

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 22, 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 6:05 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, EDA Secretary Roberta Colotti, EDA Assistant Treasurer June Johnson, City Attorney Scott Lepak and City Planner Scott Schulte.
- Others Attending: Planning Commission Representative David Bouchard, City Council Candidate (Ward 4) Ryan Sabas and City Council Candidate (Ward 4) Rebecca Halling.
- Approval of Agenda  
(August 22, 2016)  
Motion                         Motion by Commissioner Johnson and seconded by Commissioner Miller to approve the agenda for the August 22, 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 from the Economic Development Authority. He stated that at the August 8<sup>th</sup> EDA Board meeting the Board outlined the following terms which were extended to the Mann's:
- 10% of project costs, capped at \$400,000;
  - Forgivable, 10-year loan carrying an interest rate of 3%;
  - Loan to be secured by personal guarantees from the principals, Steve and Benjie Mann;
  - Loan to be forgiven after 10 years if the property is operated as a first-run theatre, and is owned by the Mann's;
  - The loan becomes due and payable if it fails to be operated as a first-run theater, and/or is sold by the Mann's within the term of the loan;
  - During the loan term, the Mann's will provide the City with 200 movie tickets per year to be used for City supported functions;
  - During the loan term, the City can rent an auditorium up to two times a year at no cost but is required to pay all out of pocket expenses;
  - The parties must agree upon an initial marketing campaign investment, similar to Plymouth; and
  - The Mann's agree not to challenge any property value at or less than \$4.35 million during the 20-year abatement timeline.
- The Executive Director reported that the Mann's were in general agreement with the terms except for the loan amount. The Mann's indicated they need \$500,000 to move forward. He also noted that the Mann's have indicated they may bring in a business partner to assist with this redevelopment project. If the partner acquires more than 50% interest in the business it would be considered a sale under the terms of the proposed agreement.
- The EDA Board asked the EDA Assistant Treasurer to outline the proposed financial assistance package.
- The EDA Assistant Treasurer explained that the proposed \$400,000 loan is identified to come from the EDA's Growth Fund. Growth Fund revenues were derived from development projects and proceeds

from land and building sales including the Mill Pond Gables. So, while recognizing that this money is tax payer money and could be used for alternative projects it was not generated through the general property tax levy.

The EDA Assistant Treasurer stated that the proposed 20-year tax abatement is designed to re-coup \$200,000 of the \$400,000 loaned to the Mann's. She stated that with the site improvement the value of the Mann Theatre is projected to increase. This would be reflected in the City's tax capacity or market value. The City annually sets its budget, which is the basis of the tax levy. This tax levy is spread across all of the commercial and residential properties in Champlin and apportioned based on the market value of their property. So, if Mann Theatre increased their property value they would be paying a bigger piece of the property tax levy.

The EDA Assistant Treasurer stated that the City currently certifies a General Revenue, Bonded Indebtedness, and EDA General Operating levy. With the addition of the tax abatement program the City would add an "Abatement Levy" to the total amount certified to taxes. Based on past valuation increases in Champlin for residential properties, Ehlers & Associates did an analysis that showed what would be a \$2-\$11 increase in annual taxes, based on the City providing approximately \$200,000 in abatement. The potential tax increase would allow the EDA to pay itself back over 20 years.

The EDA Board discussed the importance of retaining the theatre as a community asset for all ages as well as its value as a local employer and tax paying property. If the theatre goes out of business the site would eventually be redeveloped or re-purposed. However, there may be a lag time when the building sits vacant.

The EDA Board discussed the City's current prohibition of billboards. The Executive Director indicated he contacted a billboard company to gauge market interest. A company representative stated the property could generate as much as \$65,000/year and that a 15-year lease with renewable leases is preferred.

The EDA Board considered the following counter offers for the Mann's and selection option #3 for presentation by the Executive Director. All options tied to the details listed terms originally presented to the Mann's following the August 8<sup>th</sup> meeting, except as modified here.

1. Offer 10% of project costs, capped at \$400,000 with no abatement. Proposal failed with President Nelson, Commissioners Miller and Karasek voting against and Commissioners Johnson and Terry voting in favor.
2. Offer 10% of project costs, capped at \$400,000 with \$200,000 abatement. Proposal failed with President Nelson and Commissioner Johnson voting in favor and Commissioners Terry, Miller and Karasek voting against.
3. Offer 10% of project costs, capped at \$400,000 with no abatement, with provision of land acquisition for placement of an electronic billboard. Proposal passed with President Nelson, Commissioners Terry, Johnson and Karasek voting in favor. Commissioner Miller voting against.

The EDA Board directed staff to bring back the site layout showing alternative locations for the electronic billboard sign.

Recess/Reconvene/  
Adjournment

The Champlin Economic Development Authority recessed the meeting at 7 p.m., reconvened it at 8:21 p.m. and adjourned the Work Session at 9:11 p.m.

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ArMand Nelson, President

Attest:

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Roberta Colotti, CMC, City Clerk/EDA Secretary