

**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:**

Mayor, City of Mandan

Tim Helbling

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

part of budget discussions.

**Mandan Growth Fund  
Thursday, August 11, 2016**

**Noon**

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

**MINUTES**

1. Introductions

*Chairman Mark Weide called the meeting to order. Members present are indicated with a . Also in attendance were City of Mandan Program Coordinator Krista Harju; Randy Rhone, Pit Masters, LLC; and James Massen and Logan Unterseher, Profloor, LLP.*

2. Consider for approval the following minutes:

a) July 14, 2016

*Rick Horn moved to approve the minutes from the July 14, 2016 meeting. Dave Lehman seconded. The motion passed unanimously.*

3. Review financial statement as of July 31, 2016

a) Consider policies and procedures for future PACE and Flex PACE applications

*The balance in the Growth Fund for undesignated economic development projects as of July 31, 2016 is \$93,259.96. Ellen Huber provided information on potential future revenue and expense streams for the fund.*

*A Carter Chiropractic loan has a balloon payment of \$46,249 due on Jan. 1, 2017. Brent Ekstrom said the committee should expect to receive the balloon payment in January.*

*Loans approved for the local share of PACE and Flex PACE interest buy downs will be repaid in the future, helping to replenish the fund. The first of these will payments will begin in the summer of 2017.*

*If operating costs for business development and communications department remain similar in 2017 to the 2016 level, another \$50,000 should become available for projects in 2017.*

*The MGF Committee has requested an increase in annual funding for the Growth Fund to \$350,000 for 2017, as compared to the current funding level of \$250,000, which has been in place since the 1 percent local sales tax was approved by voters in 1991. This would add an additional \$100,000 for economic development projects, if approved as*

*Applications are pending for about \$90,000 for storefront improvement projects and about \$375,000 for Flex PACE interest buy downs within the next six months. This does not include restaurants, for which money is set aside.*

*Huber has received a formal application for a Flex Pace interest buy down for the redevelopment of the former Junior High School building, which is projected to be an \$8.3 million project. The Bank of North Dakota allows a much higher total buy down amount for affordable housing projects, which also increases the local share. The local share for this project is estimated to be \$83,000. The policy for interest buy downs indicates that priority projects in the areas of affordable housing, childcare, primary sector businesses and retail will be considered for a 0 percent interest rate. This application will be presented for consideration at the Aug. 29 meeting.*

*Huber has reviewed the Growth Fund's financial situation with Finance Director Greg Welch, Mayor Tim Helbling and Neubauer. She provided recommendations based upon their discussion.*

*She recommended the committee retain unallocated funds for projects where assistance beyond a repayable loan is warranted. Examples would include forgivable loans for Storefront Improvement projects, retail incentives or projects offering public benefits that merit an interest buy down with the local share structured as a forgivable loan or at 0% interest. Standard Flex PACE applications should be reviewed and considered. If endorsed by the Growth Fund Committee and City Commission, applications could be forwarded to the Lewis and Clark Regional Development Council for consideration by the loan committees overseeing the Intermediary Relending Program revolving loan pools or the N.D. Opportunity Fund.*

*The Memorial Highway Storefront Improvement Program currently has \$140,000 in uncommitted funds. Huber recommended that the Growth Fund consider removing an earmark on any funds not approved for specific projects under the program as of Dec. 31, 2016. These dollars could be moved to the overall economic development projects column. The program would remain available, but would compete with other programs and projects with applicants considered on a first-come, first-served basis.*

*Any amounts approved for interest buy down under Bank of North Dakota PACE and Flex PACE programs could be paid annually, rather than upfront and placed in escrow with the BND. There is a net present value discount for providing full funding upfront, but it is not significant. Making annual payments, rather than full payments at the time of closing, could help with MGF cash flow.*

*Mayor Helbling said he doesn't anticipate that the committee's request for an additional \$100,000 in funds will be approved by the City Commission due to budget constraints. If a project of merit came up, the City Commission may be able to find money to fund it.*

*It is unusual for a repayable loan to exceed five years. The ProFloor application is the first to be structured with a local share as a repayable loan that exceeds 5 years. The application that the committee will consider at the end of the month addresses the need for affordable housing and will have a different amortization schedule than the typical commercial project. The project will not be feasible without a longer buy down period.*

