

City of South St. Paul Economic Development Authority Agenda

Monday, February 27, 2017

6:30 p.m.



1. CALL TO ORDER:

2. ROLL CALL:

3. AGENDA:

A. Approval of Agenda

Action – Motion to Approve

Action – Motion to Approve as Amended

4. CONSENT AGENDA:

All items listed on the Consent Agenda are items, which are considered to be routine by the Economic Development Authority and will be approved by one motion. There will be no separate discussion of these items unless a Commissioner or citizen so requests, in which event the item will be removed from the consent agenda and considered at the end of the Consent Agenda.

A. EDA Minutes of February 13, 2017

5. PUBLIC HEARINGS:

6. GENERAL BUSINESS:

A. Progress Plus Update - verbal

B. 235 Hardman Avenue South – Discussion and Direction Related to Potential Sale of HRA-Owned Property

C. Discussion – Scheduling time(s) for an Economic Development Authority Retreat

7. ADJOURNMENT:

Respectfully Submitted,

Ryan Garcia, EDA Executive Director

**MINUTES OF THE ECONOMIC DEVELOPMENT AUTHORITY
CITY OF SOUTH ST. PAUL
DAKOTA COUNTY, MINNESOTA**

**Regular Meeting
February 13, 2017
City of South St. Paul Training Room**

1. CALL TO ORDER

Chair Francis called the meeting to order at 6:38 P.M.

2. ROLL CALL

Members Present: Chair Francis, Commissioners Flatley, Forester, Hansen, Rothecker, Seaberg and Podgorski (arrived at 7:20 P.M.)

Staff Present: EDA Executive Director Ryan Garcia, City Administrator Stephen King, Edie Kleinboehl and Legal Counsel Bridget Nason

3. AGENDA

Motion/Second: Commissioner Seaberg moved and Commissioner Flatley seconded approval of the agenda.

Motion carried 6 ayes/0 nays

4. CONSENT

Motion/Second: Commissioner Flatley moved and Commissioner Forester seconded approval of the consent agenda.

Motion carried 6 ayes/0 nays

A. EDA Minutes – January 9, 2017

B. EDA Minutes – Special Meeting – January 30, 2017

5. PUBLIC HEARINGS

There were no public hearings.

6. **GENERAL BUSINESS**

A. Approval of a Purchase Agreement and Development Agreement with Interstate Partners, LLC (425 S. Concord Street)

Mr. Garcia reported the purchase and development agreement have been updated to terminate the original agreement and amendments between the HRA and Interstate Partners due to a change in the purchase price, approved site development and building plans. It was noted the HRA will hold a public hearing on March 13, 2017 to convey the property to the EDA. The same evening the EDA will hold a public hearing to sell the property to Interstate Partners, LLC.

Motion/Second: Commissioner Hansen moved and Commissioner Flatley seconded approval of the purchase and sale agreement and development agreement with Interstate Partners, LLC for the property at 425 S. Concord Street.

Motion carried 6 ayes/0 nays

B. Approval of a Purchase Agreement with Kathleen Wiebusch (131 7th Avenue North)

Mr. Garcia stated as directed by the EDA a purchase agreement in the amount of \$90,000 has been prepared. A closing is scheduled to occur on or before March 31, 2017. Discussion ensued regarding associated costs i.e., removal of hazardous materials and demolition. The costs will be included in the work plan for the DEED special appropriation funding.

Motion/Second: Commissioner Rothecker moved and Commissioner Seaberg seconded the motion to approve the purchase agreement in the amount of \$90,000 with Kathleen Wiebusch for the property at 131 7th Avenue North.

Motion carried 6 ayes/0 nays

C. 235 Hardman Avenue S. – Developer Interest

Mr. Garcia reported Cobra Transportation is interested in purchasing 235 Hardman Avenue S. for a 20,000 SF office/warehouse for their transportation services company. Mr. Garcia provided a background of the business, employment numbers and presented the company's offer of \$2.00/SF for the 2.2 acre parcel. Discussion ensued regarding the proposed use, traffic flow and the extensive soil work that was undertaken to clean up the site.

It was the consensus to counter Cobra's offer with \$2.50/SF.

D. 2017 Open to Business Joint Powers Agreement

Motion/Second: Commissioner Hansen moved and Commissioner Flatley seconded the motion to approve the Open to Business Joint Power Agreement with the Dakota County CDA in the amount of \$5,171 for 2017.

