

# APPROVED MINUTES OF THE REGULAR MEETING OF THE BOARD MEMBERS OF THE EAST GRAND FORKS ECONOMIC DEVELOPMENT AUTHORITY (EDA)

A regular meeting of the Board Members of the East Grand Forks Economic Development Authority was held at Noon on May 28, 2024.

## **Roll Call:**

Meeting was called to order by President Grinde at 12:00 pm.

EDA Board present at roll, President Josh Grinde, Board Members: Daniel Black, Dale Helms, Penny Stai, Justin Hecht, and Brian Larson.

Absent: Ben Horken

Staff present: Paul Gorte (EDD), Economic Development Director; Brenda Ault (EA), Executive Assistant; Karla Anderson (FD), Finance Director

Also Present: Special Guest, Matthew Black, son of Board Member, Daniel Black. Abdirisak Duale, Executive Director, New Americans Integration Center, joined via TEAMS at 12:08.

1. **Roll Call:** President Grinde determined a quorum was present.

## 2. **Approval of Minutes**

a. April 16, 2024, Regular Meeting

A Motion was made to approve the April 16, 2024, Regular Meeting Minutes, by Board Member Black, seconded by Board Member Hecht. M/S/P- Black, Hecht; 6-0, mc.

## 3. **Bills and Communications**

a. Review of Accounts Payable: May 7, 2024, May 21, 2024: No comments

## 4. **Reports**

a. Delinquencies – None

b. Director's Reports: April 2024- EDD Gorte stated that the report was in the packet. Board Member Larson asked for more information on the businesses that EDD Gorte worked with, which Gorte clarified. Board member Hecht asked about the possible childcare center in Water's Edge, Gorte clarified that it was zoned correctly for that but would require a Special Use Permit.

c. Financial Reports: FD Anderson stated that the reports were emailed, for January-April 2024. The cash balance sheets are in the packet for March/April. She stated that Fund 280 has a balance of \$192,495.78; Fund 620 has a balance of -75,688.77, but transfers at the end of the year will reconcile that. Fund 625 has a balance of \$372,606.58. Fund 626 has a balance of \$1,728,161.44, Fund 627 has a balance of \$24,704.14, Fund 633 has a balance of \$180,583.53 and Fund 682 has a balance of \$524,924.47. EDD Gorte pointed out that Fund 620 remains within the budgeted amounts.

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**5. Unfinished Business**

- a. Builder Incentives Update: EDD Gorte explained that there will be 3 \$100,000 loans available for builders, possibly more if needed.

**6. New Business**

a. New American Integration Center Loan Application

EDD Gorte stated he was contacted by The New American Integration Center (NAIC) and they are seeking a loan of \$93,000 to purchase Liberty Lanes and provide a small amount of operating capital (\$20,000) to begin commercial activities at the site. Individual tenants may also seek loans in the future. NAIC has assured the Director that the property will only be used in ways that conform to the purpose of an EDA loan during the term of the loan; that is, for commercial or industrial purposes. The total project cost is \$280,000.

On May 22 the Loan Committee discussed the request. The Committee has many questions before making a recommendation regarding the requested loan:

- How is the property being acquired? Is it a contract for deed? Clarify the anticipated ownership of the site.
  - As a matter of policy, should the EDA/City lend when the property involved is being acquired under a contract for deed?
- What are the other funding sources for the project?
- What type of non-profit organization is the New American Integration Center? Is it classified as a religious organization by the IRS?
  - As a matter of policy, should the EDA/City lend to a religious organization?
- Is NAIC saying that there will be a reduction from 3 jobs to 2 jobs if the loan is approved? The application shows a reduction in jobs.
  - As a matter of policy, should the EDA/City lend when there is a reduction in jobs?
- How will compliance be monitored to assure that the loan is used only for eligible uses? Will there be periodic spot checks for compliance?
- The loan documents must clearly state that the property may not be used for religious or residential purposes, except that the property owner may lease space to a religious entity. The EDA requires that it have prior approval of all tenants to assure compliance with the terms of the loan.
- Is there sufficient collateral to support the loan?  
He then read the email answers he had received.

1. The property is being acquired through a contract for deed, with payments to be made over a five year period. Upon completion of these payments, NAIC will become sole ownership of the property.

2. The funding sources for the project include an initial capital of \$30,000, with the remainder to be fundraised throughout the community. Additionally, we expect to generate net profit from the property's future business operations.

