

# PORT AUTHORITY OF WINONA MINUTES

**DATE:** June 10, 2021

**PRESENT:** President Cichanowski; Commissioners: Johnson, Gorman, Borzyskowski, Alexander, Hansen, Lucas and Executive Secretary Sarvi

**ABSENT:** None

**STAFF PRESENT:** Director of Community Development Lucy McMartin, Development Coordinator Nick Larson, and Director of Finance Jessica Wojahn

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## 1. CALL TO ORDER – APPROVAL OF MINUTES

The meeting was called to order at 4:00 pm by President Cichanowski. A motion was made by Commissioner Lucas, and seconded by Commissioner Alexander to approve the May 13, 2021 minutes. The motion carried with all Commissioners present voting aye.

A motion was made by Commissioner Lucas, and seconded by Commissioner Alexander to approve the May 17, 2021 Special Meeting minutes. The motion carried with all Commissioners present voting aye.

## 2. REMARKS BY PRESIDENT

President Cichanowski noted previous discussions with the US Corp. of Engineers regarding the placement of dredged sand. President Cichanowski noted the Corp has current sites in Homer and on Port Authority Land in Technology Park. The Corp is interested in identifying a west end site to unload dredged sand. President Cichanowski stated the Port Authority owns land downriver from the Minnesota Marine Art Museum and the Corp would like to know if the Commissioners would be willing to allow the Corp to use the site to unload dredge sand. President Cichanowski noted the Corp would want to buy the land, but stated the he would prefer leasing the land to the Corp and asked the Commissioners for any questions or comments for entering into negotiations with the Corp to allow them to use this piece of land.

Commissioner Lucas asked how close this site is to the museum and if a lot of dust would be created.

President Cichanowski noted the site borders the museum and the Corp would be unloading from barge to truck, limiting dust and the operations are for a few weeks each year, potentially.

Commissioner Alexander asked if they are taking in less sand than anticipated and if the Corp needs additional areas near the marina, negotiations can include dredging entrances which is needed.

President Cichanowski noted the Corp is anticipating 100,000 square yards this year and 160,000 yards next year and dredging out the entrances to the marinas could be part of the negotiations.

Commissioner Alexander noted she would support the Corp to use the Port owned land by the museum for the unloading dredged sand.

Commissioner Borzyskowski asked where the sand would be taken.

President Cichanowski noted there are several spots under negotiations where the sand could be taken.

Commissioner Johnson stated he is in agreeance with Commissioner Alexander in terms of the Corp should dredge the sand from the entrances of the marinas.

Commissioner Johnson noted it is more accessible when unloaded onto the south side of the dike and has made development projects in Winona more cost effective and the Port should continue to have sand available for projects.

The general consensus was to support the Corps use of this site. Executive Secretary Sarvi asked to confirm that the site would only be used for unloading.

Director of Community Development Lucy McMartin noted the Corp intends the use of the site in the same manner as the East-End Boat Harbor, whereas some sand would be piled for a short period of time before being moved off site. Ms. McMartin stated she contacted the museum in regards to the potential unloading of sand and noted there would be more dust created on the other side of the museum in the commercial harbor.

### **3. NEW BUSINESS**

#### **A. Presentation of the 2020 Annual Financial Report**

Director of Finance Jessica Wojahn and Judy Dockendorf a representative of Deloitte & Touché LLP presented the Port Authority's *Annual Financial Report as of and for the Year Ended December 31, 2020, and Independent Accountants' Review Report*.

Ms. Wojahn noted in 2020 the city unemployment rate was lower than State and National and the City invested \$6.8M in CIP, which included Riverview Drive, and the 2020 taxable market value grew by 4.3 %.

Ms. Wojahn noted a list of businesses showing how diversified Winona businesses are.

Ms. McMartin provided a summary of economic development projects, which included the downtown Fastenal building, RTP, Bay State Milling, and the 2<sup>nd</sup> Phase of Main Square Development. Ms. McMartin added Winona education facility projects, including Cotter, St. Mary's, and Jefferson School.

