

**HASTINGS ECONOMIC DEVELOPMENT & REDEVELOPMENT
AUTHORITY**

January 13, 2022 - 6:00 pm.

HASTINGS CITY COUNCIL CHAMBERS

I. Quorum

I.A. OATH OF OFFICE – Commissioner Johnson – Commissioner Johnson shall recite the Oath of Office.

II. Minutes

Please see the attached HEDRA Meeting minutes from the December 9, 2021 regular meeting and closed door session for your review and approval.

III. Bills

December Bills

Dakota County Abstract	\$236,577.50	Block 28 - Purchase of 412 Vermillion
Dakota County Abstract	\$221,411.11	Block 28 - Purchase of 410 Vermillion
Anderson Engineering	\$6,488.00	Block 28 - ALTA Survey for 412 and 410 Vermillion
Levander Gillen & Miller	\$6,488.00	Legal - November and December
Stantec Consulting	\$2,107.25	Confluence - Environmental
Dakota County Abstract	\$775.00	Sale of Land - Siewert-River City
Schlomka Portable Toilets	\$498.00	COVID - Downtown Toilets
HEDRA Commissioners	\$76.00	Admin - Annual Compensation
Econ Dev Assoc of MN	\$20.00	Admin - Seminar

Please see attached general ledger detail from the last two months for further information.

IV. Business

A. Election and Appointment of Officers

The following annual elections and appointments are due:

- Appoint President, Vice-President, and Treasurer, to be elected from citizen commissioners.
- Appoint Eric Maass as Secretary
- Appoint Chris Eitemiller, Finance Manager as Assistant Treasurer
- Designate Kori Land, City Attorney; and Andrea McDowell Poehler as Legal Counsel.

Nominations may be made individually or as a group and then voted on by the full Board.

B. Resolution #2022-01: Authorization of Banking Signatories

Staff has prepared Resolution #2022-01 for HEDRA consideration. Staff is seeking HEDRA recommendations for 2022 HEDRA President, Treasurer, and Assistant Treasurer.

Staff will update Resolution #2021-01 based on HEDRA feedback for those positions.

Action: Motion to Adopt Resolution #2022-01 Authorization of Banking Signatories

C. Consider Revolving Loan Request from Spiral Foods Co-Op

Spiral Foods Co-op has submitted a Revolving Loan Application requesting a total of \$150,000 in financing for an expansion of their current retail setting. The total project is estimated at \$466,000.

The project would more than double the retail footprint of the business to more than 4,000 square feet. It is projected that with the increase in sales space that annual revenue will increase from \$1.2M to nearly \$3.0M annually by year three. The expansion would also result in the addition of five full time jobs by the end of year three.

Uses:	Sources	Notes
Equipment - \$80,000	EIDL Loan - \$200,000	Pending
Tenant Improvements - \$250,000	Member Equity - \$53,000	
Working Capital - \$60,000	HEDRA Loan - \$150,000	Requested
Professional - \$18,000		
Soft Costs - \$15,000		
Contingency - \$40,000		
Total: \$463,000	Gap: \$60,000	

The revolving loan program has a cap of \$25,000 available in working capital loans. The maximum term on loans for machinery and equipment is ten years.

Typically, HEDRA loans are secured by a mortgage and/or personal guaranty from the business owner. Spiral Foods Co-op currently leases its space but has an opportunity to purchase the building in 2024 and 2026 per terms of their lease. However, the current lease situation results in Spiral Foods Co-op being unable to provide a mortgage as collateral for a loan. Additionally, as a member owned Co-op a personal guaranty as collateral is also not feasible.

The proposed project does include a sizeable investment in equipment which could be used as a partial guarantee for a loan to purchase that equipment. However, due to the depreciation of machinery and equipment, the value of that guarantee will diminish over time.

Staff has completed a financial analysis of the business. A summary of which will be provided to HEDRA Commissioners separately from the packet due to the private nature of business financials.

Based on Staff's analysis of submitted financials, Spiral Foods Co-op is a

credible business and candidate to receive a revolving loan through HEDRA. However, due to the lack of other committed funding sources to the project and known terms of that financing, Staff is recommending that HEDRA delay any action until other financing sources are committed and terms and amounts of that financing are known. Ideally following other financing sources being secured the loan amount requested from HEDRA would be reduced.

Action: Staff is not requesting formal action on this agenda item at this time.

