

**Commercial Rehabilitation Loan – Kevin & Lynn Hoeschen – 208 Sibley Street
July 12, 2012 Staff Report**

Request

Kevin & Lynn Hoeschen seek approval of a \$30,000 Commercial Rehabilitation Loan for property located at 208 Sibley Street (former Hastings Sewing Center). The Hoeschen's plan to divide the building back into two retail spaces. A 400 s.f. space would be remodeled into a popcorn shop. The remaining 800 s.f. would be leased to another entity. Construction plans consist of gutting the whole building, adding a door and windows to the popcorn shop area, restoration of the outside brick façade in the popcorn shop, and restoration of the interiors of both spaces including electrical, HVAC, bathrooms and sheetrocking.

The estimated project cost is \$60,000 - \$69,375. The applicants have secured a \$50,000 loan from Vermillion State Bank. The loan is for one year at 6%.

The 1,320 s.f. building was constructed in 1900 and has been designated as part of the East Second Street Historic District by the Heritage Preservation Commission (HPC). The HPC approved the proposed modifications at the May 15, 2012 meeting. The building is also within the Downtown Hastings Redevelopment Project Area.

Program Requirements

The Commercial Rehabilitation Program provides financial assistance for the rehabilitation of commercial or mixed use properties located in a redevelopment project area. The types of work that may be included are:

1. Eliminate blight or correct structural, safety and access conditions
2. Remodel interior space for new uses and tenants
3. Bring building systems up to code and conserve energy
4. Improve the design and materials of the exterior, including historic restoration
5. Improve affordable apartments in mixed use buildings as a secondary purpose
6. Moveable fixtures and equipment are not included

Conditions for granting a loan:

1. The building must qualify in size and location.
2. The need for public assistance to make the project feasible must be demonstrated.
3. The project must contribute to the redevelopment area plan.
4. City planning, building and historic (if required) approvals must be secured.

HEDRA would provide a ten year loan at zero percent the first year, four percent from years 2-5, and nine percent from years 6-10. Loan proceeds would be disbursed upon proof of qualified rehabilitation expense. The loan would be secured with a mortgage document.

Item IV.D

Typically the loan amount may be up to 25% of costs but no more than \$200,000. The Board will determine the size of the loan, depending on scope of project and public funds available.

Statement of Need

The Hoeschen's are requesting a \$30,000 HEDRA Loan to complete the renovation. The amount requested is higher than the 25% typical commercial loan and greater than the \$10,000 - \$20,000 gap of the Vermillion State Bank Loan. They have submitted a letter outlining the need for the additional funding due to considerable more work and expense in adding windows, preserving the brick façade and the realization that the building was actually two buildings. They also wish to utilize the longer term of the HEDRA loan to help pay for the expenses.

Analysis

The request meets the qualifications and criteria for issuance. HEDRA has reserved \$40,000 in the 2012 budget for commercial loans. No other commercial loan requests have been submitted or presented. The rehabilitation work is consistent with HPC.

ACTION – Adopt Resolution 2012-05 – Approving a Commercial Rehabilitation Loan for work at 208 Sibley Street for Kevin and Lynn Hoeschen.

Please see the attached resolution, loan application, and HPC Report for further information.

Commercial Rehabilitation Loan Program

Item IV.D

APPLICANT Kevin + Lynn Hoeschen Phone 437-4400

Project address 208 Sibley

Mailing address if different 103 E 2ND ST

Building width 22' length 60' floors 1 apartments 0

Summary of proposed work (a detailed description with plans will also be required)

SEE ATTACHED

ESTIMATED PROJECT COSTS

Mechanical, HVAC \$15,375.00 Plumbing IN WITH (HVAC)

