

CITY OF HANOVER
ECONOMIC DEVELOPMENT AUTHORITY MINUTES
March 8, 2012

Vice President Randy Whitcomb called the Economic Development Authority meeting of March 8, 2012 to order at 8:00am at Hanover City Hall. Commissioners present were: Whitcomb, Jim Hennessey, Chris Kauffman, John Vajda and Joe Kaul. Absent were: Todd Bartels and Keith Ulstad. Also present was City Administrator Daniel Buchholtz, EDA Consultant Heidi Peper, Dan Larson, Hanover Wine and Spirits

Call to Order

MOTION by Hennessey, second by Vajda, to approve the agenda for the March 8, 2012 EDA meeting. Motion carried 5:0.

Approval of Agenda

Hennessey noted a spelling error on page 1, item 1, second paragraph, third sentence: ensued, rather than ensured. Hennessey stated that he would like the following added: "Hennessey asked if Cummings was satisfied with the EDA's efforts to assist with the expansion of PHS West. Cummings stated that he was very satisfied with the EDA's efforts."

Approval of Minutes

MOTION by Vajda, second by Whitcomb, to approve the February 9, 2012 regular EDA meeting minutes, as amended. Motion carried 5:0.

MOTION by Kaul, second by Kauffman, to approve the accounts payable and financial report, as presented. Motion carried 5:0.

Motion to Approve
Accounts Payable

Business

Business

1. Rent Reimbursement Grant Request – Hanover Wine and Spirits

Rent Reimbursement
Grant – Hanover Wine
and Spirits

Whitcomb introduced the item. Buchholtz stated that he had received an application from Hanover Wine and Spirits for a rent reimbursement grant to locate an off sale liquor store in the 4th Street Plaza building. Buchholtz reported that the off sale liquor license was approved by the City Council on March 6. Buchholtz stated that the grant would be the maximum \$2,400 allowed.

MOTION by Hennessey, second by Vajda, to approve the rent reimbursement grant for Hanover Wine and Spirits. Motion carried 4:0:1 (Kauffman abstained).

2. Low Interest Loan Request – Hanover Wine and Spirits

Low Interest Loan
Request – Hanover
Wine and Spirits

Whitcomb introduced the item. Buchholtz stated that the EDA has received a loan application from Hanover Wine and Spirits to assist with some build-out expenses as well as some capital improvements. He said he and Whitcomb have reviewed their business plan, projections, and personal financial statement. He said their gross sales estimate aligns with what The McComb Group stated could be generated in the Hanover market area.

Whitcomb asked if one large SBA loan versus three or four smaller would make more sense to Hanover Wine and Spirits. Dan Larson, co-owner of Hanover Wine and Spirits, stated that he had talked to Ted Zrust of BankWest about the possibility of wrapping all their financing into one

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loan. He said they are planning to have all their financing through the SBA "Patriot Express" loan. Whitcomb stated that with any startup business where the owners do not have specific experience related to that business, there is inherent risk. He said that he and Buchholtz were exploring the possibility of sharing the risk on the larger SBA loan. Buchholtz said through the Patriot Express loan program, the SBA guarantees 85% of the loan balance against default. He said that it may make sense for BankWest and the EDA to share the risk on the remaining 15%. Hennessey asked if the SBA has any access to the physical equipment if the business went under. Whitcomb stated that, in that situation, the bank issuing the loan would liquidate any existing collateral and apply it to the loan balance, upon which the SBA would reimburse the bank 85% of the shortfall.

Whitcomb inquired about other investors. Larson stated that his partner had a potential investor should there be issues with the SBA Patriot Express loan. Whitcomb encouraged wrapping the investor contribution into the SBA loan to simplify the financing of the business. Larson stated that was what they intend to do.

Kaul inquired if Hanover Wine and Spirits would be selling home brew supplies. Larson stated that they plan to sell home beer and wine kits. Kaul stated that he is excited about this idea, as it makes their business into a destination. He noted that the nearest location to a home brew supplier is in St. Louis Park. Hennessey asked if they would be providing education on making beer at home. He said that could be a big draw to their business. Larson stated that their supplier would be able to provide instruction.

Kaul asked about staffing during the day. Larson stated that his father, who recently retired, would be staffing the liquor store during the day. He said that his business partner is a teacher, so he will be available during the summer. He said he and his partner would be working at the liquor store after the workday ends.

Hennessey asked why Larson chose Hanover. Larson stated that he and his business partner live here. He said that he is looking forward to his business being an active partner in Hanover.

Whitcomb suggested waiting on approval on the loan until the loan determination is made on their primary loan through the SBA. He said that instead of a low interest loan, the EDA may need to participate in the loan guarantee of the unsecured part. Kaul stated that the EDA could do both, up to \$20,000. Whitcomb stated that was possible, but the EDA needs to decide on how much exposure it wants to take. Kauffman asked who should take the first step. Whitcomb stated that he would recommend the EDA wait until the SBA makes a loan determination. Kaul agreed, stating that he had an issue voting on something that was not fully laid out.

Whitcomb provided advice to Larson on how to prepare to fill out the SBA loan forms.

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MOTION by Kaul, second by Hennessey, to table and authorize staff to call a special meeting if needed. Motion carried 5:0.

MOTION to table

3. Review EDA Commissioner Feedback on County Road 19 Corridor Study

Review EDA
Commissioner
Feedback on County
Road 19 Corridor
Study

Whitcomb introduced the item. Buchholtz stated that he wanted to provide all Commissioners with the information provided to the consultant. He said that if there was any other feedback, staff could send a supplemental memorandum.

Kauffman stated that he would like the report to address the entire corridor, not the two commercial parcels. Peper stated that she included that in the memorandum to McComb. Kaul stated that was the biggest hole in the market study. Hennessey agreed. Buchholtz stated that the RFP called for the entire corridor to be studied.

Peper asked about the content of the draft study. Hennessey stated that Chapter 6 was very helpful noting that it told him what businesses Hanover could support today and in the foreseeable future. Peper stated that another comment was requiring buildings on the two commercial properties to front County Road 19 (result of the B-1 zoning). Buchholtz stated that this was a larger policy issue as it would require rezoning both commercial properties from B-1, Downtown River District, to B-2, Highway Commercial. Peper stated that the County Road 19 is a traffic corridor, not a pedestrian-oriented corridor. Hennessey said the consultant's recommendation should acknowledge this fact to provide objective data to the Planning Commission and City Council in order to justify a change. Peper stated that she would share these comments with Jim McComb for inclusion in the report.

No action was taken on the item.

Reports

Reports

1. Board Member Reports

Hennessey congratulated Peper on the press release that was sent celebrating the new businesses that have located in the 4th Street plaza building.

Kaul stated that the City is beginning to spruce up the City's website. He said the EDA may want to make some website changes to provide some consistent appearance between the two website.

Kaul stated that he purchased a number of website domain names to protect the branding of the City. He said he would be able to transfer those to the City/EDA after the lock expires in thirty days.

Kauffman stated that the City is hosting an Open House on Saturday, April

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21, 2012 from 10am to noon. He encouraged members to participate if they are available.

2. Executive Director Report

Buchholtz reported that the City Council held a workshop to address outstanding zoning ordinance issues on a property located at the intersection of 5th Street and Labeaux Avenue.

Peper provided a mockup of the EDA folders. She obtained EDA feedback to share with Karen Kaul on the layout of the folder.

Adjournment

Adjournment

Meeting adjourned at 9:36am.

Daniel R. Buchholtz, Executive Director