

# City of South St. Paul Economic Development Authority Agenda

Monday, September 26, 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. EDA Approval Minutes of September 12, 2016

**5. PUBLIC HEARINGS:**

**6. GENERAL BUSINESS:**

A. Progress Plus Report – *no attachment*

B. 820 Southview Boulevard

C. Approve Amendment No. 5 to Purchase Agreement with Interstate Partners

D. South St. Paul Economic Development Strategy

E. Executive Director's Report – *no attachment*

**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  
September 12, 2016  
City of South St. Paul, Training Room**

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**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, Podgorski, Seaberg, Rothecker, Niederkorn*

*Staff Present: EDA Executive Director, Stephen King, Economic Development Manager Ryan Garcia, Housing Division Manager Branna Lindell, Legal Counsel, Bridget Nason*

**3. AGENDA**

Item 4.C Approval of Satisfaction of Mortgage was removed from the agenda.

Motion/Second: Commissioner Seaberg moved and Commissioner Hansen seconded approval of the agenda as amended.

Motion carried 7 ayes/0 nays

**4. CONSENT AGENDA**

Motion/Second: Commissioner Flatley moved and Commissioner Podgorski seconded approval of the consent agenda as amended.

A. EDA Minutes of August 22, 2016

B. EDA Minutes of August 29, 2016

Motion carried 7 ayes/0 nays

**5. PUBLIC HEARINGS**

A. Approval to Sell 900 Southview Blvd., 920 Southview Blvd. and 145 – 10<sup>th</sup> Avenue South to MidWestOne Bank – Resolution No. EDA 2016-07

Commissioner Niederkorn moved and Commissioner Hansen seconded the motion to open the public hearing.

Ryan Garcia reviewed the terms of the purchase and development agreement with *MidWestOne* Bank to purchase the above-mentioned properties to build a 6,000-8,000 square foot bank with a drive-thru facility. Discussion ensued regarding the existing environmental issues of the site and agreement provisions relating to the City's responsibility for costs associated with environmental studies and/or remediation.

Commissioner Seaberg moved and Commissioner Hansen seconded the motion to close the public hearing.

Commissioner Flatley moved and Commissioner Rothecker seconded the motion to adopt Resolution No. EDA 2016-08 approving the sale of public land subject to the terms of the purchase and development agreement with *MidWestOne* Bank.

7 ayes/0 nays

- B. Approval to Sell 930 – 6<sup>th</sup> Avenue South to Catherine Kleve – Resolution No. EDA 2016-08

Commissioner Flatley moved and Commissioner Niederkorn seconded the motion to open the public hearing.

Ms. Lindell reported the buyer of the property is proposing construction of a two-story 1,658 square foot home with 3 bedrooms, 2½ baths and a rear loaded 2-car detached garage.

Commissioner Rothecker moved and Commissioner Flatley seconded the motion to close the public hearing.

A motion was made by Commissioner Hansen and seconded by Commissioner Rothecker to approve Resolution No. EDA 2016-09 approving the land sale and development agreement with Catherine Kleve.

7 ayes/0 nays

## 6. GENERAL BUSINESS

- A. Progress Plus Report

No report was available.

- B. 820 Southview Blvd. (former Zenk Building)

Ms. Lindell reported the building was purchased in November, 2015 for \$225,000. Three occupants remain in the building; however, the expenses to maintain the building exceed the revenues generated from the occupants. Discussion ensued

regarding the condition of the building including the necessity for boiler system maintenance.

Commissioner Seaberg moved and Commissioner Flatley seconded the motion to provide the occupants a 60-day notice to vacate.

7 ayes/0 nays

C. Appoint Ryan Garcia as Executive Director of EDA

Commissioner Seaberg moved and Commission Seaberg seconded the motion to appoint Ryan Garcia as Executive Director of the EDA.

7 ayes/0 nays

D. Economic Development Manager Report

Ryan Garcia reported:

- The next EDAB meeting is scheduled for September 20, 2016. Agenda items include: establishing a formal economic development strategy and discussion of City-owned property inventory
- The Planning Commission approved: i) Danner's concept for the Verderosa property as a Planned Unit Development, ii) The Twin City Tanning collagen processing expansion. It was the consensus the Twin City Tanning proposal should be brought to the September 26th worksession for further clarification and discussion.
- Interstate Partners (ISP) is nearing an agreement to lease the remaining space in Bridgepoint III. Upon completion, ISP will be ready to move forward with development of the Dakota Premium site
- Preliminary interest in Lot 5 of Hardman Court. Interstate Partners would construct the building and lease out the space.

