HIBBING ECONOMIC DEVELOPMENT AUTHORITY

REGULAR MEETING AGENDA

Wednesday, April 14, 2021

5:00 P.M., In person and ZOOM

Join Zoom Meeting
https://us02web.zoom.us/j/83916819567?pwd=ZE1nVDBleUJLWnZkWlhjQUR3Y3RrUT09

Meeting ID: 839 1681 9567
Passcode: 293557

ATTENDANCE:

Member Jennifer Hoffman Saccoman	___	Tom Dicklich, City Administrator	___
Vice President Rick Cannata	___	Andy Borland, City Attorney	___
Member Roger Kivela	___	Mary Ann Kepler, City Clerk-Treasurer	___
Member John Schweiberger	___	Candie Seppala, Sr Exec Assistant	___
Member Steve Jurenes	___		
President Shari Majkich Brock	___		

CALL HEDA MEETING TO ORDER:

ADDITIONS/DELETIONS:

- **ADD: BOARD REPORTS #2 & #3**

APPROVAL OF MINUTES:

- **Approve the Minutes of the Regular Meeting of Hibbing Economic Development Authority for March 17, 2021**

CONSENT AGENDA:

1. Affirm Economic Development Loan Fund balance as of March 31, 2021 in the amount of **$478,485.11**

2. Approve disbursements for the month of April, 2021 in the amount of **$2,772.50**

    - Chisholm Hibbing Airport Authority (April, 2021 rent) $ 300.00
    - Sellman Borland Simon Law Office/HEDA March, 2021 $ 822.50
    - Lockridge Grindal Nauen P.L.L.P. – April, 2021 $ 1,650.00
    - ODC – , 2021 Downtown Clean-Up $

3. Set the HEDA Working Session for Monday, April 19, 2021 at 5:00 p.m., City Hall Council Chamber

4. Set the next Regular Meeting of HEDA for Wednesday, April 21, 2021 at 5:00 p.m., City Hall Council Chamber

BOARD REPORTS:

1. Authorize the following COVID – 19 Business Assistance HEDA Loans. No repayment on the loans will be due for the first six months followed by 60 months of principal payments.

• Moxie LLC	$40,000
• Blue Moon Appliance	$40,000
• Advanced Machine Guarding Solutions	$25,000

2. Authorize the President and Vice President to sign the Assumption Agreement of Scranton Iron, Inc to assume the HEDA Loan issued to 11995 Hwy 63, LLC

3. Authorize the City of Administrator to sign the Proposal for a Market Study to HVS in the amount not to exceed $8,000

ADJOURNMENT:

THE MINUTES OF THE REGULAR MEETING OF THE
HIBBING ECONOMIC DEVELOPMENT AUTHORITY
Wednesday, March 17, 2021

TIME AND PLACE: A Regular Meeting of the Hibbing Economic Development Authority was held on Wednesday, March 17, 2021, at 5:00 p.m. via ZOOM.

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

ATTENDANCE: Present at roll call were President Shari Majkich Brock, Vice President Rick Cannata, Member Jennifer Hoffman Saccoman, Member Steven Jurenes, Member John Schweiberger, and Member Roger Kivela. Also present were City Attorney Andy Borland, City Administrator Tom Dicklich, Sr. Executive Assistant Candie Seppala, and City Clerk-Treasurer Mary Ann Kepler.

ADDITIONS/DELETIONS:

- **ADD: BOARD REPORTS #1, #2, #3, & #4**

APPROVAL OF MINUTES:

Vice President Cannata, supported by Member Jurenes, moved to approve the minutes of the Reorganizational and Regular Meeting of the Hibbing Economic Development Authority of January 13, 2021.

Motion CARRIED

CONSENT AGENDA:

Member Hoffman Saccoman, supported by Member Schweiberger, moved to approve Consent Agenda Item **#1 - #5**.

Motion CARRIED

1. Affirm Economic Development Loan Fund balance as of February 28, 2021 in the amount of **$ 453,778.73**

2. Approve disbursements for the month of March, 2021 in the amount of **$7,382.00**

Chisholm Hibbing Airport Authority (February, 2021 rent)	$ 300.00
Chisholm Hibbing Airport Authority (March, 2021 rent)	$ 300.00
Sellman Borland Simon Law Office/HEDA – November, 2020	$ 665.00
Sellman Borland Simon Law Office/HEDA January, 2021	$ 472.50
Sellman Borland Simon Law Office/HEDA February, 2021	$ 52.50
Lockridge Grindal Nauen P.L.L.P. – February, 2021	$ 1,650.00
Lockridge Grindal Nauen P.L.L.P. – March, 2021	$ 1,650.00
ODC – August, 2020 Downtown Clean-Up	$ 2,292.00

