

**CITY OF ROCHESTER  
Economic Development Authority Agenda  
Council/Board Chambers  
151 4th Street SE**

**Special Meeting**

**January 17, 2018  
07:30 PM**

**A. CALL TO ORDER**

**B. CONSENT AGENDA/ORGANIZATIONAL BUSINESS**

- B.1. Annual Meeting: Appointment of Officers
- B.2. Approve EDA Meeting Minutes from Dec. 4 & Dec. 18, 2017

**C. HEARINGS**

**D. REPORTS AND RECOMMENDATIONS**

- D.1. Approval of Rochester EDA 2018 Budget
- D.2. Resolution Approving Bank Depositories

**E. RESOLUTIONS AND ORDINANCES**

**F. TABLED ITEMS**

**G. OTHER BUSINESS**

**H. ADJOURN**

<b><u>REQUEST FOR EDA ACTION</u></b>		<b>MEETING DATE:</b> 1/17/2018
<b>AGENDA SECTION:</b> Consent Agenda/Organizational Business	<b>ORIGINATING DEPT:</b> City Administration	
<b>ITEM DESCRIPTION:</b> Annual Meeting: Appointment of Officers		<b>PREPARED BY:</b> Brent Svenby
<p>Appointment of officers for 2018: The 7 Councilmembers are the 7 members of the EDA. For 2017, Council President Staver was the President, with Councilmembers Hruska and Wojcik serving as Vice President and Treasurer. We would recommend the same for 2018. The Assistant Treasurer and Secretary need not be members of the Board. For 2018, we would recommend: Assistant Treasurer - City Finance Director; Secretary - City Clerk.</p> <p><b><u>EDA ACTION REQUESTED:</u></b></p> <p>Appoint the officers as described above or as amended by the Council.</p>		

**REQUEST FOR EDA ACTION****MEETING DATE:**

1/17/2018

**AGENDA SECTION:**

Consent Agenda/Organizational Business

**ORIGINATING DEPT:**

City Clerk

**ITEM DESCRIPTION:**

Approve EDA Meeting Minutes from Dec. 4 &amp; Dec. 18, 2017

**PREPARED BY:**

Anissa Hollingshead

**EDA ACTION REQUESTED:**

Motion to approve the Meeting Minutes from the Economic Development Authority special meetings on December 4 and 18, 2017.

Special Meeting - December 4, 2017

**CITY OF ROCHESTER, MINNESOTA  
Economic Development Authority MINUTES**

**A. CALL TO ORDER**

President Staver called the meeting to order at 9:57 p.m.

Attendee Name	Title	Status	Arrived
Randy Staver	President	Present	
Ed Hruska	Commissioner	Present	
Michael Wojcik	Commissioner	Present	
Mark Bilderback	Commissioner	Present	
Mark Hickey	Commissioner	Present	
Nick Champion	Commissioner	Present	
Annalissa Johnson	Commissioner	Present	
Ardell F. Brede	Mayor	Present	

**B. CONSENT AGENDA/ORGANIZATIONAL BUSINESS**

- B.1. Approve EDA Meeting Minutes from Sept. 6, Oct. 2, Oct. 16 & Nov. 6

<b>RESULT:</b>	<b>APPROVED [UNANIMOUS]</b>
<b>MOVER:</b>	Nick Champion, Commissioner
<b>SECONDER:</b>	Mark Bilderback, Commissioner
<b>AYES:</b>	Staver, Hruska, Wojcik, Bilderback, Hickey, Champion, Johnson

**C. HEARING**

**D. REPORTS AND RECOMMENDATIONS**

- D.1. Development Assistance Agreement between City of Rochester and Technology Apartments, LLC.  
Councilmember Wojcik moved, Bilderback seconded, to table the application. By consensus, the motion was withdrawn.

By the consensus of the Council, the item was withdrawn and no action taken.

**E. RESOLUTIONS AND ORDINANCES**

**F. TABLED ITEMS**

**G. OTHER BUSINESS**

**H. ADJOURN**

The meeting was adjourned at 9:59 p.m.

Special Meeting - December 4, 2017

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Anissa N. Hollingshead  
Secretary of the Economic Development Authority

<b>RESULT:</b>	<b>APPROVED [UNANIMOUS]</b>
<b>MOVER:</b>	Mark Bilderback, Commissioner
<b>SECONDER:</b>	Nick Campion, Commissioner
<b>AYES:</b>	Staver, Hruska, Wojcik, Bilderback, Hickey, Campion, Johnson

Special Meeting - December 18, 2017

**CITY OF ROCHESTER, MINNESOTA  
Economic Development Authority MINUTES**

**A. CALL TO ORDER**

The meeting was called to order at 10:19 p.m. by President Staver.

