

City of South St. Paul Economic Development Authority Agenda

Monday, July 11, 2016

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. Approval of EDA Minutes of June 13, 2016

5. PUBLIC HEARINGS:

6. GENERAL BUSINESS:

A. Approval to Award Bid and Execute Contract for Nan McKay Highrise Carpet Replacement Project

B. Update on Development Activities

C. Approval of Proposal for a TIF Financial Management Plan from Ehlers

D. Progress Plus Report – verbal only

7. ADJOURNMENT:

Respectfully Submitted,

Stephen P. King, EDA Executive Director

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

**Regular Meeting
June 13, 2016
City of South St. Paul, Training Room**

1. CALL TO ORDER

Chair Beth Baumann called the meeting to order at 6:30 p.m.

2. ROLL CALL

Members Present: Chair Baumann and Commissioners Flatley, Hansen, Niederkorn, Podgorski, Rothecker, Seaberg

Members Absent: None

Staff Present: EDA Executive Director, Stephen King, Branna Lindell, Housing Division Manager, Ryan Schroeder, Peter Hellegers, City Planner, Jennifer Gale, Progress Plus/Chamber of Commerce, Bridget Nason, legal counsel, Michelle Pietrick, John Sachi, Edie Kleinboehl

3. AGENDA

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

Motion carried 7 ayes/0 nays

4. CONSENT AGENDA

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

A. EDA Minutes of May 9, 2016.

Motion carried 7 ayes/0 nays

5. PUBLIC HEARINGS

A. Sale of 339 – 5th Avenue South – Cancel Hearing

Chair Baumann opened the public hearing.

Motion/Second: Commissioner Flatley moved and Commissioner Niederkorn seconded cancelling the public hearing.

Motion carried 7 ayes/0 nays

6. GENERAL BUSINESS

- A. Progress Plus Update – Jennifer Gale distributed and briefly reviewed a draft development process overview report prepared by John Erickson. They propose that this step-by-step document could be used to help guide new and existing businesses through the City’s development process.
- B. Business Retention Visit at Valentino’s – Ms. Gale, Steve King and Ryan Schroeder met with the owner Richard & Karna DeFoe of Valentino’s to discuss plans for the future of the building. The event business is stabilized with the hiring of an event planner for private parties/wedding. The goal is to open a restaurant. Mr. DeFoe expressed interest in vetting a focus group for feedback.
- C. Rediscover Program Update – Ms. Lindell provided an update of Rediscover activities relating to program history, acquisition candidates, available lots and funding sources. Steve King indicated a budget session will be dedicated to determine funding the program.
- D. Negotiations to Purchase 131 – 7th Avenue North – Ryan Schroeder contacted the owner regarding the City’s offer to purchase the property. The owner indicated she is currently asking the County’s market value of \$148,400. It was the consensus that the \$84,000 offer stand. Discussion ensued regarding the housing options for the site.
- E. 820 Southview Blvd. – It was reported there is no formal written agreement with Peder Wallace to develop the property into an apartment building. The consensus was the building is not conducive for apartments and Mr. Wallace should be notified the building will be marketed to another buyer.
- F. Twin City Hide Development Concept – Peter Hellegers reported Twin City Hide is interested in expanding their processing facility. The expansion project would entail demolishing the existing warehouse in order to construct a new larger (45,000 s.f.) processing area that would extend to the north. The existing processing operation would remain operational throughout the project. A variance would be needed for the proposed building height of 55-58’.
- G. Appoint Edie Kleinboehl as Secretary to EDA

Moved/Seconded: Commissioner Seaberg moved and Commissioner Flatley seconded the appointment of Edie Kleinboehl as Secretary of the EDA.

Motion carried 7 ayes/0 nays

Closed Session

Moved/Seconded: Commissioner Niederkorn moved and Commissioner Podgorski seconded to enter into a Closed Session for the purpose of discussing:

- H. Negotiations regarding possible sale of Dakota Premium Site – 425 S. Concord
- I. Negotiations regarding possible sale of former Big John’s (900 Southview Blvd.) and SSP Automotive (920 Southview Blvd.)

