

MINUTES
PORT AUTHORITY SPECIAL MEETING
THURSDAY AUGUST 21, 2008
4:30 P.M.
COUNCIL CHAMBERS

Members Present: Commissioners Brian McAlister, Larry Maus, Jerry Mohrfeld, Michael Bednar and Norm Hecimovich

Members Absent: Jerry McCarthy and Georgette Hinkle

Staff Present: Community Development Director Craig Hoium, Port Authority Executive Director Jim Hurm, Port Authority Secretary Tom Dankert

Others Present: Sarah Douty and Craig Byram from Main Street Inc., John Garry from the DCA, Austin Post Bulletin, Austin Daily Herald.

Vice President McAlister called the meeting to order at 4:30 pm.

Item #2 – Approve minutes of June 25, 2008. Motion by Commissioner Hecimovich, seconded by Commissioner Bednar, to approve the minutes of the June 25, 2008 special meeting. Carried 5-0.

Item #3 – Claims for payment. Mr. Dankert reviewed the Claims for Payment dated August 10, 2008. Commissioner Bednar noted she is listed as having received a check for the June Port Authority meeting, but she had in fact returned that as she was not at the meeting. Mr. Dankert clarified that Ms. Bednar's check was voided when it was returned, but the claims for payment list shows all checks issued, and does not indicate which checks, if any, were voided. Motion by Commissioner Mohrfeld, seconded by Commissioner Hecimovich to approve the Claims for Payment as presented. Carried. 5-0.

Item #4 – Unaudited financial statement. Mr. Dankert presented the unaudited financial statements for the seven months ended July 31, 2008. Mr. Dankert noted the following:

- Pages 1 and 2 show the results of operations for all of the Port Authority entities in total, not by Fund/Department.
- Page 2 lists the APC Debt Service Fund. Mr. Dankert noted APC still has \$1,293,304 of note payments to make to the Port Authority. There is one final debt principal payment to be made on February 1, 2008. Additionally, as APC makes payment back to the Port Authority, the deficit cash balance of \$1,135,132 will then become positive. This will take several years, but we have now bottomed out and will be going to the positive.
- Page 4 is the income statement for the APC Debt Service Fund. For the seven months of 2008 we have net income of \$23,678, which is bringing the deficit fund balance back to the positive.
- Page 5 and 6 is the Hormel Institute Debt Service Fund. This fund will run a deficit fund balance until the final premium from bond sale is amortized off (10 years). In the end, we should have zero net income and zero net loss.
- Page 7 and 8 is the Port Authority General Fund. We have \$1,244,528 of cash, of which \$481,000 is reserved for the Downtown Revitalization efforts. This leaves over \$750,000 of

cash available for the Port Authority to use. This fund also receives money from the City's Building Fund to be used to make the debt service payment on the Library bonds.

- Page 9 and 10 are the Walker Building financial statements. We have nearly \$250,000 of cash available, with no debt outstanding. These funds could be used for improvements at the Walker Building or for other projects that the Port Authority board deems appropriate. Mr. Dankert noted we have \$32,623 of net income for the first seven months of 2008 here. Mr. Hurm noted he is working on lease agreements with the tenants at the Walker Building as they both expire near the end of 2008.

Motion by Commissioner Mohrfeld, seconded by Commissioner Hecimovich, to approve the Unaudited Financial Statements as presented. Carried. 5-0.

Item #5 – Main Street Project. Volunteer Main Street Inc. President Craig Byram outlined the activities of the group since inception. Mr. Byram stated 15 storefronts have been renovated or are under construction. Another 7 have relocated, or have new and expanded businesses. Also, over \$1,746,000 of private investment has gone into the projects, along with \$250,500 of outside grants/Hormel Foundation grants, and \$610,000 of tax dollars (for purchase of easements). In total we have spent \$2,606,500 on these projects, and there is a tax dollar rate of return of \$4 for every \$1 of private investment.

Mr. Byram also ran through an updated request for Hastings Shoe store. Mr. Byram noted a financial package had been approved by the Port Authority Board. However, after getting into the project, a major building defect was found, one that needs to be corrected to protect the structural integrity of the building, and the other buildings attached to it. Mr. Byram stated they have a solution to the project, and it will cost an estimated \$87,200 more than originally planned. Of this amount, the owner has bank financing in place to cover \$28,600 of the increased costs, and the Port Authority is being requested to cover the remaining \$58,600 themselves. The total financial package would now be as follows:

- Hormel Foundation forgivable loan - \$15,000
- SCDP Grant - \$31,000
- Port Authority purchase of easement - \$114,600
- Owner contribution - \$88,600

Mr. Byram further noted this building is from 1865, and the business has been there for 100 years. The plan would be to return the building to be structurally sound.

Commissioner Bednar questioned if the business has to stay in the building. Mr. Byram stated the exterior rights belong to the Port Authority, and the SCDP grants are forgiven after seven years, while the Hormel Foundation grants are forgivable after 5 years.

