



ECONOMIC DEVELOPMENT AUTHORITY
City Hall—Shared Vision Room, 3989 Central Ave NE
Monday, October 23, 2023
5:00 PM

MINUTES

CALL TO ORDER/ROLL CALL

Members present: Connie Buesgens; Kt Jacobs; Rachel James; Amada Márquez-Simula; Justice Spriggs; Marlaine Szurek.

Staff Present: Chirpich, Community Development Director / Acting City Manager; Joe Kloiber, Finance Director; Sara Ion, City Clerk; Mitchell Forney, Community Development Coordinator.

Others Present: Jonathan Tholen, City Resident; Steve McAlpin, City Business Owner.

PLEDGE OF ALLEGIANCE

CONSENT AGENDA

- 1. Approve September 5, 2023, Regular EDA Meeting Minutes (pg. 3)**
- 2. Approve Financial Reports and Payment of Bills of August and September 2023 (pg.13)**

Motion by Márquez-Simula, seconded by Jacobs, to approve the Consent Agenda as presented. All ayes of present. MOTION PASSED.

RESOLUTION NO. 2023-25

A RESOLUTION OF THE ECONOMIC DEVELOPMENT AUTHORITY OF COLUMBIA HEIGHTS, MINNESOTA, APPROVING THE FINANCIAL STATEMENTS FOR THE MONTHS OF AUGUST AND SEPTEMBER 2023 AND THE PAYMENT OF THE BILLS FOR THE MONTHS OF AUGUST AND SEPTEMBER 2023.

WHEREAS, the Columbia Heights Economic Development Authority (the “EDA”) is required by Minnesota Statutes Section 469.096, Subd. 9, to prepare a detailed financial statement which shows all receipts and disbursements, their nature, the money on hand, the purposes to which the money on hand is to be applied, the EDA's credits and assets and its outstanding liabilities; and

WHEREAS, said Statute also requires the EDA to examine the statement and treasurer's vouchers or bills and if correct, to approve them by resolution and enter the resolution in its records; and

WHEREAS, the financial statements for the months of August and September 2023 have been reviewed by the EDA Commission; and

WHEREAS, the EDA has examined the financial statements and finds them to be acceptable as to both form and accuracy; and

WHEREAS, the EDA Commission has other means to verify the intent of Section 469.096, Subd. 9, including but not limited to Comprehensive Annual Financial Reports, Annual City approved Budgets, Audits and similar documentation; and

WHEREAS, financial statements are held by the City’s Finance Department in a method outlined by the State of Minnesota’s Records Retention Schedule,

NOW, THEREFORE BE IT RESOLVED by the Board of Commissioners of the Columbia Heights Economic Development Authority that it has examined the referenced financial statements including the check history, and they are found to be correct, as to form and content; and

BE IT FURTHER RESOLVED the financial statements are acknowledged and received and the check history as presented in writing is approved for payment out of proper funds; and

BE IT FURTHER RESOLVED this resolution is made as part of the permanent records of the Columbia Heights Economic Development Authority.

ORDER OF ECONOMIC DEVELOPMENT AUTHORITY

Passed this 23rd day of October 2023

Offered by: Amada Márquez-Simula
Seconded by: Kt Jacobs
Roll Call: All ayes of present. MOTION PASSED.

Vice President

Attest:

Secretary

BUSINESS ITEMS

3. 4300 Central Avenue – TIF Pledge for General Obligation TIF Revenue Bonds Amended (pg.48)

Acting Executive Director of the EDA Aaron Chirpich began with a review of the property being discussed and stated that during the summer of 2021 the City received word that Hyvee was interested in selling the property located at 4300 Central Ave (also known as the “Rainbow Site”). The City moved to gain control over the site by working with Alatus in having the developer purchase the property. In order to support the developer, the city provided funding in the form of a loan for the purchase and predevelopment costs related to the project. Alatus requested a total loan of \$6,000,000 with which they would use the money for the items listed below. Rather than write a \$6,000,000 check the City decided to fund the loan using borrowed funds from general obligation tax increment financing (TIF) bonds. Under this scenario, the City issued the debt necessary for Alatus to purchase the property directly from Hy-Vee with the City acting as interim lender. Alatus is set to pay off the City’s loan when

the project is ready to close with permanent financing. Alatus's current timeline will not afford the repayment of these bonds.

