

Friday, May 4, 2012
8:30 a.m.
State Office Building, Room 300 South
St. Paul, Minnesota

1) Roll Call

Representative Tom Rukavina, Chair, called the meeting to order at approximately 8:30 a.m. Present: Representative Tom Anzelc, Representative Carly Melin, Representative Carolyn McElfatrick, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni and Mr. David Chura. Excused: Representative David Dill, Senator Tom Bakk, Senator Paul Gazelka, Mr. Joe Begich and Mr. Jack Ryan. Minute Taker: Laureen Hall, Executive Assistant. Also present: Tony Sertich, Commissioner; Doug Gregor, Assistant Attorney General (by phone); Matt Sjoberg, Director of Development, Mary Stacke, Corporate Real Estate Director, DeCare Dental and Dan Houck, Vice President Sales, Ellefson Off Highway

2) Approval of the April 12, 2012, Minutes

Action required: Approval requires 7 votes

Senator John Carlson moved approval of the April 12, 2012, minutes. Seconded by Representative Carolyn McElfatrick. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. David Chura

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Tom Bakk, Senator Paul Gazelka, Mr. Joe Begich, Mr. Jack Ryan

3) Taconite Area Environmental Protection Fund

Action required: Approval requires 7 votes

a) DeCare Dental, LLC – Resolution No. 12-027

Motion by Senator David Tomassoni to approve the DeCare Dental, LLC request for \$2 million in the form of a capital investment that will be used to fund an addition at a building owned by IRRRB that is leased to DeCare Dental, LLC, as presented in Resolution No. 12-027. Seconded by Representative Carolyn McElfatrick. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfatrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. David Chura

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Tom Bakk, Senator Paul Gazelka, Mr. Joe Begich, Mr. Jack Ryan

DeCare Dental, LLC
Capital Investment

APPLICANT:

DeCare Dental, LLC

PROJECT LOCATION:

Gilbert, Minnesota

PROJECT DESCRIPTION:

DeCare Dental, LLC (“DeCare”) has approached the agency with a desire to increase the capacity of its Gilbert service center as a result of additional business opportunities. The proposed 10,260 square foot expansion would provide space to accommodate 120 additional work stations in the facility, bringing its total capacity to 335 work stations. A preliminary budget for the expansion of the building estimates the costs to be \$2,000,000, including: construction costs; architectural and engineering; other soft costs, and; reasonable contingencies. In addition, an expansion to the parking area, across Alaska Avenue and other improvements to the site are estimated to cost \$553,500, including all hard and soft costs.

The current proposal under consideration would have the IRRRB construct the addition to the facility, bringing the total space under lease to approximately 32,310 square feet. DeCare would enter into a 20 year lease for the facility at an annual rate of \$2.85 per square foot, on a triple net basis. DeCare would have the right to terminate the lease after its initial seven year term with a six month notice to the agency. DeCare would have the right to purchase the facility, along with the parking areas, at any time after the initial five year period of the lease for the unamortized amount of the current contemplated IRRRB capital investment, using a discount rate of 3%. The existing lease between the IRRRB and Delta Dental Plan of Minnesota (“Delta”) (and DeCare through the aforementioned sublease) would be terminated upon execution of the new lease. The City of Gilbert would provide the contemplated site improvements, including the additional parking lot, and lease the area to DeCare for nominal consideration.

DeCare, a wholly owned subsidiary of WellPoint, provides administrative services to leading dental benefit carriers, including Delta. DeCare manages revenue in excess of \$1 billion annually, supporting 4.6 million individuals in over 25,000 employer groups including Fortune 500 corporations as well as nonprofit organizations, government entities, and small to mid-size businesses. Services provided out of its Gilbert service center include customer service, claims processing, and market support. As of March 2012, DeCare has 158 full-time employees at its Gilbert center. All lease payments and other obligations of DeCare and Delta have been fulfilled as agreed.

PROJECT COST:

\$2,553,500*

*Not including an undetermined cost for furniture and equipment related to the expansion that will be the responsibility of DeCare.

PROJECT BREAKDOWN:

IRRRB Capital Investment	\$2,000,000
City of Gilbert*	<u>553,500</u>
	\$2,553,500

*Infrastructure grants of \$308,750 and \$244,750 from the IRRRB and DEED, respectively, have been approved for this project.