3. Authorize the Transitional Work Program Contract between HEDA and ODC beginning April 1, 2021 through March 21, 2022

4. Set the HEDA Working Session for Monday, April 12, 2021 at 5:00 pm, City Hall Council Chamber in person and via Zoom

5. Set the Regular Meeting of HEDA for Wednesday, April 14, 2021 at 5:00 p.m. in the City Hall Council Chamber in person and via Zoom

BOARD REPORTS:

Authorize the following COVID – 19 Business Assistance HEDA Loans. No repayment on the loans will be due for the first six months followed by 60 months of principal payments

Sr. Executive Assistant Candie Seppala explained that four new businesses filled out the COVID – 19 Business Assistant HEDA Loan applications and were discussed at the March 15, 2021 HEDA Working Session. This is the third wave of applications since this program started. These loans consist of 50% of IRRRB Funds and 50% of HEDA Funds. No repayment of the loans will be due for six months followed by five years of principal only payments. Once these are approved and once the funds are disbursed, HEDA will have given out $459,000. She let the public know that the application for the COVID – 19 Business Assistance HEDA Loan is on the City of Hibbing's website, Facebook, and business owners can reach her at City Hall.

North Star Dental Care $40,000

Sr. Executive Assistant Candie Seppala explained that North Star Dental will be using the funds for more equipment in their business.

Vice President Cannata, supported by Member Hoffman Saccoman, moved to authorize the COVID – 19 Business Assistance HEDA Loan to Suite Location LLC in the amount of $40,000 with no repayment on the loan due for the first six months, followed by 60 months of principal payments.

Motion CARRIED

Eye Care North $40,000

Sr. Executive Assistant Candie Seppala explained that North Star Dental will be using the funds for more equipment in their business.

Member Schweiberger, supported by Member Jurenes, moved to authorize the COVID-19 Business Assistance HEDA Loan to Eye Care North in the amount of $40,000 with no repayment on the loan due for the first six months, followed by 60 months of principal payments.

Motion CARRIED

Arrowhead Motorcycle Apparel & Supplies $15,000

Sr. Executive Assistant Candie Seppala explained that Arrowhead Apparel is looking to bring in a new brand into their store, and they are asking for $15,000.

Vice President Cannata, supported by Member Hoffman Saccoman, moved to authorize the COVID-19 Business Assistance HEDA Loan to Arrowhead Motorcycle Apparel & Supplies in the amount of $15,000 with no repayment on the loan due for the first six months, followed by 60 months of principal payments.

Motion CARRIED

Tromco Electric $40,000

Sr. Executive Assistant Candie Seppala explained that Tromco Electric has a current HEDA loan with interest and after speaking with Mr. Murden, it made sense to use this loan with 0% interest to pay off his current loan. This will save him over $2,500. His loan will be in the amount of $40,000.

Member Jurenes, supported by Member Schweiberger, moved to authorize the COVID – 19 Business Assistance HEDA Loan to Tromco Electric in the amount of $40,000 with no repayment n the loan due for the first six months, followed by 60 months of principal payments.

Motion CARRIED

President Majkich Brock mentioned that it is great to see that HEDA is getting the money out into the community. We want everyone to know that there is help available.

Authorize the request of Rich Lees to renew Loan #250-11957 for the additional 5 years as spelled out in the original agreement

City Administrator Tom Dicklich explained that this was discussed at the Working Session. When this loan was billed, it was a 10-year loan, with a balloon at 5 years. Within the loan documents, Mr. Lees could request an additional 5 years. This is his written request to push the loan off the balloon date for an additional five years.

Member Hoffman Saccoman, supported by Vice President Cannata, moved to authorize the request of Rich Lees to renew Loan #250-11957 for the additional 5 years as spelled out in the original agreement.

Motion CARRIED

Authorize the loan of Rich and Sherri Lees, 1809 E 3rd Ave, in the amount of $40,000 with an interest rate of 5%

City Administrator Tom Dicklich explained that we discussed the next two loans for Rich and Sherri Lees, and Mr. Lees was in attendance to discuss them.

Rich Lees thanked the HEDA board. He stated that many of the loans that he has done over the last 15 years have been extremely instrumental in promoting many of the downtown buildings that they have refurbished. The HEDA loans have acted as the last piece to the financing puzzle. He appreciates the help.

The first property he would like a loan for is 1809 East 3rd Avenue. It is the former Hibbing Glass building. He is doing a major renovation there with a couple of apartments up above in addition to the storefront main floor that is undergoing a major transformation within the next 60 days. There will be a new storefront, a new mechanical heating system, new electrical upgrades, along with the remodel of the apartments. He is asking for a $40,000 loan for a $100,000 project.

Member Schweiberger, supported by Vice President Cannata, moved to authorize the loan of Rich and Sherri Lees, 1809 E 3rd Ave, in the amount of $40,000 with an interest rate of 5% (4 ½ % if ACH is used) for 5 years.

Motion CARRIED

Authorize the loan of Rich and Sherri Lees, 1818 East 3rd Avenue, in the amount of $40,000 with an interest rate of 5% (4 ½ % if ACH is used) for 5 years.

