

**HASTINGS ECONOMIC DEVELOPMENT & REDEVELOPMENT
AUTHORITY**

December 9, 2021 - 6:00 pm.

HASTINGS CITY COUNCIL CHAMBERS

I. Quorum

II. Minutes

Please see the attached HEDRA Meeting minutes from the November 10, 2021 regular meeting and closed door session for your review and approval.

III. Bills

November Bills

Dakota County Abstract	\$10,000.00	Land Purchase Earnest Money - 410 Vermillion
Dakota County Abstract	\$5,000.00	Land Purchase Earnest Money - 412 Vermillion
Rise Up Recovery	\$10,000.00	Land Purchase - 410 Vermillion
Canal Park Lodge	\$613.04	Lodging - EDAM Conf - Hinzman and Maass
Schlomka Portable Toilets	\$498.00	COVID - Downtown Toilets

Please see attached general ledger detail from the months of October and November for further information.

IV. Business

A. Confluence Construction Update

Representatives from The Confluence project will be in attendance to provide an update to HEDRA as to the ongoing construction of the project.

B. Block 1 Discussion

Mint Development (Rob Barse) has submitted a letter of intent to purchase the 1.49 acres of property owned by HEDRA located north of Artspace on Block 1. The proposal consists of an apartment building with 27 units and a shipping container concept space for a restaurant or similar user adjacent to the riverfront. A tenant for that space has not been secured.

Staff has the following comments related to the project:

- **Shipping Container Design** - The proposed utilization of shipping containers for both seasonal commercial use and residential design of the building is inventive and ties in with the adjacent CP Railroad. The commercial use of the container retail areas could serve as a draw for Downtown Hastings.

- **Strategic Plan directs RFP for the Site** - HEDRA's July 8, 2021 Strategic Plan directs staff to issue a Request for Proposals (RFP) to solicit wider interest in development of the site. A 1-2 year time frame for development of the RFP was established.
- **Riverfront Destination** - Long term desire to establish a riverfront destination on the site consisting of commercial development or some other draw to bookend The Confluence. The proposal for retail and commerce utilizing shipping containers provides seasonal activity on a portion of the site. Does the proposal meet the desire for a riverfront destination?
- **Growth of Downtown** - The City is experiencing a tremendous increase in residential development with over 650 residential units planned for development. This includes three residential projects within the downtown adding nearly 140 units and the completion of The Confluence. Will the increase in downtown residents and activity change the capacity of the site for development for commercial or destination?
- **Environmental Cleanup** - Environmental investigation conducted on the site in 2018 identified the need to remediate contaminated soils. The total cost for remediation was approximately \$320,000. The City secured a grant from Metropolitan Council for \$270,000 which has since expired. The City has the opportunity to apply for the grant again. The next grant round is May 1, 2022. Assuming the grant is successful, environmental remediation could not occur until summer of 2022.
- **Offer Price** - An offer price of \$94,500 has been submitted for acquisition of the 1.49 acre site (\$1.46 per s.f.). The Dakota County assessed valuation is \$473,600 (\$7.30 per s.f.). The site is not 100 percent developable and restricted by overhead powerlines and floodplain\shoreland setbacks, but the offer price is substantially less than the assessed value.

ACTION – Potential Staff direction may include the following:

- 1) Develop an RFP to solicit development proposals for the site between July 2022 and 2023 consistent with the Strategic Plan.
- 2) Consider sale of the site as requested by Mint Development.

Please see the attached cover letter and letter of intent from Mint Development. Mr. Barse will also be in attendance at the meeting to provide further information.

C. Adopt Resolution 2021-22 Authorizing Staff to Process HEDRA Loan Refinancing

Below are the current HEDRA loans eligible for refinancing. Information includes the current loan balances and proposed alterations to the loan agreements.

