MINUTES

Mankato Economic Development Authority
Regular Meeting
February 10, 2025 - 6:46 p.m.
IGC - Mankato Room

1. **Call Meeting to Order**

   Members Present: Kevin Mettler, Dennis Dieken, Michael McLaughlin, and Chair Najwa Massad.

   Members Excused: Jenn Melby-Kelley, Jessican Hatanpa, and Mike Laven.

   Staff Present: Executive Director Susan Arntz, Community Development Director Mark Konz, Associate Director of Housing and Economic Development Nancy Bokelmann, Economic Development Coordinator Courtney Kramlinger, and City Clerk Renae Kopischke.

2. **Approval of Agenda**

   Mr. McLaughlin moved and Mr. Mettler seconded a motion to approve the agenda as written. The motion carried unanimously.

3. **Approval of Minutes**

   Mr. Mettler moved and Mr. McLaughlin seconded a motion to approve the Economic Development Authority minutes of the Regular Meeting of January 13, 2025, as written. The motion carried unanimously.

4. **Economic Development Authority Business**

   A. Ms. Kramlinger reported that on January 8, 2024, the EDA preliminarily reviewed a request from MAH BKS, LLC for tax increment assistance for a redevelopment proposal at 830 North Broad Street for a three-story, mixed-use building. She stated that on January 22, 2024, the Council adopted a resolution setting the date of the public hearing, which was later canceled by the request of MAH BKS, LLC to further examine the project financing and feasibility.

   Ms. Kramlinger summarized that the developer has revised the redevelopment plans and is now proposing to construct a new, two-story commercial building consisting of 6,784 square feet, with an estimated total project cost of $2,346,220 and construction is anticipated to occur in 2025 and 2026. She stated that it is anticipated there will be up to 25 full-time equivalent jobs created that would be associated with the new building.

Ms. Kramlinger indicated that the developer is requesting pay-as-you-go tax increment financing (TIF) from the City through the creation of a redevelopment TIF district that would be used to assist with the redevelopment of the site, including demolition, removal of paved surfaces from the public right-of-way, utility upgrades, curb-cut relocation, building pads, and soil stabilization. She added that these are additional costs as compared to developing a "greenfield" vacant site.

Ms. Kramlinger explained that the developer is documenting extraordinary costs that may be eligible for assistance under the City of Mankato's Economic Development Guidelines. She noted that the developer is seeking TIF reimbursement of up to $490,000, which includes $95,000 for building demolition, $50,000 for environmental remediation, $50,000 for public improvements, $120,000 for site improvements, and $103,800 for property acquisition associated with the completion of the project. She summarized additional details related to the public and site improvements.

Ms. Kramlinger stated that the Council's policy decision has been to limit the tax increment reimbursements to 15 years to account for the additional tax capacity to be realized before significant depreciation in the asset is realized. She commented that the anticipated principal value of the pay-as-you-go tax increment with a 15-year term is $155,000, plus 5% carrying interest costs - $81,925. She noted that the interest costs are derived to align at, or slightly below, the private financing since the developer must fund the activities upfront, and the TIF projections assume the developer will receive TIF reimbursement in the amount of $15,795/year in years 2027 through 2041.

Mikayla Hewitt, Baker Tilly, reported that, based on Baker Tilly's financial analysis and available financing assumptions, without financial assistance, the project would not be financially feasible. She stated that the analysis found the developer's return without TIF assistance was 6.09%, which is below the feasibility benchmark; therefore, Baker Tilly concluded that the project would be unlikely to proceed but for the requested TIF assistance. She added that Baker Tilly also reviewed the estimated impact on project returns with assistance for a term of reduced term of 10 years, a term of 15 years, and an increased term of 20 years which ranges between 6.90% - 7.35%.

Ms. Hewitt noted that the analysis included a review of the Debt-Coverage Ratio, which is another measure for evaluating the project feasibility, and it was found that the estimated debt coverage ratios indicate that public assistance will be required to obtain debt financing for the project.

Mayor Massad clarified that the request was for a term of 20 years versus 15 years. Discussion centered on the term of 20 years versus 15 years, and it was noted that a grant had already been awarded to the project.