ADJOURNMENT

Motion/Second: Commissioner Seaberg moved and Commissioner Rothecker seconded the motion to adjourn the meeting at 7:50 p.m.

Approved: _____

Edie Kleinboehl, Secretary



EDA AGENDA ITEM REPORT

Date: July 11, 2016

EDA Executive Director: SPK

6-A

AGENDA ITEM:

Approval to Award Bid and Execute Contract for Nan McKay Highrise Carpet Replacement Project

ACTION TO BE CONSIDERED:

Motion to approve the bid from Hammernick's Decorating.

OVERVIEW:

The hallway corridor carpet replacement project at the Nan McKay Highrise is funded by the 2014 Capital Fund budget. The project was publically bid in June and bids were received on June 30, 2016.

The following bids were received:

Hammernick's Decorating 1381 Rice Street St. Paul, MN 55117	\$125,740
Meisinger Construction 121 Bridgepoint Way South St. Paul, MN 55075	\$182,900

The low bidder, Hammernick's Decorating, has worked in our buildings on many occasions replacing unit carpeting. We have been very satisfied with their performance and would recommend the award of the contract to them. The carpeting is manufactured by Mannington and is a commercial grade carpet. The bid includes the nine hallways as well as some tile replacement in high traffic areas.

SOURCE OF FUNDS:

2014 Capital Fund budget.



EDA Agenda Item Report

Date: July 11, 2016

EDA Executive Director: SPK

6-B

Agenda Item: Project Update

Action to be considered: Information Only

Overview: Status update on various projects currently at staff level include the following:

Dakota Premium Site

At the June meeting of the EDA the Board provided commentary regarding City facilitation of a future construction site on this project. That Board affirmation was very positively received by the prospective developer of the site. At this point in time, due diligence on the project and project financing is continuing.

Business Park User Expansion Proposed

An existing business within the Industrial Park has proposed an expansion of their existing facilities. A purchase of City owned property would be required for that expansion. We are currently pursuing a two-pronged approach to this opportunity. One would include their purchase of property and construction of a building ranging in size from 20,000 square foot or larger. The second option would be facilitation on a non-owned long-term lease for a non-owned building of similar size. At this point in time, both options have potential for consideration by this business.

Midwest One Bank

At the June meeting of the EDA the Board provided concept approval of a purchase and development agreement concept. At this point in time, the City has penned a purchase agreement in concert with that approval. We anticipate receipt of a mark-up prior to the July meeting of the EDA. Should any Buyer proposed changes require further EDA direction we will bring that to your attention.

Prospective Repurposing of under-utilized office building

City staff has facilitated review and consideration of a potential future rehabilitation project by a Twin Cities firm specializing in repurposing obsolete properties. Should a purchase be pursued it is anticipated that a project would include rehab, additional construction, and reconfiguration and ownership of parking associated with the building. There could also be the need to re-think transportation access to this particular property along with properties adjacent.

Walser Site

The current Walser reconditioning facility currently employs 140 to 150 staff working two shifts. They are proposing a possible expansion, which would likely add 20-25 to that

employee count. Last year 9,000 vehicles were processed through that facility; they are currently on a 1,000 vehicle/month pace and have a goal of processing 1,500/month. In order to achieve that target the facility expansion is required. Projected at this point in time is a 20,000 + square foot addition with a development budget ranging from \$3 to \$5 million up to possibly \$12 million. Walser is currently reviewing architectural plan options. Should the project proceed it would be a late 2016, early 2017 construction start.

Twin City Pallet

This existing industrial park business is actively marketing their property while pursuing opportunities for expansion within the market as well. City staff has provided opportunities for their consideration on both sides of the transaction.

