

**HEDRA
HASTINGS ECONOMIC DEVELOPMENT and
REDEVELOPMENT AUTHORITY**

The Hastings Economic Development and Redevelopment Authority of the City of Hastings, Minnesota met in a regular meeting on Thursday, July 13, 2023, at 6:00p.m. at Hastings City Hall.

HEDRA Commissioners Present: Johnson, Anderson, Horsch, Fox, Goblirsch, Carter & Pemble

HEDRA Commissioners Absent: None

Staff Present: Community Development Director, John Hinzman & Economic Development Coordinator, Alex Menke

Quorum

A quorum was established, and the meeting was called to order by Chair Horsch at 6:00 PM with all seven members present.

I. Minutes

Motion to approve June 15th minutes by Commissioner Carter and a second by Commissioner Fox. None opposed and approved as presented.

II. Bills

Motion to approve bills by Commissioner Fox and a second by Commissioner Pemble. None opposed and approved as presented.

III. Business

- A. Resolution No. 2023-09 – Façade Improvement Grant Program - Busted Nut (118 2nd Street East) – Presented by EDC Menke
 - a. Menke presented a summary of the request, first sharing that the City received an application from the owners of the Busted Nut Restaurant: Tasha and Phil Nelson.
 - i. Request for financial assistance for exterior work on property, including pressure washing, site prep, decorative trim replacement and exterior painting. Total is \$10,800 and with a two-to-one matching, the maximum recommended is \$3600
 - ii. Previous resolution included a math error, which has been updated in the current resolution
 - b. Commissioner Carter asks if they participated in the program last year, to which Menke shares that they did and therefore were not eligible to be considered again until July 1st of this year
 - i. Menke clarifies that they did receive funding last year, which was for tuckpointing and brickwork

- c. Having no further discussion or questions, Chair Horsch stands for a motion
 - i. Commissioner Goblirsch motions with a second by Commissioner Johnson
 - ii. None opposed and motion passes with a 7-0 vote from the commission

- B. Resolution No. 2023-10 – Authorize Signature of the 3rd Amendment to Purchase Agreement – River City Investments, LLC (Siewert Apartments) – Presented by Alex Menke
 - a. Menke presented a summary of the request, whereas River City Investments is in an agreement with the city to purchase the lot, currently used as public parking, from HEDRA for development of a 32-unit market rate apartment building located at 317 3rd Street East
 - b. Developer has an original purchase agreement with an end date of August 1, 2023, but has requested a 1-year long extension to last until August 1, 2024
 - c. Reason for extension is that bids were not as favorable as developer had hoped and this extension would allow the developer to rebid this project this Fall, with an intent to begin construction in early Spring of 2024
 - d. Developer currently owns the lot to the west and would use both lots for this development, totaling a ¼ of the block on the southeastern side
 - i. Menke states that this redevelopment would set the tone for the rest of this block, whereas this would be the first redevelopment of this block
 - e. Hinzman provides further history with this property
 - i. HEDRA has been involved with this project since 2021, with a current 1-year extension granted previously in 2022 that expires August 1, 2023
 - ii. Siewert is present tonight and can stand to share his experience with this project and share more about the possible progression
 - iii. Hinzman states that this property is “impossible” for the City to develop on its own and needs neighboring property
 - iv. Hinzman also states to the commission that if they are comfortable with the extension, the City is not out anything and that there are no other developers currently interested. Hinzman asks the Commission to reflect on viability of this project
 - f. Developer Luke Siewert presents himself at the podium
 - i. Chair Horsch confirms that Siewert has purchased the adjoining property to the west
 - ii. Siewert confirms that he purchased the property in 2017 with future plans to develop it, has experience from his father’s work in development
 - iii. Siewert shares that the extension was needed because the architectural, structural and civil planning took a substantial amount of time
 - g. Siewert states that they had the building permits and affairs with Excel Energy in order to start development this upcoming Spring, but the bids came in at about 35% higher than the initial. The lead times were too far out, so Siewert stepped back to reassess, meeting with contractors on a weekly basis and leaning on the contractors for when to resubmit for bidding.
 - i. The house on the currently owned property has been vacated since last spring in anticipation for teardown and subsequent development of the multifamily property
 - ii. The plans are all ready and has put a substantial financial commitment to this, he needs a purchase agreement for this to be viable
 - h. Commissioner Anderson asks Siewert if the bidding costs are still around that 35%
 - i. Siewert shares that the contractors’ pricing including labor and construction costs hasn’t come down as fast as anticipated. He has met with the Small