Rich Lees explained that this property is 1818 East 3rd Avenue. The building is at the point of major mechanical upgrades. The new tenants take up 2/3rd of the building and he is working on a second tenant. Upgrades include the renovation of the main floor, roofing modifications, new lighting, and a handicapped bathroom. He is looking for a $40,000 loan with a project total of $90,000.

Member Jurenes, supported by Member Hoffman Saccoman, moved to authorize the loan of Rich and Sherri Lees, 1818 East 3rd Avenue, in the amount of $40,000 with an interest rate of 5% (4 ½ % if ACH is used) for 5 years.

Motion CARRIED

Vice President Cannata wanted to let the business owners know that there is still money available for the COVID loans and to call Candie Seppala at City Hall.

ADJOURNMENT: There being no further business, the meeting was adjourned at 5:31 p.m. by Member Kivela, supported by Vice-President Cannata.

Motion CARRIED

President Shari Majkich Brock

Sr. Executive Assistant Candie Seppala

Chisholm-Hibbing Airport Authority

11038 Hwy 37
Hibbing, MN 55746

Voice: 218-262-3452
Fax: 218-262-6245

INVOICE

Invoice Number: 7544
Invoice Date: Apr 1, 2021
Page: 1

Bill To:
Hibbing Econ. Development Authority
401 East 21st Street
Hibbing, MN 55746

Ship to:
Hibbing Econ. Development Authority
401 East 21st Street
Hibbing, MN 55746

Customer ID	Customer PO	Payment Terms	
Hibbing EDA		Net 30 Days	
Sales Rep ID	**Shipping Method**	**Ship Date**	**Due Date**
	Courier		4/30/21

Quantity	Item	Description	Unit Price	Amount
		Hibbing Animal Shelter Ground Lease-April 2021		300.00

Check/Credit Memo No:

Subtotal	300.00
Sales Tax	
Total Invoice Amount	300.00
Payment/Credit Applied	
TOTAL	**300.00**

SELLMAN BORLAND & SIMON PLLC

Attorneys at Law

Richard K. Sellman · Of Counsel
Andy Borland
Jaclyn Corradi Simon

1907 Third Avenue East, Suite 2
P.O. Box 37
Hibbing, Minnesota 55746
Telephone (218) 262-5502
Facsimile (218) 263-4060
attorneys@sellmanborlandsimon.com

March 31, 2021
mailed April 6, 2021

Thomas R. Dicklich
City Administrator Re: HEDA
401 East 21st Street
Hibbing, Minnesota 55746

cc: Candie Seppala
Senior Executive Assistant
401 E. 21st Street
Hibbing, MN 55746

Date	Services Provided	Time
	Legal Services to Hibbing Economic Development Authority (HEDA) for the month of March 2021, including the following:	
03/13/21	Review Agenda for meeting; e-mail Senior Executive Assistant Candie Seppala with copy to City Administrator Tom Dicklich.	.375
03/15/21	Review e-mail from Candie Seppala regarding HEDA loan; call Candie Seppala	.250
03/15/21	HEDA Working Session	1.250
03/17/21	Call from Tom Dicklich; review file; draft Resolution; research into MDI building	1.250
03/17/21	Conference with Tom Dicklich; HEDA Board Meeting	.875
03/18/21	Directives to secretary for COVID Loans and Revolving Loans from HEDA Board Meeting	.625
03/22/21	Call Candie Seppala	.250
03/24/21	Call from Candie Seppala regarding COVID loan	.125
03/26/21	Call from Candie Seppala; e-mails to and from Candie Seppala regarding Herb Smart loan; to City Hall with documents	.625
03/31/21	Review documents; call Tom Dicklich telling him okay to sign letter regarding Lease	.250
	Total Hours	5.875

ATTORNEY FEES:

5.875 hours at $140.00 per hour........................$822.50

cc: Mary Ann Kepler, City Clerk - via email only

LOCKRIDGE GRINDAL NAUEN P.L.L.P.
Attorneys at Law
SUITE 2200
100 WASHINGTON AVENUE SOUTH
MINNEAPOLIS, MINNESOTA 55401
TELEPHONE (612) 339-6900

DATE
4/1/2021

Statement No. 109805
Page : 1
Client ID : 07368-0040
Government Relations

City of Hibbing
Candie Seppala
401 East 21st Street
Hibbing, MN 55746

Please detach here. Return this portion with your payment. Thank you.

