

**MEETING OF THE PEQUOT LAKES  
ECONOMIC DEVELOPMENT COMMISSION  
TUESDAY, FEBRUARY 18, 2020**

Members Present: Chair Lindholm; Commissioners Becklin, Holley, Lelwica, Lubke and Rieck

Members Absent: Commissioner Crochet

Others Present: Angie Duus, City Clerk/Treasurer; Tyler Glynn, BLAEDC; Scott Pederson, City Council Liaison; Katie Wassermann, Pequot Chamber of Commerce; and Mark Jurchen

1. Call Meeting to Order

The meeting was called to order by Chair Lindholm at 8:00 a.m.

2. Consider Agenda

**COMMISSIONER LELWICA MOVED TO APPROVE THE AGENDA AS PRESENTED. COMMISSIONER RIECK SECONDED THE MOTION. MOTION CARRIED 6-0.**

3. Approve EDC Minutes

**COMMISSIONER RIECK MOVED TO APPROVE THE JANUARY 21, 2020 ECONOMIC DEVELOPMENT COMMISSION MINUTES. COMMISSIONER LELWICA SECONDED THE MOTION. MOTION CARRIED 6-0.**

4. Heart of the Good Life Discussion with Close Converse – Nate Grotzke

Nate Grotzke from Close Converse asked the EDC what their specific vision is for the Heart of the Good Life Development and was there anything that the EDC is specifically looking for regarding types of businesses to go into that property.

Commissioner Lelwica stated that she would like to see businesses that would need visibility going into that property. She stated not warehousing or manufacturing, but restaurants, breweries, and whatever things we need that will bring foot traffic into town. She stated that Pequot Lakes needs another good restaurant. She also discussed the possible sports complex going on the piece of property that would bring in tournaments on the weekends and the school's need of fields.

Commissioner Lubke discussed that it has to be revenue producing for the City to offset the infrastructure needed. He stated that he concurs with Commissioner Lelwica that we want businesses that are not just a warehouse type structure in there because again that won't bring in the revenue. He also said that they need

something that is a little more architecturally appealing since it will be visible from Highway 371.

Commissioner Rieck stated that one thing that had come up in prior conversations is having larger plots of land where it would be some larger buildings because there is a lot of space still in Pequot Lakes' existing Business Park where we could sell a lot to those kind of businesses. She agreed with Commissioners Lelwica and Lubke about getting something in there that looks good. She suggested something more of a brick and mortar building rather than a warehouse.

Chair Lindholm stated that there was a lot of talk about trying to get the breweries and the pedestrian traffic into downtown, not necessarily out on this new development. He stated that they have talked about a hotel going into the property but does it make sense for the hotel to be way down in the Heart of the Good Life Development or does it make sense to be close to the coffee shop, restaurants, and the City park where they want pedestrian traffic. He discussed getting into more commercial like doctor or dentist offices in that area. He said the conversation around four years ago about 20 acres of the southern tip would be used for recreational space. Chair Lindholm stated that there has been no decisions made and no votes from the Commission or from the City Council on what should go in there. He also discussed being flexible because if some employer comes to us and employs 120 people and wants 20 acres, we don't want to have to say no.

Chair Lindholm discussed the current Business Park and the opportunity for current landowners to subdivide and increase infill. Mr. Grotzke stated since the City has already invested in the infrastructure in the existing Park you obviously want to utilize that first before you start spending large amounts of money on moving forward.

Mr. Grotzke said that he is a part of Close Converse Commercial Property and it is based out of Brainerd but they go from St. Cloud north to Hibbing and then east and west from there. He said they do everything from land development all the way through to leasing small office spaces and business brokerage. He said that is their market and they have been involved in projects like this.

