



GRAND RAPIDS ECONOMIC DEVELOPMENT AUTHORITY

**Thursday, May 13, 2021
4:00pm Closed Meeting
Grand Rapids City Hall**

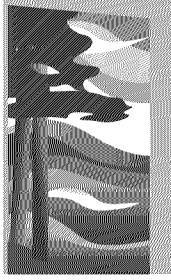
NOTICE IS HEREBY GIVEN, that a closed meeting of the Grand Rapids Economic Development Authority will be held in City Council Chambers in the Grand Rapids City Hall, 420 North Pokegama Avenue, in Grand Rapids, Minnesota on Thursday, May 13, 2021 at 4:00pm. Some or all of the Commissioners may be participating by telephone or other electronic means.

AGENDA

1. Call to Order
2. Call of Roll
3. Conduct discussions relative to the possible sale of personal property (Property ID: 91-960-0415) pursuant to Minnesota Statute 13D.05, Subd. 3(c)
4. Adjourn

GREDA Commissioners/terms:

Dale Christy – 12/31/2020 (with council term)
Tasha Connelly– 12/31/2020 (with council term)
Mike Przytarski – 3/1/21
Cory Jackson – 3/1/23
Mike Korte – 3/1/22
John O’Leary – 3/1/25
Sholom Blake – 3/1/19



Memorandum:

DATE: May 5, 2021
TO: GREDA Commissioners
FROM: Rob Mattei *RAM*
RE: May 13, 2021 Closed Session Discussion of GREDA Hangar

CONFIDENTIAL

With the GREDA Hangar now emptied of all assets purchased by the two new owners of what was formerly ACC Manufacturing/ONE Aviation, and with the bankruptcy court having approved a stipulation that acknowledge the former lease as terminated, we are now in full possession and control of the property.

As I have mentioned previously, I have two parties that have expressed an interest in the hangar. Minnesota DNR Wildfire and Enforcement divisions are interested in leasing the facility to bring all of their Grand Rapids based aircraft under one roof. They currently lease two t-hangars and space within the FBO. During the last two legislative bonding sessions, the DNR requested bonding for the construction and leasing of a new hangar at Grand Rapids, proposed to be larger than our hangar to accommodate additional aircraft including a helicopter that is based in Hill City. These two efforts at bonding were not successful, but we understand that they have pared down their list of projects, which still includes Grand Rapids, and the project may be proposed again in a future bonding session.

The second party, Northern Air Transport, Inc. and SelectJet Inc., both operated out of the Grand Rapids Airport by Mike Gorham, is outgrowing their current hangar, formerly the Blandin Paper Co. hangar. Both businesses provide jet charter service. SelectJet has seen its business of providing flight service to medical transplant teams throughout the country, increase significantly. They have tentatively expressed some interest in purchasing GREDA's hangar, which is larger and would allow them to add to their fleet of aircraft.

The purpose of the Closed Session is to discuss GREDA's preference between holding onto the property and leasing it, or give preference to selling the asset.

Background

GREDA purchased the hangar in November of 2016 from Stan Bostyancic for a price of \$580,000. At that time, the hangar was four years old, and Wellson Group had provided GREDA with an opinion of value, based upon a cost approach, at \$600,000.

Acquisition Financing —

IRRR Loan to GREDA (1% interest, 20-year term with first payment in year 3)	\$293,000
IEDC Loan to GREDA (1% interest, 10-year term)	\$90,000
City Neighborhood and Economic Development Fund	\$203,000
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	\$586,000

Current Loan Balances —

IRRR Loan to GREDA (1% interest, 20-year term with first payment in year 3)	\$276,355
IEDC Loan to GREDA (1% interest, 10-year term)	\$55,037
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	\$331,392

I have attached an updated broker's opinion of value prepared by Wellson Group. According to the updated report, using an income approach to establishing fair market value, based upon a market rate lease range of \$4.00 - \$6.00/sf and 20% equity position, indicates a sale price range of between \$600,000 and \$750,000 would generate an estimated cash on cash ROI of 10% - 15%.

I have also attached an Excel workbook that provides the actual revenues and expenses for the hangar for the years from 2016-2020. The workbook also includes an estimate of revenues and expenses, based upon a market rate lease of \$5.50/sf and tenant paying for taxes, insurance utilities and land lease (NNN).



WELLSON GROUP, INC.
commercial property division

May 10, 2021

Grand Rapids Economic Development Authority
City of Grand Rapids
420 North Pokegama Avenue
Grand Rapids, MN 55744

Re: Broker Price Opinion Analysis of Hangar Building, City of Grand Rapids Airport
PID 91-028-4401

Attention: Rob Mattei, Director of Grand Rapids Economic Development Authority.

