

# **GRAND FORKS GROWTH FUND**

**a Jobs Development Authority**

## **2005 Annual Report**



**Prepared by:**  
**City of Grand Forks**  
**Office of Urban Development**  
**1405 1<sup>st</sup> Avenue North**  
**Grand Forks, ND 58203**

**March 2006**

# **GRAND FORKS GROWTH FUND a JOBS DEVELOPMENT AUTHORITY**

## **ANNUAL REPORT For the Year Ending DECEMBER 31, 2005**

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# **GRAND FORKS GROWTH FUND, a JOBS DEVELOPMENT AUTHORITY**

## **Executive Summary**

This annual report covers the activities of the Grand Forks Growth Fund, a Jobs Development Authority for the 2005 calendar year. This report includes information on businesses assisted by and the fiscal condition of the Grand Forks Growth Fund.

The Grand Forks Growth Fund is the City's primary economic development financing program. Established in 1987, the Fund was the first-in-the nation use of local sales tax for economic development. Other sources of revenue include loan and lease payments, City bonding, and a US Economic Development Administration (EDA) Revolving Loan Fund.

Since 1995, the Fund has been managed by the Grand Forks Growth Fund, a Jobs Development Authority (or simply the "Authority") whose board of directors is the seven members of the City Council and the Mayor. Within the Authority's structure is the Growth Fund Committee which includes the three members of the City Council's Finance and Development Committee and two members nominated by the Grand Forks Region Economic Development Corporation (EDC). The Growth Fund Committee assists the Authority's board of directors by screening and recommending applicants for financial assistance and by advising on administrative practices, programs, policies and procedures.

Financing is provided for projects of all scopes ranging from start-ups to million dollar expansions that further the Fund's goals. There are a variety of eligible uses (e.g., equipment, working capital, interest subsidy buy-downs) and funding mechanisms (e.g., loans, equity investments, building lease-backs).

Each financing deal is tailored to meet the specific needs of each business. The application process is designed to minimize "red tape" and to accommodate the timelines of business applicants. EDC assists applicants in submitting requests for funding and provides funding recommendations to the Growth Fund Committee. The City's Urban Development Office provides administrative support to the Authority and Growth Fund Committee.

The Growth Fund's portfolio has 211 loans currently valued at over \$4.1 million. It also owns six buildings that are located primarily in the industrial park and downtown and that annually generate over \$3.1 million in lease revenues.

During 2005, the Authority approved eight projects -- six existing business expansions and one start-up company. Also, the Fund's policies and procedures were updated for the first time since 1996. While not altering the Fund's flexibility to timely and efficiently respond to businesses' needs, the updates clarified and streamlined the application process, and better defined targeted businesses as those that are important to the local economy, create higher paying jobs, and have growth potential through expansions or spin-off ventures.

# **GRAND FORKS GROWTH FUND, a Jobs Development Authority**

## **2005 APPROVED PROJECTS**

1. **Technology Applications Group (TAG)**, the owner of a license for the production of a Tagnite magnesium coating and brushing technology, received approval to purchase a building located at 810 South 48<sup>th</sup> Street owned by the Grand Forks Growth Fund. The seller-financed loan was for 15 years with 5% interest. The Growth Fund financing package also included a \$135,000 PACE loan to buy down the interest rate of a Bremer Bank loan for building fit up and a \$200,000 grant to assist the company with relocation expenses. TAG currently employs 13 full-time and two part-time employees. TAG estimates it will employ an additional ten full-time employees and three part-time employees within two years. Currently, the average salary and benefit package is \$51,040. Based on company projections, the cost per job retained or created would be \$13,100.

2. **Hood Packaging Corporation** Hood Packaging, which prints and converts plastic rollstock and bags, has been operating in Grand Forks since 1996. Approval was given for Hood to purchase from the Growth Fund properties at 4955 10th Avenue North (the Foreign Trade Zone, or FTZ, building) and the adjacent parcel to the east for \$1,600,000. The purchase agreement provided a \$200,000 fit up allowance. The sale of the building required the Growth Fund to pay an outstanding bond balance of \$440,000 and Grand Forks County CDBG loan of \$80,300.