Mr. Dankert noted that in the 5 Year Capital Improvements Plan, the City Council has set aside another \$250,000 in both 2009 and 2010 for these projects. The Council may amend these amounts, but for now they are still in the plan.

Motion by Commissioner Bednar, seconded by Commissioner Hecimovich to approve of the amended financing structure for Hastings Shoe store. Carried 5-0.

Mr. Byram stated we are working on a few other projects, but all of the information was not complete prior to the agenda going out, so we will come back to a future Port Authority meeting.

Commissioner Mohrfeld questioned the status of the Bradley (former Curves) building. Mr. Byram stated there continues to be prospects with many people interested, but there are no immediate pending tenants that we are aware of.

Item #6 – Austin Medical Center property. Mr. Hoiium noted the city is in the process of relocating the storage facility used by Austin Medical Center as the new Justice Center will be relocating downtown. Mr. Hoiium noted a tentative agreement has been reached with Austin Medical Center that includes the granting of a 2 acre site at the Cook Farm site (presently owned by the Austin Port Authority), plus an option on another 2.19 acres, plus cash.

There will be additional costs for utility connection fees in Lot 2, Block 2 of this facility. The proposal from Austin Medical Center will include the construction of a 10,000 square foot warehouse plus some off-street parking. Mr. Hoiium noted we need the Port Authority to transfer this entire 4.19 acres back to the City, contingent upon the transaction being completed by Austin Medical Center.

After further discussion, motion by Commissioner Hecimovich, seconded by Commissioner Mohrfeld to approve transferring 4.19 acres of the Cook Farm back to the City of Austin, contingent upon city council approval of the purchase agreement with Austin Medical Center. Carried 5-0.

Item #7 – Cooperative Response Center (CRC) expansion project. Mr. Hoiium stated we have two projects we would like to review with the Board. Mr. Hoiium noted CRC has decided to remain within Austin for an expansion. Phase I of the expansion includes adding on approximately 9,000 to 11,000 square feet onto the current facility. The off-street parking would be totally reconfigured, and CRC is looking at several options for financing, including the potential of bonds and loans from the Austin Port Authority. Bonding appears to be in the 6.5 to 7.0% range, and currently the Port Authority is earning 4.2% on their invested cash. We are in contact with DEED about some financing through them (both federal and state grants). However, we need more information on the job growth before we can get more information on the available grants. Federal dollars can be used as a revolving loan fund, where the Port Authority would keep all of the cash. State grants allow the Port Authority to retain 20% of the funds, while the rest would be remitted back to the State of Minnesota.

Mr. Hoiium noted CRC is meeting on September 25 to go over possible financing for the project with their board. Mr. Hurm noted the questions for the Port Authority board include the willingness to loan them some of the Port's cash at a discounted rate, and is the Port willing to issue bonds for the project if asked to do such. Commissioner Mohrfeld stated CRC is a first class operation and we should show some sort of offer for their expansion.

Commissioner McAlister questioned if the real request is if the Port Authority is willing to work with CRC on this. Mr. Hoium stated yes, and we would put some sort of financing package together to bring to both them and CRC for review. Commissioner Mohrfeld stated he strongly supports such request. Commissioner Maus stated staff would be very prudent in proposing any financing that would come from the Port Authority, so he noted his approval.

After further discussion, motion by Commissioner Mohrfeld, seconded by Commissioner Hecimovich to authorize staff to arrange a financial package with CRC, to be brought back to the Port Authority at a later date. Carried 5-0.

Mr. Hoium stated Phase II of this development includes a 10-15 year time frame that could include projected growth of nearly 270 employees (including the Tennessee facility). The estimated cost is \$3-\$4 million, and is proposed to be out at the Cook Farm site, for which CRC would like a first right of refusal on both parcels of land they are looking at. Commissioner McAlister stated he is concerned with tying up two pieces of property with options. Mr. Hoium noted this was for informational purposes only at this point in time.

Item #8 – Executive Director Report. Mr. Hurm noted he had nothing to report, but that DCA President John Garry had some items to report. Mr. Garry stated he has been very impressed with Mr. Hoium and his dealings with CRC. Mr. Garry noted the DCA has had Smyth Company move into their new building at the Cook Farm site, and they currently have a five-year lease on this property with Smyth Company. Mr. Garry noted they are still working on the Economic Development Planning Process, and they have also received a \$99,900 revolving loan grant.

Commissioner Bednar questioned if the DCA has seen any research as to why Austin is looked at all of the time but never picked by outside firms looking to relocate or build a business in town. Mr. Garry noted that may depend on the size of the company (800 employees versus 12 employees), but location and potential employee base seem to be most critical.

Mr. Hurm added that a big issue has been “trailing spouses” that come to this community with their husbands.

Item #9 – There was no further business.

Item #10. Adjournment - With no further business, motion by Commissioner Hecimovich, seconded by Commissioner Mohrfeld, to adjourn the Port Authority meeting at 5:46 p.m. Carried 5-0.

Approved: _____

President: _____

Secretary: _____