Dear Rob:

Pursuant to your request to provide an indication of value for the airport hangar building located at the City of Grand Rapids Airport, I have provided a Summary of Comparable Sales and discussions with Industrial Flex building brokers who participate in out- state sales similar to the subject property.

The current subject building would sell in the market at \$80.00- \$100.00 per SF indicating a sale price of \$600,000 to \$750,000. This pricing would provide a prospective buyer at a leasehold investment of \$4.00- \$6.00 SF (NNN). At a 20% equity position the buyer would generate a "cash on cash" return in the 10%-15% range.

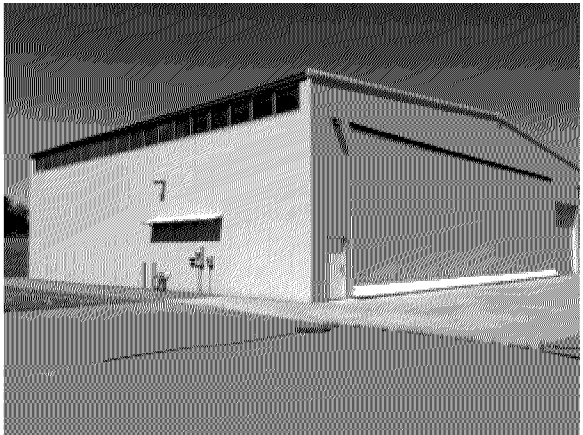
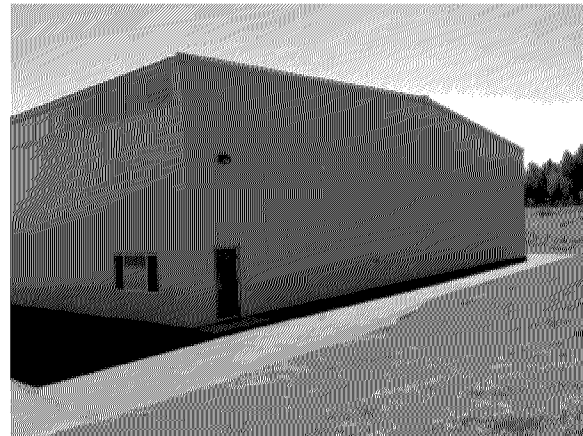
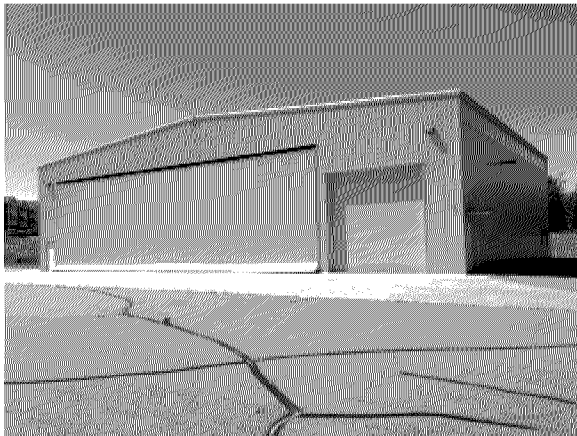
If you have any questions, please contact me at your convenience.

Thank you.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Stephen R. Welliver", written in a cursive style.

Stephen R. Welliver
President



CITY OF GRAND RAPIDS
ECONOMIC DEVELOPMENT AUTHORITY
2017 Hangar Revenues and Expenses

REVENUES:

Rent - Valley Medical	12,500
Utility Reimbursement for Electric and Water - Valley Medical	<u>5,582</u>
Utility Reimbursement for Natural Gas - Valley Medical	<u>901</u>
Utility Reimbursement for Septic - Valley Medical	<u>238</u>
Insurance Reimbursement Hangar Door Failure	<u>7,781</u>
TOTAL REVENUES	<u>27,002</u>

EXPENDITURES:

General Maintenance	548
Grand Rapids PUC Electric and Water	<u>7,948</u>
Septic Service	<u>238</u>
Minnesota Energy Resources Natural Gas	<u>1,032</u>
Hangar Door Failure Repair	<u>11,781</u>
Itasca Co. Treasurer Mortgage Registration Tax	<u>674</u>
Itasca Co. Treasurer Property Tax	<u>2,304</u>
Itasca Co. Recorder	<u>46</u>
Airport Land Lease	<u>2,302</u>
Mortgage Payment to IEDC	<u>9,502</u>
TOTAL EXPENDITURES	<u>36,375</u>

REVENUES > EXPENDITURES (9,373)