Attendee Name	Title	Status	Arrived
Randy Staver	President	Present	
Ed Hruska	Commissioner	Present	
Michael Wojcik	Commissioner	Present	
Mark Bilderback	Commissioner	Present	
Mark Hickey	Commissioner	Present	
Nick Champion	Commissioner	Present	
Annalissa Johnson	Commissioner	Present	
Ardell F. Brede	Mayor	Present	

**B. CONSENT AGENDA/ORGANIZATIONAL BUSINESS****C. HEARING****D. REPORTS AND RECOMMENDATIONS**

- D.1. Revised Development Assistance Agreement between City of Rochester and Alatus Rochester, LLC.  
Adopted Resolution No. EDA 17-017.

<b>RESULT:</b>	<b>APPROVED [UNANIMOUS]</b>
<b>MOVER:</b>	Michael Wojcik, Commissioner
<b>SECONDER:</b>	Mark Bilderback, Commissioner
<b>AYES:</b>	Staver, Hruska, Wojcik, Bilderback, Hickey, Champion, Johnson

**E. RESOLUTIONS AND ORDINANCES****F. TABLED ITEMS****G. OTHER BUSINESS****H. ADJOURN**

The meeting was adjourned at 10:20 p.m.

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Anissa N. Hollingshead, Secretary of the Economic Development Authority

Special Meeting - December 18, 2017

<b>RESULT:</b>	<b>APPROVED [UNANIMOUS]</b>
<b>MOVER:</b>	Michael Wojcik, Commissioner
<b>SECONDER:</b>	Annalissa Johnson, Commissioner
<b>AYES:</b>	Staver, Hruska, Wojcik, Bilderback, Hickey, Campion, Johnson

**REQUEST FOR EDA ACTION****MEETING DATE:**  
1/17/2018**AGENDA SECTION:**  
Reports and Recommendations**ORIGINATING DEPT:**  
Finance**ITEM DESCRIPTION:**  
Approval of Rochester EDA 2018 Budget**PREPARED BY:**  
Dale Martinson

The Rochester Economic Development Authority (EDA), as a separate component unit of the City government, is required to adopt an annual budget. The primary activity of the EDA to date has been approval of various TIF development agreements and the ownership and debt payments for the Minnesota BioBusiness Center.

The proposed 2018 budget is attached and reflects a portion of the sublease revenues coming in from the City as well as the tax increment revenues being turned over from the City. These revenues are then used to meet debt service obligations on bonds issued to finance the construction of the building. These are the only transactions that are included in the budget for the EDA. Tax increment revenues for 2017 are expected to be somewhat less than budgeted in 2017 due to valuation adjustments.

It is important to note that the City is the sole lessee of the building from the EDA. The City then manages the subleasing of the building and maintains the facility through a property management contract, currently with Paramark, Inc. The City is under contract with the EDA to provide funding necessary (and in time) for the EDA to make the semi-annual debt service payments.

Because of the EDA's reliance on the City's management of the facility, I have also included a cash flow estimate on the entire Bio Business Center. This estimate takes into account all of the sources and uses on the project. We project a year-end positive cash flow of approximately \$590,600. This comes after making debt service payments totaling nearly \$1.8 million.

At initial construction, we reserved a \$4.5 million cash balance in the Parking Enterprise fund to help us bridge the start-up phase and assure our bond holders that they will indeed be paid on time. We did need to draw from that as we started up this facility. In 2015 used \$3.156 million of these funds to create an escrow to defease a portion of the tax-exempt debt associated with the building's 5th floor. This was authorized by the City Council to accommodate the need for taxable-use leases on that floor. With the expected positive cash flow, we should be to continue to pay a portion of those dollars back to the Parking Enterprise Fund.

**EDA ACTION REQUESTED:**

Approve the proposed 2018 Budget for the Rochester Economic Development Authority.



