

**HASTINGS ECONOMIC DEVELOPMENT & REDEVELOPMENT
AUTHORITY**

June 7, 2022 - 7:00 am.

HASTINGS CITY COUNCIL CHAMBERS

I. Quorum

II. Minutes

Please see the attached HEDRA Meeting minutes from the May 12, 2022 regular meeting for your review and approval.

III. Bills

May Bills

Spiral Foods Coop	\$24,145.53	Loan - Machinery & Equip - Draw 1
Spiral Foods Coop	\$11,480.05	Loan - Working Capital - Draw 1
Dakota County Property Records	\$11,058.00	Block 28 - Taxes Full Year
Hastings Family Service	\$5,000.00	Grant - Façade Improvement
218 Hastings LLC (Steve Green)	\$5,000.00	Grant - Façade Improvement
Levander Gillen Miller PA	\$1,868.50	Legal - General
Eric Maass	\$448.42	Admin - Lodging Reimbursement
John Hinzman	\$220.08	Admin - Mileage Reimbursement
Breezy Point Resort	\$170.73	Admin - Conference Lodging - Hinzman
Centerpoint Energy	\$18.00	Block 28 - 412 Vermillion - Heat

Please see attached general ledger detail for further information.

IV. Business

A. Stencil Addition - Property Sale and TIF Contract - The following actions are requested to modify recently approved HEDRA actions related to the sale of HEDRA property at the former UBC Lumber Site to accommodate an 89 unit apartment building by Nathan Stencil. The agreements involve three separate LLCs (NJS Development, NSKW Land, and Lake Isabelle) that are all owned and operated by Nathan Stencil:

- 1) **Adopt Resolution #2022-25: Terminating A Contract For Private Development (TIF Contract)** - Terminates contract authorization granted by HEDRA in April to NJS Development LLC and subsequent assignment of the contract in May to Lake Isabelle Flats LLC and NSKW Land LLC.
- 2) **Adopt Resolution #2022-26: Approving A Contract for Private Development (TIF Contract)** - Authorizes signature of the TIF Contract and TIF Revenue Note between HEDRA and Lake Isabelle Flats LLC. The Contract is nearly identical to the contract authorized by HEDRA in March, 2022 to NJS Development. Changes include establishing a June 30, 2022

date for construction to begin, and a potential change to the minimum assessment agreement amount (we are reviewing the amount with the Stencil and Dakota County and will have an update prior to the meeting). Action pledges a maximum amount of \$1,913,693 of available TIF revenue towards Stencil's qualified development expenses. The Contract is based upon TIF revenue projects provided by the HEDRA's Financial Advisor, Northland Securities as part of the adoption of TIF District No. 9. *See the attached Contract for Private Development for further information.*

B. Revolving Loan to RH Holdings, LLC

RH Holdings, LLC has submitted an application to HEDRA requesting \$20,000 in financing for improvements for property located at 1250 South Frontage Road. RH Holdings, LLC is completing a build out of leasable space converting what was one leasable space to two spaces, completing upgrades to the electrical service and repair and upgrades to the exterior of the building and retaining wall repairs. The total project cost is \$189,900.

The building is a multi-tenant commercial building with current tenants including Spiral Foods Co-op and future tenants with signed leases being Optimal Health Chiropractic and the DFL for a regional party headquarters. Spiral Foods Co-op has signed a 10-year lease. The lease to the chiropractic office is a 5 year lease with two 5-year renewals. The lease to the DFL Regional Party runs through November 30th, 2022.

Vermillion Bank holds a first position mortgage on the property and when assuming the mortgage for the property, they provided \$155,000 in new money to help finance the improvements.

Based on historic financials and projected cash flow from existing long term leases, RH Holdings has adequate cash flow to handle the increased debt service resulting from a loan from HEDRA.

The project has secured at least 60% financing from a private commercial lender qualifying RH Holdings, LLC for a 0.25% interest rate reduction.

Staff is proposing a \$20,000 loan to RH Holdings, at a fixed rate of 3.75% over 5 years with an additional 1 year payment free and interest free at the beginning of the loan. While real estate loans are allowed by revolving loan guidelines to extend as long as 10 years, Staff has proposed the 5 year loan term based on the signed leases of Spiral Foods Co-op and Optimal Health Chiropractic and associated cash flow to repay the debt.

The proposed \$20,000 loan would be secured by a 2nd position mortgage against the property as well as a loan guarantee from RH Holdings, LLC.

Action: Motion to Approve Resolution #2022-27 Approving Revolving Loan to

RH Holdings, LLC and Authorizing Signatures of the Loan Agreement.