JOBS:

The company projects 120 new positions created with 158 full-time positions retained. Average wages are in excess of \$15 with a comprehensive benefit package.

PAST IRRRB HISTORY:

In order to facilitate the lease of the former IGA building in Gilbert to Delta for the operation of a customer service center, in July 2000 the IRRRBBoard approved an allocation of funding to acquire and improve the facility. The property was acquired by the agency in September of 2000 and leased to Delta upon completion of the renovation. It was anticipated that Delta would use the facility as a temporary location and would move to a new Taconite Assistance Area location within two years. Delta found the facility to meet its needs and chose to expand on site. In 2001, the IRRRB participated in the 12,600 square foot expansion of the center with financial assistance including a capital investment of \$750,000. The project was approved the IRRRBBoard in June 2001 and Delta entered into a new fifteen year lease with the agency upon completion of the expansion in January 2002. In 2008, the IRRRB consented to a sublease of the facility from the nonprofit Delta to a for profit affiliate, DeCare Dental, LLC. DeCare was acquired by WellPoint, Inc. (“WellPoint”), the nation’s largest health benefits provider, in April 2009.

CONTINGENCIES:

None.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Approval at its April 3, 2012 meeting.

FUNDING AUTHORIZATION:

This project is authorized under the provisions of the Taconite Area Environmental Protection Funds, as codified under the Minnesota Statutes, Section 298.223, by supporting local economic development project located within the Taconite Assistance Area defined in Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
TACONITE AREA ENVIRONMENTAL PROTECTION FUND
FUNDING APPROVAL FOR
GILBERT DECARE FACILITY EXPANSION PROJECT**

Resolution No.: 12-027

WHEREAS, the Commissioner is authorized to expend, upon approval of at least seven members of the Iron Range Resources and Rehabilitation Board (“**Board**”), the Taconite Area Environmental Protection Fund monies made available under Minnesota Statutes Section 298.223 (“**TEPF Funds**”) to promote the economic development of the Taconite Assistance Area designated in Minnesota Statutes Section 273.1341 (“**TAA**”), by investing in local economic development projects within the TAA; and

WHEREAS, the agency’s FY 2012 Budget includes provision for the use of certain TEPF Funds for economic development projects under a budget line item category of TEPF Business Development Projects (“**FY12 TEPF Business Development Funds**”); and

WHEREAS, DeCare Dental, LLC, a Minnesota limited liability company (“**DeCare**”), is currently leasing from the agency approximately 22,050 feet of office space in the former IGA building in Gilbert which the agency purchased in September of 2000 (the “**Gilbert Building**”);

WHEREAS, DeCare has requested the agency to construct a 10,260 square foot addition to the existing Gilbert Building which DeCare would lease for a 20-year period so that it could employ an additional 120 employees in its customer service operations at the site, the cost of which improvements to the agency would be approximately \$2,000,000 and the details of which new lease terms would be as more specifically set forth in the Board packet materials and the associated staff presentation at the meeting to the Board (collectively, the “**Gilbert DeCare Facility Expansion Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$2,000,000 of FY12 TEPF Business Development Funds to finance the cost of constructing the requested improvements for the Gilbert DeCare Facility Expansion Project; and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Gilbert DeCare Facility Expansion Project, met on April 3, 2012, and recommended approval of the requested funding for the Project; and

WHEREAS, the Board met in Room 300 South of the State Office Building in St. Paul, Minnesota, on Friday, May 4, 2012, at 8:30 a.m. to consider, among other matters, the Commissioner’s request for funding for the improvements for the Gilbert DeCare Facility Expansion Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure of TEPF Funds for construction of the improvements for the Gilbert DeCare Facility Expansion Project, and that the granting of the requested financial assistance would promote economic development in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$2,000,000 of FY12 TEPF Business Development Funds to finance the Commissioner’s construction of the requested 10,260 square foot addition to the Gilbert Building to enable DeCare to employ an additional 120 employees at the site in its customer service operations, with said building improvements and extended lease terms to be substantially as set forth in the Board meeting packet materials.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 4th DAY OF MAY 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson	X			
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Carolyn McElfrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich				X
Mr. David Chura	X			
Mr. Jack Ryan				X
TOTAL	8	0	0	5

Signed: _____
Tom Rukavina, Chair

4) Douglas J. Johnson Economic Protection Trust Fund
Action required: Approval requires 8 votes

a) Ellefson Off Highway, Inc. – Resolution No. 12-028

Motion by Representative Carly Melin to approve the Ellefson Off Highway, Inc. request for financial assistance in the form of a bank participation loan for an expansion of its business, in an amount not to exceed \$650,000, as presented in Resolution No. 12-028. Seconded by Representative Tom Anzelc. Motion carried.