Twin City Hide/Tanning

TCH/TCT has proposed a multi-phased rehabilitation project of their existing facility, which, if approved, is being considered as a 2017 project. Staff has proposed a number of review items to be addressed by either the applicant, the City, or both. We anticipate completion of that process over the next two-three months.

Currently TCH/TCT (491 and 501 Malden Street) is home to a 138,494 square foot facility on 10.37 acres. The current taxable market value is \$2,204,100 (pay 2017) with the land valued at \$3.75/SF. Proposed is a 178,230 square foot facility of which 92,903 square foot is proposed as new construction with the remainder, 85,327 square feet, contained within existing spaces (although interior remodeling may be occurring in each of those spaces...which is still under review).

The adjacent 6.05 acre property, 425 Clinton Street, is owned by the Farmers Union Coop Oil Association (9072 Cahill Avenue, IGH) and has a building and land value of \$969,700. It is through this parcel that the City had previously conceptually identified a roadway providing improved I-494 access.

Danner Site

This site, at 843 Hardman, is two tax parcels with a total of 32.33 acres valued at \$1,541,900 (\$1.61/SF). It contains a 19,342 SF service garage with an EMV of \$719,700 (\$37.21/SF). The site has been identified for repurposing. While a project on the site is not at all certain if such were to occur coordination with potential TCH/TCT project infrastructure deliverables would be anticipated.



EDA Agenda Item Report

Date: July 11, 2016

Department: Finance

EDA Executive Director: SAC

6-C

Agenda Item: Approve proposal for TIF Financial Management Plan

Action to be considered: Approval of proposal for a TIF Financial Management Plan from Ehlers.

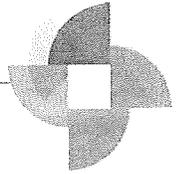
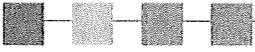
Overview:

The Tax Increment Financing (TIF) Districts have been in place for several years and a Financial Management Plan should be developed for the TIF Districts. Ehlers is our Municipal Advisor and they have the expertise to create a TIF Financial Management Plan. The Financial Management Plan will provide financial information that will guide policy decisions regarding available resources and existing obligations.

The statutory regulations and reporting have changed over time. The TIF Financial Management plan will examine our existing documentation, budgets and expenditures from date of TIF district inception to help identify if there are any issues that we need to resolve prior to the end of the district.

Funding Sources and other fiscal considerations:

This is an allowable cost of the Tax Increment Districts.



Memo

To: Michelle Pietrick, Finance Director
From: Shelly Eldridge and Jeanne Vogt, Ehlers
Date: June 15, 2016
Subject: Proposal for TIF Financial Management Plan

Introduction

Ehlers works with numerous communities in Minnesota in the area of public finance. One specialty of our firm is the implementation, negotiation, and administration of TIF districts. Our experience with some communities is that a flurry of activity occurs when the TIF district is established and the development agreement is signed. All too often, however, two or three years elapse before payments on obligations are made and the TIF project is reviewed carefully again. By this time, memories have faded and projects have changed and the persons responsible for the administration of the district may no longer be working for the city or in a different department from those who originally implemented the project.

Scope of the Project – TIF Financial Management Plan

Many clients have addressed the gaps in knowledge and time through a Tax Increment Financing Management Plan. The Plan is a comprehensive financial plan for your community's TIF Districts. It will project future tax increment and other revenues over the life of the district, as well as all existing obligations. Revenue gaps or excesses can then be identified. This process will provide you with financial information to guide policy decisions related to the administration and management of the City's TIF districts. The resulting product of the Plan is a comprehensive summary and review. The report specifically addresses the following issues:

1. Review of existing districts, including existing debt/developer obligations and current status of each district
2. If the TIF Plan budgets are adequate to assure there are no excess increment issues
3. If there is adequate TIF budget authority within each TIF plan for current TIF fund balances and future TIF receipts
4. What the administrative cost authority within the TIF districts is and the remaining administrative cost allotment available
5. What TIF balances can be utilized for, including legal pooling authority



6. What the reporting requirements are required for on-going use and validity of each TIF district
7. If any TIF districts need to be decertified and dollars returned to the County for redistribution; and
8. What modifications, if any, to each of the TIF district plans will be required to allow the City to utilize existing TIF fund balances and future TIF receipts

Project Cost and Completion Date

We charge on an hourly basis to complete this in depth review and provide a memorandum outlining our findings and recommendations. We will work in concert with the City's TIF attorney as appropriate before formalizing our recommendations.

