



*Hastings Economic Development and  
Redevelopment Authority*

**To: HEDRA Commissioners**

**From: John Hinzman, Community Development Director**

**Date: May 9, 2019**

**Item: Authorize Amendment to Real Estate Option Agreement – Rungoli (Panache)**

**ACTION REQUESTED**

Authorize signature of the following amendment to the Real Estate Option Agreement between HEDRA and Rungoli (Panache) for sale of the 1.49 acre parcel located north of Artspace:

- 1) Extend the termination date for the Option Agreement from June 1, 2019 to October 31, 2019.
- 2) Establish a purchase price of \$470,700 (\$7.23 per s.f.) for the property. HEDRA may consider a reduction of the purchase price upon demonstration from the developer that a specified lower price is needed to make the project financially feasible. To demonstrate financial feasibility and the related lower price, the Developer must provide the following information on or before September 30, 2019:
  - a) **Sources and uses of funds for the Project.** Sources will include debt (with terms) and equity (with source of equity). Uses must detail land, design, construction, FFE and startup costs. Include documentation for estimated costs.
  - b) **Bank commitment.** Letter from bank giving preliminary loan commitment.
  - c) **Project Proforma.** The proforma will include projected operating revenues and expenditures for the years 2020 through 2029. The assumptions used in estimated operating revenues must be included.

**BACKGROUND**

On December 12, 2018 HEDRA authorized signature of the Real Estate Option Agreement with Rungoli, LLC. Panache plans to construct a three story, 2,400 s.f. mixed use structure containing an artisanal cider bar, and possible restaurant, office, and housing. The Agreement established the following:

- Provides Rungoli LLC (Panache's Property Company) until June 1, 2019 to exercise the Option to develop the property.
- Rungoli is required to notify HEDRA if it intends to exercise the Option granted. Upon

receipt of the notice both HEDRA and Panache would have up to 60 days to come to agreement on the purchase price of the property.

- The sales price would then be incorporated into a future Purchase Agreement for sale of the property; with sale occurring no earlier than 30 days nor more than one year front date of the Option Agreement.
- The Option Agreement would terminate if an agreement to sales price is not achieved within 60 days of notice to exercise the option or upon Option termination date of June 1, 2019.
- HEDRA would provide an Abstract of Title certified to date or a commitment for an owner's policy of title insurance for Panache's review.
- Rungoli's Commitment to provide \$1,000 in earnest funding under the Letter of Intent would be incorporated into payment for the Option.

### **PANACHE APPLE**

Panache LLC is a local, majority women owned, CERT certified small business, committed to building an environmentally and economically sustainable local community. Panache started with of a love of apples and a desire to reintroduce heirloom apples in our daily consumption. Heirloom apples, passed down for centuries by family farms, come with a deep history of hand crafted artisanal practices creating time honored quality products. Hard ciders, botanically infused apple juices and caramels, jams, fruit compotes are some of these quality products. Panache LLC will be producing these products for the regional market on the lot within the Industrial Park. Further information can be found at [www.Panacheapple.com](http://www.Panacheapple.com).

### **ATTACHMENTS**

- Location Map
- Concept Plan
- Real Estate Option Agreement

LOCATION MAP  
DOWNTOWN SITE





OERTEL ARCHITECTS  
 1795 SAINT CLAIR AVE. / ST. PAUL, MN 55105  
 (651) 696-5186  
 www.oertelarchitects.com