C. Façade Improvement Program (FIP) Grant for Improvements at 117 2nd Street E

HEDRA has received an application from Beth Warner who owns the property at 117 2nd Street E.

The roofing project includes repair to both a rubber roof and shingled roof. Their respective scopes of services are outlined below:

Shingle roof section

- Remove roof and remove debris from premises
- Furnish and install Ice and water shield
- Furnish and install 15lb Felt
- Furnish and install GAF HD Lifetime Timberline Shingles
- Furnish and install Boston ridge

Rubber roof section

- Remove roof and remove debris from premises
- Furnish and install ½ High Density Insulation
- Mechanically fasten with plates and screws
- Furnish and install 60 Mill E.P.D.M fully adhered rubber roof and all accessories
- Furnish and install new coping metal

The scope of services is proposed to be completed by Atlas Roofing,

The project for has eligible costs totaling \$43,200; with the shingling portion totaling \$18,750, and the rubber roof portion totaling \$24,450. Under the program the maximum grant award is \$5,000.00 based on matching funds. However, as the program is first come, first serve, the remaining balance of the fund is \$2,297.60.

Action: Motion to approve Resolution #2022-28 approving façade improvement program grant award to Beth Warner for a roof removal and replacement at 117 2nd Street E in the amount of \$2,297.60.

V. Reports and Information

A. 2023 HEDRA Budget Preview

City Staff has begun preparing for the 2023 HEDRA budget. Budget requests must be submitted by July 8th. Below is a status update on 2022 budget items:

2022 HEDRA Budget - Status Update - June, 2022		
Item	Amount	Status
Redevelopment Capital – Redevelopment assistance. May include acquisition of land, consultant analysis, preliminary design, and environmental work	\$560,000 (includes \$60k in 2021)	Funds used to Purchase former Country Nites (\$240,000) and Rivertown Liquors (\$220,000) properties on Block 28
UBC Lumber Redevelopment – Demolition of the north building to prepare site for sale and development. Expenses to be recouped on sale of property and increased tax base.	\$70,000 (includes \$20k in 2021)	Completed - Building sold for \$45,500 and removed from the site for the Stencil Apartment Project. Expenditures for site preparation were offset by sale of the building
Commercial Rehabilitation Grants - Funding of expenses; funds not repaid.	\$50,000	All funds expended through the Façade Improvement Program Grant.
Commercial Rehabilitation Loans\Grant - Loans to be repaid; grants would not be repaid	\$120,000	\$70,000 expended to date on Revolving loans to Spiral Foods Coop and RH Holdings
Downtown Environmental Cleanup – Environmental remediation of downtown redevelopment sites including the 1.5 acres north of Artspace and the block behind Graphic Design	\$120,000	Unspent - seek to carry over to 2023
Community Development Intern - Assist with data collection and research on economic development priorities.	\$7,500	Position filled and recently vacated. Seeking to use later this year.
Marketing – Advertisement of Hastings development sites and attributes. May include participation in real estate broker events and other opportunities to connect with developers	\$10,000	Ongoing

In reviewing past priorities and HEDRA’s Strategic Plan, are being considered for 2023 funding:

Items to Continue:

- Redevelopment Capital.
- Commercial Rehab Loans
- Façade Improvement Program Grants
- Downtown Environmental Cleanup
- Community Development Intern
- Marketing

Potential New Priorities:

- **Business Incubator** - Investigation of specific needs and role for HEDRA in providing space to foster new business growth.
- **Future Industrial Park** - Investigate the market and need for additional land as the current Hastings Industrial Park reaches capacity.
- **Downtown Alley** - Investigation of any incentive programs to create commercial retail opportunities along downtown alleyways - stemming from the Makers Alleyway Market.

B. Highway 61 Hastings Study

MN DOT has begun planning for the reconstruction of TH 61 between 4th Street and 36th Street. Planning is expected to conclude in Spring of 2023 with construction potentially in 2025-2026. City Engineering and Community

Development staff are members of the Project Management Team to guide development. An open house was held on May 18th at City Hall and was well attended. The purpose of the open house was to determine issues present on the existing roadway and improvements to the future prior to MN DOT developing plans. A summary of comments from the meeting will be available in the near future. MN DOT will also be attending the June 7th Hastings Downtown Business Association (DBA) meeting and will be visiting businesses along the corridor to gain feedback. Further information on the study can be found at: <https://www.dot.state.mn.us/metro/projects/hwy61hastings/index.html>.