**ADJOURNMENT**

Motion/Second: Commissioner Seaberg moved and Commissioner Hansen seconded the motion to adjourn the meeting at 7:22 p.m.

Approved: \_\_\_\_\_

\_\_\_\_\_  
Edie Kleinboehl, Secretary



**EDA Agenda Item Report**

Date: September 21, 2016

EDA Executive Director: \_\_\_\_\_

*rg*

6-B

**Agenda Item:** 820 Southview Boulevard

**Action to be considered:** Staff seeks direction from the EDA to position EDA-Owned property at 820 Southview Boulevard for sale and redevelopment

**Overview:**

The South St. Paul EDA owns an existing office building at 820 Southview Boulevard, formerly known as the “Zenk Office Building”. The property was acquired by the South St. Paul HRA using DEED Special Appropriations funding in November 2015 at a cost of \$225,000.

At its September 12, 2016 meeting, the EDA directed staff to proceed with the termination of the existing month-to-month tenancies at the building, which is in process. At essentially the same time, Staff has engaged an interested party in discussion related to the ultimate sale and redevelopment of the property to accommodate a customer-oriented service office use for a large portion of the building, as well as a privately owned and managed “business incubator” in a portion of the building. Staff anticipates receiving a letter of intent from this party in the very near future.

Our early discussions with this party have centered around the significant needs to upgrade the 55-year old building from its current condition, as it has a number of core infrastructure issues – not to mention its interior design limitations - impacting the effective and efficient operations of potential end users.

In our view, the EDA has several optional strategic paths forward with respect to this interest and the issues related to the building. These include:

1. Do nothing at this time. Direct the Executive Director to respond to the interested party that the EDA is not interested in selling 820 Southview Boulevard for redevelopment at this time.
2. Propose to the interested party that the EDA would like to dispose of the property “as-is”, and enter negotiations.
3. Partner with the interested party on a joint development effort, by which the EDA/City would tap into its ability to access to grant funding for certain costs of remediation, redevelopment, and/or repurposing of the property and building. This could “play out” in a few different ways:
  - a. Sell the property “as-is” but participate in identified development costs as eligible for grant funding.
  - b. Hold ownership of the building for long enough to address critical deferred maintenance in building infrastructure and systems, to arrive at a marketable “shell”. Negotiate towards sale of property to the developer at such time as core building issues are upgraded, and where applicable, participate in build-out and identification of potential tenants for the office space.
  - c. Hold ownership of the building through build-out of the space as defined/designed in cooperation with the interested party for their business needs. Negotiate sale of fully-improved, essentially customized office building.
4. Undertake the redevelopment independently, and market the property for sale.

It is staff's opinion that we should leverage remaining DEED grant funds from the Special Appropriation to address as much of the core infrastructure issues as possible. It is anticipated that an inspection of the roof and insulation systems, an asbestos and mold assessment, and boiler/HVAC inspection will reveal the need to address deferred maintenance of building systems and significantly (if not entirely) exhaust the current allocation of funding identified for this project. Further, it is recommended that we sell the building as a "marketable shell" (see 3.b, above). While under this scenario the ultimate build-out and occupancy of the development would be led by the purchaser, we would propose leveraging additional resources (grants, business assistance programs) as practical to facilitate a successful development project.

**Funding Sources and other fiscal considerations:**

Eligible project costs are proposed to be funded through the Special Appropriations funding from DEED. The Approved work plan, which expires 12/31/2016, includes a budgeted allocation of approximately \$71,000 for the remodel of 820 Southview Boulevard. Additional funding of \$600,000 is available in January 2017, and will require an approved work program with DEED.



**EDA Agenda Item Report**

Date: September 21, 2016

EDA Executive Director: \_\_\_\_\_

*fg*

6-C

**Agenda Item:** Approve Amendment No. 5 to Purchase Agreement with Interstate Partners

**Action to be considered:** Motion to approve Amendment No. 5 to Purchase Agreement with Interstate Partners

**Overview:**

On May 9, 2016, the EDA approved Amendment No.4 to a purchase agreement for the Dakota Premium site (425 Concord Street South) with Interstate Partners, which allowed for an extension of the due diligence period to September 30, 2016, as well as an extension of the closing date to no later than November 30, 2016.