Business Development Center in Rochester to assist him and is trying to determine when it is most competitive to send out, which is often fall or winter. Siewert states that the numbers have gone down from that 35%, but it is still not enough to offset the changes

- ii. Commissioner Anderson expresses concerns that pricing will not decrease
- iii. Siewert has done research and consulting to find alternate engineering processes to save costs. Commodities has come down, but labor has become more expensive and competitive
- i. Commissioner Fox thanks Commissioner Anderson for his background. Fox also values the investment Siewert has had in this and the potential for this is crucial for the property next door. Commissioner Fox states that she believes moving forward with another year extension would be reasonable given the markets and continuing communication with Siewert
- j. Commissioner Pemble is leaning towards allowing another year, begins a motion
 - i. Chair Horsch requests to ask another question regarding the timeline, but Hinzman clarifies that the motion begun should have the opportunity for a second as it was presented. Thus, Commissioner Fox seconds
 - ii. Siewert answers Chair Horsch's question, stating that it would take about a month after sending out the bids to see if the project would work. The bidding would take a month and is unsure of how long it would be until closing. Sitework would ideally start prior to the ground thawing then there are designs to move Excel Energy powerlines underground
- k. Commissioner Anderson asks what his plan would be if things do not work out on the timeline
 - i. Siewert shares that he is very financially invested in this, so he would probably have to start renting out the existing duplex again to offset costs although he would have to put money into it due to vandalism
- l. Chair Horsch shares that HEDRA has come down a long road with Siewert and would prefer to keep this moving forward with this developer
- m. Chair Horsch proceeds to a vote
 - i. All in favor, motion passes 7-0 to extend Purchase Agreement until August 1, 2024

C. Resolution No. 2023-11 – Façade Improvement Grant Program – Meyer Building (117 2nd Street East) – Presented by Alex Menke

- a. Menke presented a summary of the request, specifically requesting financial assistance for work on the lower roof of the Meyer Building. This would consist of a full roof repair on the rear part of the building. The applicant received funding last year, so has also had to wait until July 1st to be reviewed, but they were the last approved applicant so they did not all of the funds requested because the funds had run out. The current eligible costs are just over \$15,000, and with the two-to-one matching, the maximum that the City can give is \$5,000 for this project
- b. Commissioner Johnson asks if this building is a designated Heritage Preservation site, whereas that is the eligibility for roofs.
 - i. Hinzman states that is correct.
- c. With no other questions or discussion, Chair Horsch opens the floor for a motion.
 - i. Commissioner Anderson motions and Commissioner Goblirsch seconds
 - ii. All in favor and the request for \$5,000 towards the Meyer Building roof repairs is approved 7-0

IV. Reports and Information

A. 2024 HEDRA Budget

- a. Hinzman gives a recap for 2024 budget request
- b. Staff members are putting together budgets for City Council consideration
- c. HEDRA is unique because some funding comes from the City and some comes from a special HRA Levy, which generates about \$450,000
 - i. Block 28 project, including barbershop property, Rivertown Liquors, etc.
 1. Four properties have been acquired, thus the current fund balance has decreased and Hinzman wants to request allocation directly from the City for about \$500,000 this year for acquisition of additional properties
 - ii. Further specifics of the budget request continue for the Façade Improvement Program (\$50,000)
 1. Not as many applicants this year compared to last year, so that will be examined early next year and may need some reallocation of those funds
 - iii. Revolving Loan Fund is based out of the fund balance for \$120,000 of fund that the City has on hand
 1. Hinzman notes that it is good financing and good assistance for projects, noting the importance of that for the Spiral Co-op
 - iv. Downtown Environmental Cleanup
 1. Environmental cleanup necessary for the HEDRA owned lot north of the Artspace Lofts, there would need to be a match from the city to be eligible for grants
 - v. Future Industrial Park Planning
 1. Desire to provide some funding to make determinations of what we may be able to do
 - vi. Business Incubator
 1. Looking at potential sites for that and how that may operate
 - vii. Viability of downtown alley
- d. Commissioner Johnson asks if the downtown environmental cleanup is something the City needs to start or is it pending a development plan
 - i. Hinzman clarifies that it would not be started without a plan because it would not be grant eligible
 - ii. Commissioner Johnson asks for further clarification that this money may not be spent within the budget year and Hinzman clarifies
- e. Commissioner Johnson also asks about the utilization or percentage used of the revolving loan funds
 - i. Hinzman says that it varies, but last year for Spiral it was a little over half used
 - ii. Chair Horsch asks for clarification on interest rates
 - iii. Hinzman clarifies that it is a quarter percent over prime
- f. Commissioner Pemble questions what else is to be done on the HEDRA owned property north of the Artspace Lofts, whereas there has been an initial cleanup