Since mid-2003 when negotiations began, Hood has added 20 full-time equivalent (FTE) jobs because of increased production. Current employment is 60 FTEs and is expected to increase to 80 FTEs as the company adds manufacturing space to the FTZ building. The company provides an average wage of \$27,000 plus benefits.

3. **Applied Products (RETRAX™)** Applied Products is a Grand Forks company that manufactures and distributes **RETRAX™** Rigid Retractable Pickup Bed Covers. Established in 1996 as a sole proprietorship, Applied Products has had solid sales, revenue, and profit growth over the last five years. The Growth Fund approved a \$130,000 PACE loan to buy down the interest rate on a Bremer Bank loan for the acquisition and expansion of the Growth Fund owned building at 917 South 46<sup>th</sup> Street. Applied Products currently employs 26 full-time and one part-time employees. Applied Products estimates it will employ an additional 17 full-time employees within two years.

4. **Cirrus Design Corporation/Dakota Aircraft, Inc.** Cirrus Design Corporation has been operating at the Growth Fund owned facility at 1400 S. 48<sup>th</sup> Street since 1996, where it manufactures aircraft components for assembly at its Duluth, MN plant. The City has been instrumental in Cirrus' growth, issuing \$3.8 million in bonds to finance construction of the 48<sup>th</sup> Street plant. In 2000 Cirrus undertook an \$118,830 parking lot expansion that was capitalized in Cirrus' remaining lease payments. In 2002, Cirrus received a \$1 million loan from the Growth Fund for building upgrades.

For Cirrus to meet its growth projections, a 93,000 square foot addition was approved by the Growth Fund. This \$12 million expansion project includes financing from the following sources: \$3 million from Cirrus; \$5.5 million from the Bank of North Dakota; \$1 million from the North Dakota Development Fund; \$1 million from the North Dakota Department of Labor; and \$1.5 million from the Growth Fund plus an additional \$270,000 for PACE loan interest buy down.

Cirrus projects that its expansion will add 352 employees to its current workforce of 269. The company-wide average rate of pay is \$12.38 per hour plus a full benefit package.

5. **Sure Foot Corporation** Jon and Van Larson established Sure Foot Corporation in Grand Forks in 1984. The company manufactures and distributes footwear accessories, shoe care products and fleece apparel in North America and Europe, with approximately 97% of its products processed through its Grand Forks facility. Due to steady business growth, Sure Foot Corporation undertook a \$1.2 million expansion project including building expansion, software/equipment upgrade and working capital. The Growth Fund participated via a \$90,000 PACE interest buy down.

Sure Foot Corporation employs 38 full-time employees and by 2007 expects to employ 50 full-time staff, at a projected wage rate of \$12.60 per hour.

6. **Energy and Environmental Research Center (EERC)** The EERC is one of the leading research centers for advancing energy and environmental technologies into the marketplace. In 2004, EERC was designated as a National Center for Hydrogen Technology (NCHT). Hydrogen is envisioned to be the primary energy carrier of the future, and EERC will lead the charge in research, development, testing and commercialization of technologies related to the future of hydrogen economy.

The Growth Fund approved a \$500,000 grant for use towards the construction of a 15,000 square foot hydrogen test facility. The project is estimated to cost \$3 million, with a grant of \$2.5 million from the State of North Dakota Centers of Excellence Program.

The average annual wage in 2005 for full-time professional/managerial/technical employees is projected to be \$64,917 and \$35,610 for full-time skilled employees. Within two years, it is expected there will be 286 full-time employees with average wages of \$71,573 for professional/managerial/technical and \$39,270 for skilled personnel.

7. **Pembina County JDA (Motor Craft Industries)** Motor Coach Industries (MCI) was founded in Winnipeg in the 1930s and opened an assembly plant in Pembina in the 1960s. In 2002 with the plant in danger of closing, the cities of Pembina, Cavalier, Drayton and Grafton, along with the JDAs of Pembina, Walsh and Cavalier Counties, pledged approximately \$676,800 for the purpose of retaining the jobs at MCI. The Grand Forks Growth Fund provided a grant of \$100,000, with a third of the amount payable in February of each year. The Pembina County JDA borrowed \$469,000 (10-year amortization and a variable interest rate starting at 3.62% and now at 5.7%) from the Bank of North Dakota. The Grand Forks Growth Fund approved the request of the Pembina County JDA for the \$66,000 grant balance to reduce the principal on the loan.