Professional services rendered for the month of April 2021.	3,300.00

Total Current Billing:	3,300.00
Previous Balance Due:	~~3,300.00~~ pd
Total Now Due:	~~6,600.00~~
	$ 3300

COVID -19 Business Assistance HEDA Loan Application

Business Name: Moxie

Business Address: 404 E Howard Street

Business Phone: 218-969-6287

Business e-mail: hibbingmoxie@icloud.com

Business Owners Name: Suzanne Rian

Home Address: 126 W 41st St

Type of Business: (Sole Proprietor, Corporation, LLC, Partnership) LLC

What will you use the HEDA loan funds for? (Specify the use and cost) To pay off/consolidate high interest loans & upgrade operating equipment/ online systems

What security or collateral will be backing your loan? Current inventory/ equipment

Loan Amount you are requesting from HEDA: $ 40,000

I certify that all statements on this application are true and correct to the best of my knowledge. I understand that any intentional misstatements will be grounds for the disqualification of my grant application.

Applicant Signature: Suzanne M Rian Date: 4/13/2021

COVID -19 Business Assistance HEDA Loan Application

Business Name: Blue Moon Appliance

Business Address: 101 E Howard St.

Business Phone: 218-366-1163 / 218-929-1400

Business e-mail:

Business Owners Name: Julie59.bluemoon@gmail.com

Home Address: 101 E Howard St Hibbing

Type of Business: (Sole Proprietor, Corporation, LLC, Partnership) S Corp

What will you use the HEDA loan funds for? (Specify the use and cost) Payroll, rent and utilities

What security or collateral will be backing your loan? Merchandise

Loan Amount you are requesting from HEDA: $ 40,000.00

I certify that all statements on this application are true and correct to the best of my knowledge. I understand that any intentional misstatements will be grounds for the disqualification of my grant application.

Applicant Signature: Date: 2-25-21

COVID -19 Business Assistance HEDA Loan Application

Business Name: Advanced Machine Guarding Solutions

Business Address: 1111 7th Ave E Hibbing MN 55746

Business Phone: 218-994-9124

Business e-mail: jwobbema@advmgs.com

Business Owners Name: Jason Wobbema

Home Address: 704 10th St N Virginia MN 55792

Type of Business: (Sole Proprietor, Corporation, LLC, Partnership) Sole Prop

What will you use the HEDA loan funds for? (Specify the use and cost) Upgrade Building Electrical (cost $22,984)

What security or collateral will be backing your loan? N/A

Loan Amount you are requesting from HEDA: $ $25,000

I certify that all statements on this application are true and correct to the best of my knowledge. I understand that any intentional misstatements will be grounds for the disqualification of my grant application.

Applicant Signature: [signature] Date: 3-30-21

ASSUMPTION AGREEMENT

This Agreement is made as of the 14th day of April, 2021, by and among **11995 Hwy 63, LLC**, a Minnesota limited liability company, (hereinafter the "Seller"), **Scranton Iron, Inc.**, a Minnesota corporation, (hereinafter the "Buyer") and **Hibbing Economic Development Authority**, (hereinafter the "Lender").

WITNESSETH:

WHEREAS, Lender is the holder of a certain Promissory Note (hereinafter the "Note") of the Seller, dated November 14, 2019, payable to the order of the Lender in the principal amount of $250,000.00 Dollars with interest at the rate of 3.50% per annum, providing for interest only payments of $729.17 per month for 24 months and monthly payments of principal and interest in the amount of $2,989.51 commencing December 14, 2021, and continuing for a period of 8 years with final payment of all unpaid principal and interest due on November 14, 2029; and

WHEREAS, the Note is secured by a Mortgage (hereinafter the "Mortgage") executed and delivered by Seller, as mortgagor, to the Lender, as mortgagee, dated November 15, 2019, and recorded in the Office of the County Recorder in and for St. Louis County, Minnesota, on November 25, 2019, as Document No. 01368394.

WHEREAS, The Seller wishes to convey to the Buyer, and the Buyer wishes to purchase from the Seller, all of the Seller's right, title and interest in and to the real estate subject to the lien of the Mortgage; and

WHEREAS, the Buyer wishes to assume all of the obligations of the Seller to the Lender under the Note and Mortgage, and the Lender is willing to allow such assumption subject to the terms and conditions hereof.

NOW THEREFORE, in consideration of the promises and the mutual agreements herein contained, the parties hereto agree as follows:

1. The Buyer shall execute a Promissory Note to the Lender which shall set forth the current obligation of the Seller to Lender.

2. Upon receipt of the Promissory Note executed by Buyer, Lender shall mark the Promissory Note of Seller dated November 14, 2019, as "PAID IN FULL".

3. Buyer hereby assumes and promises to pay all of the indebtedness evidenced by the Note (including as the same be modified, extended, renewed or substituted) and agrees to be bound by and to perform all of the covenants and agreements in the Mortgage at the time and in the manner provided for therein.

4. The parties hereby warrant, represent and agree that the outstanding principal balance of the Note is $250,000.00 and that the interest payment due for April 2021 has been paid.

5. This Agreement is binding upon and inures to the benefit of the Buyer and Seller and their respective legal representatives, successors and assigns and of the Lender and its successors and assigns. Whenever used herein, the singular shall include the plural and the plural shall include the singular, as the context dictates, and the use of any gender shall be applicable to all genders. If there is more than one Buyer, all obligations of such Buyers shall be joint and several.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be duly executed as of the day and year first-above written.