Motion carried 6 ayes/0 nays

E. Executive Director's Report

Mr. Garcia reported on the following development activities:

- The developer looking at 161 Concord Exchange N. for mixed-use chose to walk away. Another developer toured the building for a market rate multi-family use. He is exploring the feasibility of the project.
- The Scannell/FedEx project (843 Hardman Avenue) is gaining traction with respect to the Army Corps of Engineers and the flowage easement.
- A number of brokers and developers walked through 820 Southview Blvd. The general consensus is redevelopment is a challenge as a commercial use due necessary costly improvements. Discussion ensued regarding the costs to demolish vs. renovation.
- The next meeting of the EDAB is scheduled for Tuesday, February 21st at 7:30 a.m. The session will focus on short and long-term goals and strategies to implement the goals.

7. **ADJOURNMENT**

Motion/Second: Commissioner Hansen moved and Commissioner seconded the motion to adjourn the meeting at 7:25 P.M.

Approved: February 27, 2017

Eddie Kleinboehl, Secretary



EDA Agenda Item Report

Date: February 27, 2017

EDA Executive Director: _____

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6-B

Agenda Item: 235 Hardman Avenue S. – Discussion and Direction Related to Potential Sale of HRA-Owned Property

Action to be considered:

Motion to authorize the Executive Director of the EDA to draft a Purchase and Development Agreement between the EDA and Cobra Transportation Services for HRA-owned property at 235 Hardman Avenue South, subject to future review and approval.

Overview:

At its February 13, 2017 meeting, the EDA was engaged in discussion about development interest from Cobra Transportation Services in the HRA-owned lot at 235 Hardman Ave. S. This property is an approximately 2.2-acre (95,000 square foot) vacant industrial-zoned lot located at the northeast corner of Hardman Avenue and Hardman Court. The property is owned by the City of South St. Paul Housing and Redevelopment Authority (HRA), and the proposed buyer's intention is to construct an approximately 20,000 SF office/warehouse for their transportation services company, Cobra Transportation.

At the 2/13 meeting, the EDA directed staff to respond to the potential buyer's interest with a proposed purchase price of \$235,000 (about \$2.50/square foot). While this is a higher asking price than recent city-involved transactions in the area, in staff's opinion the considerable soils correction and environmental investigation costs incurred by the City (vis a vis the HRA) in the past left this site in a comparably more "development-ready" state, which would save the buyer some upfront cost to prepare the site for development.

Since the 2/13 meeting, staff has been actively engaged in discussion and negotiation around the potential purchase of 235 Hardman. It appears that we've arrived at mutually agreeable general terms as to the structure of the deal, and staff would suggest that we move forward with the preparation of a formal purchase and development agreement. To summarize, here are the key elements we'd seek to formalize in the agreement:

- *Purchase Price and Development Parcel:* The property is a parcel of 94,891 square feet (2.18 Acres), and is currently vacant land which has been surcharged for a maximum building footprint of 150' x 150'. The property has a total County estimated market value of \$256,200 for pay 2017. Staff proposes a purchase price of \$213,500, a price that offers the buyer a significant discount (nearly 17%) from the fair market value of the land. The EDA's proposal to sell the parcel at \$213,500 is contingent upon mutual agreement on the balance of issues/topics that follow.
- *Environmental:* The City's Housing and Redevelopment Authority has received a Certificate of Completion (COC) from the Minnesota Pollution Control Agency (MPCA) related to environmental conditions at the property. The COC provides liability protection to the HRA/EDA, as well as all future owners and tenants without being required to go back to MPCA to ask for a separate determination of No Association. However, the approved Remedial Action Plan (RAP) as referenced in the COC requires the installation of a passive vapor mitigation

system when development occurs at the Property. Per MPCA guidance, the system will consist of a vapor barrier and vent piping beneath the floor slab during construction, and will be installed in accordance with MPCA Voluntary Investigation and Cleanup (VIC) program guidance. Understandably, the buyer prefers to receive a “clean” site; however the mitigation measures required for this site are directly tied to the construction of a building. Thus, the HRA could not complete the “cleanup” of the site until development occurs. Staff proposes that the EDA assume the first \$20,000 of cost associated with the MPCA-required mitigation, and that any additional cost beyond that be shared evenly (\$1 - \$1) with the buyer, to a maximum EDA contribution of \$35,000. Preliminary cost estimates for the required mitigation are in the \$25,000 - \$35,000 range.