D. Resolution #2022-02: Approve Façade Improvement Program (FIP) Grant for Improvements at 215 Sibley Street

HEDRA has received an application from Radke & Mohrhauser LLC for assistance in restoration of a portion of the façade for the building located at 215 Sibley Street. The proposed project would result in the restoration of the 2nd floor windows and replacement of storm windows. The project would not only improve the building aesthetics but also the energy efficiency of the building as the building owner had an energy assessment done as part of their due diligence. The proposed project has a total cost of \$11,990, of which \$2,145.00 has already been paid as a deposit and thus is not eligible bringing the total eligible project costs to \$9,845.00. The maximum grant award based on current matching funds is \$4,922.50.

The proposed window restoration has been reviewed and approved by the Hastings Preservation Commission (HPC).

Action: Motion to Approve Resolution #2022-02 Approving Façade Improvement Program Grant Award to BMMK, LLC for window replacement at 215 Sibley Street in the amount of \$4,922.50.

E. Resolution #2022-03: Approve Façade Improvement Program (FIP) Grant for Improvements at 103 2nd Street E

HEDRA has received an application from Cedarton LLC (Farmers Insurance – Katy Lindberg) for assistance in removal and replacement of the awning at 103 2nd Street E (formerly Town Cobbler).

The proposed project would include a 2'0" x 18'2" non-illuminated awning with a 1" aluminum frame and charcoal grey sunbrella fabric. The total cost of the proposed awning project is \$5,350.00. As such the maximum grant award based on current matching funds is \$2,675.00.

The proposed awning project has been reviewed and approved by the Hastings Preservation Commission (HPC).

Action: Motion to approve Resolution #2022-03 approving façade improvement program grant award to Cedarton, LLC for awning replacement at 103 2nd Street E in the amount of \$2,675.00.

F. Resolution #2022-04: Approve Façade Improvement Program (FIP) Grant for Improvements at 1800-1806 Vermillion Street

HEDRA has received an application from Doug and Sunshine Grandahl, who own Clear Choice Pool & Spa as well as the buildings at 1800-1806 Vermillion Street which has space leased to two other businesses as well.

Mr. and Mrs. Grandahl recently acquired the property and have a number of improvements planned for the property including removal and replacement of the current front canopy which has cedar wood shakes which have rotted. The Grandahl's have proposed to remove the rotted cedar shakes and any rotten underlayment and structure with a new standing seam steal canopy.

The project has eligible costs totaling \$16,100. As such the maximum grant award based on current matching funds is \$5,000.00

Action: Motion to approve Resolution #2022-04 approving façade improvement program grant award to Doug and Sunshine Grandahl for canopy replacement at 1800-1806 Vermillion Street in the amount of \$5,000.00.

G. Resolution #2022-05: Approve Amendment #1 to the Development Contract between NJS Development, LLC, HEDRA, and the City of Hastings

Staff is proposing to amend the development contract to adjust the submittal of construction documents from January 10, 2022 to within 30 days of closing and adjust the closing date from February 28th to 60 days from receiving land use entitlements.

Staff has been working with the Developer as they have been meeting with adjacent property owners regarding the project and assessing potential options related to additional acquisitions. This has resulted in a project delay in submittal of formal land use applications necessitating the proposed contract amendment.

The proposed amendment would establish that application for Land Use Entitlements are due from the Developer by the Contingency Date which is April 10, 2022 resulting in a closing date of on or before June 9, 2022, commencement of construction no later than June 15, 2022, and construction completion by December 31, 2023; and

Action: Motion to approve Resolution #2022-05 Approving Amendment #1 to the Development Contract between NJS Development, LLC, HEDRA, and the City of Hastings.

H. Resolution #2022-06: Approving Joint Powers Agreement between HEDRA and the Dakota County Community Development Agency for the Open To Business Program

In 2013, the Dakota County CDA in conjunction with the 11 largest cities in Dakota County launched the countywide Open To Business program to provide business advisory services and access to capital to entrepreneurs and small businesses in Dakota County.

City Staff does not have staff with the skill sets provided by Natalie and MCCD through its Open To Business program making them a value add proposition. Natalie is not only knowledgeable but dedicated, well connected, and approachable in her work with Hastings area businesses and entrepreneurs.

The CDA covers 50% of the total annual cost of the program and then asks that the remaining amount be covered by the 11 largest cities. The individual city cost is based on its population. The annual cost to HEDRA would be \$5,150 per program year for a full two year budgetary impact of \$10,300.

Action: Motion to approve Resolution #2022-06 Approving Joint Powers Agreement between HEDRA and the Dakota County Community Development Agency for the Open To Business Program.

V. Reports and Information

A. HEDRA Revolving Loan Program Update

As of January 1, 2022, HEDRA has twelve active loans with balances totaling \$184,746.67. Ten of those loans have monthly payments due with the remaining two loans deferred entirely until sale of property or loss of homestead status of the property. Monthly loan payments total \$3,211.44.

