

City of Winsted
Downtown Vibrancy Commission
Winsted City Hall – Lewis Room
Tuesday, February 11, 2014
3:00 p.m.

Downtown Vibrancy Commission Members Present: Nancy Fasching
Chip Guggemos
Anne Schulenberg
Joe Swanson

Staff Present: Clay Wilfahrt, City Administrator
Mayor Steve Stotko, City Council Liaison

1) Call the Meeting to Order

Mr. Chip Guggemos, Chairperson, called the meeting to order at 3:00 p.m.

2) Approval of Minutes – November 12, 2013

Ms. Nancy Fasching made a motion to approve the minutes of the Downtown Vibrancy Commission Meeting on November 12, 2013. Mr. Joe Swanson seconded the motion. Motion carried 4-0.

3) No Staff Report.

4) Old Business

a) Winsted American Legion – 161-1st Street North

Mr. Guggemos presented an update regarding the Winsted American Legion building, located at 161-1st Street North in Winsted. He stated that the American Legion membership has dwindled over time, and the group is short on money to renovate the building, and also short on manpower. Mr. Guggemos stated that there are people and organizations who have expressed interest in using or purchasing the building. He added that a meeting will be held with the Legion and Auxiliary members to discuss the sale and future use(s) of the American Legion building. The Downtown Vibrancy Commission discussed several options for the use of the American Legion, as well as grants or funding to pursue for the building. Mr. Guggemos stated that even if the building is sold, the Legion Post will not dissolve.

5) New Business

a) Chairperson and Vice-Chairperson Selection

Mr. Clay Wilfahrt, City Administrator, stated that annually, the Downtown Vibrancy Commission recommends a Chairperson and Vice-Chairperson to the City Council for confirmation. The Chairperson is expected to provide leadership for the Commission and to facilitate meetings. The Vice-Chairperson will fill in for the Chairperson in his or her absence. Wilfahrt stated that City Code lists the following criteria to be used when selecting a chairperson:

1. The member has a good attendance record and/or expects to be able to make all the meetings while serving as chairperson.
2. The member has demonstrated leadership and involvement in past activities of the commission.
3. The member has demonstrated the ability to understand and further the City's overall mission, specifically relating to the commission's responsibilities.

For 2013, the Downtown Vibrancy Commission selected Chip Guggemos as its Chairperson and Joe Swanson as its Vice-Chairperson. Wilfahrt stated that he would like the Downtown Vibrancy Commission to consider a motion to recommend a Chairperson and Vice-Chairperson.

Mr. Guggemos stated that he is willing to continue in the leadership roll if the other members agree. Mr. Swanson stated that he is willing to continue, or let someone else hold the position, if they are interested.

Ms. Anne Schulenberg made a motion to nominate Nancy Fasching as the Chairperson of the Downtown Vibrancy Commission. Joe Swanson seconded the motion. Motion failed 2-2.

Mr. Guggemos made a motion to nominate himself as Chairperson and Nancy Fasching as Vice-Chairperson. Ms. Fasching seconded the motion. Motion carried 4-0.

b) David Drown Associates, Incorporated – Shannon Sweeney

Shannon Sweeney, David Drown Associates, Incorporated, was present to discuss financial and economic development tools with the Downtown Vibrancy Commission.

Mr. Sweeney stated that he would talk about the history and what has been tried locally in the downtown area. He also stated that he could provide some of the goals and work plans that have been used in other cities.

Things that have been done in the past in regards to finance in the City of Winsted:

- ***Tax Increment Financing (TIF) Districts***

Scenario: The City of Winsted created a Tax Increment Financing (TIF) district in the downtown area, which enables the City to capture new property taxes that are generated as a result of an increase in market value. The City was essentially capturing an increase in taxes that resulted from the development of the Herald Journal building on Main Avenue West and 6th Street North. The Kubasch Sanitation site originally existed on this property, with an old metal building. There was a business in the community that was interested in doing something with that specific site, so the City entered into an agreement with the Herald Journal to reimburse their increase in property taxes as a result of doing something with this property. In this instance, the subsidy was approximately \$50,000. Essentially, since the Herald Journal was required to purchase the site and tear down the old buildings and make the site ready to build to move forward, the project would cost more than going to a vacant site where they could immediately construct a building. The City was willing to provide a subsidy in order to promote the redevelopment because it was eliminating slum and blight in the community, and to encourage the Herald Journal to move forward because renovation, rehabilitation or reconstruction on that corner was important. For a period of 9 or 10 years, the City has reimbursed a portion of the property tax payment as repayment for the investment that the Herald Journal made in that property.