Electrical, lighting \$5,000.00 Appliances N/A

Structural, walls \$5,300.00 Roof, skylights 6000.00 - 12000.00

Windows, doors 10,000 - 14,000.00 Carpets, floors \$5,400.00

Exterior surfaces \$6,800.00 Architect, Engineer N/A

Demolition \$4,500.00 Permits, fees _____

Total estimated costs \$60,000 - 69,375 Percent of cost residential _____

HEDRA LOAN AMOUNT REQUESTED: \$ _____

Bank loan \$ Up to 50,000.00 Owners cash, equity \$ _____

Bank name: VERMILION STATE BANK

Person to contact JAKE POEPL Phone _____

PROPERTY OWNER(S)

Names Kevin Hoeschen

Signature Lynette M Hoeschen Lynn Hoeschen date _____

208 Sibley St. Building Plans

Divide building back into 2 entities. Popcorn Shop will reside in the approximate 400 sq ft building. The approximate 800 sq ft will be leased space.

Construction plans consist of gutting the whole building, adding a door and windows to the popcorn shop area, restoration of the outside brick facade in the popcorn shop, restoration to the interior of both areas; which would include restoring brick walls and/or sheet rock, paint, etc, and whatever is necessary to turn both spaces into retail space; including wiring, heating and cooling, construction of a shared bathroom for the two spaces, etc.

Stucco the remaining building—due to the patchwork facade currently under the red siding. All red siding will be removed.

To Whom It May Concern:

As the owners of the building at 208 Sibley St. Hastings MN we are requesting money from HEDRA for the remodel of this building.

Our original intent was to remodel the building as one building. In the process of gutting the building and research done on the building it was discovered that it was originally 2 buildings. During the course of years of remodels—it had been combined into one. We would like to bring back the historical integrity of this building by taking it back to two buildings as it originally was. In order to take it back to two buildings—there will be more work required such as adding windows and doors that are no longer there, adding and updating heating and cooling within both buildings, saving of original brickwork inside the buildings, etc.

It was also discovered that underneath the red siding on one of the buildings is the original brick. We would like to preserve that brick.

Due to considerable more work and expense we are asking to receive more money from HEDRA than the usual quarter of the project.

When finished, the two buildings are going to add considerable aesthetics to downtown Sibley Street and downtown Hastings.

Thank you for your consideration of the increased monies to remodel these 2 buildings back to their original beauty.

Sincerely,

Kevin J. Hoeschen
Lynn M. Hoeschen



Vermillion State Bank

107 East Main Street • P.O. Box 28 • Vermillion, Minnesota 55085
Phone: 651-437-4433 Fax: 651-437-4321
MEMBER FDIC

Item IV.D

July 6, 2012

John Hinzman
Hastings Economic Development and Redevelopment Authority
City Hall, 101 4th St. E.
Hastings, MN 55033

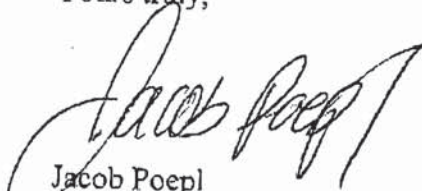
RE: Kevin Hoeschen, 103 2nd St. E.

Dear Mr. Hinzman,

This letter is evidence of our willingness to lend \$50,000 to the above applicant for the rehabilitation project which may also be funded in part by the Hastings Economic Development and Redevelopment Authority.

The loan will be for a term of 12 months and at a rate of 6%.

Yours truly,



Jacob Poepl
Bank officer/lender

975 Lyn Way
Hastings, MN 55033
Phone: 651-437-8288
Fax: 651-438-2874

255 West 33rd
Hastings, MN 55033
Phone: 651-437-7775
Fax: 651-437-8455

2975 80th St. East
Inver Grove Heights, MN 55076
Phone: 651-455-9596
Fax: 651-455-9549

15040 Canada Ave.
Rosemount, MN 55068
Phone: 651-423-4303
Fax: 651-423-9213
Page 16 of 46

October 14, 2011

John Hinzman
City of Hastings

Dear John:

I am the contract holder on the property at 208 Sibley and I give my permission for Kevin and Lynn Hoeschen to remodel the building to suit their business needs.



Maxine Eittreim