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2.12.21 News Release: City of North Mankato and North Mankato Port Authority Approve Settlement Agreement with HyLife Foods Windom

News Release

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City of North Mankato and North Mankato Port Authority Approve Settlement Agreement with HyLife Foods Windom

On February 12th, the City of North Mankato and the North Mankato Port Authority approved a settlement agreement with HyLife Foods Windom related to the lease and subsequent sale of the property at 1111 Range Street, currently doing business as the Norwood Inn.

The property at 1111 Range Street was constructed in 1968 and was formerly the home of a Holiday Inn and a Best Western Hotel. The property also operated a restaurant and event center, which served a variety of hospitality needs in the region in coordination with the 147 rooms marketed to hotel guests.

In 2016 the property was sold to Twin Cities Lodging, LLC, of Roseville Minnesota. Since the time the property transitioned ownership in 2016 it has become the site of numerous police calls, which have included drug and sexual misconduct complaints. Over 175 calls have been made to the property by the North Mankato Police Department since 2019. In addition, the property has been the source of complaints from hotel guests about security, cleanliness, bookings, and has ceased to be a quality hospitality location for the region, which includes no longer providing accommodations for visitors to the Caswell Regional Sporting Complex. There has been a corresponding lodging tax revenue loss in 2015 and 2016. The property is in distress, risks becoming a public nuisance, and has had its water turned off for nonpayment on three occasions in the four years and is currently on the shutoff list for nonpayment for January 2021.

In 2020 Twin Cities Lodging began marketing the property for sale with an asking price of \$4,000,000.

In late 2020, North Mankato City Staff were contacted by HyLife Foods, a Canadian company owning a majority position of the pork processing plant at Windom, Minnesota. The Company contacted the City to determine the necessary local zoning requirements to convert the Norwood Inn into temporary corporate housing for approximately 150-200 workers that would be bussed to the plant in Windom.

HyLife's needs to begin a second shift of production at the pork processing plant in Windom, which has necessitated the temporary corporate housing. HyLife explains after a long search for available housing, no facility was available for 150-200 workers in the area surrounding the Windom plant. The Company continues to work with local officials in the Windom area to secure permanent housing arrangements for its employees. The workers proposed to reside at the Norwood Inn are current employees in good standing with HyLife and are from Mexico, the Dominican Republic, and Puerto Rico and are legally in the country under H-2B visas for temporary workers.

The workers will be transported to and from the Windom plant by the company and provided food service at the property. HyLife will employ two community liaisons to assist the workers during their stay in the area. The workers will receive COVID-19 vaccinations shots before leaving their countries of origin. Once in the United States, they will quarantine for 14 days at the Norwood Inn. They will then be retested and if negative, begin work at the Windom plant.

The proposed use of the property at 1111 Range Street was found to be a violation of the City's zoning code because it would be characterized as multi-family housing and due to the uninterrupted stays. The City put the owner of the property, and HyLife, on notice of this violation. After receiving the notice, HyLife requested additional considerations be made to recognize the workforce shortage in the agricultural community serving the region. HyLife also suggested the company would seek to comply with the local zoning ordinance by housing the workers at the facility for six nights a week and one night elsewhere. This resolution was determined to not be in the best interest of the workers, the company, or the City of North Mankato.

Pork producers in Minnesota face a shortage of production facilities to process hogs into the food supply chain. As reported in the local media, producers with no access to process facilities are making decisions to render hogs instead of placing them in the food supply. North Mankato is located in the state of Minnesota and in the heart of the Green Seam, an area relying on the agriculture economy to prosper. Working with HyLife to find appropriate lodging for workers contributes to resolving the production issues surrounding pork processing in Minnesota and recognizes the role North Mankato plays in serving local, regional, and state economic goals. Working with businesses to grow and expand as well as redeveloping areas of the community are priorities of the North Mankato Port Authority. The proposed settlement agreement achieves the objectives of both goals.

The City is also pleased to share a portion of the DRAFT Webster Avenue Corridor study which has been underdevelopment since November 2019. The study's development included input from a steering committee, local businesses, and a market analysis. The DRAFT study concludes redevelopment of the property at 1111 Range Street to be a top priority. Business and property owners within the study area have questioned the current state of the Norwood Inn, believing it has fallen into disrepair and needs to be renovated and restored to its previous state of a high functioning hotel and restaurant facility. The following is a recommendation from the market analysis of the DRAFT Webster Avenue Corridor Study that has yet to be publicly released:

"Develop a plan for the Norwood Inn. The site of the Norwood Inn is arguably the most prominent site in the study area because it anchors the intersection with Highway 169 and Webster Avenue, and it is a landmark structure. However, it was cited by many real estate experts as being a major barrier. The challenge is that the existing owners have no incentive to improve the property. Therefore, unless something changes, the property will indefinitely affect perceptions of the entire study area."