Due to originally unanticipated complications and costs associated with respect to soil correction, the buyer anticipates completing due diligence sometime between September 30 and the end of this year – likely much sooner. While it is still possible that the EDA and the buyer can close on the purchase in 2016, the request is to allow for this extension in order to address these outstanding issues and assess the implications on purchase and project costs.

Amendment No. 5 proposes an extension of the due diligence period until December 30, 2016 and extension of the closing date to no later than February 28, 2017.

**Funding Sources and other fiscal considerations:**

None anticipated at this time.

## FIFTH AMENDMENT TO PURCHASE AGREEMENT

This Fifth Amendment to Purchase Agreement is entered into as of this \_\_\_ day of \_\_\_\_\_, 2016 by and between the South St. Paul Economic Development Authority, a public body corporate and politic organized and existing under the laws of the State of Minnesota (“Assignee” or “Seller”), and Interstate Partners II LLC, a Minnesota limited liability company (“Buyer”).

### RECITALS

A. Buyer and the Housing and Redevelopment Authority in and for the City of South St. Paul, a public body corporate and politic organized and existing under the laws of the State of Minnesota (“Assignor”) entered into that certain Purchase Agreement dated March 24, 2015 (the “Purchase Agreement”) for the Property as legally described in the Purchase Agreement.

B. Buyer and Assignor entered into that certain First Amendment to Purchase Agreement dated November 10, 2015 (the “First Amendment”) for the Property as legally described in the Purchase Agreement.

C. Buyer and Assignor entered into that certain Second Amendment to Purchase Agreement dated December 22, 2015 (the “Second Amendment”) for the Property as legally described in the Purchase Agreement.

D. Pursuant to Section 16 of the Purchase Agreement, Assignor assigned its rights under the Purchase Agreement to the Assignee/Seller and Buyer consented in writing to the same.

E. Buyer, Assignor and Assignee/Seller entered into that certain Third Amendment to Purchase Agreement dated February 16, 2016 (the “Third Amendment”) for the Property as legally described in the Purchase Agreement.

F. Buyer, Assignor and Assignee/Seller entered into that certain Fourth Amendment to Purchase Agreement dated May 9, 2016 (the “Fourth Amendment”) for the Property as legally described in the Purchase Agreement.

G. Seller and Buyer desire to amend the Purchase Agreement, the First Amendment, the Second Amendment, the Third Amendment and the Fourth Amendment as set forth herein.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller and Buyer agree as follows:

1. Section 4.12.1 of the Purchase Agreement is amended in its entirety to read as follows:
  - 4.12.1 Seller shall allow Buyer and Buyer’s agents access to the Property without charge (but subject to Buyer’s indemnification obligations contained herein) and at all reasonable times upon at least two business days’ advance written notice by Buyer to Seller for the purpose of Buyer’s investigation and testing the same until

**December 30, 2016** (the “**Inspection Period**”). Buyer, at Buyer's expense, may enter upon the Property to conduct such tests and make such examinations, including soil, boring and environmental tests, as Buyer deems necessary. In the event the results of tests or examinations conducted by Buyer or Buyer's representative(s) do not verify that there is no accumulation in or about the Property or adjacent groundwater of petroleum, PCBs or any hazardous waste or toxic pollutant, contaminant or other substance regulated by any state or federal statute including Solid Waste Disposal Act, as amended, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. Sec. 9601), the Resource Conservation and Recovery Act (42 U.S.C. Sec. 6901) or the Toxic Substance Control Act (15 U.S.C. Sec. 2604) or by any other statute, rule, regulation or order of any governmental agency having jurisdiction over the control of such substances or wastes, or other substances of public health concern, or if Seller acknowledges that the Property is contaminated by any such waste or substances, Buyer may in its sole discretion, terminate this Agreement.

2. Section 6 of the Purchase Agreement is amended in its entirety to read as follows:

6. Closing. The closing of the purchase and sale contemplated by this Agreement (the “Closing”) shall occur on or before **February 28, 2017** (the “**Closing Date**”), or such earlier date as mutually agreed to in writing by the parties hereto. The Closing will take place via escrow facilitated by the Title Company, or as otherwise mutually agreed to by the parties hereto. Seller agrees to deliver possession of the Property to Buyer on the Closing Date.