Voting in Favor of the Motion: Representative Tom Anzelc, Representative Carolyn McElfrick, Representative Carly Melin, Representative Tom Rukavina, Senator John Carlson, Senator Tom Saxhaug, Senator David Tomassoni, Mr. David Chura

Voting Against the Motion: None

Abstain: None

Excused: Representative David Dill, Senator Tom Bakk, Senator Paul Gazelka, Mr. Joe Begich, Mr. Jack Ryan

Ellefson Off Highway, Inc.
Bank Participation Loan Program

APPLICANT:

Ellefson Off Highway, Inc.

PROJECT LOCATION:

Iron, Minnesota

PRINCIPAL(S):

Christopher David Ellefson

BRIEF PROJECT DESCRIPTION:

Ellefson Off Highway, Inc. is seeking financing to assist in an expansion of its business that is engaged in the sale of used and refurbished mining equipment as well as refurbished parts from its location in Iron, MN. The company, founded in 2010, is a supplier to mining operations world-wide. This expansion would include the construction of a 42 ft. X 60 ft. machine shed as well as a 60 ft. X 150 ft. cold storage building to house parts and inventory. The proposed financing package would also provide adequate working capital to facilitate continued growth of the company.

PROJECT COST:

\$3,100,000

PROJECT BREAKDOWN:

IRRRB participation loan (up to 15 years, formula rate)	\$ 650,000
Security State Bank of Hibbing (up to 15 years, negotiated rate)	\$ 650,000
Security State Bank of Hibbing (revolving credit line)	<u>\$1,800,000</u>
	\$3,100,000

COLLATERAL:

Shared first position real estate mortgage on property. Personal guaranty of Christopher David Ellefson.

JOBS:

The company projects 9 new FTE positions created with 13 FTE positions retained. Wages range from \$16-25 with a benefit package that includes paid health insurance and a 401K plan.

MANAGEMENT TEAM:

Chris Ellefson is the owner and President of Ellefson Off Highway, Inc. Mr. Ellefson has many years of experience, across a broad range of capacities, with Dom-Ex, a company in a similar line of business that was founded by his father, Dave Ellefson, in 1982. During his years with Dom-Ex, Mr. Ellefson was exposed to all facets of the business having specialized in purchasing, sales, and shop management. The company was sold to HE Parts International in 2006 and Mr. Ellefson decided to form his own business after leaving Dom-Ex in 2008.

Dan Houck the VP Sales and Doug Mertens the Service Manager for Ellefson Off Highway, Inc. held similar positions with Dom-Ex.

MARKET OPPORTUNITY:

The global mining of natural resources is strong at this time and this trend is expected into the intermediate future. In addition, construction markets have stabilized creating additional demand for used equipment.

COLLATERAL REVIEW:

The loan will be secured with shared first position real estate mortgage, including the existing building and the two additional buildings to be constructed as part of this project. An appraisal satisfactory to Security State Bank of Hibbing and the IRRRB, with a maximum loan to value of 80%, will be required to support the loan. The gross book value of land and buildings, which were paid for with cash, is over \$1 million and the property recently appraised at \$900,000. Additional alternative collateral may be considered in the event that the appraisal does not support the contemplated level of debt.

PAST IRRRB HISTORY:

None.

CONTINGENCIES:

An appraisal of collateral acceptable Security State Bank of Hibbing and IRRRB is obtained. Additional alternative collateral may be considered in the event that an appraisal of the property does not support the contemplated level of term debt.

TECHNICAL ADVISORY COMMITTEE RECOMMENDATIONS:

Approval at its April 30, 2012 meeting.

FUNDING AUTHORIZATION:

Douglas J. Johnson Economic Protection Trust Fund: This project is authorized under the provisions of the Douglas J. Johnson Economic Protection Trust Fund Act (Minnesota Statutes sections 298.291-298.298) pertaining to expenditures of Douglas J. Johnson Economic Protection Trust Fund monies for economic development projects in that these statutes authorize small business development loans to private enterprises for the purposes of job creation and economic development within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341.