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3. NAIC is a 501c3 org and not a religious entity.
4. NAIC is anticipating job growth and new positions if the loan is approved. A mistake must have been overlooked in the application.
5. To ensure that the loan is being used for eligible purposes, NAIC will produce detailed reports outlining the specific uses of the funds. Additionally, we can set up periodic compliance checks to review and verify that the loan is being utilized appropriately.
6. NAIC intends to use the property exclusively for commercial purposes and not for residential or religious purposes.
7. Yes, there is sufficient collateral to support the loan.

The Board had several concerns.

Board Member Black inquired if the City Attorney had any thoughts about loaning funds for a Contract for Deed. EDD Gorte stated that CA Galstad had several reservations and the Board would need more information before making a decision. EDD Gorte also stated that the EDA does a 1/3 match and the borrower obtains the other 2/3 of the money needed from other lenders or sources. This loan request is outside of those parameters. The EDA is not the primary lender, it is a gap lender. Normally the lender has to secure 2/3 of the funds needed before the EDA steps in.

Board Member Hecht stated that the EDA Loan Program is for gap financing, where the lender has already gone to a financial institution for a loan. The Banks then do all the back work on loan qualifications, etc, so the EDA uses that knowledge in determining loan eligibility. In a Contract for Deed, we don't have that information. The EDA Board are not bankers, nor have the qualifications for determining loan eligibility.

NAIC Abdi stated that the building they have now, they had a Contract for Deed, which they paid off in 4 years. They need this building for growth and time is short to secure the building, they plan on fund raising to obtain the other 2/3 needed for this building.

Board Member/Council Member Larson stated that another way for NAIC to deal with this is to work with a bank, using the building they already own as collateral, so this is not a Contract for Deed. This request is out of the parameters for this loan. He suggested that they work with a bank and then come back for the gap financing.

Board Member Hecht mentioned that they could possibly obtain an equity loan with the existing building they now own.

Board Member Black stated that the EDA Board really counts on the bank to do the background work. He also said that he is not ok with the timeline, he feels the Board needs to follow the parameters outlined in the policy. This request does not work without cash in hand or a bank loan.

EDD Gorte explained to NAIC Abdi that he would need to secure funding, possibly using his current building as collateral, to secure a loan and then come back to the EDA for the other 1/3 gap financing. Currently only \$30,000 is secured for the loan. NAIC needs to secure not less the \$186,000 to obtain a \$93,000 loan from the EDA/City.

A Motion was made to table this until the NAIC has secured 2/3 funding for this loan, then this needs to go to the Loan Committee and then come back to a Board Meeting. by Board

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Member Black, seconded by Board Member Larson. M/S/P- Black, Larson; RCV: Larson-Y, Black -Y, Stai -Y, Grinde -Y, Hecht -Y, Helms -Y; 6-0, mc.

Board Member Hecht said he feels that the Loan Parameters need to be looked at, the amounts, because of the increase in the cost of construction, needed to be increased and that Contract for Deed needs to be addressed in the policy. He doesn't feel that contract for deed should be eligible for a loan, because usually the seller takes care of that. The other Board Members agreed, and this will be looked at by the Loan Committee.

- b. Commercial and Industrial Corridor Curb Appeal Program, including City entrances. EDD Gorte explained that during the update of the Economic Development Strategic Plan, many people commented on the poor appearance of the entrances to the City and on the need to improve the appearance of the commercial and industrial corridors. The comments were so prevalent that it would be appropriate to find ways to address the matter. At present, the EDA lacks funds for a program to improve curb appeal. He would like to have a committee created to address these issues.

- Is there a desire to create and implement a program to improve the curb appeal of the City's commercial and industrial corridors and the entrances to the City?
- If yes, how would the program be funded?
- Would the use of loans, grants, or forgivable loans be appropriate to encourage participation by businesses and property owners?

Board Members Black, Helms and Grinde volunteered for this Committee.

A Motion was made to create a Curb Appeal Committee, by Board Member Black, seconded by Board Member Hecht. M/S/P- Black, Larson; RCV: Larson-Y, Black -Y, Stai -Y, Grinde -Y, Hecht -Y, Helms -Y; 6-0, mc.

- c. Minnesota Business Finance Corporation \$1500 Grant to EDA. EDD Gorte stated he had applied and received this grant and the EDA is eligible to apply yearly for this grant.

## 7. **Adjournment**

Motion to adjourn the meeting was made at 12:51 p.m. by Board Member Black, was seconded by Board Member Larson. M/S/P- Black, Larson; mc.

The next regular meeting is June 25, 2024.

Respectfully Submitted,  
Brenda Ault, Executive Assistant