

Mandan Growth Fund
Wednesday, October 14, 2015
Noon
Veterans' Conference Room
Mandan City Hall
205 Second Avenue NW

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

1. Introductions

Vice Chairman Don Boehm called the meeting to order. Members indicated with a were in attendance. Also in attendance were Program Coordinator Krista Harju, City of Mandan; Stephanie Scheurer, KX News; Kevin Cavanaugh, Bearscat Bakehouse; Steve Wangler, Cornerstone Bank; and Casey Carlson, Prairie Rose Dentistry.

2. Consider for approval the following minutes:

a) July 29, 2015

Don Boehm noted he was not in attendance at the last meeting, as reflected in the minutes. Jeff Erickson moved to approve the minutes from the July 29, 2015 meeting with the recommended change. The motion was seconded. The motion passed unanimously.

New Business

3. Consider application for Flex PACE interest buy-down from Prairie Rose Dentistry

Ellen Huber provided a background on the application and introduced Carlson and Wangler.

Prairie Rose Dentistry is requesting an interest buy-down of the permanent financing using the Bank of North Dakota Flex PACE program. The total project cost is \$3.55 million. The owners will have \$500,000 of equity into the project. The principal amount is \$1.375 million. Cornerstone Bank will provide the funding. The bank has provided a letter of commitment.

The applicant will be leasing a newly constructed building on Overlook Lane. The building is planned to be 9,300 square feet. There are seven partners involved in the project.

Public benefits to the project include property tax, sales tax and employment opportunities. Prairie Rose Dentistry plans to hire 14 employees upon opening, including two dentists and ancillary staff. The business plans to add a third dentist and five additional employees within three years. At full capacity, the building will house 35 employees.

Carlson said the ultimate goal is to grow into Mandan. The partners have been planning to offer a Mandan location for five years. Carlson said Mandan is easily underserved for dentists. According to the American Dental Association, about 2,000 patients sustain one dentist. The building will house five dentists, including one pediatric dentist. No pediatric dentists are currently practicing in Mandan. Prairie Rose Dentistry currently has nine dentists on staff between its two Bismarck locations. One dentist will likely relocate his practice to Mandan, serving as an anchor. Additional dentists and staff will be hired.

The business will operate Monday through Friday between the hours of 7 a.m. and 5 p.m. The partners plan to be operational in the fall of 2016.

The applicant 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 Lewis and Clark Regional Development Council would originate and service the loan for the local share of the buy-down, charging the borrower a 1 percent origination fee and all hard costs and collecting a 1 percent servicing fee on payments collected after the buy-down period ends. The total uncommitted dollars in the Growth Fund is \$340,445. Prairie Rose Dentistry is not applying for any other incentives.

Huber recommended a buy-down period of four years and repayment period of four years, with an interest rate of 3 percent. She recommended accruing interest right away, as it would help build the fund to help more businesses in the future. Erickson asked if interest accrues on other projects right away. Huber explained the policy changed in July. Interest can now begin accruing interest during the buy-down period, but payment cannot be collected until after the buy-down period ends.

Brent Ekstrom suggested doing a subordinate lien on the property due to the plans for an SBA504 loan if security is desired.

Erickson moved to approve the application, providing a four-year buy-down in the amount of \$53,846 structured in the form of an unsecured loan with a re-payment period of four years after the buy-down period and an interest rate of 3 percent, accruing when the money is released. Jeremy Bauer seconded. The motion passed unanimously.

The committee's recommendation will be presented to the City Commission at its Oct. 20 meeting.

4. Consider Storefront Improvement application for 111 Fifth Ave NE by Kevin Cavanaugh of Bearscat Bakehouse.

Huber introduced Cavanaugh and provided a background on the storefront improvement application. Cavanaugh owns Bearscat Bakehouse and is a professor at Bismarck State College.

Cavanaugh has entered into a five-year lease with Cliff Berger for a building at 111 Fifth Avenue NE. He plans to install new signage and lettering on both the east facing and north facing sides of the building, replace broken glass in a door and install an automatic door opener. Huber noted the current policy discourages sign-only applications, but added that three other elements are present in the application. The total cost of the project is \$7,524.

The requested amount is far below the maximum match. The Storefront Improvement Program only allows for one-time participation for a building. If funding is not maximized, the owner or tenant is not eligible for funding in the future. Cavanaugh does not own the building, and the owner indicated he does not wish to make further improvements.