This is a tool that can be offered for redevelopment projects where businesses are taking substandard buildings, tearing them down, and building something new. This is a very common practice in Minnesota.

- ***Grant for Exterior Improvements Using TIF Funds***

Scenario: After the significant crash in economic markets, and a lackluster economy, the Minnesota Legislature recognized that there were cities that had TIF districts, and cash sitting in those districts, and Winsted had an old housing district that had some funding available. The funds were heavily regulated, and very specific as to what the money can be used for. For a two (2) year period, the state legislature said that all of the regulations were removed, and if a job was created, the State of Minnesota would allow the City of Winsted to use the funds for any purpose. During this two (2) year window, the City of Winsted designed a program offering \$5,000 to a business that would improve the exterior of the building. There was approximately \$45,000 set aside for this program. One (1) business owner took advantage of the program. The program included matching funds and it was a grant, if the business performed.

The two (2) year window for this funding closed in 2012, so this option is no longer available to improve the downtown with the very open regulations.

- ***Small Cities Program***

Scenario: In 2007, the State of Minnesota funded a Small Cities application, which was a grant that was given to the cities of Winsted and Mayer to do downtown improvements. The City could provide funds up to approximately \$50,000 for commercial rehabilitation. At first, half of the funding was forgivable, and half was a loan. After lackluster participation, it was all turned into a grant. There were still businesses that were not willing to participate in the program because it involved matching funds, and nobody wanted to borrow money in a poor economy. The funding had to be applied to building code improvements first. There was an eighteen (18) month window to use the funding, and toward the end of the program, both communities began to see some interest, and when Winsted and Mayer approached the State of Minnesota for a program extension, it was not granted.

Mr. Sweeney stated that these are the most used tools that cities have to invest in their downtown areas. He added that there are some other loan and grant programs from the State of Minnesota.

Mr. Sweeney stated that the City of Winsted has Community Development Block Grant (CDBG) funds; however, they are difficult to use. There have been other thoughts for where these funds would be most appropriately invested; for example, in an industrial park. This is a resource that the City of Winsted has available today. The funds are not straight forward to use for downtown development, because it is difficult at best, unless the City utilizes a local development organization to somehow remove some of the requirements that are very burdensome. Discussions have taken place with the Winsted Area Chamber of Commerce, and the Southwest Initiative Foundation to help utilize the funding.

Mr. Guggemos stated that one of the initial goals of the Downtown Vibrancy Commission is to free up money for the business owners, so they can make improvements to their buildings. Mr. Sweeney suggested that the Downtown Vibrancy Committee work toward having a nominal amount of money set aside for building improvements and make it available at very good terms, on a matching basis. He added that when it is on a matching basis, business owners are serious, and the City is leveraging some additional investment beyond taxpayer dollars, and generally doesn't take a lot for most projects to be effective. This would not be funded with CDBG funds, this would be funding from the City of Winsted.

Mr. Wilfahrt stated that the CDBG funds are best suited for a large capital acquisition on behalf of the City, because the trouble is that the minute the City tries to loan the funds out to somebody, then the City has to enter into an agreement with them that fulfills several requirements for the state and federal government. It has to be structured in a loan setting, in which all of the dollars are paid back.

Mr. Wilfahrt stated that the Downtown Vibrancy Commission could go to the City Council and request an amount of money to provide some sort of matching grant to downtown building owners, or business owners. Mayor Stotko stated that the request for funds should come from the Downtown Vibrancy Commission as a program that can be overseen by the Commission. Mr. Sweeney stated that there are already guidelines in place for such a program.

Ms. Fasching stated that the Commission should assess the status of the downtown buildings and the long term outlook of each one, and then think about whom the most likely prospects would be and what they would want to do. Mayor Stotko stated that to set the wheels in motion, a recommendation should be made from the Downtown Vibrancy Commission to set aside a specific amount of funding to budget for in 2015, and if there is someone who is interested in the meantime, the City can find the money somewhere. Mr. Guggemos asked if there would be caveats for the funding. The Commission agreed that there would be caveats.