8. **Northwood Mills, LLC.** Northwood Mills, LLC, a start-up company, is proposing to build a \$7.8 million dollar soybean crushing facility in Northwood. The proposed plant will transform locally grown soybeans into soybean meal and soybean oil. The soybean meal will be sold locally as animal feed and the soybean oil will be marketed in the national and international markets. Partners in the project are: Northwood Mills LLC; North Dakota Department of Commerce's Agricultural Products Utilization Commission, Business Development Team and the Community Services Block Grant program; Bank of North Dakota; USDA Rural Development; North Dakota Development Fund; Red River Regional Council; North Dakota Soybean Council; North Dakota Department of Transportation; American Federal Bank; City of Northwood; and the Northwood Economic Development Foundation.

The Growth Fund approved a loan to the company not to exceed \$130,000 for the required community participation portion of a Bank of North Dakota PACE loan interest buy-down. The American Federal Bank loan is to be used for equipment and will be personally guaranteed by the founding partners, who will also guarantee the Growth Fund Loan.

Within two years, the company expects there to be 17 full-time employees. The anticipated annual wage is \$24,000 to \$30,000.

### **Economic Development Administration Revolving Loan Fund**

In July 1997, the EDA capitalized a RLF to address mounting economic development issues related to the 1995 realignment of the 319<sup>th</sup> Missile Wing at the Grand Forks Air Force Base and the 1997 Flood. EDA's \$2 million capital investment was matched with \$222,222 from the City of Grand Forks.

This Fund, administered by the Authority, has its own policies and procedures due to EDA regulations. These mirror those established for the Growth Fund, except most notably loans have limits on eligible uses and on loan amounts and interest rates.

Since the RLF's inception, \$3,261,533 has been lent to 17 businesses. Eight loans have been fully repaid; four are current, two are in default and three have been written off. The RLF's outstanding loan balance is \$929,697 as of the end of 2005.

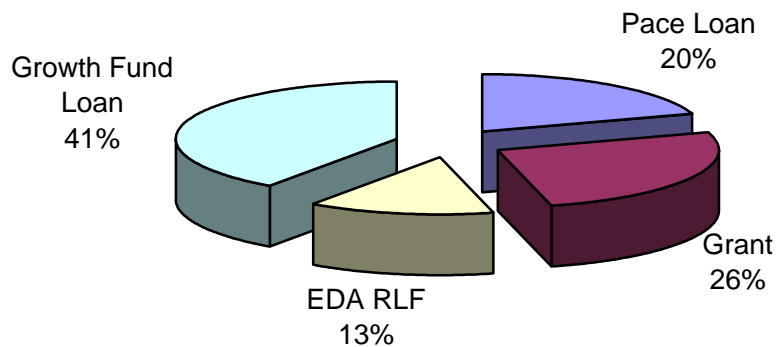
### **2005 Commercial and Industrial Tenants**

**401 DeMers** - Alerus Financial, Brady, Martz & Associates, Camrud, Maddock, Olson & Larson; **1550 South 48th Street** - Amazon.com; **4949 10th Avenue South** - Hood Packaging Corporation; **1400 48th Street South** - Cirrus Design Corporation; **1580 South 48th Street** - LM Glasfiber; **201 South 4th Street** - Centre Inc.

