



## ***HEDRA MEMORANDUM***

**To:** HEDRA Commissioners  
**From:** Rusty Fifield, Economic Development Coordinator  
John Hinzman, Community Development Director  
**Date:** November 7, 2019  
**Item:** Panache

At the October HEDRA meeting, the Board agreed to extend the Panache option to purchase agreement for 90 days. The agreement set a purchase price of \$470,700 and established certain requirements for Panache that must be presented to staff no later than December 30, 2019. The specific requirements in the extension are listed later in this memo. This extension has been executed.

**Significant concerns remain regarding the ability of Panache to develop the property and operate proposed businesses.** It is important that the information we use for decision-making is credible. To this point, the information provided has come from Ameeta Jaiswal based on her research and conversations. We are not aware of the engagement of an architect, engineer, or financial advisor to help her develop construction or business plans for this project. Without this guidance, the credibility of the project budget and of the operating projections should be viewed cautiously. Ms. Jaiswal has not presented previous experience in real estate development or in the operation of a cidery or similar business.

In fairness to all parties, it is time to take a hard, objective look at this project. We ask that you consider the following questions:

- What is the minimum information that you need to determine a reduced price for the property?
- If you receive that information and set a reduced price, are you willing to direct staff to prepare a purchase and development agreement and sell the property to Panache?
- What is the likelihood of receipt of necessary information prior to the December 12<sup>th</sup> HEDRA Meeting or the December 30<sup>th</sup> Real Estate Option Deadline.
- If you do not believe that the necessary information will be forthcoming, is it appropriate to direct Panache to spend money on professional services? Panache has been reluctant to expend funds to hire an architect or civil engineer to provide more detailed plans.
- Staff will be conducting a Downtown Property Utilization Study in 2020 that includes the property under consideration for Panache. The Study will provide much of the site information we have requested from Panache. The Study may also find other use for the property. Does this affect your views on the Panache proposal?
- Would the proposed business initially work better in existing space?

Ms. Jaiswal plans on attending the November 14<sup>th</sup> meeting along with members of her development team to discuss the project with you. Staff has requested that Panache provide further detail the planned discussion with HEDRA. No specific objectives for the discussion have been set at the time of this memo.

It is important for HEDRA to examine the content and expertise of information provided by Panache; we need to move beyond conceptual drawings and well-intended plans. The City, HRA, and HEDRA has expended significant time and capital on the acquisition and cleanup of this riverfront site. HEDRA should be confident in the ability of Panache to develop a project prior to any formal arrangements to sell the property. Ms. Jaiswal has informed us that she will be out of the country in January and wants to reach a decision before the end of 2019. This timing may require action by HEDRA at the December 12 meeting.

### **Panache Requirements under the amended Real Estate Option Agreement**

The agreement states that HEDRA may consider a reduced price if necessary to make the project financially feasible. Panache also requested that the Board consider the actual buildable area of the property in determining the price. The amended agreement requires Panache to provide the following information by December 30, 2019.

- a) Preliminary site plan (including building, parking, utilities, and stormwater discharge) illustrating limitations of Mississippi River setbacks and powerline easement, architectural renderings, floor plan for the building (including square footage of proposed uses), and preliminary construction budget prepared by a qualified engineer and architect.
- b) A table containing the sources and uses of funds for the Project in the form contained in Exhibit C (Attachment A of this memo). The table must:
  - 1) Utilize the preliminary construction budget.
  - 2) Cover all activities required to begin business operations on the Property.
  - 3) Itemize all sources of funds including Developer and investor equity contributions.
  - 4) Include the land purchase price requested by the Developer.
- c) A proforma including projected operating revenues and expenditures for all activities conducted on the property for the years 2020 through 2029. The proforma must include:
  - 1) Projected revenues by source, such as taproom, event space, apartments, and merchandise.
  - 2) Projected operating expenses including cost of cider, food, merchandise and other goods sold; wages and benefits, business expense including office, marketing, maintenance, utilities, taxes, insurance, and professional services.
  - 3) Calculation of cash-on-cash return on investment.
  - 4) Explanation and supporting documentation for assumptions used in proforma.

We hope that these questions help frame the discussion at our upcoming meeting. Please do not hesitate to contact either of us with questions prior to the meeting.

**Attachment A**  
**EXHIBIT C**  
**Form of Sources and Uses Table**

<b>Sources of Funds</b>		<b>Uses of Funds</b>	
Bank loan	\$ _____	Land	\$ _____
SBA Loan	\$ _____		
		Building construction	\$ _____
Other loans		Site improvements	\$ _____
Describe	\$ _____		
Describe	\$ _____	Cidery Equipment	\$ _____
		Furnishings	\$ _____
Grants		Architect services	\$ _____
Describe	\$ _____	Legal services	\$ _____
Describe	\$ _____	Accounting and other services	\$ _____
Equity			
Owner	\$ _____	Licenses and permits	
Other investors	\$ _____	City	\$ _____
		Other	\$ _____
Other sources			
Describe	\$ _____	Loan fees	\$ _____
Describe	\$ _____	Bank	\$ _____
Describe	\$ _____	SBA	\$ _____
		Other project costs	\$ _____
		Contingency	\$ _____
		Working capital	\$ _____
TOTAL Sources	\$ _____	TOTAL Uses	\$ _____

Notes

1. Information in this table covers the complete Project.
2. Provide anticipated terms of Bank loan here:
3. Provide any other information needed to explain this table.