C. Development Update

New Information

KFC - Site Plan application for construction of a new KFC Restaurant have been submitted to be located on the northwest corner of 18th and Vermillion (former Erickson Freedom Gas Site). The Planning Commission is scheduled to review in June.

Fleet Farm – City has issued permits for the construction of the exterior building yard. Building is in process of being painted and interior work is nearly complete. Hiring has begun.

Caribou Coffee - Coborns - Plans have been approved for the addition of a drive-thru window for Caribou Coffee at Coborns Grocery located at Redwing Blvd and 33rd Street.

Jersey Mikes – The Jersey Mikes building frame is complete with internal work now being completed as well as site work related to internal sidewalks and parking lot improvements. The Jersey Mikes Subs will be located at 1217 Vermillion Street.

Vermillion Acres – Demolition of the existing home and grading is set to commence any day for construction of the 75 unit senior housing facility near County Rd 47 and Riverwood Drive.

Lake Isabelle Flats (NJS Stencil Apartment) – Staff has scheduled a property closing for June 9th at which time Lake Isabelle Flats, LLC will take ownership of the former UBC site and Staff anticipates construction on the 89 unit market rate apartment building to begin. Construction is estimated to be completed by late summer/early fall 2023.

Tyler Street Landing Apartments (Luke Siewert) – Staff continues to work with Mr. Siewert with regards to utility relocations related to Xcel Energy. The Dakota County CDA has approved a \$250,000 Redevelopment Incentive Grant (RIG) to assist in part with relocation of utilities.

Makers Alleyway Market – Staff has received applications from 20 unique

vendors. Currently registrations by market date are as follows:

June 9th - 11 vendors
June 16th - 14 vendors
July 21st - 13 vendors
July 28th - 8 vendors
August 4th - 11 vendors
August 11th - 10 vendors
August 18th - 13 vendors
August 25th - 14 vendors.

Each market has the capacity for approximately 25 vendors and Staff will continue to solicit for vendors.

Heritage Ridge – Building permits continue. Construction of the 3rd addition has begun plans for the remaining lots as part of the 4th addition have been submitted.

Villas at Pleasant – More permits have been submitted for construction and work continues on the first model home at the 32 unit subdivision near Northridge and Pleasant. Pre-sales continue to be strong.

PREVIOUS INFORMATION:

Quality One Woodworking – Quality One has completed their 52,000 square foot expansion has been completed and the business has received its certificate of occupancy. Staff will be working to schedule a ribbon cutting or other celebration to celebrate the business expansion.

The Confluence – Progress continues with interior activities including interior framing, replacement of fire suppression system, and replacement of windows.

BIRD Scooters - Bird Scooters launched their Hastings operations on April 1st. They currently have 25 scooters deployed in various areas of the City with approval to have up to 100.

Crossroads Site Development – On March 7th, the City Council approved two apartment buildings containing a total of 211 market rate apartment units by Enclave Development south of 33rd Street between Terry’s Hardware and a strip mall. The project has proposed to begin construction in summer 2022 with completion of the first building in the fall of 2023.

Autobody Shop - 2550 Millard Avenue – On February 22nd, the City Council approved a special use permit for Matthew Goebel to operate an auto body shop out of 2550 Millard Avenue (Green Lawn Sprinkler).

The Quill - Schoolhouse Square Senior Housing – Framing work is progressing and the building is taking shape. Project is on track for fall 2022

opening.

Best Property Annexation - Redwing Blvd - Summergate Development has terminated its development agreement for purchase and development of the property. Best Property still seeking a purchaser and developer. Action on the application tabled at City Council pending identification of a new developer and concept plan.

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.

D. Recognition of Outgoing HEDRA Commissioner - Martha Sullivan

This is HEDRA Commissioner Martha Sullivan's last meeting. Martha has served on HEDRA for the last 6 years. She has taken leadership positions as President, Vice President, and Treasurer. Martha's training as an attorney has been invaluable in delving through the complexities and minutiae of various contracts and agreements. We thank Martha for her years of service and wish her the very best in the future!

ATTACHMENTS

- Minutes – May 12, 2022 - Regular Meeting
- Bills - May, 2022
- Resolution #2022-25: Terminating Contract for Private Development - Stencil
- Resolution #2022-26: Approving Contract for Private Development - Stencil
- **Contract for Private Development - TIF Contract - Stencil**
- Resolution #2022-27 - Approve Revolving Loan - RH Holdings LLC
- RH Holding Application
- Resolution #2022-28 - Approve Façade Improvement Program Grant - Beth Warner
- Façade Improvement Application

Next Meeting: Thursday, July 14, 2022