

Pursuant to due call and notice thereof, a North Mankato Port Authority Commission meeting was held in the Council Chambers of the Municipal Building on Monday, March 20, 2023.

Treasurer Carlson called the meeting to order at 5:00 p.m. The following were present: Commissioners Oachs, Peterson, Whitlock, Steiner, Executive Vice President McCann, Assistant Treasurer Ryan, Community Development Director Fischer, and Secretary Van Genderen. Absent Commissioners Kaus and Olenius.

Approval of the Minutes

Commissioner Oachs moved, seconded by Commissioner Whitlock, to approve the minutes of the Port Authority meeting of February 21, 2023. Vote on the motion: Oachs, Peterson, Whitlock, Steiner, and Carlson, aye, no nays. Motion carried.

Approval of Bills

Commissioner Whitlock moved, seconded by Commissioner Peterson, to approve the bills. Vote on the motion: Oachs, Peterson, Whitlock, Steiner, and Carlson, aye, no nays. Motion carried.

Res. No. 3-23 Recommending the Establishment of Development District No. 2 and the Adoption of a Development Program Therefore; and the Establishment of Tax Increment Financing District No. 2-1 Therin and the Adoption of a Tax Increment Financing Plan Therefore.

Community Development Director Fischer reported that Gordini U.S.A. representatives were present as they made an important request to establish a TIF District. The Port Authority recently approved the sale of 10 acres with the right of first refusal of an additional 10 acres. The current plan is to build a 120,000-square-foot warehouse and distribution center. The current 10 acres have room to build an 80,000-square-foot addition. He introduced Tammy Omdal, the City's financial advisor from Northland Securities.

Tammy Omdal, Northland Securities, reviewed the requirements for a TIF Plan in Minnesota. She reported that the TIF Plan would describe the project to be financed and provide specific information about the development activity. The TIF is created by the authority/City, reviewed by the county and school district, and approved by the City.

Ms. Omdal reported that the proposed project site is currently unoccupied. The proposed use of the building to be constructed meets the criteria for establishing an "economic development" TIF District. The proposed use is warehousing and distribution. The proposed boundaries of the TIF district include approximately 10 acres of a 12.57-acre parcel.

Ms. Omdal explained how a TIF works. Property taxes are based on base valuation.

The value that existed before the development will be payable to local taxing jurisdictions and not captured for TIF. The difference between the base value and the new taxable market value (captured value) is estimated at approximately \$9.0 million. Taxes on the captured value will generate tax increment to assist the project.

Ms. Omdal reviewed the estimated taxable market value upon project completion in 2025, along with the annual captured taxes and estimated annual taxes payable from the property for all jurisdictions. In 2022, the property had a current tax of \$7,022. In 2025, the annual taxes received by taxing jurisdictions from property within TIF District is \$100,050, and the annual captured taxes (Tax Increment) from TIF District is 228,002, so the total combined estimated annual payable from the property is \$328,052.

Ms. Omdal reviewed the terms for assistance to the developer, which includes the City considering approval of the TIF Plan. The TIF Plan provides the framework for the terms for assistance to the Developer, and the City will consider approval of a TIF agreement with the Developer. The TIF will reimburse up to \$1.26 million of land and site improvements paid by the developer on a pay-go basis from 97.5% of the “remaining TIF.” The remaining TIF is after the first \$40,556 of annual TIF collected up to an aggregate amount not to exceed \$365,000 to be retained by the City to reimburse itself for the costs of the Public Improvements. The TIF revenue note will bear simple interest at a rate of 5.5%. The City will regain 2.5% of TIF for administrative costs. Ms. Omdal stated that based on current market conditions, the proposed project would not happen solely through private investment; without TIF return, the developer is not at sufficient levels, so it is reasonable to assume the project would not proceed.

Commissioner Steiner moved, seconded by Commissioner Whitlock, to Adopt Res. No. 3-23 Recommending the Establishment of Development District No. 2 and the Adoption of a Development Program Therefore; and the Establishment of Tax Increment Financing District No. 2-1 Therin and the Adoption of a Tax Increment Financing Plan Therefore. Vote on the motion: Oachs, Peterson, Whitlock, Steiner, and Carlson, aye, no nays. Motion carried.

Consider Approving Addendum to Commercial Lease Agreement.

Community Development Director Fischer reported that the Port Authority currently leases the Norwood to HyLife, who use the property to house workers until they can build housing closer to their plant. The Port Authority recently approved the sale of the Norwood to 1111 Holdings following the end of the commercial lease to HyLife. He reported that in 2020, a fire occurred at the Norwood Inn, damaging two units. 1111 Holdings would like to rehab the units to make a model of a proposed unit to show future renters. Community Development Director Fischer noted that the lease with HyLife ends in August, and they have not provided the City with a 30-day early-out notice. 1111 Holdings is also moving forward with neighborhood meetings to discuss a possible PUD. If the addendum to the lease is approved, 1111 Holdings will remodel the two rooms following building plan approvals.

Commissioner Steiner moved, seconded by Commissioner Whitlock, to approve the Addendum to Commercial Lease Agreement. Vote on the motion: Oachs, Peterson, Whitlock, Steiner, and Carlson, aye, no nays. Motion carried.

Consider Approving Addendum to Agreement of Purchase and Sale

Community Development Director Fischer reported that for 1111 Holdings to remodel the two units before the property sale, the purchase agreement needs to be amended.

Commissioner Peterson moved, seconded by Commissioner Steiner, to approve the Addendum to Agreement of Purchase and Sale. Vote on the motion: Oachs, Peterson, Whitlock, Steiner, and Carlson, aye, no nays. Motion carried.

Discuss COVID-19 Loans in Default.

Assistant Treasurer Ryan reported that in 2020, the Port Authority provided COVID-19 Loans. Currently, two loans are delinquent and in default. She reviewed the two loans, one to Southern MN Martial Arts and one to Blue Skye Mercantile. Southern MN Martial Arts received a loan of \$12,500 on April 4, 2020, with the first payment due on October 1, 2021. The City has received three payments totaling \$898.44 with a current balance owing of \$3,369.15 and a total unpaid principle of \$11,528.36, and unpaid interest of \$854.46. Blue Skye Mercantile received a loan of \$7,000 on April 15, 2020, with the first payment due on September 1, 2021. The City has received a total of \$1,509.36 in payments with a total current balance due of \$880.46. The total unpaid principle is \$5,571.06, with the total unpaid interest at \$354.92. She reported that she had contacted both businesses by letter and attempted contact by phone. Both businesses have yet to respond. Assistant Treasurer Ryan stated that staff would like direction on if the Port Authority would like to pursue the businesses to obtain the funds. Commissioners agreed that the Port Authority should pursue the funds.

Other Business

None

Open Meeting to the Public

None.

Commissioner Oachs moved, seconded by Commissioner Whitlock, to adjourn the meeting. The meeting was adjourned at 5:23 p.m.

President

Secretary