

Minutes of the Proceedings of the Economic Development Authority of the City of Champlin in the County of Hennepin and the State of Minnesota Pursuant to Due Call and Notice Thereof

Work Session  
August 8, 2016  
Municipal Center

- Call to Order                   The Champlin Economic Development Authority met in Work Session and was called to order by President ArMand Nelson at 6:00 p.m.
- Roll Call                        Present were President ArMand Nelson and Commissioners Eric Johnson, Ryan Karasek, Bruce Miller and Kara Terry.
- Absent: None.
- Also present were Executive Director John Cox, Deputy Director Bret Heitkamp, City Attorney Scott Lepak and City Planner Scott Schulte.
- Approval of Agenda  
(August 8, 2016)  
Motion                         Motion by Commissioner Terry and seconded by Commissioner Miller to approve the agenda for the August 8, 2016 Work Session as presented. Voting in favor were President Nelson, Commissioners Johnson, Karasek, Miller and Terry. Voting against: none. Motion carried.
- Mann Theatres: Champlin  
Cinema 14                      The Executive Director stated that Mann Theatres is contemplating a \$4,000,000 renovation of their Champlin Cinema 14 theater and has requested financial assistance in the amount of \$750,000. He stated that the renovation would include reseating the theater's 14 auditoriums, adding liquor sales and on-line ticketing and would make the theater more competitive with the nearby theaters that have completed renovations. He explained that this competition is dictating that the Champlin theater be re-seated or closed. He stated that while justification can be made for assistance, the EDA has limits to its ability to provide support and priorities for its resources. He stated that staff believes that the EDA can play a less supportive role than the requested amount without jeopardizing the success of the project and suggested that the EDA Board consider offering \$400,000, or ten percent of project costs, in the form of a ten-year forgivable loan carrying an interest rate of three percent. He stated that the loan would be forgiven if the theater operates as a theater for ten years after the execution of the loan agreement. He stated that included in the staff report were possibilities of what the site could be used for if not a theater in the future. He reviewed the staff recommendation for the EDA to direct staff to negotiate a development agreement with the Mann's that offers a ten-year forgivable loan for ten percent of the project cost to be capped at \$400,000. He stated that he did speak with the Mann's regarding the recommended action and noted that although the Mann's were hoping for assistance in the \$500,000 range, they would be in agreement with the amount proposed by staff.
- Commissioner Karasek stated that perhaps if the theater sold the City a 12-foot by 12-foot portion of the parking lot that the City could use as a location for a billboard that could generate up to \$150,000 in income annually.
- Commissioner Miller asked if the previous billboard offer made to the City is still on the table.
- The Executive Director stated that he could verify that the offer is still open for that option, noting that could be an option to offset the funding in the future. He noted that the EDA should be considerate about what is placed in the corridor as the City has been very thoughtful in the aesthetic of the corridor thus far.
- Commissioner Terry asked if the EDA could consider the additional \$100,000 the Mann's thought would be necessary, noting that she would want to ensure that the funding was sufficient if it was going to be offered.
- The Executive Director explained how the conversation with the Mann's came about and stated that he believes that the Mann's would be able to make this project work with \$400,000.

Commissioner Terry stated that she would also want to see the business invest in some marketing for the site should this funding be approved and the project move forward.

Commissioner Johnson asked for clarification on abatement of property taxes and whether that process would be used to fund the forgivable loan. He asked how much is in the growth fund that would be used to write the check for the loan.

The Executive Director explained that the City would provide the business with a check for the agreed upon amount, whether or not that be \$400,000, which would be the forgivable loan. He stated that the City would then levy for the abatement which would be used to pay the City back for the forgivable loan. He noted that he would provide follow-up information on how the property taxes are received from the theater in the future. He stated that he would also follow-up with the balance in the growth fund, but it was noted that the balance exceeds \$1,000,000.

Commissioner Johnson stated that if the EDA does proceed with this loan, he would like to see a clause that addresses sale of the business. He noted that he believes that the Mann's are readying their chain of theaters for sale. He asked for information on the funds that the EDA has approved for investment in other businesses in the past.

The Executive Director provided comparison information on funding that the EDA has provided to other businesses in Champlin.

Commissioner Johnson stated that in a general sense he has a problem with this because the EDA would be giving funds to a business so that the business owners can make more money. He stated that other than having a theater in the City, the business does not contribute anything to the community and believed that within 18 months after the renovation is complete, the business would raise prices on tickets and concessions which will not benefit the community.

President Nelson stated that he would like the business to commit to a certain dollar amount for the renovations, which would include similar renovations that were done to the Mann's theater in Plymouth and would include a mailing campaign. He stated that if the theater were to go away he would be concerned with the site sitting vacant, noting that the nearby site that has been approved for senior apartments had been vacant for many years before that project was proposed.

The Executive Director stated that the City could add a condition in the development agreement that would give the City plan approval for the project. He stated that in terms of benefit to the community perhaps the City could negotiate a set number of tickets per year that the City could then giveaway through the parks department for families. He stated that the City could also negotiate the ability to use an auditorium for a City function a set number of times per year.

Commissioner Karasek stated that he would like to see a due on sale clause that would require the remaining amount due on the loan if the theater were to be sold during the ten years of the loan term.

The Executive Director stated that in the case of Lifetime Fitness, Lifetime has the ability to sell during the term of its 40-year land lease with the Champlin EDA but the buyer/user must be a fitness center.

#### **EDA Board Consensus**

It was the consensus of the EDA that a clause should be placed into the development agreement that would specify that if the business is sold during the ten-year period of the forgivable loan, the entire amount of the loan would need to be paid back.

Commissioner Karasek stated that he would have a hard time supporting this request if the taxes were going to be raised for residents of the City.

Commissioner Johnson stated that in the case of Egan Company the City desired a fence above and beyond what was required and therefore the EDA contributed the difference in cost to provide the City with the desired outcome. He stated that he struggles with this request as the City would not be

requesting anything above and beyond and this is a business owner wanting to renovate their business.

The EDA President stated that if this business does close down, there would be a blight on the highway corridor. He noted that he spoke with residents in the community and heard support for a renovated theater in the community. He confirmed the comment that the EDA would not support taxing residents to support this funding request.

**EDA Board Conesus**

It was the consensus of the EDA to direct staff to develop a proposal that would provide funding in the form of a forgivable loan with terms that would specify that the loan would be due in full if the business were to close or sell within the ten-year period. Staff was also challenged to review alternatives to offset the gap in repayment without raising taxes.

Adjournment

The Champlin Economic Development Authority adjourned the Work Session at 6:43 p.m.

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ArMand Nelson, President

Attest:

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Roberta Colotti, CMC, City Clerk/EDA Secretary