

**THE MINUTES OF THE REGULAR MEETING OF THE
HIBBING ECONOMIC DEVELOPMENT AUTHORITY
Wednesday November 20, 2023**

TIME AND PLACE: A Regular meeting of the Hibbing Economic Development Authority was held on Wednesday, November 20, 2023 in the City Hall Council Chamber.

CALL TO ORDER: President Shari Majkich Brock called the meeting to order at 5:00 p.m.

ATTENDANCE: Present at roll call President Shari Majkich Brock, Vice President Steve Jurenes, Member Pete Hyduke, Member Jennifer Hoffman Saccoman, and Member Roger Kivela. Also present were City Administrator Greg Pruszinske, City Attorney Andy Borland, Finance Director - Treasurer Sheena Mulner, and Community Development Director Betsy Olivanti. Member John Schweiberger and City Clerk-Deputy Administrator Candie Seppala were absent.

ADDITIONS/DELETATIONS:

- **ADD: BOARD REPORT #1**
- **ADD: CLOSED SESSION**

APPROVAL OF THE AGENDA:

Move Board Report #2c before #2a under Community Development Director Betsy Olivanti

Member Hyduke, supported by Vice President Jurenes, moved to approve the Agenda.

Motion CARRIED

APPROVAL OF MINUTES:

Member Hyduke, supported by Member Kivela, moved to approve the minutes of the Special Meeting of October 2, 2023.

Motion CARRIED

Member Kivela, supported by Member Hyduke, moved to approve the minutes of the Working Session of Hibbing Economic Development Authority for October 16, 2023.

Motion CARRIED

Member Kivela, supported by Member Hoffman Saccoman, moved to approve the minutes of the Special Meeting of Hibbing Economic Development Authority for October 30, 2023.

Motion CARRIED

Member Hyduke, supported by Vice President Jurenes, moved to approve the minutes of the Special Meeting of Hibbing Economic Development Authority for November 6, 2023.

Motion CARRIED

CONSENT AGENDA:

Member Hoffman Saccoman, supported by Member Kivela, moved to approve the Consent Agenda #s 1-4 (Striking #2).

Motion CARRIED

1. Affirm Economic Development Loan Fund as of October, 2023 in the amount of \$905,896.98
2. ~~Approve disbursements for the month of October in the amount of \$-PLACEHOLDER~~
3. Set the next Regular Meeting of HEDA for Monday, December 18, 2023 at 5:00 p.m. in the Hibbing City Hall Council Chamber
4. Set the next HEDA Working Session for Monday, December 18, 2023 following the Regular Meeting in the Hibbing City Hall Council Chamber

PRESENTATIONS:

HEDA Loan – Midwest Properties, LLC for the Red Rock Hotel

Community Development Director Betsy Olivanti explained that there is a resolution to agree to a business subsidy. We had a public hearing in October about this particular loan. We have had a couple of meetings to consider this amount of \$250,000 for this business. Mr. Bodanapu has been here roughly 3-4 times presenting to the EDA board on his project and the steps he is taking towards completion. We have the business subsidy agreement, the resolution, and the loan write-up with the business plan and projections and how the sources and uses of that additional uses will be spent. We have the recommendations for funding which are at the end of the loan write-up. The staff recommended loan terms is that we will be subordinated to the other lenders on the property. We are asking for a life insurance policy for the amount of the HEDA loan principal. The loan will be 3% for 10 years, interest only for 12 months or through the construction period – whichever is shorter, listed as an additional insured on the business insurance policy, ACH payment required, personal guarantee required, and contingent on the IRRR and the primary lender approving the remainder of the loan.

IRRR Nonrecourse loan application for AMGS Expansion, review of 4 options

Community Development Director Betsy Olivanti explained that at the working session, we looked over a few different options. Options 1, 2, & 3. You will notice that there are 4 options:

- 1) Expand into existing space for a little over \$7m
- 2) Add 15,000 square foot addition to the current north Hibbing building \$7.8m
- 3) Build a 25,000 square foot space brand new in north Hibbing \$6.8m

4) Option #1 minus loading dock area demo and new 10,000 square foot addition \$4.5m

Member Hoffman Saccoman asked which option the owner is leaning towards. Betsy stated option #4. Betsy will need to pass a resolution in an amount not to exceed. There is a board meeting coming up, so we would miss that meeting and it is time sensitive.

Attorney Borland stated to apply for the highest amount to the IRRRB. It doesn't mean you have to take the full amount. He suggested \$7,815,860 and that would be his recommendation.

BOARD REPORTS:**Approve the Business Subsidy Agreement for the (Midwest Partners LLC) Red Rock Hotel**

Attorney Andy Borland stated that the City passed, back in 2004, the ability to pass a program in place for business subsidies. Because of the size of the loan involved, we need to disclose it as a business subsidy. That is why we had a Public Hearing. IRRRB's funding is coming through another avenue. Ours is coming through the City Council.

Member Hoffman Saccoman, supported by Vice President Jurnens, moved to approve the Business Subsidy Agreement for the Midwest Partners LLC) Red Rock Hotel.