**IRON RANGE RESOURCES AND REHABILITATION BOARD
OF THE STATE OF MINNESOTA
DOUGLAS J JOHNSON ECONOMIC PROTECTION TRUST FUND
FUNDS FOR PURCHASE OF A PARTICIPATION INTEREST IN
LOAN FOR ELLEFSON OFF HIGHWAY, INC. PROJECT**

Resolution No.: 12-028

WHEREAS, the Commissioner is authorized to expend, upon approval of eight members of the Board, the Douglas J. Johnson Economic Protection Trust Fund monies made available under Minnesota Statutes Sections 298.291-298.294 and Minnesota Statute Section 298.28, subdivision 11 (“**DJJ Funds**”), to provide loans and participate with private sources in providing financing for various projects located within the Taconite Assistance Area defined in Minnesota Statutes Section 273.1341 (“**TAA**”) which will serve the purposes detailed in Minnesota Statutes Section 298.292, subdivision 1; and

WHEREAS, the agency’s FY12 Budget includes provision for the use of certain DJJ Funds for economic development projects under a budget line item category of DJJ Business Development Projects (“**FY12 DJJ Business Development Funds**”); and

WHEREAS, Ellefson Off Highway, Inc., a Minnesota business corporation (“**Ellefson**”) which has its principal office and production facilities in Iron, Minnesota, which is a location within the TAA, has made application to the Commissioner for financial assistance to enable it, in combination with funds provided from other sources, to construct two new buildings totaling approximately 11,500 square feet to facilitate the on-going growth of its business at the Iron location (the “**Ellefson’s Expansion Project**”); and

WHEREAS, the Commissioner has requested the Board to approve the expenditure of up to \$650,000 of FY12 DJJ Business Development Funds to purchase a participation interest in a \$1,300,000 bank loan which is being made to enable Ellefson to finance a portion of the costs of the Ellefson’s Expansion Project, with said participation interest to be acquired on the terms and subject to the conditions set forth in the Board packet materials and as otherwise discussed at the meeting (collectively, the “**Commissioner’s Proposed Project**”); and

WHEREAS, the technical advisory committee appointed by the Commissioner under the provisions of Minnesota Statutes Section 298.297 to review the terms and conditions of the proposed Project, met on April 30, 2012, and recommended approval of the requested financial assistance for the Commissioner’s Proposed Project; and

WHEREAS, the Board met in Room 300 South of the State Office Building in St. Paul, Minnesota, on Friday, May 4, 2012, at 8:30 a.m. to consider, among other matters, approval of the requested financial assistance for the Commissioner’s Proposed Project; and

WHEREAS, the Board has determined that it would be in the public interest to approve the expenditure of DJJ Funds for the Commissioner’s Proposed Project, and that the granting of the requested financial assistance would promote economic development in the TAA.

NOW, THEREFORE, IT IS RESOLVED, that the Board approves the expenditure of up to \$650,000 of FY12 DJJ Business Development Funds to purchase a participation interest in a \$1,300,000 bank loan which is being made to enable Ellefson to finance a portion of the costs of the Proposed Project, with such participation interests to be purchased on the terms and subject to the conditions set forth in the Board packet materials and in the agency’s standard participation loan form, including the provisions customarily contained therein that require the borrower to pay at least prevailing wages to workers performing work on the construction project.

PASSED AND ADOPTED BY VOTE OF THE IRON RANGE RESOURCES AND REHABILITATION BOARD THIS 4th DAY OF MAY 2012.

Member	Aye	Nay	Abstain	Excused
Senator Tom Bakk				X
Senator John Carlson	X			
Senator Paul Gazelka				X
Senator Tom Saxhaug	X			
Senator Dave Tomassoni	X			
Representative Tom Anzelc	X			
Representative Dave Dill				X
Representative Carolyn McElfatrick	X			
Representative Carly Melin	X			
Representative Tom Rukavina	X			
Mr. Joe Begich				X
Mr. David Chura	X			
Mr. Jack Ryan				X
TOTAL	8	0	0	5

Signed: _____
 Tom Rukavina, Chair

8) Adjournment

The meeting adjourned at 8:54 a.m.