

Growth Fund Members:

Chairman,
 Mark Weide

Vice Chairman,
 Don Boehm

Dan Anderson
 Jeremy Bauer
 Jeff Erickson
 Rick Horn
 David Lehman
 Curtis Patzell
 Lee Weisbeck

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
Thursday, March 10, 2016
Noon**

**Veterans' Conference Room
Mandan City Hall
205 Second Avenue NW
MINUTES**

1. Introductions

Chairman Mark Weide called the meeting to order. Members indicated with a were in attendance. Also in attendance were Program Coordinator Krista Harju, City of Mandan; Jane Halverson and Michelle Charvat, Dakota Promotions; John Schultz and Don McGuire; Missouri Valley Addition.

2. Consider for approval the following minutes:

a) Feb. 18, 2016

Don Boehm moved to approve the minutes from the February 18 meeting. Jeremy Bauer seconded. The motion passed unanimously.

New Business

3. Consider application for Retail Incentive by Dakota Printing and Promotions

The committee considered an application from Jane Halverson for a retail and restaurant incentive of \$5 per square foot a 1,134 sf lease space.

The purpose of the retail and restaurant incentive program is to serve as a catalyst for securing new retail, restaurant and service concepts to fill vacant properties and stimulate new construction by providing financial assistance to qualified applicants.

Halverson started Dakota Promotions and Printing in 2012 as a home-based business. She leased space at 105 Third Avenue NW (in the Lewis and Clark building) beginning in Jan. 1, 2016. The business distributes promotion items such as pens, mugs, glassware, calendars, USB drives, technology products, bags, portfolios, caps, clothing and printing such as checks, envelopes, business cards and more. Competition includes iGear, Northern Trophy & Promotions and Crescent Printing.

She is expanding the products and services offered by the business with the purchase of additional equipment: an embroidery machine to be less dependent on suppliers, a heat press for printing shirts and other clothing items, and a cutter and printer to generate the designs and decals for clothing and other items. Other needs include an outdoor

business sign and the automatic door opener required for participation in any City of Mandan business assistance program.

Estimated expansion costs range from \$23,250 to \$37,735. She has two employees besides herself and envisions hiring two additional part-time workers. She has a two-year lease on the office/retail space at \$800 per month for 1,134 square feet (\$8.46 psf). Halverson is not applying for any other incentive programs.

The Nielsen retail opportunity gap report indicates a gap of \$3.3 million for office supplies and stationary stores.

Huber explained that committee members could consider the expansion the actionable event, which would include the purchase of the additional equipment, automatic door and business sign. If awarded the full incentive, the total would be \$5,670 or \$472.50 per month for the first 12 months after the expansion.

Sales are projected at \$300,000 annually, which would generate \$3,000 in the 1 percent local sales tax, which is used for economic development, property tax reduction, debt reduction and infrastructure for the City.

One of the criteria on the score sheet is the storefront or curb appeal of the project. The manager of the Lewis & Clark building has confirmed the exterior of the building will be painted this spring.

Brent Ekstrom provided a financial overview. He reviewed the most recent tax returns for the business. Historically, the company has increasing sales since 2012. The projection of \$300,000 in sales is realistic. The only concern he had was an increase in the cost of goods sold over time.

Halverson said cost of goods sold has fluctuated due to the introduction of new services and the purchase of new equipment. Charvat explained the new equipment will pay for itself over time, as the amount of outsourced services will be reduced. The business will continue to work with existing partners, but will focus on bringing new services to the area.

Halverson may sublease some of Charvat's square footage next door, where Charvat plans to open the Memory Shack. The incentive would only apply to the original square footage. Expansion or sub-leased space beyond the date of the application would not be included.

In the past, businesses were told they weren't eligible for the incentive after opening. Since the Dakota Promotions and Printing opened in January, Huber recommended the committee consider evidence of the expansion in the form of the acquisition of additional equipment, installation of the business sign and automatic door, and completion of the storefront improvement to be the actionable events. She further recommended that benefits do not begin until after components are completed. She reminded the committee that Halftone Apparel was told it was too late to apply. In the future, the committee will be asked to reconsider clarification of program eligibility requirements.

Neubauer explained the City may face criticism for providing incentives to businesses that apply after opening. Weide explained that other lender programs also require applications to be approved before a business opens. The Growth Fund tries to mirror those programs, as they work with those entities. Boehm was concerned the committee could receive criticism for accepting the application. Mike Braun suggested the committee revisit the criteria and allow other businesses the opportunity to be considered.

Curtis Patzell moved to accept the application. Jeff Erickson seconded. The motion passed unanimously.

The committee rated the application on 13 different criteria. The average rating by seven of nine MGF members present at the meeting was a 3.60 on a scale of 1 to 5 with 5 being the highest. This score warrants an incentive at three-fourths of the maximum \$5-per-square-foot-rate, equal to \$3.75 psf. The recommendation will be presented to the City Commission on March 15.

4. Consider Restaurant Rewards program proposal

An online straw poll was sent out to committee members following the previous meeting regarding a restaurant reward program. Most of the questions were related to the concept of a sales tax rebate.