Chirpich stated that due to these concerns the City is bringing forth the issuance of a new set of bonds which will pay off the previous set of bonds and extend the bond timeline. The new bonds are temporary, just like the first set of bonds, and reissuing a new set of bonds will afford the City and Alatus more time to develop the project plans and close on financing for the first phase of development.

Chirpich stated that upon payment of the first set of bonds there will be \$441,944.58 left over from the first bond issuance. The City will keep these funds in escrow and allow Alatus to use them for eligible project costs. All the bond funds from both series will be repaid at the closing of the first phase of the project.

- Land Acquisition - \$4,500,000
- Closing Costs - \$105,200
- City Fees - \$50,000
- Demolition - \$671,686
- Environmental Testing and Reports - \$42,156
- Geotechnical Testing and Reports – 35,000

Chirpich further clarified that the City Council holds the authority to issue general obligation TIF bonds and will be taking up the issuance of these bonds at tonight's council meeting. The EDA administers TIF districts for the City, and therefore the County remits increment generated from TIF districts directly to the EDA. Because the general obligation bonds being issued are tax increment bonds, the City will be pledging tax increment for the payment of the bonds. Therefore, the EDA is being asked by the City to pledge increment to the City from the Alatus TIF district, so the City can use the increment to pay debt service on the bonds. The formal way to create this arrangement is through a TIF Pledge Agreement. On tonight's docket is the amendment of the previous TIF Pledge Agreement bringing it in line with the issuance of the new bonds. Kennedy and Graven have prepared the attached pledge agreement and resolution for review and approval by the EDA.

Questions/Comments from Members and Attendees:

Resident Tholen clarified what the interest rate would be on the bonds.

Finance Director Kloiber reviewed the current rate and indicated that because of changes in the financial market the new rates would be higher.

Commission President Szurek inquired when ground would be broken on the site, and if there was still a potentially confirmed grocer for the space.

Chirpich clarified that the site demolition has occurred, and that ground would be broken on the first phase likely in the late summer or fall of 2024. He further confirmed that there was a potential grocer that is being sought for the location. There was additional discussion from the commission if this was

confidential information.

Motion by Jacobs, seconded by James, to waive the reading of Resolution No. 2023-26, there being ample copies available to the public. All ayes. MOTION PASSED.

Motion by Jacobs, Seconded by Buesgens, to adopt Resolution 2023-26, a resolution authorizing execution of an amended and restated tax increment pledge agreement with the City of Columbia Heights relating to taxable general obligation temporary tax increment refunding bonds, series 2023a, to be issued in the proposed aggregate principal amount of \$6,675,000. All Ayes. MOTION PASSED.

COLUMBIA HEIGHTS ECONOMIC DEVELOPMENT AUTHORITY

RESOLUTION NO. 2023-26

A RESOLUTION AUTHORIZING EXECUTION OF AN AMENDED AND RESTATED TAX INCREMENT PLEDGE AGREEMENT WITH THE CITY OF COLUMBIA HEIGHTS RELATING TO TAXABLE GENERAL OBLIGATION TEMPORARY TAX INCREMENT REFUNDING BONDS, SERIES 2023A, TO BE ISSUED IN THE PROPOSED AGGREGATE PRINCIPAL AMOUNT OF \$6,675,000

BE IT RESOLVED by the Board of Commissioners (the “Board”) of the Columbia Heights Economic Development Authority (the “Authority”) as follows:

Section 1. Recitals.

1.01. The City of Columbia Heights, Minnesota (the “City”) has established, and the Authority administers, the Alatus TIF District (the “TIF District”), a redevelopment district within the Downtown Central Business Redevelopment Project (the “Redevelopment Project”) within the City, pursuant to Minnesota Statutes, Sections 469.174 through 469.1794, as amended (the “TIF Act”), and adopted a tax increment financing plan for the TIF District (the “TIF Plan”).