**Rochester Economic Development Authority  
2018 Proposed Budget**

	Approved 2012	Approved 2013	Approved 2014	Approved 2015	Approved 2016	Approved 2017	Proposed 2018
<b>Revenues</b>							
City of Rochester Lease Payments	1,384,000	1,425,477	1,432,200	1,432,200	1,327,700	1,304,683	1,329,500 <sup>1</sup>
City of Rochester Tax Increment Payments	415,373	372,650	374,000	374,000	474,700	492,856	465,799
Interest Earnings	800	350	350	350	400	400	450
<b>Total Revenues</b>	<b>1,800,173</b>	<b>1,798,477</b>	<b>1,806,550</b>	<b>1,806,550</b>	<b>1,802,800</b>	<b>1,797,939</b>	<b>1,795,749</b>
<b>Other Sources</b>							
Transfer from Cap Interest Fund Series 2009	-	-	-	-	-	-	-
<b>Total Other Sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Revenue and Other Sources</b>	<b>1,800,173</b>	<b>1,798,477</b>	<b>1,806,550</b>	<b>1,806,550</b>	<b>1,802,800</b>	<b>1,797,939</b>	<b>1,795,749</b>
<b>Expenditures</b>							
Administrative Expenditures (insurance/phone)	5,000	5,000	7,000	7,000	7,000	7,000	7,000
<b>Interest Expense</b>							
Series 2007	437,218	424,998	412,190	412,190	384,813	370,124	354,733
Series 2008	296,495	288,252	279,539	279,539	261,052	251,160	240,799
Series 2009 Taxable TIF	415,373	409,128	401,758	401,758	388,820	373,610	362,210
<b>Total Interest Expense</b>	<b>1,149,085</b>	<b>1,122,377</b>	<b>1,093,487</b>	<b>1,093,487</b>	<b>1,034,684</b>	<b>994,894</b>	<b>957,741</b>
<b>Total Administrative and Debt Service</b>	<b>1,154,085</b>	<b>1,127,377</b>	<b>1,100,487</b>	<b>1,100,487</b>	<b>1,041,684</b>	<b>1,001,894</b>	<b>964,741</b>
<b>Net Sources Over Expenditures</b>	<b>646,088</b>	<b>671,100</b>	<b>706,063</b>	<b>706,063</b>	<b>761,116</b>	<b>796,045</b>	<b>831,008</b>
<b>Less:</b>							
<b>Principal Payments</b>							
Series 2007	255,000	265,000	280,000	280,000	305,000	320,000	335,000
Series 2008	170,000	180,000	190,000	190,000	205,000	215,000	225,000
Series 2009 Taxable TIF	220,000	225,000	235,000	235,000	250,000	260,000	270,000
<b>Total Principal Retirement</b>	<b>645,000</b>	<b>670,000</b>	<b>705,000</b>	<b>705,000</b>	<b>760,000</b>	<b>795,000</b>	<b>830,000</b>
<b>Net Cash Flow after Principal Retirement</b>	<b>1,088</b>	<b>1,100</b>	<b>1,063</b>	<b>1,063</b>	<b>1,116</b>	<b>1,045</b>	<b>1,008</b>

**Notes:**

<sup>1</sup> \* Estimate approx \$3.3 mill in gross lease revenue 2017, but only pay EDA amount needed for Debt Service Net available from operations of \$1.89 million plus tax increment to cover debt service.