Principal Portion of IEDC Loan Payment 8,637

CITY OF GRAND RAPIDS
ECONOMIC DEVELOPMENT AUTHORITY
2018 Hangar Revenues and Expenses

REVENUES:

Rent - ACC Manufacturing	4,542
Utility Reimbursement - ACC Manufacturing	<u>1,656</u>

TOTAL REVENUES	<u>6,198</u>
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EXPENDITURES:

Legal	645
General Maintenance	<u>1,177</u>
Grand Rapids PUC Electric	<u>1,782</u>
Grand Rapids PUC Sewer &Water	<u>171</u>
Minnesota Energy Resources Natural Gas	<u>1,249</u>
Itasca Co. Treasurer Property Tax	<u>2,236</u>
General Liability Insurance	<u>2,992</u>
Miscellaneous	<u>142</u>
Airport Land Lease	<u>2,340</u>
Mortgage Payment to IEDC	<u>9,502</u>

TOTAL EXPENDITURES	<u>21,591</u>
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REVENUES > EXPENDITURES	<u><u>(15,393)</u></u>
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Principal Portion of IEDC Loan Payment	8,688
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CITY OF GRAND RAPIDS
ECONOMIC DEVELOPMENT AUTHORITY
2019 Hangar Revenues and Expenses

REVENUES:

Rent - Eclipse Aerospace	19,853
Utility & Tax Reimbursement - Eclipse Aerospace	<u>12,572</u>

TOTAL REVENUES	<u>32,424</u>
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EXPENDITURES:

Legal	736
General Maintenance	<u>191</u>
Grand Rapids PUC Electric	<u>3,150</u>
Grand Rapids PUC Sewer &Water	<u>247</u>
Minnesota Energy Resources Natural Gas	<u>1,423</u>
Itasca Co. Treasurer Property Tax	<u>7,762</u>
General Liability Insurance	<u>3,192</u>
Miscellaneous	<u>-</u>
Airport Land Lease	<u>2,378</u>
Mortgage Payment to IEDC	<u>9,502</u>

TOTAL EXPENDITURES	<u>28,581</u>
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REVENUES > EXPENDITURES	<u><u>3,844</u></u>
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Principal Portion of IEDC Loan Payment	8,775
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CITY OF GRAND RAPIDS
ECONOMIC DEVELOPMENT AUTHORITY
2020 Hangar Revenues and Expenses

REVENUES:

Rent - Eclipse Aerospace	13,438
Utility & Tax Reimbursement - Eclipse Aerospace	<u>5,443</u>

TOTAL REVENUES	<u>18,880</u>
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EXPENDITURES:

Legal	2,978
General Maintenance	<u>450</u>
Grand Rapids PUC Electric	<u>1,449</u>
Grand Rapids PUC Sewer &Water	<u>239</u>
Minnesota Energy Resources Natural Gas	<u>970</u>
Itasca Co. Treasurer Property Tax	<u>7,934</u>
General Liability Insurance	<u>3,297</u>
Miscellaneous	<u>-</u>
Airport Land Lease	<u>2,415</u>
Mortgage Payment to IEDC	<u>9,502</u>
Mortgage Payment to IRRR	<u>19,291</u>

TOTAL EXPENDITURES	<u>48,525</u>
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REVENUES > EXPENDITURES	<u><u>(29,645)</u></u>
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Principal Portion of IEDC Loan Payment	8,863
Principal Portion of IRRR Loan Payment	8,422

CITY OF GRAND RAPIDS
ECONOMIC DEVELOPMENT AUTHORITY
Budget for Future Hangar Revenues and Expenses

REVENUES:		Lease Rate (NNN)	Square Footage
Rent	41,250	\$ 5.50	7,500
Utility, Tax, Insurance and Land Lease Reimbursement	<u>20,950</u>		
TOTAL REVENUES	<u>62,200</u>		
 EXPENDITURES:			
Legal	1,500		
General Maintenance	<u>500</u>		
Grand Rapids PUC Electric	<u>5,000</u>		
Grand Rapids PUC Sewer & Water	<u>300</u>		
Minnesota Energy Resources Natural Gas	<u>1,700</u>		
Itasca Co. Treasurer Property Tax	<u>8,000</u>		
General Liability Insurance	<u>3,500</u>		
Miscellaneous	<u>1,000</u>		
Airport Land Lease	<u>2,450</u>		
Mortgage Payment to IEDC	<u>9,502</u>		
Mortgage Payment to IRRR	<u>19,291</u>		
TOTAL EXPENDITURES	<u>52,743</u>		
 REVENUES > EXPENDITURES	 <u>9,457</u>		
 Principal Portion of IEDC Loan Payment	 8,863		
Principal Portion of IRRR Loan Payment	16,487		