Ms. McMartin stated that building permits were \$94M in 2020, \$81M in 2019, and an average year is \$35M to \$40M in building permits.

Ms. McMartin provided a summary of barge activity and harbor revenue both of which were higher in 2020 compared to 2019.

Ms. Dockendorf noted the Port paid down all outstanding debt by the end of 2020 and stated Deloitte provided a "clean" opinion, which is the highest opinion possible. Ms. Dockendorf stated the opinion includes the "departure disclosers". Commissioner Lucas asked if the departure disclosers are the same as previous years. Ms. Dockendorf noted the disclosers are the same.

Ms. Wojahn stated under "unavailable revenues", liabilities decreased due Main Square being completed. Ms. Wojahn noted "Due from other Governments" on the asset section also decreased due to revenue from MnDOT for the Commercial Harbor in 2019.

Ms. Wojahn pointed out "Sale of Assets" that is related to the revenue of the Main Square project completed in 2020. Ms. Wojahn noted the "Donations" and "Loans to Business" is due to the funds donated to make COVID loans to local businesses.

Ms. Dockendorf noted an increase of income in 2020, land sales, properties held for development, the pay-off of long-term debt in 2020, equity balances, and supplementary information.

A motion was made by Commissioner Alexander, and seconded by Commissioner Lucas to accept their Annual Financial Report. The motion carried with all Commissioners present voting aye.

**B. Army Corp of Engineers Dredge Sand Placement**

Ms. McMartin noted this is an agreement that has been used in the past, but this agreement is for one (1) year only and the site is smaller due to the WinCraft expansion. She noted another company is interested in the parcel of land south of Companion Animal Care so limiting the agreement to one year is best.

A motion was made by Commissioner Borzyskowski, and seconded by Commissioner Alexander to authorize the Port Authority officials to execute the necessary documents. The motion carried with all Commissioners present voting aye.

**C. 51 Riverview Drive Housing Development**

Development Coordinator Nick Larson noted Port and City staff have been working with MWF Properties for about a year and are proposing to a workforce-affordable housing development, which has a similar financial structure of Water's Edge Apartments. Mr. Larson noted MWF will be applying to Minnesota Housing for an allocation of housing tax credits to then sell off to raise equity for their first mortgage and construction.

Mr. Larson continued that MWF Properties is proposing sixty (60) units ranging from efficiency to three (3) bedroom units, setting aside eight (8) for households earning 30% or less of area median income (AMI) and are either disable or are facing homelessness. Mr. Larson stated the remaining units will be for households earning 60% or less of AMI, noting this income level aligns with a household of one (1) earning \$32,880, which as a full-time equivalent is \$15.80/hr.

Mr. Larson noted MWF Properties is asking for support from the Port Authority and from the City for a possible Housing TIF allocation to fill the financial gap of the \$15.8M project.

Mr. Larson noted that per statute, the City is allowed to provide Housing TIF and per statute, there are additional income and rent restriction limits tied to the allocation of housing tax credits MWF is applying for to Minnesota Housing. Chris Stokka of MWF Properties stated the site plan for development has already been approved for the project.

Commissioner Johnson asked the average size of the units, the number of stories, and the type of construction. Mr. Stokka noted one, two and three bedroom units are proposed ranging from 675 s.f. to 1,250 s.f. - Mr. Stokka noted the structure will be 4-stories with 47 cover parking spaces and 13 surface parking spaces, and will be stick-framed.

General discussion on the rate of return computation and the importance of local support.

Ms. McMartin noted staff has completed an in-depth analysis of the pro-forma, the Housing TIF ask is \$300,000, and would be projected to be satisfied between years 11 to 12. Ms. McMartin stated the TIF would be structured as a Pay-Go, which means the City does not pay TIF up-front, but rebates back to the development based on the increased tax increment.

Commissioner Johnson noted this type of housing is needed per the housing study.