Marathon Properties – 214 2nd Street E

- Remaining balance of \$8,256.00.
- Current Interest Rate: 5% through 3/1/2023 then Prime + 0.25% adjusted biannually.
- Proposed Interest Rate: 4% fixed.
- Current Loan Maturity Date: December 1, 2029
- Proposed Loan Maturity Date: January 1, 2030
- Current Monthly Payment: \$95.09
- Proposed Monthly Payment: \$100.63

River City Properties – 216 2nd Street E

- Remaining balance of \$9,652
- Current Interest Rate: 5% through 1/1/2023 then Prime plus 0.25% until paid off.
- Proposed Interest Rate: 4% fixed
- Current Loan Maturity Date: January 1, 2030
- Proposed Loan Maturity Date: January 1, 2030
- Current Monthly Payment: \$111.16
- Proposed Monthly Payment: \$117.65

Kevin and Lynette Hoeschen – 208 Sibley Street

- Remaining balance of \$12,709.67
- Current Interest Rate: 9% fixed
- Proposed Interest Rate: 4% fixed
- Current Loan Maturity Date: May 31, 2023
- Proposed Loan Maturity Date: January 1, 2025
- Current Monthly Payment: \$377.08
- Proposed Monthly Payment: \$375.24

Main Street Properties – 213 2nd Street

- Remaining balance of \$4,581.69
- Current Interest Rate: 3.5%, adjusted to Prime +0.25% every 2 years
- Proposed Interest Rate: 4.0%
- Current Loan Maturity Date: August 1, 2024
- Proposed Loan Maturity Date: January 1, 2024
- Current Monthly Payment: \$89.70
- Proposed Monthly Payment: \$198.96

T&S Properties (Loan 1) – 216 4th Street E

- Remaining balance of \$47,001.68
- Current Interest Rate: 3.5%, adjusted to Prime +0.25% every 2 years
- Proposed Interest Rate: 4.0% fixed
- Current Loan Maturity Date: December 31, 2029
- Proposed Loan Maturity Date: January 1, 2030
- Current Monthly Payment: \$474.16
- Proposed Monthly Payment: \$572.92

T&S Properties (Loan 2) – 216 4th Street E

- Remaining balance of \$13,810
- Current Interest Rate: 5.25% through 8/1/2022 then Prime + 0.25% adjusted biannually
- Proposed Interest Rate: 4.00% fixed
- Current Loan Maturity Date: July 1, 2029
- Proposed Loan Maturity Date: January 1, 2030
- Current Monthly Payment: \$160.72
- Proposed Monthly Payment: \$168.33

Jupiter Peak Lodging – 110/112 2nd Street E

- Remaining balance of \$4,644.35
- Current Interest Rate: 3.5% adjusted biannually to Prime + 0.25%
- Proposed Interest Rate: 4.0% fixed
- Current Loan Maturity Date: May 1, 2026
- Proposed Loan Maturity Date: January 1, 2026
- Current Monthly Payment: \$68.90
- Proposed Monthly Payment: \$104.87

Vlach – 1007 Sibley Street

- Remaining balance of \$15,850.64
- Current Interest Rate: 3.5% adjusted biannually to Prime + 0.25%
- Proposed Interest Rate: 4.0% fixed
- Current Loan Maturity Date: December 1, 2026
- Proposed Loan Maturity Date: January 1, 2028
- Current Monthly Payment: \$221.75
- Proposed Monthly Payment: \$247.99

VZ Group LLC – Beloved Bridal & Boutique

- \$15,901.59
- Current Interest Rate: 3.5% adjusted biannually to Prime + 0.25%
- Proposed Interest Rate: 4.0% fixed.
- Current Loan Maturity Date: February 1, 2021
- Proposed Loan Maturity Date: January 1, 2023
- Current Monthly Payment: \$1,093.99
- Proposed Monthly Payment: \$690.53

Spiral Brewery (Loan 1)

- Remaining balance of \$16,105.07
- Current Interest Rate: 3.5% adjusted biannually to Prime + 0.25%
- Proposed Interest Rate: 4.0% fixed
- Current Loan Maturity Date: January 1, 2021
- Proposed Loan Maturity Date: January 1, 2024
- Current Monthly Payment: \$1,091.20
- Proposed Monthly Payment: \$699.36

Spiral Brewery (Loan 2)

- Remaining balance of \$12,686.52
- Current Interest Rate: 3.75% adjusted biannually to Prime + 0.25%
- Proposed Interest Rate: 4.0% fixed
- Current Loan Maturity Date: January 1, 2033
- Proposed Loan Maturity Date: January 1, 2033
- Current Monthly Payment: \$191.20 (was based on a full loan draw, full balance not drawn)
- Proposed Monthly Payment: \$118.96

Spiral Brewery (Loan 3)