He stated that it is an interesting time where businesses are changing, they are either growing or restructuring, getting bigger or smaller, and they need different space. He said they are seeing that in the past people were buying land and building to exactly what they wanted but now they are in a very cautious phase and have been for quite a few years. He stated the business community in the lakes area is not seeing as much new construction as we did in the past. He said what is happening instead is tenants are staying longer and trying to be cautious in their growth.

Mr. Grotzke stated that inventories for sale and for lease are slowly coming down. He said it has been a tenants market for a long time but now landlords are

recognizing for the past 5-10 years tenants have had a great deal and inventory is down rent is going up. He stated that this is causing tenants to say, well for those prices I might as well buy land and build my perfect building.

He explained over the past couple of years potential buyers and tenants ask what is available in the whole market and rarely do they find more than three that fit exactly what they want. He then tells them to buy land and build what they want and they talk about it being too expensive. He stated that it is a circle that continues because of the inventory issue. Mr. Grotzke also explained they either do nothing or they start the long process in regards to construction and they are going that route because of the inventory issue. He explained that rents were low previously because of a good supply of inventory and now that rent is going up it is helping encourage people to start that construction process. He stated that it is a slow process.

Mr. Grotzke explained to the Council that they will take their marketing and the City's marketing, put it together and push it out to a very broad market, both in business wise and location wise to help sell the Pequot lakes area and the opportunity that is here. He stated that when they put their packet together, it goes on their website, the MLS, and then other commercial websites they have available to them. He said there are many small sites that it could be put it on, then it gets fed tough feeds and sometimes you don't even know where this information ends up because it just keeps passing through the flow. He explained that they also market it directly to those they have worked with in the past that have looked at something like this. He said they will also go to those that have expressed interest in leasing or buying space because if they can't find it.

Mr. Gortzke said that they will push it to a much broader, probably multi-state area. He discussed that if businesses are looking to expand and can get the workforce that they need they will relocate. He also said sometimes it is just lower cost and better living up here and people are interested in coming up here for that. He told the EDC that today was really just a chance to find out who you are, what your desires are for the land, and that gives him a chance to go back and think of if they have the ability to help Pequot Lakes fill that land and grow that development.

Mark Jurchen discussed the Heart of the Good Life Development video and how that talks about what Pequot Lakes is looking for and backs up what Chair Lindholm had discussed earlier. He talked about having good tenants and high standards on how the Development looks. Mr. Grotzke said it was a great video and he wanted to make sure that the video and the marketing matched what Pequot Lakes actual desires. Discussion ensued about possible infrastructure and services in the Heart of the Good Life Development.

Commissioner Holley summed up what they are looking for in the Development as upscale businesses not warehouses that create a good tax base to bring foot

traffic into our businesses.

Commissioner Lelwica questioned what the increase of building cost percentage wise is versus five years ago or 10 years ago for commercial buildings. Mr. Grotzke stated just off his memory an office about five years ago was about \$150 a square foot to build not including land cost, just construction costs, and now it is around \$178 to \$182 per square foot. He stated that industrial has not changed as drastic. He said that labor costs are the largest increase. He said that labor costs are going to continue to change significantly because projects are hard to get done today. He stated that is because school districts are eating up a lot of labor because of all the projects that are going on in a five County area. He also said multiple senior developments are going on right now too. Mr. Grotzke stated that these contractors cannot manage the project alone so they are hiring other contractors to assist them with these large projects. He said this is leading to increased costs for projects because the contractor will charge more so they can subcontract it out to get the project done sooner. Discussion ensued about the lack of trained workforce in the construction industry in the area.

Commissioner Rieck asked how realtor fees work. Mr. Grotzke explained that it depends on the type of project. He stated that the standard fee is 7% of sale price. He stated that what happens in projects like this is a realtor normally ends up having to put a minimum fee in because communities have gotten aggressive when they start these projects and have said first ones in get a really good deal to the point of a dollar and we end up with 7 cents. Discussion ensued about estimates for lots due to visibility, lot size and different pervious surface structures.