President Cichanowski asked the total property tax generated from the project.

Mr. Larson noted this project would have a 4d tax classification, which lowers the tax capacity value of the project is taxed on. Mr. Larson noted the current taxes paid would still be collected by the city, county, and school district, but the increased increment created by the project would rebated back to the development until the \$300,000 threshold is reached and after that all the property tax paid would be retained by the city, county, and school district.

Commissioner Alexander stated this would be a great project, as there are around twenty (20) homes on the for-sale market and people working in Winona are have a hard time finding a place to live in Winona. Commissioner Alexander asked when would the project begin and be completed.

Mr. Larson reported the timeline is July submission, announcement in late fall/early winter with construction beginning in the summer of 2022 and targeted completion summer 2023.

Staff clarified Mitch Walch own the property to the north of the former Daniel's Hardware store and MWF has an agreement to be able to purchase if they receive an allocation of tax credits from the State. Mr. Larson continued that the State monitors and assures rent and income limits are followed.

A motion was made by Commissioner Alexander, and seconded by Commissioner Lucas for staff to proceed with the financial and legal steps to commit to Housing TIF and for the recommendation the City Council consent to the process. The motion carried with all Commissioners present voting aye.

**D. 165 West Second Street – Short Term Lease**

Ms. McMartin noted the Port purchased the former Pro-Build building on June 1, 2021 and CD Smith Construction has expressed interest to temporarily lease the building and property through December for construction staging in order to finish the parking lot paving for the Fastenal project. It is a six month lease with two one month extensions if needed. The lease is \$8000 plus an additional payment of \$3500 towards property taxes. Ms. McMartin stated the Port could continue with using the site for temporary parking once the lease is expired.

Mr. Sarvi noted this will be a temporary use and CD Smith will put a security fence up. Mr. Sarvi added, just as the Port would temporarily use the site for parking until the right development would come along.

A motion was made by Commissioner Alexander, and seconded by Commissioner Borzyskowski for approval of the license agreement. The motion

carried with all abstained. Commissioners present voting aye with the exception of Commissioner Johnson who abstained.

#### 4. OLD BUSINESS

##### A. BCS Updated MIF Loan and Grant Agreements

Ms. McMartin noted when the MIF loan was made to BCS it was based on projections and estimates of the number of employees that would be laid off and then rehired. Ms. McMartin continued that BCS was able to continue their work with Ford and avoided lay-offs, which changed the number of new jobs to be created and wages paid. Ms. McMartin stated that both the MIF and Port loans used very specific wage and job goals within the loan documents and because of these changes, the item has been brought back for consideration. Ms. McMartin noted these changes will create less lower paying jobs and more middle tier paying jobs.

A motion was made by Commissioner Alexander, and seconded by Commissioner Borzyskowski to encourage the City Council to support the amended Business Assistance/Subsidy Agreement. The motion carried with all Commissioners present voting aye.

##### B. BCS Port Authority Loan

Ms. McMartin noted this item is the same as the MIF item, as both the MIF and Port Loans used the same Business Subsidy language.

Commissioner Borzyskowski asked Chad Heltemes, Plant Manager of BCS how BCS's operations were going.

Mr. Heltemes thanked the Port and staff for their support. Mr. Heltemes noted the major construction projects are completed, which included the climate and contamination controlled areas. Mr. Heltemes stated that much of the equipment from Auburn, NY has been transferred and are looking hire fifty (50) new employees by the end of July.

A motion was made by Commissioner Alexander, and seconded by Commissioner Lucas to approve the attached resolution superseding Resolution 764 and authorizing the President and Executive Secretary to execute modified loan documents. The motion carried with all Commissioners present voting aye.