We are estimating the project cost to be \$15,000. This would be a not-to-exceed amount. Please note that we only bill for time actually spent, so to the extent it takes less time to review a certain district, you would only be billed for the time spent. Also, for some districts it may take more time than anticipated and you would be billed accordingly. This cost also includes two meetings with staff and one meeting with the City Council. Should additional meetings be required, or if research is needed on site for TIF districts created where Ehlers was not your municipal advisor, you would be billed at our hourly rate of \$215 per hour. Please note that this cost can be charged to any of the TIF districts as part of the administrative allotment allowed under the TIF Law.

Ehlers is ready to begin the TIF Management Plan beginning in August 2016. This will ensure the Plan is completed prior to year-end. The following pages detail the recommended information for the City's TIF files and also what we will need to develop the TIF Management Plan. If you need assistance assembling these files, we would be happy to assist as a separate project.

Please contact Shelly at 651-697-8504 with any questions.

Recommended Items for Inclusion in TIF District Files for Compliance with Statutory Requirements

TIF Creation File

- District Establishment Documentation
 1. Final TIF plan with supporting documentation of the But/For test (studies, etc)
 2. Resolutions calling for the public hearing and adoption
 3. Copies of official minutes documenting the public hearing(s)
 4. Notice of public hearing, actual or affidavit from newspaper
 5. Fiscal implications letters distributed to County and School
 6. Parcel list with corresponding map
 7. Cover letter to documenting “request for certification” date

- Certification From County
 1. Frozen tax rate
 2. Certified original net tax capacity and market value
 3. Parcel list with individual tax capacities
 4. County number for district
 5. The fiscal disparities election applied to the district (if applicable)
 6. Certification request date on county records

- Basic District Information
 1. District type
 2. First receipt of increment, actual or anticipated
 3. Duration, actual or anticipated
 4. Documents for subsequent modifications, whether formal (public hearing) or informal (resolution only)
 5. Financing- developer or bond
 - a. If internal, resolutions approving bond sale, tax increment pledge, bond schedules and/or resolutions approving interfund loans

TIF Maintenance File

- Overall District Maintenance File
 1. Three Year Rule §469.176, Subd. 1a (for districts created prior to June 1, 2005)
 2. Four Year “Knock Down” Rule §469.176, Subd. 6
 3. Re-qualification of knocked down parcels (M.S. 469.177, Subd.6)
 4. Five-Year Limit - Pooling Restriction (M.S. 469.1763 Subd. 3) – for districts certified in 2000 and later.

- Annual District Maintenance File
 1. Annual State Agency Reporting Requirements
 - a. Business Subsidy (if applicable)
 2. Annual Internal Reporting and Documentation Compliance
 - a. Reporting forms
 - i. Disclosure, actual publication or affidavit from newspaper
 - ii. Copies of invoices, journal entries, general ledgers (etc)
 3. Include copies of invoices and payments made by City if they are repaying themselves for qualified costs (they fronted dollars to acquire property, make improvements, etc.)
 - a. Financial statements and reconciliation to reporting forms if necessary

- b. Compliance with income limitation for housing districts and square footage limitations for economic development districts
- c. Interfund loans

Developer File

- Development Agreement Summary
- Executed Development Agreement
- Copies of Qualifying Costs Paid by Developer
- Amortization Schedules and Documentation of Payments Made Per the Agreement