**COMMISSIONER HOLLEY MOVED TO APPROVE THE CITY ADMINISTRATOR TO OBTAIN A QUOTE FROM CLOSE AND CONVERSE TO MARKET THE HEART OF THE GOOD LIFE DEVELOPMENT. COMMISSIONER LELWICA SECONDED THE MOTION. MOTION CARRIED 6-0.**

5. Welcoming Community Advocacy Group Brainstorming – 10 people needed from following sectors

Chris Lindholm said in the email from Dawn Espe to Nancy Malecha the next steps would be to get together up to 10 individuals from the Pequot Lakes community. He stated they should have a makeup of public, private, nonprofit, schools, students, and community members representing marginalized populations. He said that once the group is established Ms. Espe will help facilitate getting the first meeting scheduled and there will be multiple meetings over a year and a half.

Chair Lindholm said he talked with Ms. Espe about having two or three students for one seat on the group because students can show up, not show up, come back, and kind of evolve. He recommends that they get two or three sophomore students because by the time they get their first meeting scheduled, it will

probably be May or June. Discussion ensued about rewarding or incentivizing the students. Chair Lindholm explained that they do have service requirements and internship requirements so it could fall into one of those camps for the right kid depending on how that project came together. He did talk about how student's lives change really fast and they may not be able to commit to something for three years.

Commissioner Rieck thought it would be helpful to have someone who has accessibility issues. She has an individual she could ask. They also discussed someone that is in a wheel chair and Commissioner Holley suggested Mary Lou Skalrud who is very involved with the Legion and shops in the local stores. She will contact Ms. Skalrud.

Tyler Glynn suggested taking one person from each one of the buckets and then take five community members since they are looking at community members at large. He asked if they get someone from the EDC, City Council, City Staff, School Board or are you looking for a specific person if so he suggested they get specific on that as well. He said to think about how many people from each one of these buckets they are looking for.

Discussion ensued about having a diverse group of people to be on the Advocacy Group. They discussed a local resident Lemetria who Chair Lindholm will contact. Commissioner Lubke will contact a Food Shelf Board Member. Commissioner Holley will contact an individual from Wells Fargo and states that she is very personable and lives in Pequot Lakes.

Chair Lindholm said that from the School District they have Alison Falenschek, Equity Coordinator, who he thinks would be a good fit. He said it makes sense since her job is to be advocating. He stated if we needed another School member he would advocate for a Board Member.

Council Member Pederson stated that for the City he sees Nancy Malecha as more of an informational contact and he would like to see someone with a voice of the community. He thought it should be somebody who is already involved in engaging on raising the bar for the community because they have made the commitment of their time to be involved in it. He suggested looking for someone that is volunteering their time. Chair Lindholm will contact Ms. Malecha to ask the commissions for someone to represent the City.

Katie Wassermann stated that she was an outsider coming in and she may have some good perspective for them. She expressed her interest on being on the Advocacy Group. She also said that she is one of the faces people see when they come into town and she receives feedback from visitors quite often. She said she is very passionate about this topic.

Commissioner Rieck said she would be interested in being on the team as EDC Member and a business owner.

Chair Lindholm stated that he will touch base with Nancy Malecha and have her ask the commissions for a City Representative.

Commissioner Holley stated that she can contact Ken Meyer at the Legion to find out if they can find someone that is interested.

6. Pequot Lakes Incentive Program Update - Michelle

Commissioner Lelwica said she will be meeting with Tim Houle, City Engineer next week to talk about the incentive program. She also said she has been speaking to a number of different contractors in the area and others are starting to make some calls to see what other cities are doing.

7. Other 2020 Work Plan Updates

Chair Lindholm stated that they are working with Close Converse on the Heart of the Good Life Development and that the EDC has their work cut out for them on the advocacy group.

Discussion ensued on when the housing report is coming out. Tyler Glynn said they had a comment period but they are still hoping to have it out on April 1<sup>st</sup>.