The study suggests long-term improvements should be aimed at enhancing aesthetics and functionality for the Inn that offers publicly available amenities to area residents, employees, and visitors. The following are revitalization strategies identified in the Webster Avenue Area Study:

Focus Area 3.0 – Hospitality & Destinations

3.1 Engage in dialog with the Norwood Hotel on the future of the property.

3.2 Consider improvements to the hotel building based on a long-term vision, including façade improvements and/or publicly available amenities.

In addition, during 2019 the Mankato Area Planning Organization with the conditioned consent of the North Mankato City Council began working to complete a study for the Highway 169 corridor from Lake Street to State Highway 60. The importance of this property at the gateway of North Mankato, combined with the DRAFT Webster Avenue Study, the MAPO Highway 169 study, and the deteriorating state of the Norwood Inn are all reasons warranting the settlement agreement approved by the City Council and Port Authority to begin a plan for the future of the property.

Among other things, the adopted zoning violation settlement agreement achieves the future land use and economic goals of the City through provisions including but not limited to:

1. The Company acknowledges the proposed use of the facility is a zoning violation and agrees to a deferred fine of \$5,000 per week following the execution of the agreement.
2. The City of North Mankato will waive the deferred fine if the Company complies with the terms of the agreement.
3. The Company agrees to utilize the facility for corporate housing for no longer than 24 months.
4. The Company agrees to pay a fee in lieu of lodging taxes of \$160,000 per year.
5. Within 140 days, the Company will exercise the option to purchase the Norwood Inn from the current owner and sell the property to the Port Authority for \$3,250,000. The Company will lease the property from the Port Authority for \$37,500 per month and assume all other costs associated with the property under a triple net lease.
6. At the time of the property purchase closing the lease between the Company and the current owner will be assigned to the Port Authority, who will serve as landlord for the remaining term of the settlement agreement.
7. The Company has agreed to several terms related to the facility including but not limited to:
8. City Employees are granted access to the facility without prior notice.
9. The Company will have an eviction policy/practice in response to Company employees or guests who are convicted or plead to a misdemeanor, gross misdemeanor or felony.
10. The Company agrees to procure housing for any evicted employee or guest.
11. The Company will maintain accurate records of room occupants along with dates of stay.
12. The Company will maintain the property to not allow waste, blight, or zoning code violations.
13. The company will not allow the consumption of alcoholic beverages or parties in any of the property's parking lot.
14. Entrances and windows to the property will remain secure
15. The Company will install and maintain a working video surveillance system
16. The Company has agreed to provide \$520,000 in an escrow fund in the event of any default of the lease between the company and the Port Authority. At the conclusion of the agreement and if the Company is not in default of the agreement, the funds will be returned to the Company.
17. The Company will be responsible for transportation of the workers to and from the Windom Plant and will maintain a formal agreement with a transportation company for such purpose.
18. The Company will hire two community liaisons who are fluent in the primary language of the employees residing at the property. The Community liaisons will be accessible and on call to the City's staff.
19. Any employees residing at the facility after the term of the agreement (24 months) will constitute a breach of the agreement unless they remain as temporary lodgers consistent with normal hotel use.
20. The Company has ten days to cure any breach of the settlement agreement and lease provisions with the Port Authority. If breaches are not cured, then the company shall immediately pay to the City all deferred

finances consistent with the agreement.

Following the completion of the twenty-four-month term of the agreement, it is the intention of the Port Authority to consider all options available for redevelopment of the property. This includes, but is not limited to, razing and total redevelopment of the approximately 4.5-acre site or refranchising the property as a formal hospitality brand and selling it to a private party. The terms of the agreement between HyLife Foods Windom and the City of North Mankato and the North Mankato Port Authority provides sufficient funds to protect taxpayers from any burden associated with the agreement.

The terms of the settlement begin a course correction for a distressed property in North Mankato. The 24-month corporate housing improves the property's performance from its existing state, increasing revenue to the City of North Mankato, and starts the clock on restoring the site and property to a functioning hospitality use or other use consistent with the to be adopted Webster Avenue Plan. Developers interested in the future of the property are invited to contact North Mankato City Administrator and Executive Vice President of the Port Authority, John Harrenstein, at the City of North Mankato with any inquiries.

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Language

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