- *Holding/Retention Pond*: Additional engineering analysis is necessary to determine whether any on-site stormwater ponding would be required for the proposed development. If required, any stormwater management improvements – including any on-site holding or retention facilities – will be constructed at the sole expense of the buyer.
- *Soil Correction*: The South St. Paul HRA previously undertook measures to correct the soil on-site that will allow for the construction of a maximum 150’ x 150’ building footprint. A geotechnical report has been shared with the buyer to this effect. Any additional soil correction outside of the area previously prepared for development by the seller will be at the sole expense of the buyer. Per the buyer, the surcharged area is sufficient for their proposed development and there is no plan to conduct any additional geotechnical soil correction.
- *Development Approval and Development Agreement*: The buyer would agree to a “minimum improvement” of a 20,000 square foot office/warehouse building for Cobra Transportation, which would be memorialized in a formal development agreement between the buyer and the City. The minimum improvements would be required to meet all applicable zoning ordinance provisions and standards for new industrial development, including landscaping. The buyer has indicated that they will commit to placement of a 36” landscape berm covering at minimum 50% of the east property line, in order to reduce the visual impact of the development on the neighboring office building.

Funding Sources and other fiscal considerations:

If a purchase agreement is reached, sale proceeds would be used to complete the required environmental mitigation, as necessary, with the balance directed to the Concord TIF Redevelopment Fund for future redevelopment purposes in the district.



EDA Agenda Item Report

Date: February 27, 2017

EDA Executive Director: _____

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6-C

Agenda Item: Discussion – Scheduling time(s) for an Economic Development Authority Retreat

Action to be considered:

Schedule one or more special sessions of the Economic Development Authority to accomplish several organizational and administrative goals

Overview:

The pace and volume of activity and interest in new development, business expansion, and redevelopment in South St. Paul has been exciting and encouraging, but I think this level of activity has by necessity pushed off some important administrative discussions and alignment that I do think need to take place soon. The EDA's regular business meetings seem to not want to be bogged down with in-depth discussions about policy, strategy, etc. I'd really like to engage the EDA – explicitly as the EDA and not as the Council – in a “retreat” fashion. Specifically, I envision these engagements to take place outside of regularly scheduled meetings, perhaps off-site, perhaps off-hours (weekend/evening). What I would set out to accomplish at this series of meetings would be the following:

- a. Confirm the Economic Development Strategy. At its February 21 meeting, the Economic Development Advisory Board (EDAB) supported the framework components of the City's Economic Development Strategy. I'd like to take some time to walk through the Strategy with the EDA for any final refinement and ultimately to confirm your support for the strategy as outlined. In addition, I feel that a key subcomponent of this discussion will be to confirm the roles and responsibilities of EDAB (as found in the 2016 authorizing resolution).
- b. Revisit, possibly confirm, the City's Business Subsidy Policy. Council Resolution 2007-119 approved a Business Subsidy Policy for the City, which identifies the purposes and criteria for the City to consider when electing to provide financial assistance to a business. Key subcomponents of this discussion will be to establish a TIF Policy and review and (as needed) revise City's Development Loan guidelines. This subject area is expected to take a considerable amount of time – perhaps over more than one session.
- c. City-Owned Properties. I think it's critical that we develop a working knowledge of EDA-owned real estate assets, and furthermore have a policy discussion about our approach to disposition, disposal or holding of these assets.
- d. Housing Development. I'd like to discuss the role of housing development in overall economic development, and the fact that really, our only opportunity for population growth (and in many ways, economic growth) is through well-thought out, strategic densification.
- e. Develop consensus about logistics and format of EDA meetings. I strive to improve the flow and function of our EDA meetings. Overall I'm pleased with our first six months together, but some things I'm considering include:
 - i. I'd like to do away with the “Executive Director Report” at the end of the meeting. It adds time unnecessarily to rehash or preview items that can just as easily be spun into the weekly report that goes out to council.
 - ii. I will continue to lobby for a stand-alone meeting time/night.
 - iii. I think the meeting needs to feel more official – it effectively functions as a workshop now – I'm still debating whether that's a positive or a negative overall.