

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, July 17, 2023.

Commissioner Steiner called the meeting to order at 6:30 p.m. The following were present: Commissioners Peterson, Whitlock, Steiner, and Oachs, Executive Vice President McCann, Assistant Treasurer Ryan, and Secretary Brown. Absent: President Olenius, Commissioners Kaus and Carlson.

Approval of the Minutes

Commissioner Oachs moved, seconded by Commissioner Whitlock, to approve the minutes of the Port Authority meeting of June 5, 2023. Vote on the motion: Whitlock, Steiner, Oachs, and Peterson aye, no nays. Motion carried.

Approval of Bills

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

Recommend the City Council Establish TIF District No. 2-2 within Development District No. 2 and Adopting the Tax Increment Financing Plan Therefore; and Authorizing an Interfund Loan

Tammy Omdal, the City's financial advisor from Northland Securities, reported the request for TIF assistance comes from the developer (1111 Holdings of Mankato, LLC) to redevelop an existing sub-standard building (hotel property) and construct a new space providing sixty (60) new apartment units, 30,000 square feet of commercial space, including restaurant and retail space by the developer. Ms. Omdal 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 redevelopment activity. The TIF is created by the City, reviewed by the county and school district, and approved by the City. To date, no comments had been received from the county or school district.

Ms. Omdal reported the proposed project area within the TIF district meets the criteria for establishing a redevelopment TIF District. She reviewed the boundaries of Development District No. 2 and TIF District No. 2-2.

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 (capture value) is estimated at approximately \$11.3 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

2026, along with the annual captured taxes and estimated annual taxes payable from the property for all jurisdictions. In 2023, the property had a current tax of \$73,948. In 2026, the estimated annual taxes received by taxing jurisdictions from property within the TIF District is \$90,276, and the annual captured taxes (Tax Increment) from the TIF District is \$178,826, so the total combined estimated annual payable from the property is \$269,112.

Ms. Omdal discussed the proposed budget for the TIF District. The total projected Tax Increment over the life of the TIF District is \$5,978,413, which would provide approximately \$5.4 million to the developer to be used for reimbursement project costs up to approximately \$2.6 million. The City would retain approximately \$253,000 to cover administrative costs.

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 \$2,616,000 of land and site improvements paid by the developer on a pay-go basis for a maximum term of 26 years. The City will use TIF not paid to the developer to reimburse administrative costs and other qualified costs for the district.

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. The Draft TIF Plan was distributed to the county and school district on June 23 for a 30-day review and comment period, and the City has not received any comments. Pending the Port Authority's recommendation to approve the TIF District/Plan, the City Council would hold a Public Hearing and consider approval of the TIF District/Plan at their regular meeting following the Port Authority meeting.

Commissioner Whitlock moved, seconded by Commissioner Oachs to Recommend the City Council Establish TIF District No. 2-2 within Development District No. 2 and Adopt the Tax Increment Financing Plan Therefore; and Authorize an Interfund Loan. Vote on the motion: Whitlock, Steiner, Oachs, and Peterson aye, no nays. Motion carried.

Receive and Accept the Resignation of Ben Kaus from the Port Authority and Declare an Opening

Commissioner Steiner read the resignation letter submitted by Ben Kaus.

"Dear Council members,

My family and I will be moving to West Mankato in October of this year. With our move and my busy schedule until then I need to resign as a member of the Port Authority effective August 1st. Please accept my resignation.

Port Authority Minutes, July 17, 2023
It was a pleasure working with everyone,
Ben Kaus”

Discussion was held regarding the process of finding interested parties to replace the vacancy.

Commissioner Oachs moved, seconded by Commissioner Peterson to Accept the Resignation of Ben Kaus from the Port Authority and Declare an Opening. Vote on the motion: Whitlock, Steiner, Oachs, and Peterson aye, no nays. Motion carried.

Election of Officers

Office	Current	Proposed
President	Duane Olenius	Duane Olenius
Vice President	Ben Kaus	
Treasurer	Scott Carlson	Scott Carlson
Appoint Assistant Treasurer	Jessica Ryan	Jessica Ryan
Appoint Exec Vice President	Kevin McCann	Kevin McCann
Appoint Secretary	April Van Genderen	April Van Genderen

It was decided that the Vice President office will remain vacant until a new member is appointed to the Port Authority.

Commissioner Oachs moved, seconded by Commissioner Peterson to Approve the Election of Officers. Vote on the motion: Whitlock, Steiner, Oachs, and Peterson aye, no nays. Motion carried.

Other Business

None

Open Meeting to the Public

None

There being no further business, Commissioner Steiner moved, seconded by Commissioner Peterson, to adjourn. Vote on the motion: all ayes. Motion carried. The meeting was adjourned at 6:47 p.m.