Between 1/1/2021 and 12/31/2021 six loans were paid off totaling \$72,781.28. The following individuals or entities paid off their loan balances:

- VZ Group LLC - \$15,901.59
- Old Neighbor LLC - \$6,000.00
- Tom Jung - \$38,042.00
- Main Street Properties - \$4,581.69
- Marathon Properties - \$8,256.00

Staff has completed refinancing of eight of HEDRA's existing loans to a fixed rate loan. For those two loans which have not completed a refinancing, Staff will continue to work with those loan holders in an attempt to refinance to a fixed interest rate within the terms approved by HEDRA.

B. Confluence Environmental Remediation Update

As part of our Purchase and Development Agreement for transfer of the former Hudson Manufacturing Building to Confluence, the City and HEDRA agreed to complete environmental remediation of the site. Most of the remediation was complete prior to property transfer in 2018 and assisted through nearly \$5 million in grant funding.

Post-transfer obligations included installation of a vapor intrusion mitigation system (VIMS) and sealing\encapsulation (painting) of polluted wood surfaces generally within the basement and first floor of the structure.

VIMS equipment installation is complete and pending final connection and testing with HVAC components to be installed by Confluence.

Wood sealing and encapsulation is ongoing. Work involves scraping of the wood surfaces (ceilings and joists) to remove old paint and then applying a paint-like encapsulant as the final coat. A competitive bid process was used and Mavo Systems was awarded the contract for \$400,000 in December 2019. Most of the contract cost was paid through existing environmental grants. Work was originally completed around the end of February, 2020.

In Spring of 2021 we were made aware of flaking encapsulant in many areas of the building. In May 2021 we met on site Mavo and our environmental contractor Stantec to map areas of defect and to review performance standards of the encapsulant paint. By the end of July, test areas were rescraped and encapsulant reapplied. Test areas were let to cure and reexamined at the end of August; with positive results. Mavo remobilized in September and completed a substantial rescraping and reapplication of encapsulant in most of the first floor area around November 1st. In early December we met on site with Confluence to review first floor work which Confluence found satisfactory. In late December scraping and encapsulant work resumed in the basement and is expected to be complete by mid-January.

The cost estimate for the additional work is around \$100,000. This represents an additional 25% increase in the contract. Staff plans on transferring environmental funding dedicated to Block 1 environmental cleanup to cover costs.

C. Recognition of Storm Creek for Dakota-Scott County Workforce Development Board Award

The Dakota-Scott Workforce Development Board selected Hastings area business, Storm Creek, as the 2021 recipient of the Bob Killeen Award. The Bob Killeen award recognizes individuals or companies for their innovative or quality practices.

D. 2021 Economic Development Year End Report

Accomplishments:

- Adoption of 2021/2022 HEDRA Strategic Plan
- Adoption of Downtown Property Study
- Development Projects
 - 317 3rd Street (Tyler Street Landing)
 - HEDRA sold small property to facilitate

- redevelopment
 - Secured \$250,000 Redevelopment Incentive Grant (RIG) from Dakota County
 - UBC North (Flats on 3rd)
 - Sold property and cold storage building to facilitate redevelopment
 - Block 28
 - Acquisition of 410 Vermillion Street
 - Acquisition of 412 Vermillion Street
 - School House Square Senior Housing
 - Approved TIF Agreement between HEDRA and Schoolhouse Square Senior Housing
- Industrial Land Sales
 - Hickory Creek Rentals – 2.58 acres
 - Quality One Woodwork – 1.80 acres
 - Custom Sawdust – 1.33 acres
 - Miller Electrical (rescinded) – 2.0 acres
 - WSI Sportswear – 2.0 acres
- Incentive Program Updates
 - Outdoor Dining Grant Funding – approved seven outdoor dining grants distributing a total of \$26,697.92. Created more than 125 seats for outdoor dining.
 - Revolving Loan Program – Adjusted from variable interest to fixed interest rate program between 4.0% and 3.0%.
 - Façade Improvement Program – Approved \$50,000 in grant program funding for 2022.
 - Industrial Land Credit Program – adjusted Jobs Credit calculation from \$11.00/hour to \$20.00/hour for each “Job Equivalent” credit of \$5,400.
 - Refinancing of eight revolving loans
 - Repayment in full of six revolving loans
- Housing Market Update
- Placemaking Projects
 - Parklets
 - Makers Alleyway
 - Downtown Holiday Riverfront Lighting
- Repositioning of Former Target Building
 - Fleet Farm progressing towards fall 2022 opening
- Completed 12 Business Retention & Expansion Visits
- Completed 104 Business Drop In’s

E. HEDRA Strategic Plan Check-In

Staff has attached the 2021/2022 HEDRA Strategic Plan with updates as appropriate. Notably Staff is proposing a repositioning of the building at 213 Ramsey Street with the Hastings School District giving its one year notice to vacate by November 2022.

