

Growth Fund Members:

Mark Weide, Chairman
Term: 2018-2020

Don Boehm, Vice Chairman
Term: 2019-2021

Jeremy Bauer
Term: 2017-2019

Jeff Erickson
Term: 2018-2020

David Lehman
Term: 2019-2021

Curtis Patzell
Term: 2017-2019

Maria Walen
Term: 2018-2020

Sherwin Wanner
Term: 2018-2020

Lee Weisbeck
Term: 2019-2021

Liaisons:

Mayor, City of Mandan

Tim Helbling

City Attorney, City of Mandan

Malcolm Brown

City Administrator, City of Mandan

Jim Neubauer

Building Official, City of Mandan

Shawn Ouradnik

Business Development Director,
City of Mandan

Ellen Huber

Bismarck-Mandan Chamber EDC

Brian Ritter

Nathan Schneider

Lewis & Clark Development Group

Brent Ekstrom

Program Coordinator, City of
Mandan

Kari Moore

Mandan Growth Fund Committee

Monday, February 25, 2019

Noon

Veterans' Conference Room

Mandan City Hall

205 Second Avenue NW

MINUTES

1. Introductions

Chairman Weide called the meeting to order. Members present are indicated with a . Also in attendance were Katie Vasbinder with J2 Studio Architecture, Dawn Hager & Karen Schmidt with Balancing Goat Coffee Co. and citizen Mike Serr.

2. Committee reorganization: selected 2019 chair & vice chair
Chairman Weide opened the discussion up for nominations. He stated he has been the chair off and on for the last several years and would be interested in one more year. There were no other nominations. Weisbeck moved to approve Weide as chairman for another year. Bauer seconded. Motion passed unanimously.

Walen nominated Erickson as vice chairman due to his experience on the committee. Erickson said he would be interested in serving as vice chair. There were no other nominations. Erickson was unanimously elected.

Procedural Matters

3. Consider approval of minutes: Dec. 13, 2018
Lehman moved to approve the Dec. 13 minutes. Walen seconded. Motion passed unanimously.

4. Review of financial statement through Jan. 31, 2019
Huber reported the economic development uncommitted balance stands at \$295,168.74 as of Jan. 31, 2019.

New Business

5. Consider Storefront Improvement application for 1710 E Main St
The applicant Jason Hageness called in for the meeting. Hageness has bought the former United Printing building at 1710 E Main St. He plans to do a complete renovation of the interior and exterior, add a new roof and new site work. He plans to renovate the building for lease for professional service businesses.

He would like to complete the project this summer. Plans include room for 1-8 tenants to occupy the space.

The application received approval from the Mandan Architectural Review Commission. All four sides of the building are being improved. The west side of the building will have new material but not the cement board and brick veneer that the south and east sides of the building will have. The north side abuts a single family residential area with a fenced in green area. Landscaping is included in the plans.

The estimated cost of the project is \$231,325. The applicant is applying for a \$60,000 match. The traditional match is \$30,000 for building, but there is a provision in the Storefront Improvement program that allows for up to \$60,000 on either a larger building or a multi-story building. The building is 14,000 sf, significantly larger than traditional 25 sq. ft. store front. This is the first time the committee has seen an application for the \$60,000 match.

Hageness stated he is investing an additional \$22,000 to remove an MDU power pole and bury the lines. He is also planning significant upgrades to the inside of the building. He didn't have an estimate, but stated his intent is to start marketing as soon as approved so they can show clients what the building will look like. Once they know what is going to be in there and what the buildout is going to look like, he will be able to determine the estimate for interior renovations. Automatic doors will be needed on all lease spaces.

He does not currently have any preleases, but does have some interest. Hageness is using Bismarck Realty to help market to clients. The applicant is looking for an insurance agency, investment broker, or similar clientele to occupy the space. The rent per square foot will be \$12.50 including utilities.

There is no date for completion at this time. The next step is to get in-depth in construction design for the inside and move the restrooms and mechanical.

Erickson moved to recommend approval of providing \$60,000 in matching funds from the Mandan Growth Fund for the Storefront Improvement Project by Jason Hageness for 1710 E Main St. Walen seconded. Motion passed unanimously. The recommendation will be presented to City Commission on March 5.

6. Consider Restaurant Rewards applications by Balancing Goat Coffee Co.
a) Sales tax rebate

Dawn Hager and Karen Schmidt have submitted an application for a coffee shop with a wellness studio. The wellness studio will be about 500 sq. ft. and the coffee shop is about 2,500 sq. ft. and includes a drive thru. The primary section is for the coffee area and that includes healthy smoothies, snacks, sandwiches, salads and baked goods. The applicants also plan to offer yoga, tai chi, foodie yoga and trapeze yoga. The open space will also be used for other things such as art and wine classes. The applicants plan to apply for a beer and wine license.

The building is located on Sunset Drive between BNC and Arby's. The applicants are leasing 3,000 sq. ft. and there is room for one to two more tenants in the building.