8. School Update

Chair Lindholm stated the school district closed on the Echo Journal property. He stated the Echo Journal is using it for the next two or three months as they transition. He said they do not know what they are doing with it yet, but they do know they need a little elbow room as they are at capacity at the high school. He also stated that they have 11 to 13 teaching positions open for next year.

9. Chamber Update

Katie Wassermann stated they are working on a voting ballot for the retailers in Pequot Lakes to pick a yearly calendar. She said it is going to be a City wide event and once a month they will list out if any of the participating businesses have deals or specials that are going on. She stated that it is going to be more of a way to get more people into town and drop in on businesses. Ms. Wassermann said that people should see some signs and probably some communication next month.

Ms. Wassermann said that the Chamber just got approved for a bike repair station and they worked with Lions Club on it. She stated that Denise Simpson found all of the money for it. Ms. Wassermann explained that it has a pump and tools. She stated that they will be installing that in the spring.

She informed the EDC that the Select Therapy Business After Hours is on Tuesday, February 25th, at Black Bear Lodge from 4:30 to 6:00 P.M. She said

that there is a new Select Therapy and Pequot Lakes and it would be a great opportunity to meet a fellow business.

10. BLAEDC Update

Tyler Glynn informed the EDC that the BLAEDC annual meeting is scheduled for Tuesday, March 24<sup>th</sup> at 8:00 A.M at Arrowwood Lodge. He stated that he switched it from a noon meeting to a breakfast meeting and registration starts at 7:15 A.M. with the food line opening up at 7:30 A.M. Mr. Glynn stated that at the meeting he wants to concentrate on what is happening locally and BLAEDC has asked him to share his thoughts and visions on the organization. He stated his goal for those attending will see it as much more interactive.

Commissioner Holley brought up the sale of Pfeiffer Drug since BLAEDC was a big part of the sale. She stated that they are going to remodel the whole thing with the backend being an office and the front end will be about 800 square feet for a retail business. Mr. Glynn stated that they were happy to be able to play a role in the sale and they did commit some Unified Fund dollars to it. Commissioner Holley stated that American National Bank is doing the financing and it has been a great combination.

Mr. Glynn informed the EDC that discussion are occurring with a developer that is very serious about the Heart of the Good Life Development. He just wants everyone to be aware of that. He stated no offense to realtors or anybody but it is something that they potentially could get done before they sign a contract with a realtor. Mr. Glynn stated that he has worked with Close Converse in the past and with Mr. Grotzke on many projects. He said they are fantastic and have a tremendous reach. He implied that they may be the right people to take this potential project on and he expects the EDC to have a presentation at the March meeting about this potential project. He said it could be a great start for the Heart of the Good Life. Mr. Glynn stated that he has had four or five pretty detailed conversations. He also said that he and Nancy Malecha have had a conference call with them about 10 days ago.

11. City of Jenkins Update

Commissioners Lubke informed the EDC that there is a sign on the Shiners building now where the bar is going to be but they still don't know what the opening date will be.

He discussed a Telecommuter Forward Community that is certified by MN DEED and he is going to put it in next month packet. He explained that it has to do with broadband and having community support for broadband.

Mr. Glynn informed the EDC that the DEED Commissioner is now Steve Grove. He stated the Mr. Grove was appointed to the position by MN Governor Tim Walz and he was previously a Google executive. Mr. Glynn stated that he just heard him speak about three weeks ago and Mr. Grove stated that the state mandate

for broadband speeds of 25 MB up and 3 MB down is an absolute joke but he also said with the money that's coming in both federally and at the state level is exciting. Mr. Lubke discussed the community coming to make an effort and speaking in one voice on the broadband subject.

12. Other Business

There was no other business.

13. Adjournment

There being no further business, Chair Lindholm adjourned the meeting at 9:08 a.m.

Respectfully submitted,

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Angie Duus  
City Clerk/Treasurer

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