SELLER

11995 HWY 63, LLC

By: ____
James G. Bougalis
Its: **Chief Executive Officer**

State of Minnesota)
)ss
County of St. Louis)

This instrument was acknowledged before me on ____________________, 2021, by **James G. Bougalis** as **Chief Executive Officer** of **11995 HWY 63, LLC**, a Minnesota limited liability company.

____
Notary Public
My commission expires ______________

BUYER

SCRANTON IRON, INC.

By: ____
James G. Bougalis
Its: **Chief Executive Officer**

State of Minnesota)
)ss
County of St. Louis)

This instrument was acknowledged before me on ____________________, 2021, by **James G. Bougalis** as **Chief Executive Officer** of **SCRANTON IRON, INC.**, a Minnesota corporation.

____
Notary Public
My commission expires ______________

LENDER

HIBBING ECONOMIC DEVELOPMENT AUTHORITY

BY______________________________
Shari Majkich Brock
Its President

BY______________________________
Rick J. Cannata
Its Vice President

STATE OF MINNESOTA)
)ss
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me this _____ day of ________________, 2021, by Shari Majkich Brock, the President of the Hibbing Economic Development Authority ("HEDA") and acknowledged the foregoing instrument on behalf of said Authority.

____
Notary Public
My commission expires January 31, 20___.

STATE OF MINNESOTA)
)ss
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me this _____ day of ________________, 2021, by Rick J. Cannata, the Vice President of the Hibbing Economic Development Authority ("HEDA") and acknowledged the foregoing instrument on behalf of said Authority.

____
Notary Public
My commission expires January 31, 20___.

THIS INSTRUMENT WAS DRAFTED BY:
Andy Borland, #20710X
Attorney at Law
SELLMAN BORLAND & SIMON PLLC
1907 Third Avenue East, Suite 2, PO Box 37
Hibbing, Minnesota 55746
Telephone: 218-262-5502
Fax: 218-263-4060 mh
Email: attorneys@sellmanborlandsimon.com

NOTE

U.S. $250,000.00 Hibbing, Minnesota
April 14, 2021

FOR VALUE RECEIVED, the undersigned ("Borrower") promises to pay to the HIBBING ECONOMIC DEVELOPMENT AUTHORITY, a public body corporate and politic and a governmental subdivision of the State of Minnesota, or order ("Lender") the principal sum of TWO HUNDRED FIFTY THOUSAND AND NO/100THS DOLLARS ($250,000.00) at the rate of three and one-half percent (3.5%) per annum as follow:

> Payments of **interest only** at **Seven Hundred Twenty-Nine and 17/100ths Dollars** (**$729.17**) per month commencing May 14, 2021, and each and every month to and including November 2021.
>
> Payments of principal and interest in consecutive monthly installments of **Two Thousand Nine Hundred Eighty-Nine and 51/100ths Dollars** (**$2,989.51**), for a period of eight (8) years (96 months) commencing December 14, 2021, and on the 14th day of each and every month until November 14, 2029, when the entire principal balance and any accrued interest shall be due and payable in full.

All payments hereunder shall be payable at City Hall, 21st Street and 4th Avenue East, Hibbing, Minnesota, or such other place as the Note holder may designate.

If any monthly installment under this Note is not paid when due and remains unpaid after a date specified by a notice to Borrower, the entire principal amount outstanding and accrued interest thereon shall at once become due and payable at the option of the note holder. The date specified shall not be less than thirty (30) days from the date such notice is mailed. The Note holder may exercise this option to accelerate during any default by Borrower regardless of any prior forbearance. If suit is brought to collect this Note, the Note holder shall be entitled to collect all reasonable costs and expenses of suit including, but not limited to, reasonable attorneys' fees.

Borrower may prepay the principal amount outstanding in whole or in part. The Note holder may require that any partial prepayments (i) be made on the date monthly installments are due, and (ii) be in the amount of the part of one or more installments which would be applicable to principal. Any partial prepayment shall be applied against the principal amount outstanding and shall not postpone the due date of any subsequent installments or change the amount of such installments, unless the Note holder shall otherwise agree in writing.

Presentment, notice of dishonor, and protest are hereby waived by all makers, sureties, guarantors and endorsers hereof. This Note shall be the joint and several obligation of all makers, sureties, guarantors and endorsers, and shall be binding upon them and their successors and assigns.

Any notice to Borrower provided for in this Note shall be given by mailing such notice by certified mail addressed to Borrower at the address stated below or to such other address as Borrower may designate by notice to the Note holder. Any notice to the Note holder shall be given by mailing such notice by certified mail, return receipt requested, to the Note holder at the address stated in the first paragraph of this Note, or at such other address as may have been designated by notice to Borrower.

SCRANTON IRON, INC.