The applicants plan to be open Monday through Saturday 6 a.m. to 6 p.m. Plans include two full-time employees and 10-12 part-time employees. Estimated annual sales is \$664,764. With the 1% sales tax rebate based on the annual sales estimate the annual rebate would be about \$6,647 per year.

Hager stated the partners are looking to be open mid-August. They will roast their own coffee in house and will contract out to instructors and pay them per class to come in and teach yoga and other wellness classes. Customers can sign up for monthly or yearly memberships or individual classes. Hager and Schmidt will be primarily working on the coffee/cafe side of the business. Hager has been working at Dunn Brothers coffee for almost two years and also working at Anima Cucina as a barista for about 6 months. She has been a supervisor at Dunn Brothers and asked to take on management duties as well. She has experience ordering the foods ordering, expenses, spreadsheets and had access to profit & loss statements and process as well. The applicants have been doing yoga for about 7 years now and want to offer yoga and coffee in Mandan so people don't have to go to Bismarck for that experience.

Schmidt has been with Aetna for 21 years and has management experience. She stated they have done a lot of traveling to get ready for the business and have taken roasting classes. Projected customer numbers are at 80% of Hager's current employer (Dunn Brothers). The location for Balancing Goat Coffee Co. is a little easier to access than Dunn Brothers, so they hope to have higher numbers.

Balancing Goat Coffee Co. is an independent concept, not a franchise. There are about 23 parking spots at the location. The applicants plan on over 50% of sales coming from coffee and food items.

Huber stated this is the first coffee shop application for the Restaurant Rewards program. In past conversations, the committee has indicated coffee shops can be included, but need to offer food items.

Weisbeck moved to recommend approval of the application by Balancing Goat Coffee Co. for a Restaurant Rewards rebate of the 1% local sales tax in the first five years of operation. Erickson seconded. Before voting Bauer noted he is friends with the applicants, but has no financial involvement in the project. Motion passed unanimously.

Helbling noted he would like to see later hours because none of the coffee shops in Mandan are open later in the evening. The applicants stated evening hours are a possibility in the future, but would depend on interest in wellness classes.

b) Flex PACE interest buydown

Hager and Schmidt are seeking to finance the project using the Bank of North Dakota's Flex PACE program. Huber stated the applicants are aware that there is only \$1,144.76 remaining uncommitted balance of the original \$162,000 that was set aside to assist with interest buydowns for new and expanding restaurants. The applicants are seeking \$1,144.76.

The full community share required for their loan is \$13,311. They have been approved by the Lewis and Clark Development Group's loan committee for one of their revolving loan pools up to that amount as a repayable loan but are seeking whatever amount can be provided by the Growth Fund Committee as a grant toward the local match requirement. The applicants have received a letter of commitment from BNC National Bank as the lead on the project.

Bauer moved to recommend approval of the Flex PACE interest buydown application for Balancing Goat Coffee Co. in the amount of \$1,144.76 to be provided as a local match and structured as a forgivable loan. Weisbeck seconded. Motion passed unanimously.

Huber noted the applicants have been working on the business concept for at least two years and have participated in the Business Start-Up 101 workshop and the Business Pitch Challenge.

7. Review Restaurant Rewards Program

Huber reported up until today there had been 8 applications approved through the Restaurant Rewards program. Rebates are ready to be distributed. The total for 2018 is \$52,343.69. That total does not include a rebate to Harvest Catering & Events dba Mandan Depot Bier Hall because an automatic door opener has not been installed. Oliveira hopes to install the automatic door in the next 90 days and has received a bid from Fargo Glass that is reasonable.

The Restaurant Rewards program is set to sunset on March 31, 2019. Huber provided the committee with a retail opportunity gap analysis from Environics. She said it's best to look at the analysis for big picture trends because the report is showing a larger gap for 2018 (\$47M) versus 2016 (\$26M). The 1% Restaurant & Lodging Tax collections shows a steady upward trend over the last 10 years and was up 5% for 2018. The 2% Hotel Occupancy Tax collections have dropped. Lehman asked if the new restaurants are reflected in the gap analysis, and Huber stated she's very confident the new restaurants are not reflected in the numbers yet.

Huber noted Thomas & Moriarty's opened and operates as a restaurant in addition to the 8 since 2016. During a similar timeframe, Bar M Steakhouse closed, Pizza Hut transitioned to delivery and take-out only, Bonanza closed, and the Harvest Brazillian Grill became an event and catering hall. Bismarck has had at least 20 new concepts open during that time.

A goal of the Restaurant Rewards program at launch was to have three sit-down casual restaurants. Huber said Bennigan's, Old Ten Bar & Grill and Mandan Depot Bier Hall are all considered sit-down casual restaurants. Old Ten Bar & Grill will open this summer and Mandan Depot Bier Hall is now open to those under 16. There had also been conversations the hope to have restaurants in each of the business districts in the community. Huber pointed out that there has been some activity in all major business districts. Individuals in Lakewood area are still desiring a sit-down, full service restaurant in the area. The main barrier in the Lakewood area is land prices. Some commercial realtors feel the market is nearing saturation, but there are pockets of demand going unfulfilled.

