

**ECONOMIC DEVELOPMENT AUTHORITY (EDA)
MINUTES OF THE EXECUTIVE SESSION OF
FEBRUARY 1, 2021**

The Executive Session was convened at 7:25 pm

Members Present: Murzyn, Jacobs, Buesgens(via zoom), Novitsky, Marquez-Simula (via zoom), Herringer, and Szurek.

Staff Present: Kelli Bourgeois (City Manager), Aaron Chirpich (Community Development Director), Mitch Forney (Community Development Coordinator), Joe Kloiber (Finance Director), Jackie Zillmer (Asst Finance Director), Ben Sandell (Communications), and Shelley Hanson and Alicia Apanah (Administrative Assistants-Community Development).

Szurek stated that per MN Statutes 13D.05 we are here to discuss the redevelopment, and/or purchase of 4300 Central Avenue NE. She then turned the meeting over to the Community Development Director, Aaron Chirpich.

BUSINESS ITEMS

1. Redevelopment Update

Chirpich told members the purpose of the meeting was to update them on the redevelopment site known as the HyVee site at 4300 Central Ave NE.

Representatives from Hy-Vee have informed staff that they are not going to follow through building a grocery store on this site after all. Chirpich told members that he had previously asked them to keep the City in the loop if they decided to re-sell the site; however it seems they didn't follow through with this request, as staff was notified that they had received and considered bids from other developers interested in the property.

Staff reached out to Hy-Vee to confirm this information. They said they had an offer they were considering. Chirpich reminded them that the City and its partner, Alatus had previously contacted them and told them that the City wanted to partner with Hy-Vee or to redevelop the site if Hy-Vee wished to divest itself of this property. Therefore, Alatus worked with staff and Ehlers and prepared a Letter of Intent which Hy-Vee has accepted. The offer made was for 4.5 million. Chirpich noted that Hy-Vee purchased the site for 3.85 million. He told members that Alatus also has copies of the existing leases of those still occupying the mall. The Dollar Tree's lease runs to 2024 and Ace Hardware till 2028. Chirpich explained that the City would provide the financing to Alatus for the purchase, but not have title to the property. This would prevent the City from being responsible for relocation expenses. Current legal opinion believes this is the case, however, Chirpich said more research is being done to confirm this.

Chirpich stated that Alatus would plan to redevelop the site with multi-family housing and as much retail/commercial as the market would bear. His hope is to keep Ace Hardware as part of this redevelopment. He explained Alatus has already reached out to various entities about including a grocery store, but nothing is concrete yet. In the meantime, Alatus is preparing a design concept looking at several options.

Chirpich explained to members that we have two options in order to make the purchase happen. We could pay by using the cash on hand or we could borrow the money by using TIF bond financing. He said staff has discussed this with Ehlers and they recommend that the City finance the project. There is much more flexibility by doing this. For example, the City could defer payments for 3 years and capitalize the interest. Interest rates are currently below 1%. He said the actual cost to finance this including interest, administrative fees, and other

soft costs would amount to approximately \$150,000. The City could then keep its existing funds on hand for other projects or emergencies.

Chirpich said that insulating the EDA or City from relocation costs is important. If the EDA wishes to proceed with this, it will take about 60 days to go through the bonding/financing process. The City and Alatus have 150 days to complete the purchase according to the Letter of Intent. He said a TIF District already exists for this site, but the City may have to amend it.

Jacobs asked if we purchased using cash on hand, what funds would be used. Kloiber explained that it would come from several different funds (The General Fund, the 408 account, and several other smaller accounts). He said it is doable but would limit what the City could spend for other projects over the next 3-4 years as it would deplete these funds. Kloiber went on to say the bond option provides more flexibility for the City.

Novitsky is happy about the opportunity to drive the development of this site and thinks the bond option is the best choice.

Szurek asked what Ehlers advised. Chirpich said they recommend the financing option due to the flexibility and low interest rates.

Herringer wondered if keeping Ace Hardware is crucial to the plan. Chirpich stated staff would try to accommodate them as much as possible during the construction process. He said we could start Phase 1 on the empty part of the lot to allow them more time to use up their lease time. Herringer then asked if the piece of land at 47th and Central Ave is part of this deal. Chirpich said not at this time.

Buesgens asked if it would be a PUD. Chirpich stated it would. She is excited about this opportunity and supports the financing option also.

It was the consensus of the rest of the members to pursue this using the financing option.

The Executive Session was adjourned at 7:00 pm.

Respectfully submitted,

Shelley Hanson
Secretary