HEDRA is requested to provide Staff with feedback on any updates it would like to see to its strategic plan for 2022.

F. Development Update

NEW INFORMATION:

Block 1 – Staff continues to work on an updated ALTA Survey for the property as well as coordination with qualified professional related to determining value of the HEDRA owned property on Block 1 behind the ArtSpace building.

Project Steel – City Staff in partnership with GreaterMSP, DEED, and Xcel Energy have submitted the Hastings Shovel Ready industrial site to be considered for “Project Steel”. The company is confidential at this time but is an appliance manufacturer headquartered in the Midwest with more than 1,500 employees. They are seeking 35-40 acres for a new facility which would have approximately 39 new full time jobs in year 1 (2023) and grow to approximately 192 new full-time jobs by Year 4. That number of employers would represent the sixth largest employer in the City of Hastings. The average salary is anticipated to be approximately \$65,332. Capital investment is expected to range from \$70M-\$80M for machinery and equipment. The confidential business is anticipated to select a site in Q1 of 2022.

In-scope Positions	Annual Midpoint Pay	Current Headcount	Year 0	Year 1	Year 2	Year 3	Year 4
Operators General, Material Handler	\$45,760	0	0	11	13-18	13-18	13-18
Facility Tech	\$56,700	0	0	2	1	1	1
QA Tech, Maint. Tech, Fab Tech, Ops Tech, Planning	\$63,700	0	0	11	18-23	18-23	18-23
Tool & Die Tech, Prod Lead Tech, Equip Tech	\$71,300	0	0	6	3	3	3
QA Eng, Safety Eng	\$79,800	0	0	2	0	0	0
Fab Eng, Auto/Controls Eng	\$89,700	0	3	2	1-6	1-6	1-6
HR Generalist	\$100,500	0	1	0	0	0	0
Site/Project Lead	\$124,200	0	1	0	0	0	0
Total FTE's			4	35	36-41	36-41	36-41
Total Annual Growth	Based on Midpoints of Job Range and Pay Range		4	39	75-90	111-141	147-192
Est. Average Base Salary			\$98,325	\$68,087	\$65,332	\$64,971	\$65,258

Notes:

1. Annual salaries are expected to escalate by 2% per annum, or in line with local wage inflation.
2. Cost of employee benefits will be approximately 35% of base annual salary.

Best Property Annexation - Redwing Blvd - Summergate Development has terminated its development agreement for purchase and development of the property. The City is meeting with other development companies interested in development of the site. The annexation public hearing is still scheduled for the January 18th City Council Meeting.

The Confluence – Confluence plans a large mobilization for construction on January 10th. Encapsulation of the first floor of the building is complete. Encapsulant paint scraping of the basement is scheduled for completion by January 7th. Encapsulation of the basement should be complete by January 14th.

Encapsulation patching is nearly complete.

Fleet Farm – City has issued permit for interior renovation and is awaiting plans for the exterior building supply yard.

Lofts On Third (NJS Stencil Apartment) – A comprehensive plan and ordinance amendment to accommodate the proposed 87 unit building were approved by the City Council on November 15th. Submittal of remaining land use applications is anticipated by the end of January. HEDRA will consider action on the Tax Increment Finance District at its February meeting.

UBC North Building Sale – The winning bid for the 10,000 sf steel framed building came to \$45,500. The winning bidder is currently securing a demolition permit to remove the building from the redevelopment site.

The Quill - Schoolhouse Square Senior Housing – Foundation work is nearly complete. Project is on track for fall 2022 opening.

Villas at Pleasant – Construction of the first model home has commenced on the 32 unit subdivision near Northridge and Pleasant

Jersey Mikes – City Council has granted Site Plan approval and building permits are under review to demolish the former Enterprise Car Rental Facility at 1217 Vermillion Street and construct a new restaurant.

PREVIOUS INFORMATION

410 Vermillion Street – HEDRA closed on PID's 19-32150-28-020 and 19-32150-28-021 on December 8th.

412 Vermillion Street – HEDRA closed 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

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.

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

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.

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.

ATTACHMENTS

- Minutes – December 9, 2021 - Regular Meeting
- Minutes – December 9, 2021 - Closed Door Summary
- Bills - November, 2021

Next Meeting: Thursday, February 10, 2022.