By______________________________
James G. Bougalis
Its Chief Executive Officer

Borrower's Address:

Scranton Iron, Inc.
3402 15th Avenue East
Hibbing Minnesota 55746

HVS

[redacted]

HVS

33972 North Oak Drive
Pequot Lakes, Minnesota, 56472
+1 (303) 588-6558 (Work)

www.hvs.com

April 5, 2021

Mr. Tom Dicklich
City Administrator
City of Hibbing
401 East 21st Street
Hibbing, MN 55746
+1 (218) 312-1600
tdicklich@ci.hibbing.mn.us

Re: Hibbing Park Hotel Redevelopment
Hibbing, Minnesota

Dear Mr. Dicklich:

Thank you for your recent call pertaining to your Hibbing, Minnesota project; we are pleased to submit this proposal for our services. We are certain that we will be able to provide you with the precise mix of experience and skills you will need for this engagement. HVS is internationally recognized as the leader in hospitality consulting, providing the highest quality experience in this arena.

The attached proposal sets forth a description of the objectives and scope of the assignment, along with a detailed description of the methodology to be employed, an estimate of the time requirements, and a schedule of professional fees. The proposal also includes a list of requested information that we would require for completing the study.

If the proposal meets your acceptance, please sign and return a copy together with your retainer payment. If you have any questions regarding the contents of the proposal, please do not hesitate to contact me. Thank you for the opportunity to submit this proposal for your project.

Very truly yours,
HVS division of TS Worldwide LLC

Tanya J. Pierson

Tanya J. Pierson
Senior Managing Director
TPierson@hvs.com
+1 (303) 588-6558 (Work)

PROPOSAL FOR A MARKET STUDY

Hibbing Park Hotel Redevelopment Hibbing, Minnesota

SUBMITTED TO:

Mr. Tom Dicklich
City Administrator
City of Hibbing
401 East 21st Street
Hibbing, MN 55746
+1 (218) 312-1600
tdicklich@ci.hibbing.mn.us

PREPARED BY:

HVS
A division of TS Worldwide LLC
33972 North Oak Drive
Pequot Lakes, Minnesota, 56472
+1 (303) 588-6558 (Work)
+1 (303) 588-6558 (Work)

April 5, 2021

Proposal for a Market Study

Pursuant to our conversation, we are pleased to submit this proposal for services of HVS division of TS Worldwide LLC in connection with the proposed hotel project in Hibbing, Minnesota. This letter sets forth a description of the objectives and scope of the assignment, along with the methodology to be employed, an estimate of the time requirements, and a schedule of professional fees.

Objective

The objective of this assignment is to perform a market study for the purpose of evaluating the market demand, analyzing the economics, forecasting occupancy and average rate (ADR) levels, and projecting income and expense for a proposed limited- service hotel which would be part of the redevelopment of the existing Hibbing Park Hotel in Hibbing, Minnesota. This analysis will be based on the outline of facilities, projected opening date, and construction budget (as available) provided by you.

Phase One: Fieldwork

To accomplish the objective described above, our work will be conducted in phases, beginning with fieldwork, which typically includes the following steps:

1. An onsite inspection of the subject site will be made. The physical orientation of the subject site with respect to access and visibility to highways, other forms of transportation, and the local demand for accommodations will be analyzed. We will also review the supportive nature of surrounding land uses as they relate to the subject site.
2. The demand for transient accommodations will be investigated to identify the various generators of visitation operating within the local market. The current and anticipated potential of each of these market segments will be evaluated to determine the extent of existing and future demand. Interviews with officials of business and government, as well as statistical data collected during the fieldwork, are useful in locating and quantifying transient demand. In conjunction with the identification of potential demand, an investigation will be made of the respective strengths of these markets in terms of seasonality, weekly demand fluctuations, vulnerability to economic trends and changes in travel patterns, and other related factors. Similar market-research procedures are utilized in estimating the

demand for food and beverage (F&B), banquet, and other facilities, as applicable.

3. The market orientation of nearby lodging facilities will be evaluated to determine their competitive position with respect to the subject site. Those properties displaying similar market attributes will receive a physical inspection, along with selective management interviews, to estimate levels of occupancy, room rates, market segmentation, and other pertinent operational characteristics. Some of the competitive factors that will be specifically reviewed include location, type and quality of facilities, physical condition, management expertise, and chain affiliation.
4. Statistical data relating to general economic and demographic trends often foreshadow future potential for market areas and neighborhoods. Interviews with local Chambers of Commerce, economic development agencies, and other related organizations, along with an investigation of the proposed subject property's primary market area, will reveal patterns reflecting growth, stability, or decline.
5. Through interviews with hotel operators, developers, governmental officials, and others, we will ascertain the status of projects under construction, proposed, or rumored that might be competitive with the proposed subject property.