**Minnesota Bio Buisness Center  
Estimated 2018  
Operations and Debt Coverage**

		2012 Estimate	2013 Estimate	2014 Estimate	2015 Estimate	2016 Estimate	2017 Estimate	2018 Estimate
<b>Operations</b>								
<b>Operating Revenues</b>	Occ %				98.7	99.1	97.2	98.7
BioScience Building Lease Revenues	98.7%	1,490,333	1,484,600	1,489,362	1,586,143	1,728,174	1,700,442	1,798,059
BioScience CAM Charges		950,713	935,556	1,053,000	1,128,333	1,295,431	1,323,921	1,303,161
Under Ramp Retail	100%	146,720	150,515	151,776	156,839	159,369	166,956	166,956
Under Ramp CAM		56,614	57,867	59,175	59,270	59,845	58,639	58,639
<b>Total Annual Building Lease Revenue</b>		<b>2,644,380</b>	<b>2,628,538</b>	<b>2,753,313</b>	<b>2,930,585</b>	<b>3,242,819</b>	<b>3,249,958</b>	<b>3,326,815</b>
<b>Operating Expenses</b>								
<b>BioBus</b>								
Operation and Maintenance		473,832	492,374	484,183	539,669	591,197	610,729	597,682
Real Estate Taxes		605,892	557,664	568,817	669,228	719,760	749,383	728,484
Paramark Lease-up Services			8,000	8,000	8,000	8,000	8,000	6,000
<b>Under Ramp</b>								
Operation and Maintenance		13,673	13,380	13,850	13,733	14,249	14,639	14,899
RE Taxes		42,904	44,434	45,325	45,553	45,596	45,540	43,740
<b>Total Operating Expenses</b>		<b>1,136,301</b>	<b>1,115,852</b>	<b>1,120,175</b>	<b>1,276,183</b>	<b>1,378,802</b>	<b>1,428,291</b>	<b>1,390,805</b>
<b>Capital Expenditures:</b>								
Tenant Fit-ups								43,600
<b>Net Available for Debt Service</b>		<b>1,508,079</b>	<b>1,512,686</b>	<b>1,633,138</b>	<b>1,654,402</b>	<b>1,864,017</b>	<b>1,821,667</b>	<b>1,892,410</b>
<b>Debt Service:</b>								
<b>Sources:</b>								
Net Available From Operations (above)		1,508,079	1,512,686	1,633,138	1,654,402	1,864,017	1,821,667	1,892,410
Plus: Tax Increment Revenues		382,925	372,650	374,000	330,240	474,700	492,856	485,925
<b>Total Sources</b>		<b>1,891,004</b>	<b>1,885,336</b>	<b>2,007,138</b>	<b>1,984,642</b>	<b>2,338,717</b>	<b>2,314,523</b>	<b>2,378,335</b>
<b>Uses:</b>								
<b>Debt Service Expenditures</b>								
EDA Tax Exempt 2007 # 25 yr 4.7% Tax Exempt		692,218	689,998	692,190	688,795	689,813	690,124	689,733
EDA Tax Exempt 2008 # 16,600,000 total		466,495	468,252	469,539	465,471	466,052	466,160	465,799
GO Taxable TIF 2009 # (23 yr 5.58% taxable)		635,373	634,128	636,758	638,291	633,945	633,610	632,210
	#							
<b>Total Annual Debt Service</b>		<b>1,794,085</b>	<b>1,792,378</b>	<b>1,798,487</b>	<b>1,792,557</b>	<b>1,789,809</b>	<b>1,789,894</b>	<b>1,787,742</b>
Net After Operations and Debt Service		96,919	92,958	208,651	192,085	548,908	524,629	590,593

**NOTE:** In 2015, the City placed \$3.156 million of the \$4.5 million reserved cash balance from the Parking Enterprise Fund and created a cross-over refunding escrow for a portion of the tax-exempt EDA debt on the Bio Science Facility. This represents a proportionate share equal to 1 floor in the previously tax-exempt space and thus allowed taxable entities to lease this floor.

This \$3.156 million escrow will pay a portion of the debt service until the call date in 2018 at which time the balance will be used to call a portion of the debt. Lease revenue from this floor is paid back to the Parking Fund to replenish those reserves.

**EDA / City Relationship as it Pertains to the Minnesota Bio Business Center**

City Owns Land (pollution control issue on land) and leases to EDA for \$1 / Year

EDA Issues first two bond issues for construction

EDA Transfers Bond Proceeds to City

City Builds Building

City Issues Final Bond - Taxable TIF / Lease Bond because City is TIF Authority

City Deeds Building Back to EDA

City Leases Building from EDA

City Subleases Building to Bio Technical Firms and Retail (first floor)

City hires Paramark, commercial building management firm, to maintain and offer leases to bio firms

City makes lease payments to EDA, but ONLY in the amount of the annual year's debt service payments

EDA repays bonds

City pays its TIF BONDS with TIF revenues and taxable lease revenues

City Parking Fund provided \$4 million downpayment and retains and additional \$4.5 million in reserves for this project during startup.

These monies are available because the State of MN provided an \$8 million grant for the City to add onto an existing parking adjacent to the Bio Business Center

Bio Business Operations borrowed some of these monies during start-up / lease-up phase, but is now beginning to repay those monies

**REQUEST FOR EDA ACTION****MEETING DATE:**  
1/17/2018**AGENDA SECTION:**  
Reports and Recommendations**ORIGINATING DEPT:**  
Finance**ITEM DESCRIPTION:**  
Resolution Approving Bank Depositories**PREPARED BY:**  
Dale Martinson

This is a statutory requirement (MN Statute 118A.02, Subd 1) to designate bank depositories for the public funds of the Rochester EDA. Since the EDA has selected the City of Rochester to act as its fiscal agent, it is necessary to utilize the same depositories as the City.

Therefore the proposed resolution designates US Bank Rochester and Wells Fargo Bank Rochester as depositories of the public funds of the Rochester Economic Development Authority

**EDA ACTION REQUESTED:**

Approve the resolution designating US Bank Rochester and Wells Fargo Bank Rochester as depositories of the public funds of the Rochester Economic Development Authority for 2018.