**RESOLUTION # 779**  
**SUPERCEDING RESOLUTION #764**  
**Approving BCS Automotive Loan and Authorizing the President and**  
**Executive Secretary to Execute Loan Documents**

**WHEREAS**, the Authority administers a Revolving Loan Fund (the "Loan Program") for the purpose of encouraging business growth and/or expansion projects for local companies; and

**WHEREAS**, Recipient operates BCS Automotive Interface Solutions US, LLC, a tier one supplier to the automotive industry, and has applied to the Authority for a Revolving Loan in the amount of One Hundred Thousand and 00/100 Dollars (\$100,000.00) (the "Loan") to assist with an expansion program into new market sectors (the "Project"); and

**WHEREAS**, Recipient is the owner of the subject property upon which the Project will occur located at 5752 Industrial Park Road, Winona, MN 55987, PID No. 32.320.0360, (the "Property"); and

**WHEREAS**, the Port Authority has determined that the Recipient's loan application is consistent with the intent of its Loan Program in that their expansion will retain 90 quality manufacturing jobs in Winona and create an additional 117 quality manufacturing jobs within the next two years at wages ranging from \$12.00 to \$17.00 per hours; and

**WHEREAS**, the Port has agreed to make a loan in the principal amount of One Hundred Thousand and 00/100 Dollars (\$100,000.00); and

**WHEREAS**, a portion of the above-mentioned loan amount, Fifty Thousand and 00/100 Dollars (\$50,000.00), may be forgivable if certain job and wage goals are met.

**NOW, THEREFORE, BE IT RESOLVED** by the Port Authority of Winona, Minnesota:

1. The Port Authority of Winona approves a Port Revolving Loan as outlined above to BCS Automotive Interface Solutions US, LLC.
2. The Port Authority authorizes President Mike Cichanowski and Executive Secretary Stephen T. Sarvi to execute of the Loan Documents.
3. The approval hereby given to the Loan Agreement includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by the Port Officials authorized to execute the Agreement shall be conclusive evidence of the approval of the Agreement in accordance with the terms hereof.

**C. Amendment to Lease and Option Agreement-102 Walnut Winona LLC**

Ms. McMMartin noted the current parking lease with an option to purchase, which are set to expire at the end of the June. Ms. McMMartin stated 102 Walnut is still interested in the lease and option but has requested an extension for the lease and option to purchase due to construction delays caused by COVID. Ms. McMMartin noted this can be completed through an amendment to both agreements.

A motion was made by Commissioner Alexander, and seconded by Commissioner Lucas to authorize President and Executive Secretary to execute of the two amendments. The motion carried with all Commissioners present voting aye.

***D. 998 Riverview Drive Dock Rehabilitation Project***

Mr. Larson noted the Port received four (4) bids for the project. Mr. Larson continued the lowest bid came from Michels Corporation, followed by J.F. Brennan Marine, who completed the 2011 dock project, then Carl Bolander and Sons, with the highest bid coming in from Newt Marine Service.

Mr. Larson noted all four (4) firms were present for the bid opening and stated all four (4) firms asked questions of Port staff and expressed concerns over the increased costs of sheet metal and noted how volatile the current market is and how it affected the bid amounts.

Mr. Larson noted the overall budget from the 2018 Pre-Engineering was \$684,000, with an allocation from MnDOT of \$487,500 and matching funds of \$196,500 coming from the Port. Mr. Larson noted the received bids are well over the allocated budget and stated the contractors who provided bids noted the increased costs of materials over the past year is a driving force to being over budget.

Ms. McMartin stated these projects take a long time to implement and are required to have preliminary engineering and cost estimates by MMB and MnDOT. Ms. McMartin noted three (3) years have passed since the time of the pre-engineering to when bids were received. Ms. McMartin continued that funding is \$455,000 short of the low bid and that if the Port awarded the contract, the Port would have to make up that difference. Ms. McMartin informed the Commissioners that staff contacted MnDOT to request additional funding.

Ms. Martin noted their currently is not a dock lease and is not generating any revenue. Ms. McMartin continued that the plan was to finish the dock then lease at a higher rate. Ms. McMartin suggested to fill the gap the lessee might be interested in investing into a capital improvement in exchanged for a longer lease.