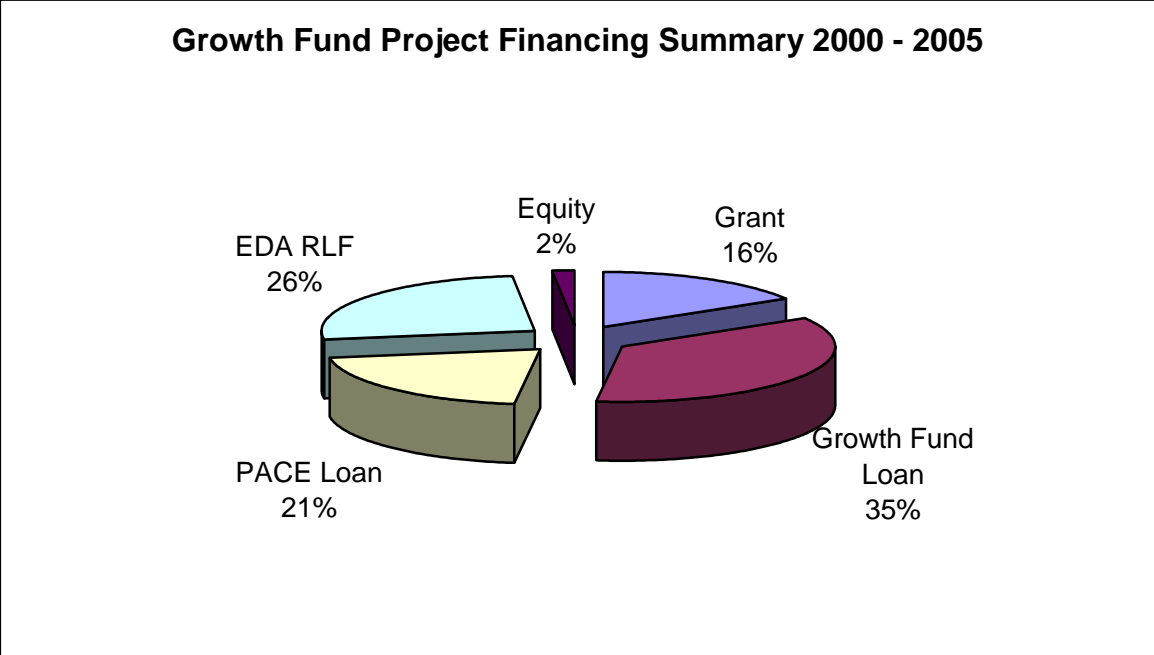
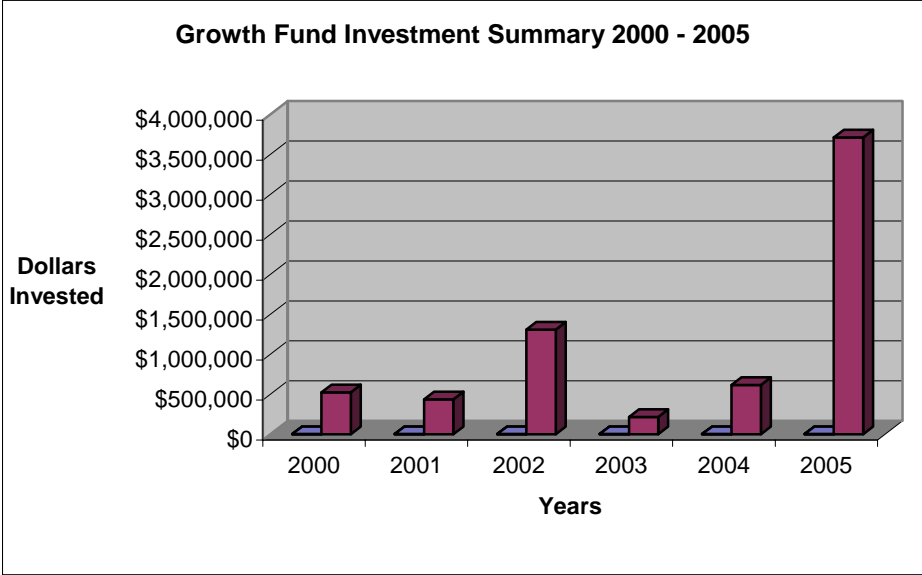
## 2005 Approved Projects – Summary Data