The Downtown Vibrancy Commission discussed the City's budget process and the amount of funding that would be reasonably requested of the City Council to get the ball rolling. Mr. Wilfahrt stated that there would have to be some justification as to why the funding amount was chosen, and suggested that the Commission look at the history of what has been funded. He suggested starting with four (4) to five (5) fully funded loans, and if all of them are utilized in one season, then the Commission could go back the next year and request more. Mr. Wilfahrt also suggested including funding for anyone who has expressed interest, or those who are buying buildings and include that information to formulate an amount to take to the City Council.

Ms. Schulenberg stated that the Downtown Vibrancy Commission should narrow it down to begin with, and find specific buildings that may need the most improvement. She suggested that the initial funding be specifically for buildings on the promenade to approve the appearance to the public, and do something to tie them in with the promenade design. Mr. Guggemos stated that he is concerned about the business owners who do not have customers entering through the back, and who would like to update their façade for the customers coming in to their business instead.

Ms. Fasching stated that the Commission could request funding for a business incubator program. For example, they could give \$10,000 to the best business plan that will fill the downtown, and another \$10,000 in a loan, in order to start new businesses and fill empty spaces. She suggested nurturing the existing businesses and also try to bring in something new. Mr. Guggemos asked if there are other funds available that are not "City" funds. Mr. Sweeney stated that there could be, but he has not seen any great examples.

Mr. Sweeney stated that there are six (6) items that cities can focus on when trying to improve a downtown:

1. *Provide information*

Whenever somebody wants to do something in a downtown, it can be a struggle finding who to talk to about available buildings, lease rates, etcetera. Having a single point of information can be very valuable. Take an inventory of what is available, what the lease rates are, who the contacts are and have that information in one spot where people can go can help move projects along more quickly.

2. *Coordinate Community Groups*

Consider developing a community calendar to foster coordination between the city and the chamber and to promote community activities.

3. *Conduct Business Visitations*

This may be the most important thing on the list. Most do not take time for business retention because it takes time and energy. This needs to involve more than just a staff person. When doing business visitations, it is a chance to express appreciation to the local businesses, identify problems in the early stages, and assist in identifying new opportunities. Business visits need to include members of the commission, elected officials, and a staff person to record information. Identify the problems in order to create the appropriate programs.

4. *Maintaining Incentive Programs*

It is typically a local funding program that business owners can use ultimately to promote what their goals are.

5. *Identifying Needs*

Recruitment is difficult in retail development. More often than not, the opportunities are going to come through efforts outside of what you do. Being prepared to work with business owners and having some incentives available, having a relationship with other business owners so that when an opportunity presents itself, they say that this is a great place to do business. Do not spend a lot of money on recruitment. Retention efforts are easier to sustain than recruitment, and can help demonstrate success.

6. *Prospecting or Recruiting*

It has to be consistent and on-going. Look at other communities the same size, geographic location, distance from the metro area. Look at stores similar communities have and talk to local business owners. This does not have to be a huge, costly effort. Each month, have volunteers make one contact to one business that has been successful in another community, and see if a connection can be made to Winsted to develop the same of similar business. It is more cost effective to take this approach than to develop a costly marketing campaign.

The Downtown Vibrancy Commission briefly discussed budget amounts to present to the City Council to create a program for business owners.

Mr. Guggemos suggested making a request for city funds in the amount of \$50,000 for the 2015 budget year for allocation in downtown Winsted as defined by the Downtown Vibrancy Commission. The Downtown Vibrancy Commission members agreed that they will discuss a definite amount at future meetings, and after gathering more information from business owners and property owners.

6) Announcements

a) Downtown Vibrancy Commission Members

Mr. Guggemos stated that Mary Wiemiller's term on the Downtown Vibrancy Commission expired at the end of 2013, and she chose not to renew her appointment, due to other commitments, leaving a vacancy on the commission. Mr. Wilfahrt stated that this position has been advertised on the City of Winsted website and City of Winsted Facebook page, as well as announcements during other public meetings. Mr. Wilfahrt stated that he has been contacted by someone who is interested in submitting an application to become a commission member, and Ms. Schulenberg added that she is aware of someone who is interested, as well.

7) Adjournment

Ms. Schulenberg made a motion to adjourn the meeting. Mr. Swanson seconded the motion. Motion carried 4-0. The meeting adjourned at 4:26 p.m.

Clay Wilfahrt

Clay Wilfahrt,
City Administrator
City of Winsted

ATTEST:

Amanda J. Zeidler

Amanda J. Zeidler,
Utility Billing & Payroll Clerk
City of Winsted