1.02. Pursuant to the authority conferred by Section 469.178, subdivision 5 of the TIF Act and Minnesota Statutes, Chapter 475, as amended (the “Municipal Debt Act”), including Section 475.61, subdivision 6, the City issued its Taxable General Obligation Temporary Tax Increment Bonds, Series 2021A (the “Series 2021A Bond”), dated July 29, 2021, in the original aggregate principal amount of \$5,935,000, to pay all or a portion of the public redevelopment costs incurred or to be incurred within the Redevelopment Project as identified in the TIF Plan, including but not limited to a bridge loan provided to Alatus Columbia Heights II LLC, a Delaware limited liability company (the “Developer”), for land acquisition, demolition, and related costs (the “Project Costs”), and the Developer agreed to pay the City’s financing and other related costs related to issuing the Series 2021A Bond.

1.03. The City and the Authority entered into a Tax Increment Pledge Agreement, dated July 29, 2021 (the “Original Pledge Agreement”), relating to the payment of principal of and interest on the Series 2021A Bond and providing for the pledge of tax increment revenues generated from the TIF District to secure the payment of principal of, premium, if any, and interest on the Series 2021A Bond.

1.04. The Series 2021A Bond matures on February 1, 2024 and is payable on such date from tax increments resulting in increases in the taxable value of real property in the TIF District and/or from proceeds of definitive bonds or additional temporary bonds to be issued by the City prior to such maturity.

1.05. The City has determined the need to issue an additional temporary bond to refinance the Series 2021A Bond. To that end, on the date hereof, the City Council of the City will consider a resolution providing preliminary approval to the issuance and sale of the City's Taxable General Obligation Tax Increment Refunding Bonds, Series 2023A (the "Bond"), in the proposed aggregate principal amount of \$6,675,000, pursuant to the TIF Act, including Section 469.178, subdivision 5, and the Municipal Debt Act, including Sections 475.61, subdivision 6 and 475.67, subdivision 3. The proceeds of the Bond will be used to refund the Series 2021A Bond prior to maturity and provide additional temporary financing for the Project Costs.

1.06. There has been presented to the Board an Amended and Restated Tax Increment Pledge Agreement (the "Pledge Agreement") between the Authority and the City, which amends and restates the Original Pledge Agreement, relating to the payment of principal and interest on the Bond and providing for the pledge of tax increment revenues generated from the TIF District to secure the payment of principal of, premium, if any, and interest on the Bond.

Section 2. Approval.

2.01. The Board hereby approves the pledge to the City of tax increment revenues attributable to the TIF District for the payment of principal of, premium, if any, and interest on the Bond.

2.02. The President and Executive Director of the Authority are hereby authorized to execute and deliver the Pledge Agreement substantially in the form on file with the Board, providing for the pledge of tax increment derived from property in the TIF District for the payment of the principal of, premium, if any, and interest on the Bond.

2.03. This resolution shall be effective as of the date hereof.

Approved this 23rd day of October, 2023, by the Board of Commissioners of the Columbia Heights Economic Development Authority.

President

ATTEST:

Secretary

4. Approval of Demolition Contract for 841 49th Ave and 4243 5th St (pg. 58)

Community Development Coordinator Forney clarified for the commission that earlier this year the EDA purchased the properties located at 841 49th Ave and 4243 5th St in preparation to redevelop both sites. 4243 5th St is set to be sold to Habitat for Humanity which will look to redevelop a single-family home on the site in 2024. While 841 49th, was more of a strategic acquisition which will be redeveloped at a future date. Throughout the summer the Columbia Heights Fire Department was able to utilize both structures for a variety of training. Ultimately burning down 841 49th in a training burn on October 7th, 2023. The next step in the redevelopment of these properties is to demolish the remaining structures on the property.

Forney further informed the commission that Staff prepared bid sheets and submitted bid requests to a multitude of contractors, receiving 6 bids in return. To make the project easier to bid, the EDA had taken on the environmental testing and removal of all personal items and hazardous materials from the buildings. As part of the demolition bid the contractor is responsible for the removal of all outbuildings and site improvements on the properties. This also includes the removal of water and sewer lines to the property line in order to prepare the sites for redevelopment. Below is a chart outlining the bids and bid amounts received.