The Mandan Architectural Review Commission indicated approval of the project with a requirement that there be a plan for landscaping for the corner boulevard area. If not, the project would need to be brought back to the commission. Cavanaugh plans to put rocks and small shrubbery in the area. He hopes to have it completed by the fall. Huber said the project may be eligible for matching funds and recommended including an allowance for landscaping costs.

Boehm asked if Cavanaugh would he be eligible for the storefront improvement program if he moved to a different location in the future. Huber said he would be eligible for the program if he moved into an existing building in the program area that has not yet been a project.

Erickson recommended including a \$2,000 allowance for landscaping. The reimbursement would be for 50 percent of actual expenditures.

Tim Spilman moved to approve providing matching funds of \$3,762 for the storefront improvement program and up to a \$2,000 allowance for landscaping in order to fulfill the requirements of the Mandan Architectural Review Commission, not to exceed \$5,762 in total. Rick Horn seconded. The motion passed unanimously.

5. Consider Retail & Restaurant Incentive application for Bearscat Bakehouse
Huber provided a background on the application. Cavanaugh is leasing a 3,500 square foot building for \$1,700 per month. Of the space, about 1,500 square feet will be used for a walk in freezer/cooler for the donut bakery and ice cream business and for parking the icecream trucks. Huber said the only area that should be considered is the square

footage used in the retail and restaurant operations. The committee could calculate the incentive on the full 3,500 square feet or a lesser area.

Public benefits to project include: property tax on the building, the creation of four new jobs within the community, and sales tax revenue. The business projects \$800 of sales per day, which would generate about \$5,720 in local taxes (2.75%) annually. In addition, it would fill a gap in the community. Since George's Bakery closed, there hasn't been a business specializing in donuts within the community.

Cavanaugh indicated total start-up costs will be \$100,000 for Mandan operations, which includes a delivery truck that will be used to transfer donuts from the Bismarck location. It does not include any investment in the Bismarck location. He is seeking \$17,500 for retail and restaurant incentive, in addition to applying for matching funds through the Storefront Improvement Program. If approved for the maximum amount of \$5 per square foot, public assistance would account for about 21 percent of the total project cost.

Ekstrom said the existing company does have growing sales and is trending upward. He thinks the projected sales numbers are accurate. He thinks the chances for success are high, but he does not feel comfortable sharing a formal opinion on the possible success of the business, as he wasn't provided enough information by the applicant.

Cavanaugh added that his company has been successful since 2006. He anticipates sales will be about one-third of the Bismarck location. He plans to have tables for customers, as well as a party room and a meeting room available for rent. Costs will cover remodeling and equipment.

Cavanaugh plans to open the Mandan location in November 2016. The business will be open Tuesday through Saturday from 6 a.m. until the donuts sell out, likely mid-afternoon. The location will employ four people. In addition, he plans to operate the ice cream trucks in both Bismarck and Mandan. He didn't think ice cream would be taxed, as ice cream is a grocery item.

Bearscat Bakehouse produces a lot of Tom & Jerry batter. That side of the business is growing, and the bakery is negotiating a contract to create UPC symbols and expand to regional production. He plans to bring the production of the batter to Mandan in the future.

Ekstrom suggested giving the business plan a score of 2 as it does not cover all elements of a business plan.

Committee members scored the project. The average rating was 3.75. If applied to the full 3,500 square feet, the total assistance for the first year of operation would be \$13,125 or \$1,093.75 per month. Spilman said he didn't think the garage space should be included. If the 1,500 square feet of garage space was excluded and the incentive was

applied to only the remaining 2,000 square feet of operating space, the total assistance for the first year of operation would be \$7,500 or \$625 per month.

Michael Schaff moved to approve an incentive at $\frac{3}{4}$ of the maximum, which is a rate of 3.75 per square foot, over 2,000 square feet. The total incentive totals \$7,500 in total, or \$625 per month. Erickson seconded. The motion passed unanimously.

The application requires approval from the City Commission. The committee's recommendation will be presented at an Oct. 20 meeting.

Old Business

Boehm suggested postponing discussion on the remaining agenda items until a future meeting in the interest of time.

Schaff moved to table the items. Horn seconded. Spilman dissented. The motion passed with a vote of 6-1.

6. Consider security provisions for PACE and Flex PACE interest buy-down loans
7. Consider policy regarding the start of interest accrual for loans for local share of PACE and Flex PACE interest buy-downs

Other Business

8. Adjourn
Erickson moved to adjourn the meeting. Horn seconded. The motion passed unanimously.