*The City can place restrictions on PACE and Flex PACE match beyond those of the BND, such as a lesser amount of buy down or a shorter buy down period.*

*Patzell suggested prioritizing efforts to encourage local businesses to expand rather than seeking outside businesses. He also asked if the committee could be provided with information on how Mandan compares to similar sister communities, such as Moorhead. The City currently uses Nielsen data to determine gaps in community needs, such as retail and restaurants. It is a gap analysis, which means dollars that originate within a fixed geographic area are compared with sales of businesses in the same area. It determines leakages. The City has also analyzed needs by comparing the total number of restaurants to the current population. Weide said it is not always good to compare to other sister cities, as the numbers can lead to poor comparisons and can lead you in the wrong direction.*

#### Old Business

4. Consider uncommitting funds previously approved for Gramma Brauns, Inc. (dba Classic Rock Coffee) interest buy down

*The owners of Classic Rock Coffee, Kevin and Kim Ressler, have paid off the loan that was subject to the interest buy down approved in December 2015. They have since expressed interest in applying for the Retail and Restaurant Incentive Program, but are aware of the policy requiring those applications to be considered prior to opening. At this point, they have not submitted an application.*

*Huber has asked for a formal letter of relinquishment for the amount of money set aside for the buy down. It has not been paid out. Because they have paid off the loan, they are no longer eligible for the incentive. Huber recommended the committee uncommit the \$9,448.20 that was set aside for the buy down and return it to the balance available for economic development projects. Doing so will increase the balance from \$93,259.96 to \$102,708.13.*

*Weide asked that the committee be more consistent in including sunset clauses. In the past, the committee has provided a closing timeframe. That timeframe has typically been within one calendar year, unless the applicant requested an extension. Huber noted there are few projects with interest buy downs that extend past the one year timeframe. In those instances, the applicants let the committee know up front.*

*Curtis Patzell moved to recommend uncommitting the funds previously approved for Gramma Brauns, Inc., because it no longer qualifies for the interest buy down incentive. Horn seconded. The motion passed unanimously.*

#### New Business

5. Consider applications by Profloor, LLP (dba Imagine Home Center)
  - a) Flex PACE interest buy down
  - b) Retail Incentive

*The committee reviewed an application from Profloor, LLP for an interest buy down of permanent financing for an expansion project utilizing the Bank of North Dakota (BND) Flex PACE program. The business has been in Mandan for about 8 years and the owners are invested in the community. The new location will increase visibility and allow them to showcase their products on a larger scale. It also*

*allows them to stay close to their current storefront. The store will have fully functioning kitchen displays. In the future, they may host Christmas parties, wine and painting parties or cooking parties.*

*The project is an expansion of Profloor, LLP, from an existing 1,200 sf space at 2010 46<sup>th</sup> Ave SE, Unit C, to a new location with 4,200 sf at 4710 19<sup>th</sup> St SE. Financing eligible for a BND interest buy down totals \$400,000. Of this amount, \$200,000 is for leasehold improvements including construction of an enhanced storefront, retail showroom, and shop space. The other \$200,000 is for buy-out of a partner by an employee seeking ownership in the business. Total project financing is \$550,000.*

*The committee discussed four scenarios, each varying in the amount of local share required.*

- Scenario A would provide a \$400,000 interest buy down with a buy down period of 120 months and a local share of \$39,046.47.*
- Scenario B would provide a \$200,000 interest buy down with a buy down period of 120 months and a local share \$19,523.22.*
- Scenario C would provide a \$400,000 interest buy down with a buy down period of 60 months and a local share of \$28,174.12.*
- Scenario D would provide a \$200,000 interest buy down with a buy down period of 60 months and a local share \$14,086.98.*

*Given the relatively low balance in the Growth Fund, the committee discussed providing an endorsement or recommendation for approval to the North Dakota Opportunity Fund or the Intermediary Relending Program (IRP).*

*Ekstrom explained that businesses may apply directly to the LCRDC for the local share of a buy down through the Mandan intermediary relending program (IRP) revolving loan pools. These loan pools were established in 2007 and 2009 with a \$250,000 match each time from the Mandan Growth Fund to obtain long-term loans of \$750,000 each time from the USDA Rural Development Program. The loan pools are specifically for new and expanding businesses in Mandan and a 10-mile radius in Morton County. The use of loan proceeds must comply with the IRP program requirements.*