Forney indicated that Staff recommend awarding the project to Semple Excavating for the amount of \$47,275.00.

Questions/Comments from Members and Attendees:

Councilmember Jacobs inquired as to why Staff was proceeding with the lowest bid.

Commissioner Márquez-Simula clarified to Forney and Chirpich that this was the lowest responsible bid and both confirmed. Forney further clarified that there was only a slight amount of difference between the bids, and this was the best option.

Motion by James, seconded by Spriggs, to accept the proposal from Semple Excavating, in the amount of \$47,275.00 for the demolition of all site improvements, water/sewer line removal, and the regrading of the lots located at 841 49th Ave and 4243 5th St; and furthermore, to authorize the President and Executive Director to enter into an agreement for the same. All Ayes. MOTION PASSED.

5. 3988 Central Ave Fire Suppression Grant Application, H-M Properties LLC (pg. 95)

Coordinator Forney gave an overview of the history of the Fire Suppression Grant program. He stated that In 2022, the City of Columbia Heights Economic Development Authority (EDA) established the Fire Suppression Grant Program ("Program") to aid local businesses in addressing the financial challenges associated with installing fire suppression systems within commercial buildings. This initiative is particularly important, given that many commercial properties in Columbia Heights lack fire suppression systems, and the cost of retrofitting these systems can be a significant burden, especially for small businesses. Certain business activities and changes in use necessitate the installation of fire suppression systems to ensure public safety.

Forney indicated that Staff is excited to present an application from H-M Properties LLC, represented by Steve McAlpin, the owner of the property located at 3988 Central Ave NE. Currently, 3988 Central is

going through the process of being sold to a small business from NE Minneapolis called Klash Drums. Klash Drums is looking for a more permanent location after being forced out of their lease in NE Minneapolis. As part of the sale of the building the current owner has agreed to complete the fire suppression work as the sale is going through. The new business is required to sprinkle the building due to the change of use. MN state fire code outlines which change in use trigger the requirement for a fire suppression system to be added.

Forney further clarified that the location of the water main feeding 3988, the cost of installing a fire suppression system has increased dramatically. As we have seen in the past from the EDA's perspective, just disconnecting the water line for 3841 Central Ave cost the EDA a little over \$15,000. Any work that needs to be done within Central Ave significantly increases the price of the project due to MNDOT coordination, road safety measures, and permit costs. The lower of the two bids to run a separate main line and complete all interior fire suppression work came in at \$105,625. The EDA has recently considered applications ranging from \$83,360 for Ruff Love Dogs, and \$48,871 for Rail Works Brewing. Due to these exigent circumstances staff are recommending making an exception for H-M Properties by offering them a grant of 50% up to \$50,000.

Forney additionally clarified that Staff has confirmed with the City Attorney that the EDA can grant applicants whatever amount they see fit as long as it is covered in the approving resolution and meets the program's preset budget. While this may or may not be a onetime thing, future applicants along Central Ave could be given the same treatment depending on the work that they need to complete. Ultimately, 3988 Central is the posterchild of why the EDA created the fire suppression program. The city is trying to attract new businesses, especially ones that have found success in neighboring communities. To attract these new businesses, without sticking them with a \$100,000 buildout cost, the city sought to ease the burden of moving into an older space. The building at 3988 Central has been a cornerstone of the City's central business district, and while we are losing a few amazing small businesses, the EDA can directly contribute to filling that void.

Additionally, Forney clarified the funding availability. He stated that in 2022, the EDA allocated \$45,000 for the establishment of the Fire Suppression Grant Program and budgeted an additional \$60,000 for 2023, resulting in a total balance of \$105,000. With the approval of the application for Ruff Love Dogs', which was awarded \$30,000, and the application for Rail Works Brewing, which was awarded \$24,436, The EDA has \$50,564 remaining for 2023. Since there were no changes to next year's budget, the EDA will start 2024 with \$60,000 set aside for fire suppression applicants.