Phase Two: Market Analysis

The following analysis phase will utilize data and information gathered during the fieldwork phase, along with our extensive library of actual hotel operating statements, financial statistics, area hotel trends, and investor requirements, in order to perform a supply-and-demand analysis for the competitive market. The supply-and-demand analysis typically encompasses the following steps:

1. Using the occupancy levels and market segmentations of the competitive properties, the number of room nights accommodated in each segment is calculated by multiplying each property's room count by its occupancy, market segmentation, and 365 days, which yields the accommodated-room-night demand. The annual number of room nights occupied per room in each segment is also calculated (room nights occupied per year divided by the room count), and the resulting figure serves as a competitive index.

2. Latent demand (unaccommodated and induced demand) is estimated for each market segment.
3. Growth rates are projected for each of the market segments.
4. The total usable room-night demand, which consists of usable latent demand and accommodated demand, is projected.
5. The area's guestroom supply and total room nights available are quantified for each projection year.
6. The overall competitive occupancy is calculated for each projection year.

Phase Three: Analysis for Proposed Subject Property

Using competitive indexes, the relative competitiveness of each of the area hotels will be evaluated. The proposed subject property will be positioned accordingly by demand segment, reflecting the hotel's expected competitiveness across all relevant user groups. This will result in a market- and property-appropriate forecast of segmentation, penetration, and occupancy levels.

We will also perform a similar competitive positioning analysis for the proposed hotel's forecasted room rate, which will result in a quantification and documentation of probable future trends in the proposed subject property's overall rooms revenues.

A similar procedure will be utilized in projecting food, beverage, and other revenues. Using actual income and expense statements of comparable lodging facilities, we will develop income and expense estimates corresponding to the level of activity and quality of operations indicated by the projected occupancy and average rate.

A projection of income and expenses representing future expectations of income potential will be made for a ten-year period. This analysis will utilize HVS Software—a sophisticated, computerized financial-analysis package that was developed by Steve Rushmore and Suzanne Mellen. The logic behind the projection of income and expense is based on the premise that hotel revenue and expenses have one component that is fixed and another that varies directly with occupancy and facility usage. The software takes a known level of revenue or expense and calculates the fixed and variable components. The fixed component is then held constant, while the variable component is adjusted for the percent change between the projected occupancy and facility usage that produced the known level of revenue or expense. Our projected income statements conform with the *Uniform System of Accounts for the Lodging Industry* and include a detailed line-by-line account of all revenue sources and expenses.

Phase Four: Report

Narrative Market Study or Summary of Findings

Based on your needs, documentation of our fieldwork and analyses will be set in either a written market study report or summary letter of findings. The written report would contain the following sections:

1. Purpose of the market study
2. Description of the site and neighborhood
3. Review of the market area
4. Demand generator interview findings
5. Analysis of the market for hotel accommodations
6. Examination of existing and proposed competition
7. Facilities overview
8. Projection of occupancy and average rate
9. Income and expense projections

As an alternative, our fieldwork and analyses could be set forth in a summary letter of findings report (15-20 page document) which would contain the following sections:

1. Overview of the local economy
2. Lodging market trends and facility review
3. Projection of occupancy and average rate
4. Income and expense projections

When appropriate, we will include graphics such as photographs, maps, surveys, plans, and charts to assist in visualizing our findings.

Additional Services

Following the completion of this engagement, HVS can be engaged for additional development consulting services at the client's discretion, including:

- Design and Architecture
- Development Project Management
- Construction Management
- Financing
- Franchise/Brand Search and Contract Negotiations
- Management/Operator Search and Contract Negotiations
- Hotel Management
- Asset Management

Requested Information

To aid us in performing this assignment, we request that you provide us with the following information (where applicable):

1. Name of contact person for site tour
2. Terms of purchase or sale of the site, including options and listings, as well as the price, date, and financing information; please include a copy of the contract and closing statement
3. Capital budget (cost) projections
4. The most recent real property tax bill for the land
5. Name of legal owner and detailed ownership history for the subject site for the last five years
6. Architectural/floor plans and plot plans, survey, and legal description in PDF
7. If available: operating budgets, projections, marketing plans, etc.
8. If available: any preliminary management contracts and franchise agreements that may be in place
9. If available: past appraisals, market and feasibility studies, impact studies, prospectuses, STAR reports, and any Phase I or Phase II environmental audit reports

Timing

We anticipate that Phases I, II, and III of the market study will be completed within approximately 20 to 25 days from the date we receive the signed proposal, all requested information, and the retainer check. At that time, we will provide you with a *verbal* summary of findings; for this conference, we will provide you with various charts and data tables that support our findings.

After your review of our findings, upon your authorization and payment of our invoice, we will then prepare the market study report, which will take an additional 7 to 10 days.