- Remaining balance of \$12,600.00
- Current Interest Rate: 5.5% through 7/1/2022 then adjusted biannually to Prime + 0.25%.
- Proposed Interest Rate: 4.0% fixed
- Current Loan Maturity Date: June 1, 2029
- Proposed Loan Maturity Date: January 1, 2030
- Current Monthly Payment: \$148.18
- Proposed Monthly Payment: \$153.58

Sui Genesis, LLC

- Remaining balance of \$23,361.38
- Current Interest Rate: 3.5% adjusted biannually to Prime + 0.25%
- Proposed Interest Rate: 4.0% fixed
- Current Loan Maturity Date: January 1, 2033
- Proposed Loan Maturity Date: January 1, 2033
- Current Monthly Payment: \$188.45
- Proposed Monthly Payment: \$219.05

ACTION – Motion to adopt HEDRA Resolution 2021-22 authorizing Staff and HEDRA Attorney to refinance existing HEDRA loans as presented with minor modifications and minor loan negotiations as may be requested by the HEDRA Attorney and authorize signature of necessary loan refinance documents.

D. Adopt Resolution 2021-23 Authorizing Write Off of Revolving Loans Made to Joseph D Ryan in the amount of \$60,540.00

HEDRA approved two loans for improvements for the property located

at 106 and 108 East Second Street in June of 2008. Each of the loans was in the amount of \$30,270 for a total of \$60,540. In June of 2016 Staff was sent notice that Mr. Ryan had declared bankruptcy. HEDRA's loans were secured by a second position mortgage with a first position mortgage in place to Vermillion State Bank in the amount of \$1,050,000.00. Following disposition of the real estate and remaining assets of Mr. Ryan, funds were not available for HEDRA to collect on all or a portion of its loan.

Mr. Ryan did complete all of the renovations to the building located at 106 and 108 East Second Street so some intrinsic value was retained from the HEDRA investment. It would be appropriate for HEDRA to formally write off the loss of the loans to maintain its financial records.

ACTION – Motion to Adopt Resolution 2021-23 Approving the write-off of loans made to Mr. Joseph D. Ryan in the amount of \$60,540 for the property located at 106 and 108 East Second Street.

E. Adopt Resolution 2021-24 Requesting a Public Hearing on the Proposed Establishment of Tax Increment Financing (TIF) District No. 9

The proposed resolution is being proposed for HEDRA to request the City Council to call for a Public Hearing on February 21, 2022 to consider establishment of a new TIF District for the Flats on 3rd Project.

HEDRA previously established the Hastings Downtown Redevelopment Area, Development District No. 1 in an effort to encourage the redevelopment of certain designated areas within the City of Hastings. The requested action does not approve of any formal TIF financing but instead requests that the statutorily required public hearing be called for by the City Council for further consideration of a potential TIF district.

ACTION – Motion to Adopt Resolution 2021-24 Requesting a Public Hearing on the Proposed Establishment of Tax Increment Financing District No. 9.

F. Minnesota Marketing Partnership

The Minnesota Marketing Partnership (MMP) is a public-private partnership working together to develop initiatives to promote Minnesota and its business economy through marketing campaigns, site selector events, Minnesota familiarization tours and more. Members include City, County, and State governments as well as community and regional economic development organizations and utility companies.

Membership benefits include the following:

- Involvement in the planning and execution of economic development marketing goals and objectives for Minnesota.
- Provide guidance on industry trade shows and events where the State should be represented.

- Represent Minnesota and organization at national trade shows, site selector events and familiarization tours.
- Build relationships and learn best practices with other in the economic development field.
- Quarterly meetings with peers from across the state.

The annual cost to join the MMP is \$700 which could be paid from budgeted marketing funds.

ACTION – Motion to approve HEDRA marketing expenditure for 2022 membership in the Minnesota Marketing Partnership.

V. Reports and Information

A. Development Update

410 Vermillion Street – HEDRA is scheduled to close on PID’s 19-32150-28-020 and 19-32150-28-021 on December 8th.

412 Vermillion Street – HEDRA is scheduled to close on PID’s 19-32150-28-085 and 19-32150-28-050 on December 15th.

209 Sibley Street – Squeaky Wheel Pottery will soon be opening to the public. This pottery business will offer a gift store, classes, workshops and studio events. Additional information can be found at www.squeakywheelpottery.com.

