



South St. Paul

WORKSESSION AGENDA SSP City Hall 125 3rd Avenue North Training room

Monday, October 10, 2022, immediately following the
Special City Council meeting at 7:00 PM

AGENDA:

1. SAC Credit Discussion
2. Hardman Triangle Update
3. Council Comments & Questions



AGENDA ITEM: SAC Credit Discussion

DESIRED MEETING OUTCOMES:

- Provide historical context and background on City’s Sewer Accessibility Charge (SAC) Policy.
- Discussion of SAC Credits.
- Discuss and provide staff with direction about whether/how to approach SAC in the future.

OVERVIEW:

Background

If Council has time prior to the meeting, it might be beneficial to review the Met Council’s [SAC Procedure Manual](#) or their [SAC website](#) for more information (beware the rabbit hole!)

In South St. Paul and throughout the 7-County Twin Cities Region, the Metropolitan Council charges a one-time Sewer Availability Charge (SAC) fee to customer communities for each new connection or increase in capacity demand of the metropolitan disposal system. When a new business is proposing to use a site or an existing business plans on expanding, the business will reach out to the Metropolitan Council Environmental Services (MCES) to determine if the existing SAC units at the site are sufficient for the proposed use or if additional units are needed based on the new or additional demand at the site. If additional SAC units are needed for the site, the MCES will provide the business with a SAC determination letter that specifies the number of additional units that are needed. The MCES charges SAC to the **City** who in turn passes the fee onto the property owner or business owner when they come in for their building permit. In 2022, one SAC charge equates to \$2,485.

As a City with a long history of heavy industry, South St. Paul has historically had a substantial “bank” of what are considered “SAC Credits”. SAC Credits (like SAC Charges) are between the MCES and the City, but they are not assets that the City can generally buy or sell to property owners, developers, businesses, or other communities (without significant MCES involvement). Because SSP has historically retained this “bank”, the City has not had to pay the \$2,485 fee per SAC unit to the Met Council for new development or expansion which may demand additional sewer capacity. Generally speaking, there are two types of SAC Credit: those that are tied to a specific site, and those that are “city-wide”.

- **Site Specific Credits** - In SSP, many/most properties have already been developed with a building that was connected to the wastewater system and/or paid for connection to that system. These properties have one or more credits (depends on the land use) and if a property is redeveloped or expanded, the property receives credit for whatever that previous connection/payment for connection might have been.
- **Community-Wide Credits** – Net credits are generated in SSP where a specific site, upon redevelopment, has a lower wastewater treatment demand than a previous use that has

already paid or been grandfathered a SAC Charge. MCES requires that communities first use all community-wide credits prior to paying SAC Charges to MCES.

Existing Policies

The last update to the City's SAC policy was in 2009, at which time the City had a "bank" of almost 2,000 SAC Credits. That year the City repealed and replaced its SAC policy from 1997 with a policy that would allow the City to "sell" 1,400 SAC credits to another community for a cash payment. In addition, the 2009 policy declared that "all applications for SAC charges shall be paid in full to the City of South St. Paul in accordance with the current policies and charge rate... applicable at the time of application." In practice, what this means is that any property owner/developer/business that has applied for a building permit (for new construction, redevelopment, expansion) in SSP completes a SAC Determination as required by MCES and if the Determination indicates a need for additional SAC Units at their property, they pay the commensurate fee *to the City* as part of their building permit fee. The City – in accordance with MCES Policy – **does not** pay MCES because we still have the "bank" of SAC Credits. Instead, the SAC fee is retained by the City, and ultimately entered as revenue in the City's Utility Fund (since 2015, the Sanitary Sewer Fund; prior to that, the Water Utility Fund).

In the 13 years since the last SAC policy update, South St. Paul has seen growth and development/redevelopment that merits discussion as it relates to SAC. After the aforementioned "sale" of credits in 2009, SSP was left with approximately 550 SAC Credits. By 2020, this number had reduced to 420 Credits. In October 2022, the number of Community-Wide SAC Credits has been reduced to 133 SAC Credits. As the pace of development has accelerated in recent years – particularly along Concord Exchange with an intensification of land uses – so too has the reduction in the SAC Credit "bank" accelerated.