Huber drafted a proposal based upon areas where there appeared to be consensus. The application for sales tax rebate would be open to all qualified restaurants in each of the three business districts: 1) Main Street/Downtown, 2) Memorial Highway/SE Mandan, and 3) I-94 Corridor/North Mandan.

Huber recommended limiting the program to one year. This would encourage action sooner rather than later and allow the Growth Fund to evaluate the effectiveness of the program. As drafted, all applications would need to be received by Dec. 31, 2016, at which time the program will be evaluated for a one-year extension.

The draft proposal also calls for setting aside \$162,000 in the Growth Fund to provide the local match in the form of forgivable loans for applicants to the Bank of North Dakota Flex PACE interest buy-down program. Huber suggested the funds be for the first qualified, full-service restaurant to locate in each business district. The maximum match required by the BND, \$53,846, could be provided for up to three, larger qualified restaurants, or perhaps more smaller projects, until funds are no longer available.

Huber recommended structuring the sales tax rebate in three tiers, offering a 100 percent rebate for full-service restaurants, 75 percent rebate for limited-service restaurants and 50 percent rebate for fast food restaurants. She also suggested reserving the grant or forgivable loan portion for interest buy-down for full-service restaurants.

Grants or forgivable loans leverage Bank of North Dakota money for local economic development. It requires cash payment up front or annually for the life of the buy-down. This does diminish the Growth Fund balance available for other projects.

Patzell said businesses will go to the area they feel is the best fit. He doesn't think it is best to limit it to the first full-service in each district. He recommended allowing business to go where it wants to go. He said he likes the idea of the sales tax rebate, because it rewards businesses that do well.

Boehm stressed the importance of increasing traffic counts, because traffic counts will increase business activity and attract other businesses. He doesn't think incentives should be limited to certain areas to the city. He also thinks it is best to offer the same incentive to both quick-service and full-service restaurants. He suggested providing a 100 percent sales tax rebate to all restaurants.

Huber said she knows of prospects that may be interested in the program if it is approved. She suggested providing the sales tax rebate as an option to all restaurant types, but limiting the interest buy-down to the full service restaurants. The survey indicated that committee members supported the idea of allowing applicants to be eligible for both programs.

Weide suggested including a provision that allows the City to receive its money back if the business does not make the full amortization schedule.

Huber noted that she had calculated the number of restaurants in relation to population. Bismarck has 570 people to every restaurant. Mandan has 771 people to every restaurant based on a very liberal definition of a restaurant. With 27 restaurants currently, Mandan would need 36, or 9 more restaurants, to serve the community equally.

Boehm moved to recommend approval of a sales tax rebate for all restaurants for a period of five years for locations throughout the entire city with a one-year application period, expiring in March 31, 2017. Patzell seconded. The motion passed unanimously.

Braun recommended providing the interest buy-down program to all restaurants, as it would help increase traffic counts and attract new businesses. Huber cautioned that the dollars in the Growth Fund are limited and that the forgivable loan format would not provide for revolving funds. The funds could run out.

Huber recommended using the Bank of North Dakota Flex PACE program as a model for the Restaurant Rewards application, since the local match will be in the form of a forgivable loan for qualified applicants seeking the interest buy-down through the Flex PACE program. Working with the Bank of North Dakota provides security.

Braun indicated support for offering the interest buy-down to all restaurants, as it would increase traffic counts. Huber explained that offering the incentive to all restaurants could result in funds not being available for larger projects. Braun noted that restaurants are not locating in the community and the City needs to offer everything it can to attract them.

Patzell moved to recommend approval of an interest buy-down program that would set aside \$162,000 in the Mandan Growth Fund to be used for forgivable loans up to an amount of \$53,846 based on the Flex PACE program available to full-service restaurants opening a location in Mandan. Boehm seconded and moved to amend the motion to include all restaurants and add a sunset clause of March 31, 2017. The amendment died due to lack of a second.

Jeremy Bauer moved to table the discussion. The motion died for lack of a second.

Huber explained the proposal is somewhat time sensitive. She would like to see it presented before the City Commission at its March 15 meeting to allow for updating of marketing materials and outreach prior to the International Council of Shopping Centers annual retail real estate expo. Delaying discussion could result in missed opportunities for the 2016 construction season. Bauer and Braun left the meeting due to it running overtime and work obligations.

The original motion failed by a vote of 4-1 with Boehm, Lehman, Weisbeck, Weide voting no and Patzell voting yes.

John Schultz indicated there is interest by a major fast food chain in locating in the northern area of town near Wal-Mart. He suggested that if one of those high traffic businesses located in the area, it would encourage sit-down restaurants to locate there as well.

Boehm moved to recommend approval of an interest buy-down program that would set aside \$162,000 in the Mandan Growth Fund to be used for forgivable loans of up to \$53,846 based on the Flex PACE program available to all restaurants opening a location in Mandan with a sunset clause on March 31, 2017 to coincide with the sales tax rebate. Weisbeck seconded. The vote passed by a vote of 4-1 with Boehm, Lehman, Weisbeck and Weide voting in favor and Patzell voting in opposition.

The committee's recommendation will be presented to the City Commission for approval at its meeting on March 15, 2016.

Other Business

5. Adjourn

Having no further business, the meeting was adjourned.