Signed Proposal & Retainer Received by HVS
Requested Information Received by HVS

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Fieldwork & Analysis Timing Commences

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Study Findings (Tables) Provided to You
Invoice Provided for Narrative Report

↓

Payment for Remaining Assignment Fee Received by HVS
Writing Phase Commences (after full payment)

↓

Narrative Report Provided to You

Professional Fees

Our fee for Phases I, II, III, and IV (as a narrative market study) will be $8,000, payable $6,500 *upon execution* of this agreement, and the balance payable *upon request* for the report (Phase IV). As an alternative, should you choose to have us prepare a summary of findings report instead of a narrative market study, our fee would be reduced by $1,500, for a total fee of $6,500.

It is our normal policy to provide an electronic draft copy of our final report for your review. After confirmation that our invoice for services has been paid in full, this draft will be provided in PDF and will include a watermark "DRAFT." Upon your approval of this draft, we will commence preparation of the final report. This fee includes one electronic copy of the final report, which will be delivered to you via email in PDF. Reports are not transmitted in Microsoft Word format.

In addition to our professional fees, you agree to reimburse us for reasonable out-of-pocket travel and related expenses (including a $650 charge for a Smith Travel Research trend report) incurred while traveling on your behalf. You will be billed periodically for these expenses, which will be due and payable upon presentation of our bills.

After completing the fieldwork phase of this assignment, should it become necessary to alter the parameters of the study, such as the property description, opening date, location, or any other factor that could change the final conclusions, the TS Worldwide LLC will be entitled to charge an additional fee based on our current per-diem rates and the time required to incorporate the necessary changes into our analysis and report. In addition, the estimate of timing will be extended by an amount equal to the added work.

Payment Due Dates

If payment for professional fees and out-of-pocket travel and related expenses is not received within thirty (30) days of the billing date, HVS reserves the right to suspend all work until payment is made and apply a service charge of 1.5 percent per month, or fraction thereof, to the total unpaid sum. Should any type of action become necessary to enforce collection of bills rendered, it is further agreed that you (the client) or the prevailing party will be responsible for all collection costs, including but not limited to court costs and reasonable legal fees. It is understood that HVS may extend the time for payment on any part of billings rendered without affecting the understanding outlined above.

Collection of Outstanding Professional Fees

The parties to this contract agree that any disputes regarding professional fees and/or other charges owed to HVS will be resolved in accordance with Texas law (TS Worldwide is a Texas-based LLC with a home office location of 2601 Sagebrush Drive, Suite 101, Flower Mound, Texas, 75028). The parties to this contract further agree that (a) any legal action regarding money owed to HVS will take place in Texas; (b) Texas courts have exclusive jurisdiction for resolution of disputes; and (c) the plaintiff will have the choice of venue in any county in the State of Texas.

Limitations of Liability

It is agreed that our company's liability, our employees, and anyone else associated with this assignment is limited to the amount of the fee paid as liquidated damages. You acknowledge that any opinions, recommendations, and conclusions expressed during this assignment will be rendered by the staff acting solely as employees and not as individuals. Our responsibility is limited to the client; use of our product by third parties shall be solely at the risk of the client and/or third parties. The study described in this proposal will be made subject to certain assumptions and limiting conditions. A copy of our normal assumptions and limiting conditions will be provided upon request.

Conclusion

If the foregoing proposal meets with your acceptance, please sign and return together with your retainer payment in the amount of $6,500. Your signature beneath the words "Agreed to and Accepted" signifies your agreement to employ the HVS division of TS Worldwide LLC for these services. To schedule our assignments and perform your study in accordance with the timing set forth above, we ask that you return an executed copy of this agreement by May 5, 2021. We appreciate the opportunity of submitting this proposal and look forward to working with you on this assignment.

Very truly yours,
HVS division of TS Worldwide LLC

Tanya J. Pierson
TPierson@hvs.com
+1 (303) 588-6558 (Work)

AGREED TO AND ACCEPTED

Mr. Tom Dicklich
City of Hibbing

Signature: ____________________

Date: ________________________

HVS

INVOICE FOR RETAINER

Date: April 5, 2021
Terms: *Due Prior to Start of Assignment*

Mr. Tom Dicklich
City of Hibbing
401 East 21st Street
Hibbing, MN 55746

Re: Hibbing Park Hotel Redevelopment
Hibbing, Minnesota
(HVS staff member: Tanya J. Pierson)

Project	*Amount Due*
Market Study Report (retainer)	$6,500

Please make all checks payable to TS Worldwide, LLC
(dba HVS)
Tax ID #20-2762887
Please remit to:
HVS
4775 Larimer Parkway
Suite 200
Johnstown, CO 80534

PLEASE INCLUDE A COPY OF THIS INVOICE WITH YOUR CHECK PAYMENT

Wire Instructions:
Please notify mculbertson@hvs.com of all wire transmissions.
JPMorgan Chase Bank
267 Old Country Road
Carle Place, NY 11514
(516) 333-4691
Account Name: TS Worldwide, LLC
Transit ABA #: 021000021
Swift Code: CHASUS33
Account Number: 682090837

[redacted]

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