Ms. McMartin noted the staff recommendation is for the Port not to invest the \$455,000 and that the Port could reject all bids or re-bid.

Executive Sarvi noted the staff recommendation would be to reject the bids at this time to bring information back to the Port Authority will recommendations of how to move forward.

Commissioner Alexander asked if the Port rejected the bids, could we implement a couple of staff recommendations and the cost of building could come down in



the next couple of years and is there a certain time period the MnDOT funds need to be used by. Ms. McMartin noted that the funds need to be used in specific time period.

A motion was made by Commissioner Alexander, and seconded by Commissioner Hansen to reject the bids until the Port can receive more information to then re-bid.

Further discussion occurred.

Commissioner Johnson asked when the State funds need to be used and how much income was generated on the west dock.

Ms. McMartin noted staff would have to look into the Grant Agreement and extensions are possible. Ms. McMartin stated the base fee was \$35,000 annually with tonnage fees.

Commissioner Johnson suggested the tenant pay the gap in exchange for a 10-year lease and then the tenant would have access to the finished dock by spring.

Commissioner Alexander rescinded her original motion.

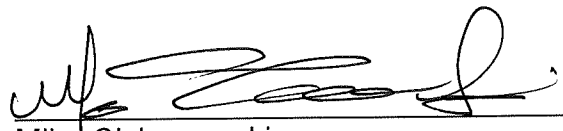
An amended motion was made by Commissioner Alexander, and seconded by Commissioner Hansen to not decide on awarding the bid and to look for other options to fill the funding gap. The motion carried with all Commissioners present voting aye.

**5. Adjournment**

A motion was made by Commissioner Borzyskowski and seconded by Commissioner Johnson to adjourn the meeting. The motion carried with all Commissioners present voting aye. The meeting was adjourned at 5:10 pm.



Nick Larson  
Development Coordinator



Mike Cichanowski  
President

**PORT AUTHORITY OF WINONA  
ROLL CALL AND VOTE SHEET  
JUNE 10, 2021**

Agenda Items	Cichanowski	Johnson	Gorman	Borzyskowski	Alexander	Hansen	Lucas
Approval of Minutes May 13, 2021	Aye	Aye	Aye	Aye	2 <sup>nd</sup> & Aye	Aye	1 <sup>st</sup> & Aye
Approval of Minutes May 17, 2021	Aye	Aye	Aye	Aye	2 <sup>nd</sup> & Aye	Aye	1 <sup>st</sup> & Aye
2020 Financial Audit Report	No Vote	No Vote	No Vote	No Vote	No Vote	No Vote	No Vote
Army Corp Agreement	Aye	Aye	Aye	2 <sup>nd</sup> & Aye	1 <sup>st</sup> & Aye	Aye	Aye
51 Riverview Drive Housing Development	Aye	Aye	Aye	Aye	1 <sup>st</sup> & Aye	Aye	2 <sup>nd</sup> & Aye
165 W. Second Short Term Lease	Aye	Abstained	Aye	2 <sup>nd</sup> & Aye	1 <sup>st</sup> & Aye	Aye	Aye
BCS MIF & Grant Agreements	Aye	Aye	Aye	2 <sup>nd</sup> & Aye	1 <sup>st</sup> & Aye	Aye	Aye
BCS Port Loan	Aye	Aye	Aye	Aye	1 <sup>st</sup> & Aye	Aye	2 <sup>nd</sup> & Aye
102 Walnut Amendment to Lease & Options	Aye	Aye	Aye	Aye	1 <sup>st</sup> & Aye	2 <sup>nd</sup> & Aye	Aye
Review of Bids 998 Riverview Drive Rehabilitation Project	Aye	Aye	Aye	Aye	1 <sup>st</sup> & Aye	2 <sup>nd</sup> & Aye	Aye
Adjournment	Aye	2 <sup>nd</sup> & Aye	Aye	1 <sup>st</sup> & Aye	Aye	Aye	Aye