Motion CARRIED

Community Development Director – Betsy Olivanti**Approve the revised HEDA Loan Guidelines (Moved 1c to 1a)**

Community Development Director Betsy Olivanti stated that in order to approve the Resolution for Midwest Partners, LLC, the HEDA Loan Guidelines need to be approved. The revisions is as follows:

Page 2 – PERSONLA LIFE INSURANCE CONSIDERATION:

If the project is dependent upon the efforts and talents of a single owner, or, if the requested loan is deemed substantial and the debt will be subordinated, or if the liquidation value of the collateral is deemed to make it hard for HEDA to collect the remaining balance of the loan, the HEDA Board may require the project to obtain a life insurance policy for the principal amount and name HEDA as the insured.

Member Kivela, supported by Member Hoffman Saccoman, moved to approve the revised HEDA Loan Guidelines.

Motion CARRIED

Approve the Interfund Loan RESOLUTION NO. 23-11-11 ACCEPTING \$250,000 FROM THE CITY OF HIBBING TO LEND OUT TO MIDWEST PARTNERS, LLC

Community Development Director Betsy Olivanti explained that this resolution was approved at the City Council Meeting last week. One of the stipulations that the City Council approved this with is that the EDA approve their version of this interfund loan to agree to accept the funds that are lent out to a project and then pay it back with the interfund loan terms. These are the same terms that we would lend it out to the project. We would pay back any interest annually for the first year as we receive it from the project. After that, we will pay back one payment per annum to the City Council that is all principal and interest received on the particular funds left out.

The contingency that is put on the loan is that Midwest Partners, LLC gets private financing for the project.

Member Hydeke, supported by Vice President Jurenes, moved to offer RESOLUTION NO. 23-11-11 ACCEPTING \$250,000 FROM THE CITY OF HIBBING TO LEND OUT TO MIDWEST PROPERTIES, LCC.

Motion CARRIED

Authorize the HEDA loan to Midwest Partners, LLC for the continued renovations at the Red Rock Hotel per the submitted loan write-up

The staff recommended loan terms is that we will be subordinated to the other lenders on the property. We are asking for a life insurance policy for the amount of the HEDA loan principal. The loan will be 3% for 10 years, interest only for 12 months or through the construction period – whichever is shorter, listed as an additional insured on the business insurance policy, ACH payment required, personal guarantee required, and contingent on the IRRR and the primary lender approving the remainder of the loan.

Member Hoffman Saccoman, supported by Member Hydeke, move to authorize the HEDA loan to Midwest Partners, LLC for the continued renovations at the Red Rock Hotel per the submitted loan write-up.

Motion CARRIED

Approve revised City of Hibbing Downtown Redevelopment District Commercial Rehabilitation Program Handbook

Community Development Director Betsy Olivanti discussed the finalized program handbook including conditions of default and how the HEDA board will be able to go through the finances of the businesses to make sure conditions were met. She also explained that under 11c once the deferred loan has been approved, the business will have six to twelve months to completed. However, if there are supply chain issues, they may be able to request additional time.

Member Hoffman Saccoman stated that this has been in the works for over a year.

Member Hydeke, supported by Member Hoffman Saccoman, moved to approve the revised City of Hibbing Downtown Redevelopment District Commercial Rehabilitation Program Handbook.

Motion CARRIED

Approve RESOLUTION NO. 23-11-12 AUTHORIZING HEDA TO MAKE AN APPLICATION TO AND ACCEPT FUNDS FROM THE DEPARTMENT OF IRON RANGE RESOURCES AND REHABILITATION IN THE AMOUNT OF \$7,815,860 TO ASSIST THE EXPANSION OF AMGS

Per Mr. Borland's suggestion earlier in the meeting, Member Hyduke, supported by Member Kivela, moved to offer RESOLUTION NO. 23-11-12 AUTHORIZING HEDA TO MAKE AN APPLICATION TO AND ACCEPT FUNDS FROM THE DEPARTMENT OF IRON RANGE RESOURCES AND REHABILITATION IN THE AMOUNT OF \$7,815,860 TO ASSIST IN THE EXPANSION OF AMGS.

Motion CARRIED

Internal Auditor Erin Husmann

Bruce Eichorn re-amortization request

Internal Auditor Erin Husmann stated that Bruce Eichorn paid off 3 of the 5 townhomes that he has been building, and he would like HEDA to re-amortize the loan as he is paying principal and interest on the full amount.

Member Kivela, supported by Vice President Jurenes, moved to approve Bruce Eichorn's re-amortization request to leave the interest rate and term of the loan the same, but change the principal and interest on the loan for the remainder of it.

Motion CARRIED

Loan Updates

Internal Auditor Erin Husmann stated the following:

Jenny Damjanovich's last payment was in October. She told Sheena that she can't pay the September payment.

Herb Smart of Suite Dreams-Thrivent's last payment was for Septemeber.

Moxie is three months in arrears.

ADJOURNMENT: There being no further business, Member Hyduke, supported by Member Hoffman Saccoman, moved to go into Closed Session for the purpose of pending litigation, and the meeting was adjourned at 5.56 p.m..

Motion CARRIED



President Shari Majkich Brock



City Clerk-Deputy Administrator Candie Seppala