interstate 94 and provides quick access to service in Bismarck. In addition, Mandan does not currently have a large mixed-use retail shopping center that is centrally located between the two cities.*

*Rhone said the upfront costs are very high. The cost of construction went up significantly in the last five years. He chose to build bigger to lower the cost per square foot. He plans to rent space at a rate of \$20/square foot with a 5-year minimum lease. Rent may be less expensive upfront, increasing over the five year lease. Negotiations will depend on other factors.*

*The project, phase I of the Memorial Square Shopping Center, is under construction at 4524 Memorial Highway with completion anticipated by August 2015. The local lender is then allowing a 12-month lease-up period before permanent financing will be put in place in approximately August 2016, at which time the anticipated two-year interest buy-down period will begin. The exact amortization schedule will not be determined until closer to that date.*

*The 14,750 square foot building will have up to eight lease spaces for retail and service sectors businesses. Phase II plans are for another strip center of the same size with Phase III being a separate approximate 5,000 square foot building, such as for a full-service restaurant. There are six individual partners invested in the project. The new building will be subject to full property tax, estimated at \$40,000. The applicant estimates tenant businesses will generate local sales tax revenue of \$63,000 annually and that they will create 98 jobs (29 full-time, 69 part-time).*

*Rhone estimates that, when completed, the total project will provide 226 jobs, \$105,000 per year in property tax value, \$161,004 in sales tax dollars to Mandan and \$57,443 in sales tax dollars to Morton County. He anticipates gross sales of about \$16 million in the first three years.*

*Developers, LLC is seeking the maximum buy-down amount of \$153,846. The Bank of North Dakota will provide 65 percent or \$100,000 of the amount, with the local community required to provide 35 percent or \$53,846. The buy-down is on a principal amount of \$2,898,750. Total project financing is \$4 million.*

*Developers, LLC is not applying for the Retail and Restaurant Incentive Program, but tenants would be eligible to apply, unless the committee created policy that they could not. Huber suggested looking at it as a separate enterprise. They would not qualify for the Memorial Storefront Improvement Program because it is for existing properties, not new construction.*

*The program requires a business incentive agreement with the Bank of North Dakota and jobs verification is needed annually for the first five years. Huber recommended Rhone include language in lease agreements that requires tenants to provide information on jobs, salaries and benefits.*

*Doug Lalim noted that initial plans for the building included a sprinkler system. New plans include fire walls between rental spaces, but not a sprinkler system. He said it may limit the ability to welcome certain tenants. He asked what the plan would be to*

*accommodate that. Rhone said a sprinkler system was too expensive. Developers, LLC installed the service line required for a sprinkler system, but did not install the sprinkler system in an effort to make the rental spaces more economically feasible for tenants. If it is required for the business to have a sprinkler system in place, the tenant will be responsible for the cost. Each rental space will include an automatic door.*

*The balance in the Growth Fund for economic development projects as of March 31, 2015 is \$563,419.20. Huber noted that \$53,846 needed to be deducted from that amount to account for the commitment to Action Motor Sports, which was approved in March, bringing the unencumbered balance to \$509,573. If the buy-down for Developers, LLC is approved, it will bring the balance down to \$455,727. Huber said she anticipates another application for primary sector business expansion in the next month. She anticipates the local match on that project to be about \$75,000.*

*There was some discussion about the impacts of the proposed sales tax increase on Mandan retailers and business attraction efforts.*

*Jeff Erickson moved to approve the maximum buy-down amount with a local match of \$53,846 for Developers LLC for a buy-down period of approximately two years to be repaid within two years after the buy-down period at an interest rate of 2 percent. Don Boehm seconded. Mark Weide abstained from the vote due to a potential conflict of interest because he serves on the Bank of North Dakota loan committee. The motion passed unanimously. The committee's recommendation will be presented to the City Commission on April 21.*

4. Adjourn

*Jeff Erickson moved to adjourn. Don Boehm seconded. The motion passed unanimously.*