**CIDER BAR  
 HASTINGS, MN**

11.4.16

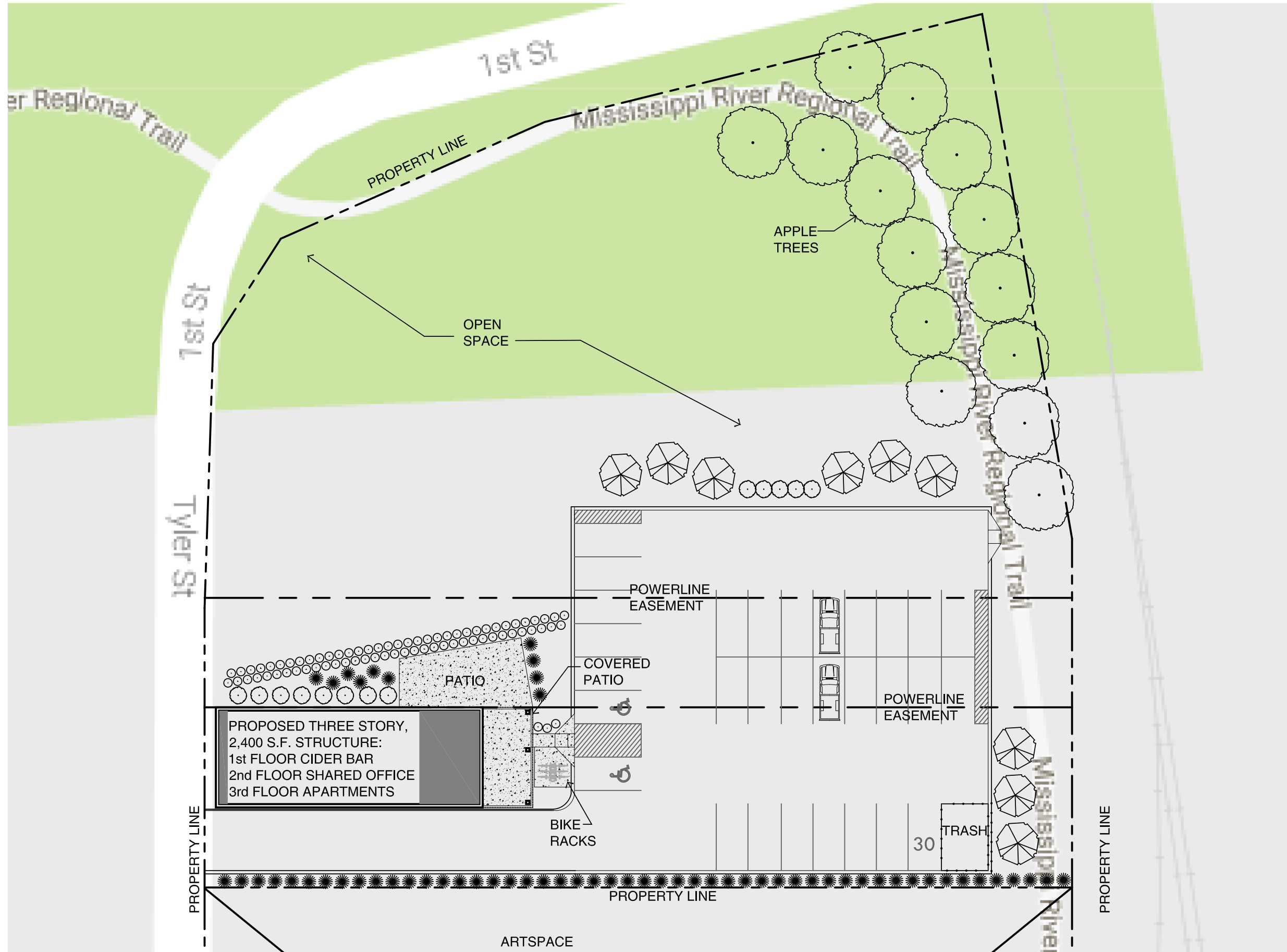
PROJECT NUMBER:	
DATE ISSUED:	
DRAWN BY:	
CHECKED BY:	JLO
PLOTTED:	11-04-2016
REVISIONS:	

I HEREBY CERTIFY THAT THIS PLAN, SPECIFICATION, OR REPORT WAS PREPARED BY ME OR UNDER MY DIRECT SUPERVISION AND THAT I AM A DULY LICENSED ARCHITECT IN THE STATE OF MINNESOTA.

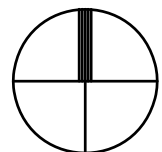
SIGNATURE \_\_\_\_\_  
 DATE \_\_\_\_\_  
 LICENSE # \_\_\_\_\_

SHEET NO.

**A.0**



North



**1 SITE PLAN**

1" = 30' approx.

## REAL ESTATE OPTION AGREEMENT

**THIS AGREEMENT**, is made on or as of the 17<sup>th</sup> day of December, 2018, by and between the Hastings Economic Development and Redevelopment Authority in and for the City of Hastings, a public body corporate and politic under the laws of the State of Minnesota, (hereinafter referred to as "HEDRA"), having its principal office at 101 4th Street East, Hastings, Minnesota 55033-1955, and Rungoli LLC, a Minnesota limited liability company (hereinafter referred to as the "Developer"), having its principal office at 1865 Fairmont Avenue, St. Paul, Minnesota 55105.

### RECITALS

**WHEREAS**, HEDRA is an economic development and redevelopment authority and is the owner of certain real property located within the City of Hastings legally described as Outlot A and Outlot B, Riverfront Addition, Dakota County, Minnesota except that portion thereof platted as Riverfront Second Addition, Dakota County, Minnesota, represented by Dakota County PIN 19-63950-00-021 and 19-63950-00-010 (which real property is referred to herein as the "Property"); and

**WHEREAS**, HEDRA has identified as one of its objectives the encouraging of economic development and job growth within the City of Hastings by inducing and assisting new businesses and organizations to locate in the City for the purposes of creating, fostering, and preserving affordable new jobs and a diverse visitor destination with a strong focus on the Mississippi riverfront near the eastern end of downtown Hastings; and

