

HEDRA
HASTINGS ECONOMIC DEVELOPMENT and
REDEVELOPMENT AUTHORITY
Hastings City Council Chambers
Minutes of September 14, 2017, 6:30 Regular Meeting

HEDRA Commissioners Present: Sinclair, Sullivan, Toppin, Vaughan, Balsanek

HEDRA Commissioners Absent: Denning, Peine

Staff Present: Community Development Director John Hinzman
Economic Development Coordinator Morgan Hill

I. Quorum

A quorum was established and the meeting was called to order by Acting President Toppin at 6:30 PM with five members present.

II. Minutes

Commissioner Vaughan motioned to approve the minutes from the regular meeting of August 10, 2017 as presented, seconded by Commissioner Sinclair. Motion approved 5-0.

III. Bills

Director Hinzman summarized the bills for August.

Commissioner Sinclair motioned to approve the bills as presented, seconded by Commissioner Vaughan. Motion approved 5-0.

IV. Business

A. Resolution: Authorize 2018 HRA Levy

Director Hinzman presented the proposed levy. The requested levy is at an amount typically asked for at 0.185% taxable market value, which means they would yield \$356,000 in levy funding for HEDRA operations and is \$44,000 more than 2017 levy.

Commissioner Sullivan noted the decrease in administrative funds and asked for clarification.

Director Hinzman explained that the decrease is due to Vermillion Street project initiatives in effect in 2017 that would not be in effect in 2018.

Commissioner Balsanek motioned to approve Resolution No. 2017-06, seconded by Commissioner Sinclair. Motion approved 5-0.

B. Authorize Payment No. 2 – Internal Soil Removal – Ram Excavating

Director Hinzman explained that in working through details they arrived at a revised amount of \$44,343.05 for interior soil removal in crawl space at the Hudson building.

Commissioner Vaughan motioned to Authorize Payment No. 2 as presented, seconded by Commissioner Sullivan. Motion approved 5-0.

C. Consider Request to Amend Mortgage – Black River Properties

Director Hinzman presented the staff report with some history of the property and previous HRA involvement. The HRA sold 110 East 4th Street to Black River Properties in 2006. The building was vacant and in need of extensive renovation. The HRA approved the following loans secured by mortgages in executing the transaction:

- \$94,000 loan for purchase of the property.
- \$32,250 loan to reduce the mortgage interest on a \$250,000 renovation loan (loan has been repaid in full).

Payment of both loans were deferred until sale of the property. Upon dissolution of the HRA in 2009, interest in both mortgages was transferred to HEDRA.

The HRA issued a check in the amount of the \$32,250 directly to the holder of the \$250,000 renovation loan to reduce mortgage interest. Dakota County's estimated market value of the property is \$195,400. The appraised value of the property is \$280,000.

In addition, HEDRA is asked to subordinate their primary position on the Elm Salon mortgage for a period of time until the renovations are complete and building presents sufficient cash flow to repay the loan. The term for subordination is indefinite, but may be approximately two years. Effects of subordination are as follows: Subordination may not support full recapture of HRA/HEDRA investment; Merchants Bank would be repaid the first 210,000 from any proceeds, HEDRA would receive any remaining proceeds; subordination may establish a precedent for other outstanding HEDRA loans; subordination places HEDRA at risk in case of default on either existing Elm Salon or new building.

Request is to either forgive two existing mortgages in favor of HEDRA or to subordinate mortgage position. Black River seeks to purchase another downtown building and the lender for the new loan has required subordination of HEDRA's mortgage position on the outstanding loans affecting 110 East 4th Street.

Commissioner Sinclair asked what the City's perspective was when property was acquired.

Acting President Toppin responded that the HRA choosing to defer all payments until sale of the property was intended to create equity.

Commissioner Balsanek commented that while this may improve business climate, it may also open the door to other businesses to come in and ask for loan forgiveness.

Commissioner Sinclair asked if there are other loans out there like this. If not, the commission can make a decision without impact because there aren't other loans out there like this.

Director Hinzman responded that there are other renovation/rehab loans out, but no other mortgages.

Commissioner Sinclair asked if there actually was a mutual benefit. The property was appraised at \$280,000 has cash outlay \$63,000 turned into \$94,000 loan with \$250,000 financial investment plus other improvements, Black River is grossly over-invested.