*A motion of City Commission support would be needed if the source were to be the N.D. Opportunity Fund, another revolving loan fund managed by the LCRDC. This is because the funds were allocated to a consortium led by Mandan with 37 other participating municipalities. The NDOF loan committee has a policy requiring evidence of support from the participating municipality because some cities, counties or regions have policies in place that don't allow for incentives for retail, service or other projects beyond primary sector employers. The source of funding for the NDOF was an allocation of \$9.7 million to the consortium from the U.S. Treasury Department's State Small Business Credit Initiative (SSBCI). Interest rates and terms would be determined by the LCRDC capital fund board for the IRP funds and by the NDOF loan committee for the SSBCI funds. Ekstrom expected that interest rates, at least in the near term, would be at a rate of 4% or less.*

*Ekstrom said the Growth Fund committee minutes would be sufficient to be considered for the Intermediary Relending Program.*

*The committee discussed whether the buy-out of a partner should be eligible for incentive. The City of Mandan does not have a policy addressing the buy-out of a partner, but it is eligible under the Bank of ND guidelines. Huber said it could help retain essential or important businesses within the community, provide net gain, or help a business to expand in the community. Weide suggested recommending the City Commission approve deferring the application to Lewis and Clark Regional Development Council based on funding capability.*

*Ekstrom explained that the N.D. Opportunity Fund cannot fund change of ownership, but the IRP has different rules. It would be eligible under the IRP. The expansion created the buyout. Because an employee is buying out a partner, it is seen as a change of ownership under the IRP.*

*The only disadvantage in utilizing programs through LCRDC is that it could add time to when an applicant can move forward with a project.*

*The buy down on the \$400,000 principal with a 10-year term is \$111,561.81 with 65 percent or \$72,515.15 that would come from BND and 35 percent or \$39,046.67 required as the local community share.*

*Patzell moved to recommend approval of the interest buy-down on a principal of \$400,000 with a request that the local share of the buy down be sought from and favorably considered by the Lewis and Clark Regional Development Council through revolving loan pools established for new and expanding businesses in Mandan. Any Flex PACE buy down is contingent upon approval of the financing by the lead lender and the Bank of North Dakota. Weisbeck seconded. Motion passed unanimously.*

*The committee also reviewed an application from Profloor for the Retail and Restaurant Incentive Program for its expanded retail showroom. Profloor is planning to do business in its new and expanded location under the name of Imagine Home Center. In business for nearly eight years, the company has expanded from selling and installing flooring to covering cabinets, fixtures, lighting and other items needed in home construction and remodeling.*

*The project is an expansion of Profloor, LLP, from an existing 1,200 sf space at 2010 46<sup>th</sup> Ave SE, Unit C, to a new location with 4,200 sf at 4710 19<sup>th</sup> St SE. The new showroom will be 2,800 sf larger. Profloor applied for a stipend of \$5 psf on the expansion. Estimated expansion costs are in excess of \$600,000. The business has a five-year lease agreement on the new space. The business partners are planning to make modifications to the newly constructed building (Flecks Furniture warehouse at 4710 19<sup>th</sup> St SE) to replace one of the overhead doors leading into their space with storefront glass and a customer door with glass. These modifications, as well as the business signage, do still require presentation to the Mandan Architectural Review Commission for consideration. The retail showroom will include complete kitchen set-ups along with other displays of products sold. The business has 9 employees and expects to add two to six more in the next three years.*

*Huber wasn't able to calculate estimated sales tax revenue, because labor and materials were listed together for total revenue. Unterseher said sales and labor are usually about the same, which would suggest an estimated total of about \$460,000 in product sales.*

*The rating system for the Retail and Restaurant Incentive Program has 13 different criteria. The average rating by five of nine MGF members present at the meeting was a 3.8 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.*

*Horn moved to recommend approval of an incentive for Profloor, LLP, for expansion of a retail showroom. The incentive rate based on committee scoring is recommend at \$3.75 per square foot totaling \$10,500 in assistance over 12 months to begin one month after opening of the new showroom. Patzell seconded. The motion passed unanimously. The committee's recommendation will be presented to the City Commission at its Tuesday, Aug. 16 meeting.*