**WHEREAS**, the Developer is a Minnesota, majority women owned, CERT certified small business, committed to building an environmentally and economically sustainable local community; and

**WHEREAS**, the Developer is desirous of submitting certain proposals for predevelopment and development funding for a mixed-use project within the City of Hastings which may include purchase of all or a portion of the Property and construction of improvements thereon, all of which would in turn lead to creation of new commercial opportunities and jobs within the City of Hastings; and

**WHEREAS**, the Developer must satisfy certain other conditions before it would be in a position to purchase the Property and HEDRA is willing to grant to the Developer an option to purchase the Property, for a limited time period and upon certain conditions, to allow the Developer to proceed with its preliminary development plans and applications while having the assurance from HEDRA that the Property will be available for purchase by the Developer, should the Developer elect to proceed with its development plans and purchase of the Property after satisfying any and all conditions HEDRA may impose on the development plans and purchase of the Property; and

**WHEREAS**, HEDRA is willing to grant an option to the Developer to purchase the Property, but only if the parties are able to agree on the price by which the Property would be sold to the Developer, and if Developer complies with the construction, employment and other covenants established by HEDRA; and

**WHEREAS**, HEDRA may consider providing business subsidy benefits to the Developer if Developer exercises its option to purchase granted hereunder but cannot grant or commit to granting such business subsidies unless and until Developer exercises its option to purchase the Property; and

**WHEREAS**, Developer and HEDRA have agreed to the terms of that certain Letter of Intent (undated) on file with HEDRA ("Letter of Intent") and this Agreement is made in furtherance of the terms thereof.

**NOW, THEREFORE**, in consideration of mutual covenants and obligations of the parties hereto, each of them does hereby covenant and agree with the other as follows:

1. **GRANT OF OPTION.** For good and valuable consideration, including the option payment of one thousand and no/100 dollars (\$1,000.00) paid by Developer to HEDRA upon execution of this Agreement and as provided for in the Letter of Intent, the receipt of which is hereby acknowledged by HEDRA, HEDRA hereby grants to the Developer a right and option upon the terms and conditions hereinafter set forth, to purchase the Property.

2. **OPTION TERM.** The term of the option to purchase the Property shall commence from the date of this Agreement and shall terminate on June 1, 2019.

3. **OPTION PRICE.** If the Developer elects to exercise the option within the time specified in Paragraph 2, the purchase price for the Property shall be determined upon agreement between HEDRA and Developer based on application of HEDRA's policies for promoting development and redevelopment and taking into consideration funding Developer is able to obtain and apply toward the purchase price and which price shall be memorialized in a Development Agreement ("Development Agreement") establishing any obligations of the Developer, in addition to payment of the purchase price, to satisfy certain employment, wage and construction

requirements within specified times complying with HEDRA's objectives for encouraging economic development and job growth within the City of Hastings. The specific terms of the Development Agreement shall be established by HEDRA and the City of Hastings. The Developer acknowledges and agrees that if the Developer elects to exercise the option hereunder, the conveyance and sale of the Property to the Developer may be subject to the requirements of Minn. Stat. §§ 116J.993 – 116J.995 (the "Business Subsidy Act"). Developer agrees and acknowledges that neither HEDRA nor the City of Hastings can commit to advancing any business subsidies unless and until Developer exercises its option to purchase the Property and upon that occurrence the final decision whether to grant, or not grant, business subsidies to the Developer will be within the sole and absolute discretion of the then governing bodies of HEDRA and the City of Hastings, and will be subject to all laws and regulations governing business subsidies in effect at that time.

4. **PERMITTED ENCUMBRANCES.** In the event the Developer exercises the option contained herein, the conveyance by HEDRA of the Property shall be subject to the following permitted encumbrances: the obligations and restrictions contained in the Development Agreement and any agreement required under the Business Subsidy Act; reservations of minerals or mineral rights to the State of Minnesota; public utility, roadway and other easements which will not adversely affect the development and use of the Property pursuant to the Developer's construction plans; environmental covenants which may be imposed as a result of environmental remediation on the Property; easements for overhead powerlines currently in place on the Property; building laws, regulations and ordinances consistent with the proposed improvements; real estate taxes that the Developer agrees to pay or assume pursuant to the Development Agreement; restrictions, covenants and easements of record that do not materially adversely affect the development and use of the proposed improvements; and exceptions to title to the Property which are not objected to by the Developer upon examination of the title evidence to be delivered to the Developer pursuant to the Development Agreement.

5. **DATE OF CLOSING.** The date of closing shall be a date mutually agreed upon by the Developer and HEDRA which date shall not be earlier than 30 days nor more than 1 year after the date of the exercise of the option.