Business Name	FTEs At Application Date	FTEs In Two Years	Growth Fund Cost Per Job Created	Dollars Leveraged	Growth Fund Financing	
					Type	Amount
Technology Applications Group	13	23	\$33,500	\$1,702,000	PACE	\$135,000
					Grant	\$200,000
Hood Packaging Corporation	60	80	\$10,000		Grant	\$200,000
Applied Products	26	43	\$7,118	\$1,510,000	PACE	\$121,000
Cirrus Design Corporation	269	621	\$6,449	\$9,730,000	EDA RLF	\$500,000
					Growth Fund	\$1,500,000
					PACE	\$270,000
Sure Foot Corporation	38	50	\$7,500	\$1,200,000	PACE	\$90,000
Energy & Environmental Research Center	256	286	\$16,667	\$2,500,000	Grant	\$500,000
Northwood Mills	0	17	\$7,647	\$7,800,000	PACE	\$130,000
<b>Total</b>	<b>662</b>	<b>1,120</b>	<b>\$8,124</b>	<b>\$24,442,000</b>		<b>\$3,712,000</b>

### Growth Fund Project Financing in 2005



**GRAND FORKS GROWTH FUND ACTIVITES FROM 2000 - 2005**





<b>EDA RLF FINANCIAL STATUS</b>		
<b>Revenue Source</b>		
Initial Program EDA Award	\$	2,000,000.00
Matching Funds	\$	222,223.00
Program Income - Principal	\$	1,888,222.67
Program Income - Interest	\$	510,899.11
Program Income - Late Charges	\$	940.00
Program Income - Bank Account Interest	\$	115,444.35
<b>Subtotal</b>		<b>\$ 4,737,729.13</b>
<b>Expenditures</b>		
Disbursed Loans	\$	(3,261,533.88)
Administration Costs	\$	(245,779.09)
<b>Subtotal</b>		<b>\$(3,507,312.97)</b>
<b>Balance 12/31/05</b>		<b>\$ 1,230,416.16</b>
<b>Available for Lending</b>	\$	1,219,186.71
<b>Available for Administration</b>	\$	11,229.45
<b>Total</b>	<b>\$</b>	<b>1,230,416.16</b>

<b>Past Due Loan Accounts As of December 31, 2005</b>				
<b>GROWTH FUND LOANS</b>	<b>Original Loan Amount</b>	<b>Loan Balance</b>	<b>Monthly Payment</b>	<b>Past Due Amount</b>
<b>Master Potato, Inc.</b>	\$40,000	\$32,339.88	\$773.31	\$43,636.69
<b>Master Potato, Inc.</b>	\$8,000	\$6,468.86	\$154.66	\$8,728.52
<b>Aatrix Software, Inc.</b>	\$80,000	\$67,724.36	\$1,491.45	\$83,048.07
<b>EDA LOANS</b>	<b>Original Loan Amount</b>	<b>Loan Balance</b>	<b>Monthly Payment</b>	<b>Past Due Amount</b>
<b>Aatrix Software, Inc.</b>	\$320,000	\$256,717.86	\$5,965.79	\$266,032.07
<b>Acrylon Composites, Inc</b>	\$250,000	\$243,076.17	\$2,531.13	\$22,068.79

**GRAND FORKS GROWTH FUND, a JOBS DEVELOPMENT AUTHORITY**  
**COMBINING BALANCE SHEET**  
**December 31, 2005**  
**With Comparative Totals for December 31, 2004**