Requester Beth Warner explained Black River Properties took a personal loan to renovate the building, once they were up and running the City would subordinate if they ever needed to mortgage. Warner explained that she fully intends to pay the City back for the \$32,250 interest reduction loan. Warner expressed that their business has fulfilled the purpose of HEDRA. As an example to the commission, Warner applied the equation from the land for a dollar program formula to their business, Elm has more than exceeded what HEDRA asks of their businesses. Warner asked what the mortgage for \$94,000 was for if the City bought their property for \$63,000 back in the early 2000's.

Commissioner Vaughan asked if the land for a dollar program applied to this area.

Director Hinzman replied the land for a dollar program is exclusive to

Industrial Park.

Commissioner Sinclair argued in favor of the intangible benefits that came from redevelopment of the property.

Commissioner Vaughan commented that if there are more loans out there, approving this could establish a precedent where other businesses come forward asking for forgiveness of their loans.

Commissioner Sinclair motioned to approve forgiveness of the \$94,000 mortgage and to modify the terms of the \$32,000 interest reduction mortgage to begin monthly payments after two years of subordination for a five year period, seconded by Commissioner Sullivan. Motion approved 3-2 (Toppin and Vaughan dissenting).

V. Reports and Information

A. Hudson Development

Director Hinzman stated that the amendments to LCDA grants for parking ramp and landscape improvements have been submitted. Work has begun on transfer documents with Confluence.

Commissioner Balsanek asked if everything was still on track to start construction of park space soon and asked if there was a parking ramp construction start date.

Director Hinzman stated both are planned to begin construction in spring of 2018. They are working on a use agreement for the parking ramp and making adjustment to site plan.

B. Business Retention and Expansion

Coordinator Hill discussed the responses received from businesses. Some of the key points are that sales increased over the year, 73% increase jobs in Hastings, and 81% looking to invest within 2 years. There is a focus on fixing the gap with employees/skilled worker availability and retention. The City and Chamber are discussing how collaboration on these items will work.

C. Open to Business Quarterly Report

Director Hinzman stated that 7 people served in Hastings since the last report, this is somewhere in the middle compared to the rest of the county as far as participation.

Commissioner Vaughan asked if Open to Business is just for new businesses.

Commissioner Toppin replied that service is available for all businesses regardless of length of time they have been open.

D. Vermillion Corridor Plan

Coordinator Hill discussed the community workshop and consultant key person interviews. There is a good response rate to the online surveys and mapping. So far 160 resident surveys completed, 40 business surveys completed, and 93 points of interest pinned on the online mapping tool.

E. Commercial Real Estate

Coordinator Hill explained she was part of the MN DEED FAM tour, a tour where site selectors come in to meet with community development individuals.

F. Commercial Vacancy

Director Hinzman stated there were no changes, but there will be some projects coming later in the fall with the Highway 55 parcel. The developer is working on details of the 3,500 square foot medical office building. City Council approved rezoning for the Caturia-Smidt funeral home and demolition may start later this year. Lightbourn Court (CrossFit) should be breaking ground soon.

Commissioner Balsanek stated he got an email from CrossFit saying that the WAC/SAC fees from the Metropolitan Council do not accurately reflect their business type as more of a warehouse versus an actual fitness center. Balsanek asked who at the City would be the best contact.

Director Hinzman replied that Building Official Tom Bakken closely works with the Metropolitan Council on those determinations.

Director Hinzman went on to inform that the Spiral Brewery Special Use Permit has been approved by the Planning Commission and will go to Council for final decision on September 18th.

There is a proposed ordinance amendment for downtown parking that would make new bars and restaurants moving in to any spaces downtown exempt from the parking standards that are currently in ordinance.

The 22 acre piece of land north of industrial park will be re-zoned to allow for shovel ready designation based on the desirability expressed for current Industrial Park developments.

G. Development Activity

Director Hinzman gave a recap of development activity.

VI. Adjourn

Commissioner Sullivan motioned to adjourn the meeting at 7:54 PM, seconded by Commissioner Vaughan. Motion approved 5-0.

Next Meeting: October 12, 2017