6. **TAXES AND ASSESSMENTS.** HEDRA shall pay at closing all real estate taxes and installments of special assessments due in all years prior to the year of closing. Real estate taxes and special assessments due in the year of closing shall be prorated between the parties. The Developer shall pay all real estate taxes and installments of special assessments due and payable in the year following the year of closing and subsequent years.

7. **TITLE AND REMEDIES.** HEDRA shall within a reasonable time after notification by the Developer of the exercise of the option provide for the Developer's inspection an Abstract of Title certified to date, or at HEDRA'S option, a commitment for an owner's policy of title insurance, including proper searches covering bankruptcies, state and federal judgments and liens. The Developer shall be allowed 10 days after receipt thereof for examination of said title and the making of any objections thereto, said objections to be made in writing or deemed to be waived. If any objections are so made the Developer shall be allowed to rescind the transaction in which event HEDRA shall refund to the Developer any payments made pursuant to the terms of this Agreement, or if HEDRA elects to remedy said title objections, HEDRA shall be allowed 60 days to make such

title marketable. Pending correction of the title the date of closing shall be postponed but upon correction of the title and within 30 days after written notice to the Developer the closing shall occur. If said title is not marketable and is not so made within 60 days from the date of the written objections thereto as above provided, this Agreement shall be null and void at the option of the Developer and HEDRA shall refund to the Developer any of the payments made pursuant to the terms of this Agreement and neither party shall be liable for damages to the other party.

8. EXERCISE OF OPTION AND CLOSING. In the event the Developer desires to exercise the option herein granted, the Developer shall notify HEDRA in writing of the Developer's intent to do so and such notice shall be deemed to have been duly given if delivered in person or deposited in the United States Mail, postage prepaid, for mailing by certified or registered mail, return receipt requested, to HEDRA at the address set forth in the initial paragraph of this Agreement. Upon receipt of such notice, the parties shall negotiate in good faith to agree on the purchase price for the Property. If the parties do not agree in writing on the purchase price of the Property within 60 days after receipt of such notice, or if the Developer does not exercise the option herein granted prior to expiration of the option term, the obligations of the parties hereunder shall automatically terminate, the parties shall execute and exchange a document confirming the termination of the option rights hereunder upon request by either party, the option payment made by the Developer to HEDRA upon execution of this Agreement and as provided for in the Letter of Intent shall be refunded to Developer, and neither party shall have any further obligation to the other under this Agreement.

9. NO PARTNERSHIP OR JOINT VENTURE CREATED HEREBY. Nothing contained in this Agreement shall be interpreted as creating a partnership or joint venture between the Developer and HEDRA relative to the Property.

10. ASSIGNMENT. The Developer may not assign its interest in this Agreement without the prior written consent of HEDRA, which consent may be granted or withheld in the sole and absolute discretion of HEDRA. An unconsented assignment by the Developer shall be void, and at the option of HEDRA, shall be grounds for the termination of this Agreement.

11. AMENDMENT, MODIFICATION, OR WAIVER. No amendment, modification, or waiver of any condition, provision, or term shall be valid or of any effect unless made in writing, signed by the party or parties to be bound or a duly authorized representative, and specifying with particularity the extent and nature of such amendment, modification, or waiver. Any waiver by any party of any default of another party shall not affect or impair any right arising from any subsequent default. Except as expressly and specifically stated otherwise, nothing herein shall limit the remedies and rights of the parties hereto under and pursuant to this Agreement.

12. SEVERABLE PROVISIONS. Each provision, section, sentence, clause, phrase, and word of this Agreement is intended to be severable. If any provision, section, sentence, clause, phrase, and word hereof is illegal or invalid for any reason whatsoever, such illegality or invalidity shall not affect the validity of the remainder of this Agreement.

13. CAPTIONS, HEADINGS, OR TITLES. All captions, headings, or titles in the paragraphs or sections of this Agreement are inserted for convenience of reference only and shall




not constitute a part of this Agreement as a limitation of the scope of the particular paragraphs or sections to which the apply.

14. MINNESOTA LAW. This Agreement shall be construed and enforced in accordance with the laws of the State of Minnesota and any dispute shall be venued in the Dakota County District Court.

IN WITNESS WHEREOF, the parties have executed this Agreement effective the 17<sup>th</sup> day of Dec-, 2018.

Dated: 17 Dec, 2018

**RUNGOLI LLC**  
A Minnesota limited liability company

  
By: Ameeta Jaiswal-Dale  
Its: CEO & Owner

**ACKNOWLEDGMENT**

STATE OF MINNESOTA )  
 ) ss.  
COUNTY OF Dakota )

The foregoing instrument was acknowledged before me this 17<sup>th</sup> day of Dec., 2018, by Ameeta Jaiswal-Dale, the CEO & Owner of Rungoli LLC, a Minnesota limited liability company.

  
Notary Public