<u>ASSETS</u>	Unaudited <u>2005</u>	<u>2004</u>
Current Assets:		
Investments	\$2,270,743	\$6,500,000
Cash and Cash Equivalents	911,464	252,352
Receivables (net of allowances for uncollectible):		
Accounts Receivable	75,013	90,568
Notes Receivable	4,100,610	4,377,365
Intergovernmental:		
Federal Government Receivable		
Prepaid Insurance	32,551	14,309
Total Current Assets	7,390,381	11,234,594
Capital Assets		
Land	2,844,240	2,844,240
Buildings	9,522,658	9,522,658
Improvements Other Than Buildings	1,244,942	1,244,942
Machinery and Equipment	5,203	5,203
	13,617,043	13,617,043
Less Accumulated Depreciation	(1,785,658)	(1,518,747)
Net Property, Plant, & Equipment	11,831,385	12,098,296
Total Assets	\$19,221,766	\$23,332,890
<b><u>LIABILITIES AND FUND EQUITY</u></b>		
Liabilities:		
Current Liabilities:		
Accounts Payable	\$965,413	\$8,313
Contracts Payable (Including Retainage)		
Grants	184,329	184,329
Total Current Liabilities	1,149,742	192,642
Current Liabilities (Payable From Restricted Assets):		
Notes Payable - Due Within One Year	31,826	31,826
Special Assessment Payable Within One Year	6,941	6,941
Total Current Liabilities (Payable From Restricted Assets)	38,767	38,767
Non-Current Liabilities:		
Notes Payable (Net of Current)	134,721	134,721
Special Assessment Payable	46,375	46,375
Total Non-Current Liabilities	181,097	181,096
Total Liabilities	1,369,606	412,505
<b><u>NET ASSETS</u></b>		
Invested in capital assets, net of related debt	11,831,385	12,098,296
Unreserved	6,020,775	10,822,089
Total Net Assets	17,852,160	22,920,385

**GRAND FORKS GROWTH FUND, a JOBS DEVELOPMENT AUTHORITY**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**December 31, 2005**  
**With Comparative Totals for December 31, 2004**

	<b>Unaudited</b>	
<u>OPERATING REVENUE</u>	<u>2005</u>	<u>2004</u>
Rents	\$2,954,848	\$3,127,983
Miscellaneous	113,430	102,465
Total Operating Revenues	3,068,278	3,230,448
<u>OPERATING EXPENSE</u>		
Salaries and Wages	229,990	56,270
Supplies	5,940	6,554
Contractual Services	1,034,912	975,733
Maintenance - Structures & Equipment	120,594	116,131
Sundry Expenses	127,302	279,479
Utilities - Heat & Lights	340,276	304,798
Pension and Social Security	28,741	7,645
Administrative and General	778,252	413,956
Total Operating Expense	2,666,007	2,160,566
Net Income (Loss) from Operations before Depreciation	402,271	1,069,882
Less – Depreciation	266,911	266,911
Net Operating Income (Loss)	135,360	802,971
Non-Operating Revenues (Expenses):		
Interest	105,867	70,518
Net Inc. (Dec.) in fair Value of Investments	342,175	
Federal Grants		
Sale of Property	(4,441,713)	
Interest Expense	(155,462)	(73,511)
Total Non-Operating Revenues (Expenses)	(4,149,133)	(2,993)
Income (Loss) Before Operating Transfers	-4,013,773	799,978
Operating Transfers In (Out):		
Transfers In	205,492	
Transfers Out (Bond Debt Service)	(1,259,945)	(956,963)
Total Operating Transfers	(1,054,453)	(956,963)
<b>Change in Net Assets</b>	(5,068,225)	(156,985)
<b>Total Net Assets-Beginning</b>	\$22,920,385	\$23,077,370
<b>Total Net Assets-Ending</b>	\$17,852,160	\$22,920,385

Taken From the Audited Comprehensive Annual Financial Report of the City of Grand Forks, ND for the years ended 12/31/04 and 12/31/03 issued by Brady Martz and Associates, Certified Public Accountants and Consultants

**Grand Forks Growth Fund, a Jobs Development Authority  
and  
Growth Fund Committee**

JDA Board of Directors



Hal Gershman, President



Bob Brooks, Vice-President



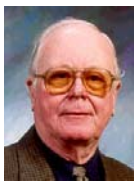
Michael Brown, Mayor



Doug Christensen



Eliot Glasheim



Gerald Hamerlik



Dorette Kerian



Curt Kreun

Growth Fund Committee Members



Doug Christensen, Chairman



Elliot Glasheim, Vice-Chairman



Gerald Hamerlik



Terry Smith



Jon Ramsey

# INDUSTRIAL PARK OWNERSHIP MAP

- Publicly Owned - Developed
- Privately Owned - Developed
- Publicly Owned - Undeveloped
- Privately Owned - Undeveloped
- GDF - Grand Forks Development Foundation
- GFGF - Grand Forks Growth Fund
- City Limit