Huber does anticipate one more Restaurant Rewards program application for 218 W Main Street before the program is set to expire.

Mayor Helbling stated he feels the program did accomplish its goals and that if demand for the program was to come back, then it could be revisited. Many committee members voiced they agreed. Bauer added that if the committee keeps renewing the program, it loses its luster. Lehman suggested if the program was to be revisited, one possibility would be to restrict it to a specific area. Erickson feels like the new restaurants opened through the program could be a catalyst to more, kind of like Walmart was for the

north side of Mandan. It was also discussed that applicants opening restaurants in the future can still use the Flex PACE program, Renaissance Zone program if located downtown, and Restaurant & Retail program if they can justify filling a gap.

Bauer moved to recommend that the Restaurant Rewards Program sunset on March 31, 2019. Erickson seconded. The motion passed unanimously.

8. Review New & Expanding Business Property Tax Exemption Policy & Guidelines
It has been awhile since the New & Expanding Business Property Tax Exemption Policy & Guidelines have been reviewed. The committee and commission put the guidelines in place prior to 2013, but then there was a major legislative change in 2013 that disallowed the use of property tax exemptions for retail and services. The new and expanding business exemptions are now limited to certified primary sector –meaning adding value to a product or service and 75% of that product or service being marketed outside of North Dakota. There are a handful of primary sector certified businesses in Mandan and anyone that's not certified can apply for the certification if they believe they meet the requirements. To use it for retail use it would require taking it to a vote of the citizens in a general election. So far it has not been the recommendation of the City Commission or this committee to go to that length. Because of that and a pending application, Huber recommends updating the policy and guidelines.

She provided a draft striking all language that referenced retail and service uses. The most pertinent section involved a grid for targeted retail and services written for retails, restaurants, hotels and the like. She recommended taking out everything related to those uses and stated the committee could consider keeping something for primary sector applicants related to the amount of investment or projected increase in taxable value. Huber updated the median household income according to the U.S. Census Bureau which is \$73,507 and she included that in the grid.

She shared information from some other cities. Fargo has a complicated plus/minus point system in scoring applications. Wages below \$13 an hour receive a deduction in points. In Grand Forks, if the application meets basic requirements, then they do a sliding scale of 100/80/60/40/20 percent for their exemptions over five years which amounts to 300 percent in total. West Fargo gives a 5-year 100 percent property tax exemption and then if it meets other requirements they go into the next level of payments in lieu of taxes in a 80 percent rate in years 6 through 10.

Huber stated she does anticipate an application, but there should be time to have one more committee meeting before having to take action on that application. Huber is comfortable with the updated guidelines, but said it depends on how aggressive or conservative the committee wants Mandan to be in incentivizing new and expanding businesses. She added that the one thing that is missing that could be added as a formal criteria is related to taxable value or what their investment is in the community.

Weide stated the committee could use the grid from page 75 in the agenda packet from the Bank of North Dakota's criteria for use of the PACE programs to help model additional guidelines. Huber felt those numbers were on the low side.

The committee can have criteria for the program that says if you get an incentive you need to create a certain number of jobs or pay a certain amount of wages and benefits or other criteria. Primary sector

is manufacturing, processing and sometimes technology industries. The last property tax exemption this committee and City Commission approved was for the expansion of NISC because the majority of their web-based solutions and IT work is for clients outside the state of North Dakota.

Huber didn't feel like delaying a decision on updating the guidelines would present a problem for the anticipated applicant, but noted the applicant will be completing the application using the current guidelines.

Erickson moved to table the update of the New & Expanding Business Property Tax Exemption Policy & Guidelines until the next meeting. Lehman seconded. Motion passed unanimously.

9. Update on interest buydown procedures

Matt Burthold of the Lewis & Clark Development Group informed Huber a couple weeks ago that he is monitoring balances in the two Mandan-specific revolving loan funds operated under the USDA Intermediary Relending Program (IRP). He now wants to refer applications to the North Dakota Opportunity Fund (NDOF) and cap the buydown period at three years versus five years in the past. For that reason, Huber has updated the interest buydown guidelines.

The updates were provided in the agenda packet. Huber also created a set of instruction for applicants on how to secure the letter of support that is needed for the NDOF loan committee to consider providing a loan for the local match toward an interest buydown. Applicants need to have evidence from the voting body that has jurisdiction over the project that there is support for it. The guidelines allow the applicant to send that directly to the City Commission rather than having to come through the Growth Fund Committee. Evidence of support helps protect the integrity of the Flex PACE program as a whole. This was just a procedural update and no action is required.

Other Business

After approval of the \$60,000 loan during this meeting the economic development uncommitted balance is now \$235,168.74 Huber anticipates heavy demand for funds this year. Huber reminded the committee that when considering any incentive application the main question to remember is "is there public benefit?"

10. Adjourn

There being no further business the meeting was adjourned.