3. Except as set forth herein, the Purchase Agreement remains unmodified and in full force and effect. Sections 1 and 2 hereof replace Sections 1 and 2 of the Fourth Amendment in their entirety.

**IN WITNESS WHEREOF**, the parties have executed this Fourth Amendment to Purchase Agreement as of the day and year first above written.

**ASSIGNEE / SELLER:**

**South St. Paul Economic Development  
Authority**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: President

By: \_\_\_\_\_

Name: \_\_\_\_\_

Its: Executive Director

**[Signature page to Fifth Amendment to Purchase Agreement]**

**BUYER:**

**Interstate Partners II LLC, a Minnesota limited liability company**

By:   
Name: CAROLY S. MILLER  
Its: PRESIDENT



**EDA Agenda Item Report**

Date: September 21, 2016

EDA Executive Director: \_\_\_\_\_

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6-D

**Agenda Item:** South St. Paul Economic Development Strategy

**Action to be considered:** No Action Requested. Discussion Only

**Overview:**

Currently, the City does not have a formal, well-articulated, and readily accessible Economic Development Strategy. While this isn't always necessary for Economic Development success, agencies such as ours have found a documented Economic Development Strategy to be an effective mechanism for identifying, implementing, and monitoring the success of strategic policies and actions intended to further community economic development objectives.

The Executive Director will facilitate a discussion with the EDA around the idea of developing an Economic Development Strategy for the City. It should be noted that the Economic Development Advisory Board took part in a similar discussion at their September 20, 2016 meeting, and was quite receptive to the notion of formalizing a strategy.

Ideally, the strategy would be developed through a small number of collaborative sessions between the EDA, EDAB, and Progress Plus, and completed by the start of 2017. At this point, it is anticipated that the development of the strategy would be facilitated by staff.

**Funding Sources and other fiscal considerations:**

None anticipated at this time.

**SOUTH ST. PAUL |  
ECONOMIC DEVELOPMENT  
AUTHORITY**

**ECONOMIC DEVELOPMENT  
STRATEGY**

September 26, 2016 Meeting – Agenda Item 6-D



## KEY CONCEPTS – ARE THESE FUNDAMENTALS FORMALLY IN PLACE, AND UNDERSTOOD?

- There should be Desired Outcomes
  - Physical manifestation of goals vis a vis development
  - Improved social and economic conditions
  - Enhanced tax base
  - Increased engagement of business community
- There should be Identified Community Structures
  - Mobilized stakeholders → (champions)
  - Strong networks and interaction
- There should be well-defined processes
  - Purpose-based actions
  - Defined “actors” – matched to skills and resources



# DO WE REALLY NEED A DOCUMENTED STRATEGY?

- Plan fatigue. I get it.
- We're not starting "from scratch"
- City's policy-making role
- Common foundation for ideas, initiatives, conversations
- Measuring successes
- Identifying roadblocks (and how to overcome them)



# **BIG PICTURE – WE SHOULD ALL UNDERSTAND**

- Where are we today?
- Where do we want to be in (1),(5), (x) years?
- What's the best way to get there?
- How do we know if we get there?



# AND IT SHOULD BE INTENTIONAL

- Target public investments towards projects and areas that will improve – and sustain – the City's competitive position
- Target development efforts towards specific programs and/or activities most likely to (help) realize desired outcomes
- Target time, talent, and money to get the most effective and efficient return



# WHY?

- Assure that we're **proactive** (versus reactive) and in the right direction
- Efficiently allocate resources in the face of changing conditions/development climates
- Foster ongoing, and well-informed dialogue
- Equip stakeholders with consistent information about the local development economy and the purpose of specific programs



# OK, HOW?

- **Initiate/Organize**

- EDAB
- EDA
- Progress Plus
- Comp Plan/PC

- **Analyze**

- Assess data/info
- ID local issues/opportunitites

- **Formulate**

- Set strategic vision

- ID Goals/Objectives/Priorities

- Define the actions/actors

- **Implement**

- ID Who “owns” what
- Allocate resources
- Integrate into work program

- **Evaluate**

- Monitor/Review
- Analyze Impacts



# QUESTIONS/DISCUSSION?