6. Consider Restaurant Rewards applications by Pit Masters LLC (dba Dickey's Barbecue)
  - a) Sales tax rebate
  - b) Flex PACE interest buy down

*The committee reviewed an application from Pit Masters LLC (dba Dickey's Barbecue) for the Restaurant Rewards sales tax rebate. The application is the first received under the Restaurant Rewards Program. Restaurant principals are Randy and Lisa Rhone and Ben and Amanda Zachmeier. The restaurant will be located in the Memorial Square Shopping Center at 4524 Memorial Highway, Suite 103. Plans are for it to be 2,240 sf. The Rhones and Zachmeiers also operate a Dickey's Barbecue in Minot and have other food service experience.*

*Dickey's Barbecue operates as a limited service restaurant where customers order at a counter. There will be seating for 50 people. Other sales will occur via take-out orders and off-site catering. The owners intend to apply for a Class F restaurant beer and wine only liquor license. The restaurant is to be open seven days a week from 10:30 a.m. to 10 p.m. The owners expect to have five full-time and 20 part-time employees and they project customer traffic to be 300 daily. The anticipated opening is December 2016.*

*Neilsen data indicates \$26 million in leakage for food and beverage service and an \$8.8 million gap for limited service in 2016.*

*The rebate would be provided annually after sales taxes are confirmed with the North Dakota Tax Department.*

*They set up in the Minot market first and they've done quite well. They see a need for fast, casual dining in the area. They have an 800 lb smoker that allows them to cook large quantities of food. They anticipate the concept will draw large amounts of traffic to the area. It's a great access point to service the whole community. He anticipates setting records for grand openings sales. Dickey's really wanted the restaurant to be located in Bismarck, but the owners wanted to keep the restaurant in Mandan. The incentives really encouraged them to locate in Mandan.*

*Famous Dave's is a direct competitor, but they are in a different sector. Their customers have more time to dine. Dickey's will target people who are in a hurry. They also offer catering and are capable of handling large orders.*

*They plan to offer carry-out service. Dickey's has a great online ordering program, and online orders are very popular. In addition, they plan to do close proximity delivery along Memorial Highway. Other deliveries will be limited to \$100 or more an order. This option may be added next spring once sales have stabilized and crews are trained to handle it.*

*Rhone is working on putting more parking in, extending towards the funeral home.*

*The sales tax rebate does not come from any existing revenue, but rather forgoes future revenue that will result from the opening and sales that occur at Dickey's Barbecue Pit. Annual sales are estimated at \$1.3 million, which would result in an annual rebate of \$13,000 in collections from the 1% local sales tax that is authorized under this program for a projected five-year benefit of \$65,000. There is no cap on the amount of the rebate, so if the restaurant is more successful or less successful, this rebate number could vary. Huber noted that City Attorney Brown has drafted a sales tax rebate recipient agreement and this is to be shared with the N.D. Tax Department before finalization to be sure it is compatible with their policies and procedures.*

*Weisbeck moved to recommend approval of the rebate of the 1% local sales tax for the first five years of operation for Pit Masters, LLC. Lehman seconded. The motion passed unanimously.*

*The restaurant ownership group is also applying for the component of the Restaurant Rewards Program that provides for an interest buy down on financing for the new eatery. The committee reviewed the application for an interest buy down of permanent financing utilizing the Bank of North Dakota (BND) Flex PACE program.*

*The total project cost for leasehold improvements and purchase of equipment for the restaurant to be located at Memorial Square Shopping Center, 4524 Memorial Highway, is \$615,000. Of this amount, the owners are financing \$400,000. The loan has a seven-year term. The total interest buy down is \$58,202.52 with 65 percent or \$37,831.66 that would come from BND and 35 percent or \$20,370.86 required as the local community share.*

*Lehman moved to recommend approval of the interest buy down for Pit Masters, LLC, with a local share of \$20,370.86 to be provided as a forgivable loan. The Flex PACE buy down is contingent upon approval of a lead lender and the Bank of North Dakota. Horn seconded. The motion passed unanimously. The committee's recommendation will be presented to the City Commission at its Aug. 16 meeting.*

#### Other Business

#### 7. Adjourn

*Having no other business, the meeting was adjourned.*