President

Secretary



City of North Mankato, MN

Port Authority Claims

By Fund

Payment Dates 7/20/2023 - 8/9/2023

Vendor Part Number	Vendor Name	Payment Date	Amount
Fund: 228 - PORT AUTHORITY			
	NICOLLET COUNTY	07/24/2023	609.04
	ABDO FINANCIAL SOLUTIONS	08/07/2023	32.50
Fund 228 - PORT AUTHORITY Total:			641.54
Fund: 234 - LOCAL REVOLVING LOAN FUND			
	STRAIT, MEGHAN	07/24/2023	3,000.00
Fund 234 - LOCAL REVOLVING LOAN FUND Total:			3,000.00
Fund: 240 - JOINT ECONOMIC DEVELOPMENT			
	LHB, INC	08/09/2023	1,305.00
	NORTHLAND SECURITIES, INC.	07/26/2023	7,375.00
	NORTHLAND SECURITIES, INC.	07/26/2023	1,562.50
	NORTHLAND SECURITIES, INC.	07/26/2023	750.00
	FREDRIKSON & BYRON, P.A.	07/26/2023	51.00
Fund 240 - JOINT ECONOMIC DEVELOPMENT Total:			11,043.50
Grand Total:			14,685.04

Authorization Signatures

Port Authority

The above claims list for 8/7/23 is approved by:

SCOTT CARLSON - COMMISSIONER

JAMES WHITLOCK - COMMISSIONER

WILLIAM STEINER - COMMISSIONER

SANDRA OACHS - COMMISSIONER

MATT PETERSON - COMMISSIONER

DUANE OLENIUS - COMMISSIONER

BENJAMIN KAUS - COMMISSIONER

NORTH MANKATO PORT AUTHORITY COMMISSION

RESOLUTION NO. 4-23

RESOLUTION AUTHORIZING SETOFF OF LEASE DEPOSIT

WHEREAS, the North Mankato Port Authority Commission (the "Authority") was created pursuant to Minnesota Statutes, Sections 469.048 through 469.068, as amended, and Section 469.079 and was authorized to transact business and exercise its powers by resolution of the City Council of the City of North Mankato, Minnesota (the "City"); and

WHEREAS, the Authority is the owner of certain real property located in the City commonly known as the Norwood Inn & Suites, located at 1111 Range Street (the "Property"); and

WHEREAS, The Authority, as Landlord, and HyLife Foods Windom, LLC ("HyLife"), as Tenant, are parties to that certain Commercial Lease Agreement effective as of December 15, 2020 ("Original Lease"), as amended by that certain amendment to Commercial Lease dated February 10, 2021 ("First Amendment"), as further amended by that certain second amendment to Commercial Lease dated September 1, 2021 ("Second Amendment"), as further amended by that certain third amendment to Commercial Lease dated May 16, 2022 ("Third Amendment," together with Original Lease, First Amendment and Second Amendment collectively the "Lease"); and

WHEREAS, Pursuant to the Lease, HyLife deposited a security deposit in the amount of \$200,000 (the "Security Deposit") with North Mankato as security for the performance by HyLife of its obligations under the Lease; and

WHEREAS, the City, the Authority, and HyLife are also parties to that certain Settlement Agreement dated February 12, 2021, as amended by that First Amendment to Settlement Agreement, dated May 16, 2022 (collectively the "Settlement Agreement"); and

WHEREAS, Pursuant the Settlement Agreement, HyLife deposited funds in the amount of \$520,000 (the "Escrow Deposit," together with the Security Deposit the "Deposit") with the City as, among other purposes, supplemental security for the performance by HyLife of its obligations under the Lease; and

WHEREAS, the Lease term expired and HyLife surrendered the Property to the Authority on June, 24, 2023; and

WHEREAS, HyLife did not surrender the Property in as good a state or condition as required by the Lease and the parties have compromised the cost to repair the Property condition deficiencies, and conditionally agreed to the City and Authority collectively withholding Deposit funds in the amount of \$280,000 (the "Setoff"); and

WHEREAS, HyLife has filed a petition with the United States Bankruptcy Court for the District of Delaware (the "Court") for relief under Chapter 11 of the United States Bankruptcy Code and, accordingly, the Parties must execute certain legal instruments and obtain the Court's consent to effectuate the Setoff.

NOW THEREFORE BE IT RESOLVED, BY THE NORTH MANKATO PORT AUTHORITY COMMISSION, as follows:

1. The Authority hereby approves the terms of the Setoff as set forth in this Resolution and authorizes the proper officers of the Authority to execute all necessary agreements, instruments, and documents needed to both effectuate the Setoff and the Court's consent thereto.
2. The Authority hereby authorizes the officers, staff, and legal counsel for the Authority to take any other actions necessary to carry out the terms of the Lease, the Settlement Agreement, the Setoff, and this Resolution.

Approved by the Board of Commissioners of the North Mankato Port Authority Commission this ____ day of _____, 2023.

President

Secretary