214 2nd Street – A new retail store called Grove Boutique has opened in the former Mississippi Clayworks space between SC Toys and Quaint n Quirky.

213 Ramsey Street – ISD200 has terminated their lease with the City of Hastings for the portion of the building owned by the City. Staff will be doing a walk through of the space to consider potential next steps for how best to utilize the space.

Summergate Annexation - Redwing Blvd - The City Council will consider 1st Reading of the annexation ordinance on December 6th with the public hearing and action scheduled for January 18, 2022 for the 159 lot single family subdivision to be located of Red Wing Blvd and Michael Avenue. Development could begin in spring 2022.

Tyler Street Landing Apartments (Luke Siewert) – The Dakota County CDA has approved a \$250,000 Redevelopment Incentive Grant (RIG) for this project on November 16th. On October 4th the City Council approved land use actions to allow construction of the 32 unit apartment building at 3rd and Tyler.

The Confluence – Encapsulation patching is nearly complete. Confluence is completing lead paint abatement and plans to resume interior construction upon completion of the lead paint abatement.

Fleet Farm – Interior demolition continues. City staff has reviewed conceptual

plans for the new building materials yard.

Quality One Woodwork – Construction continues the 52,000 sf building expansion. Staff conducted a ground breaking ceremony alongside the Hastings Chamber of Commerce.

Custom Sawdust Lease – On October 4th the City authorized signature to lease the entire Custom Sawdust Building currently under construction at 525 East 31st Street. Items within the UBC North Building (part of the Stencil Apartment Building) will be relocated to the site.

Lofts On Third (NJS Stencil Apartment) – A comprehensive plan and ordinance amendment to accommodate the proposed 85 unit building was approved by City Council on November 15th. The Developer has since submitted for formal land use entitlements to be reviewed by Planning Commission and City Council in December/January. The Developer hosted a neighborhood meeting on December 7th.

UBC North Building Sale – The 10,000 sf steel framed building is currently up for auction with bidders already expressing interest.

Heritage Ridge – At the September 7th meeting, the City Council approved the 3rd Addition of Heritage Ridge and authorize a grading only agreement for the area. Building permits for over 20 of the lots have been submitted to the City for review and approval. They will likely seek approval of the 4th and final phase of the 116 lot development before spring of 2022.

Vermillion Acres – City Council approved the Development Agreement for the 75 unit senior housing facility on September 7th. The Building Department has concluded review of the plans, which will include modular construction of some components offsite and moved onto the site for final construction.

The Quill - Schoolhouse Square Senior Housing – Building is under construction and is scheduled to open in the fall of 2022.

Villas at Pleasant – The model home permit for the 32 unit villa housing development has been approved and construction should commence shortly.

315 Pine Street - Former Thorwood Inn - Cleanup work continues on the fire damaged former building. Partial demolition and renovation plans were approved by the Heritage Preservation Commission on July 27th.

WSI Sportswear – Staff is working with WSI regarding agreements related to the HEDRA land sale. WSI has also continued work with a general contractor regarding future construction of their facility.

B. Recognition of Outgoing HEDRA President Dennis Peine

This is HEDRA President Dennis Peine's last meeting. Dennis has served on HEDRA for the last 12 years. He has always served as a great cheerleader for our development efforts and was one of the first strong

supporters for the redevelopment of Levee Park and reuse of the former Hudson Manufacturing Building. Dennis is an architect by training and continues to share his vision of Hastings through drawings of site and buildings. Prior to HEDRA, Dennis also served six years on the Planning Commission. We thank Dennis for his years of service and wish him the very best in the future!

VI. Closed Door Session - Review Potential Purchase of Property.

Staff seeks a motion to close the meeting pursuant to Minn. Stat. 13D.05, subd. 3(c) to determine the offer for the purchase of properties located on Block 28, Town of Hastings.

ATTACHMENTS

- Minutes – November 10, 2021 - Regular Meeting
- Minutes – November 10, 2021 - Closed Door Summary
- Bills - November, 2021
- Rob Barse Development Proposal - Block 1
- Resolution No. 2021-22 - Authorize Staff to Process HEDRA Loan Refinancing
- Resolution No. 2021-23 - Write-Off of Ryan Loans
- Resolution No. 2021-24 - Request Public Hearing on Proposed TIF District

Next Meeting: Thursday, January 13, 2022.