- i. Hinzman states that the property was cleaned up to the qualifications of the state 5 years ago when land was sold for ArtSpace Lofts. The regulations have changed regarding acceptable levels for certain contaminants
- g. Commissioner Goblirsch asks Hinzman for a clarification on how this proposed budget would compare to last year
 - i. Hinzman shares that everything is about the same, except for the redevelopment capital because instead of using the fund balance, HEDRA is asking that from the Council. Beyond that the proposed budget is comparable
 - ii. Commissioner Anderson asks about current spending and remaining budget for this year
 - iii. Hinzman says off the top of his head, there has been about half of the Façade Improvement Program spent, no revolving loan funds issued yet and other future planning items approximately 1/3 of the way spent
- h. Chair Horsch thanks Hinzman

B. Rokos Contract

- a. Hinzman elaborates that last year, a contract was entered into with Rokos Advisors to aid in marketing and finding tenants for the 50-acre property in the industrial park. Hinzman speaks highly of the contact there, Ra'eesa Motala
- b. The contract is set to expire at the end of July and Motala is leaving Rokos, so there is interest in contracting out Motala without Rokos. Staff will provide a contract for the Commission's consideration at the August meeting
- c. Commissioner Carter clarifies the connection of Motala to Rokos and non-compete
 - i. Hinzman clarifies that she is currently employed by Rokos, but will be leaving soon to work on her own. Motala has reassured Hinzman that there will not be a non-compete situation with Rokos
- d. Chair Horsch asks about an update on the site
 - i. Hinzman says there is not much he can share at this point, but Motala is getting it out there, which has been the difficulty of that site. 5 years ago, efforts to put together a shovel ready site have gone unanswered but Motala and Rokos have helped garner much more attention than in previous years and Hinzman is hopeful for something tangible
 - 1. Hinzman clarifies that the contract has no ongoing expenses because it is a percentage of sale
 - 2. Chair Horsch asks for clarification on duration and style
 - 3. Hinzman clarifies that he hopes to continue a similar year-long contract with the same percentage of sale payout to Motala

C. Development Updates

- a. Confluence looks like it is going to open up soon!

- i. No specifics on when they will be open, but most likely in coming weeks
 - 1. Apartments and hotel rooms completed, just finishing up those public spaces
- ii. 315 Pine Street, building damaged by fire
 - 1. Planning Commission reviewed a Special Use Permit for a rebuild to make the building into event center on the first floor and rental units above
 - 2. Plans for development in good shape, but there is just a lot of work that needs to occur
 - 3. Planning Commission had various discussions, including about parking plans so that has been tabled
 - 4. Owner has assured that demolition will be complete and it will be covered by winter
- iii. Minor Subdivision of Shepard of the Valley for possible townhome development
- iv. Spiral Boulevard and Glendale Subdivision and Plat of two approximately 10 acre agriculture zoned properties
- v. Regina Assisted Living Plans approved
- vi. Dakota County Law Enforcement Addition approved
- vii. Heritage Ridge Fourth Edition
 - 1. City Council will consider 1-year long extension to recording of their final plat of about 30 lots
 - 2. Creative homes has seen a softening of the market, so plans to start grading in the Spring and have lots in Summer and Fall of next year

No further questions or discussion.

V. Adjourn

Commissioner Johnson made a motion to adjourn the meeting at 6:36 p.m., seconded by Commissioner Carter. Motion passed 7-0. Meeting adjourned.

Next Meeting: Thursday, August 10, 2023

Respectively Submitted:
Community Development Intern, Madelyn Swanson