The EDA reviewed the proposal and provided comments, and directed staff to prepare tax increment documents for a public hearing. They requested that the terms be adjusted to be close to the 15-year amount, if possible. It is anticipated that the public hearing could be set for February 24, 2025, for the April 14, 2025, meeting.

B. Ms. Bokelmann indicated that Minnesota Housing established a Local Housing Trust Funds Grant Program to encourage local governments to create or fund Local Housing Trust Funds. She explained that the program uses state funding to match a portion of new housing trust fund dollars to encourage local investment in affordable housing across Minnesota, and that the funds may come from any source other than the state or federal government. She summarized that the grant funds must be used for households at or below 115% of the state median income; may be used for development, rehabilitation or financing of housing, down payment assistance, rental assistance, homebuyer counseling services, administrative expenses, up to 10% of grant; and must be used within five years.

Ms. Bokelmann stated that it is recommended that the EDA consider allocating the maximum matching funds from EDA general funds in the amount of $300,000, seeking $225,000 from MN Housing's Local Housing Trust Funds grant program. She noted that if a grant is awarded, the grant agreement will be submitted to the EDA for execution, and it is anticipated that grants will be awarded in June 2025.

Mr. Dieken moved and Mr. Mettler seconded a motion to approve a Resolution to authorize an application to Minnesota Housing for the Housing Trust Fund Grant program and EDA matching funding . The motion carried unanimously.

C. Ms. Bokelmann stated that the Minnesota Assistance Council for Veterans (MAC-V) received notice that the Radichel Veteran Townhomes will not receive renewal funding for rental assistance through the Regional River Valleys Continuum of Care 2024 funding request to the US Department of Housing and Urban Development. She noted that MAC-V is requesting the use of Project-Based vouchers (PBV) for the eleven (11) units at the Radichel Veteran Townhomes to prevent the loss of housing subsidies for these veterans.

Ms. Bokelmann commented that the PBV are attached to specific units rather than using them for tenant-based rent assistance, and indicated that the EDA may use PBV to deconcentrate poverty and expand housing and economic opportunities. Currently, the EDA has used PBV for 48 of its allocated 115 PBV to expand affordable housing, leveraging Low Income Housing Tax Credit projects at Dublin Crossing, Dublin Heights, Rosa Place I & II, Sinclair Flats, and in coming months at Lewis Lofts.

Ms. Bokelmann explained that MAC-V's request for the use of PBV at the Radichel Veteran Townhomes can provide long-term affordable housing assistance which, in the past, has had to be renewed each year. She noted that the assistance has flexibility and benefits for renters and can be transferred to a renter when they move as part of the HCV program, ongoing attrition, as well as remaining project-based in the unit for the next household. She added that it also provides additional benefits for the renter with access to self-sufficiency and homeownership programs.

Mr. McLaughlin moved and Mr. Mettler seconded a motion recommending the use of project-based Housing Choice Vouchers for the MAC-V Radichel Veteran Townhomes. The motion carried unanimously.

D. Ms. Bokelmann commented that the EDA approved at their January 13, 2025, meeting to set February 10, 2025, as the date of public hearing to consider the conveyance of 49 Public Housing units to the City of Mankato. She indicated that in conducting the title work for the public housing properties, it was identified that the properties are still deeded to the Housing Authority of Mankato; thus, although program administration was transferred to the EDA in 1997, the necessary resolutions dissolving the HRA and transferring the assets to the EDA were not completed.

Ms. Bokelmann explained that to convey the properties to the City of Mankato, it is recommended that the City resurrect the HRA temporarily to properly transfer 49 units to the city under the Section 18 disposition and the remaining 130 units to the EDA under Section 9 Public Housing and then dissolve the HRA.

Mr. McLaughlin moved and Mr. Dieken seconded a motion canceling February 10, 2025, as the date of the public hearing to consider conveyance of 49 Public Housing Units under the Section 18 Disposition Program to the City of Mankato. The motion carried unanimously.

5. **Reports/EDA Comments**

None.

6. **Adjournment**

There being no further business, Mr. McLaughlin moved and Mr. Dieken seconded a motion to adjourn. With all members voting in favor, the meeting adjourned at 7:26 p.m.

Prepared by:	Approved by:
______________________________	______________________________
Renae Kopischke City Clerk	Najwa Massad Chair