Chirpich also reviewed the status of the applications to the program and stated that while it has proven challenging to find businesses eligible to apply for the Fire Suppression Grant Program, Staff believes that the application from H-M Properties LLC aligns with the program's primary intent. By supporting this project, the EDA can facilitate the establishment of a desirable business in the City of Columbia Heights. The installation of a fire suppression system in 3988 Central Ave location not only enhances public safety but also contributes to the economic development and diversity of businesses within the city. He recommended that the Economic Development Authority consider approving the application from H-M Properties LLC and allocate the requested grant of 50% up to \$50,000.

Questions/Comments from Members and Attendees:

Commissioner James clarified that this was Klash Drums, currently located on Lowry that was planning on moving into the location.

Commissioner Spriggs inquired about the potential for these grants to be used for businesses on 40th Avenue.

Chirpich confirmed that these grants would be available for those businesses.

Motion by Márquez-Simula, seconded by Jacobs to waive the reading of Resolution 2023-27, there being ample copies available to the public. All Ayes. MOTION PASSED.

Motion by Márquez-Simula, seconded by Buesgens to approve Resolution 2023-27, a resolution of the Economic Development Authority of Columbia Heights, Minnesota, approving the form and substance of the fire suppression grant agreement, and authorizing authority staff and officials to take all actions necessary to enter the authority into the fire suppression grant agreement with H – M Properties LLC.

RESOLUTION NO. 2023-27

RESOLUTION OF THE ECONOMIC DEVELOPMENT AUTHORITY OF COLUMBIA HEIGHTS, MINNESOTA, APPROVING THE FORM AND SUBSTANCE OF THE FIRE SUPPRESSION GRANT AGREEMENT, AND AUTHORIZING AUTHORITY STAFF AND OFFICIALS TO TAKE ALL ACTIONS NECESSARY TO ENTER THE AUTHORITY INTO THE FIRE SUPPRESSION GRANT AGREEMENT WITH H – M PROPERTIES LLC.

WHEREAS, the City of Columbia Heights (the “City”) and the Columbia Heights Economic Development Authority (the “Authority”) have collaborated to create a certain fire Suppression Grant Program (the “Program”); and

WHEREAS, pursuant to guidelines established for the Program, the Authority is to award and administer a series of grants to eligible commercial property owners and/or tenants for the purposes of revitalizing, rehabilitating, and restoring commercial buildings increasing business vitality, economic performance, and public safety; and

WHEREAS, The Authority has recognized exigent circumstances related to the execution of water main infrastructure activities along Central Avenue, resulting in a substantial increase in the cost associated with the installation of a fire suppression system for H-M Properties; and

WHEREAS, the Authority recognizes that the increase in cost puts undue burden on the property owner, and

WHEREAS, the Authority has thoroughly reviewed copies of the proposed form of the Grant Agreement.

NOW, THEREFORE BE IT RESOLVED that, after appropriate examination and due consideration, the Authority

1. approves the increased grant amount of 50% up to \$50,000 outside the terms of the original grant guidelines due to the exigent circumstances of the project.
2. approves the form and substance of the grant agreement and approves the Authority entering into the agreement with H-M Properties LLC.
3. establishes that the City Manager, as the Executive Director of the Authority, is hereby authorized, empowered and directed for and on behalf of the Authority to enter into the grant agreement.
4. establishes that the City Manager, as the Executive Director of the Authority, is hereby authorized and directed to execute and take such action as they deem necessary and appropriate to carry out the purpose of the foregoing resolution.

ORDER OF ECONOMIC DEVELOPMENT AUTHORITY

Adopted this 23rd day of October, 2023

Offered by: Amada Márquez-Simula
Seconded by: Connie Buesgens
Roll Call: All ayes of present. MOTION PASSED.

President

Attest:

Secretary

OTHER BUSINESS

The commission had a brief conversation about traffic control issues, and the MNDOT program that is currently being tested on Central Avenue.

ADJOURNMENT

Motion by Buesgens, seconded by Jacobs, to adjourn the meeting at 5:49 pm. All ayes. MOTION PASSED.

Respectfully submitted,

Mitchell Forney, Interim Recording Secretary