SOURCE OF FUNDS/FINANCIAL CONSIDERATIONS:

The City, as of our most recent monthly report to MCES (September 2022), has a Community-Wide SAC Credit Balance of 133 SAC Credits. Almost certainly, this balance will be fully depleted within one year, most likely upon application for a building permit by the Vaquero (170 residential units on a site that has not been developed for over 50 years). At that point, the City will be in the position of having to pay MCES for any new SAC Charges that are commanded by new development/redevelopment/expansion (again, this fee is collected from the applicant for building permit, so we'd just be passing their fee along). Obviously, this means that the City's Utility funds will ultimately lose a source of revenue.

The City's past practice and policy with respect to SAC has resulted in additional revenues of \$583,797 to the Water Fund and of \$615,783 to the Sanitary Sewer Fund since 2011. Considering this, Staff would be interested in learning whether the Council feels we need to explore any sort of adjustment to our approach. Specifically, whether Council feels that establishing a Local SAC (above and beyond the \$2,485 per SAC unit that must be paid to MCES) would be desirable going forward. Presumably, this would add to the cost of development in South St. Paul, but would also provide funding for critical infrastructure in the Community.



EDA/Council Worksession Report

Date: October 10, 2022

EDA Executive Director:

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AGENDA ITEM: Hardman Triangle Update

DESIRED OUTCOMES:

- Review status and potential implications of 2021 Special Appropriation relating to meat processing facility(ies) relocation
- Review development potential and preferred redevelopment strategy/approach for Hardman Triangle

OVERVIEW:

As discussed at previous Worksessions, the City's Economic Development Strategy identified an approximately 20-acre area lying between Concord Street, Hardman Avenue, and Grand Avenue as a key focus area for redevelopment. In early 2020, the City Council approved the Hardman Triangle Redevelopment Plan, which established a framework for development of a vital mixed-use district at this key location in the community. Following the Redevelopment Plan's approval, Community Development Staff and the EDA have made progress towards positioning the City for successful revitalization of the Hardman Triangle. As we approach the 4th Quarter of 2022, several interrelated opportunities warrant consideration in the context of the City's vision for the Hardman Triangle.

2021 Special Appropriation – Meat Processing Uses

As discussed previously, the Omnibus Tax Bill authorized by Governor Walz in July 2021 included language that authorizes the Minnesota Department of Employment and Economic Development (DEED) to provide \$6,000,000 in grant funding for facility planning and construction to South St. Paul-based businesses engaged in the meat processing industry and operating out of facilities that are at least 75 years old. At the time, it was determined that three South St. Paul businesses (Concord Fresh Meat, Concord Poultry, and Long Cheng), all located within the Hardman Triangle, meet the criteria outlined in the legislation. Since the Bill's passage, Concord Fresh Meat has terminated its lease at 240 Concord Street and thereby is no longer an eligible entity for this appropriation.

This program is still in its very early stages, with DEED and the Minnesota Office of Management and Budget (MMB) continuing to iron out the technical details of launching (let alone administering) the grant. State Agencies have continued to research the proper way to administer this program in accordance with State Law, and unfortunately at this time we are still not hearing that there is a defined timeline for the "rollout" of any application process for these businesses. It remains unclear whether either of the businesses identified as eligible will ultimately choose to apply, and if so how (or if) DEED will score or rank applications and ultimately award funds. In short, the program appears to be in a bit of a holding pattern at the present moment.

To reiterate what we shared with Council in late 2021, DEED funds may only be spent on sites and facilities **within South St. Paul**. Previous discussions with the businesses indicated that they each would have likely preferred to establish their facilities in the City of St. Paul if the opportunity presented itself, but that would now seem unlikely since doing so would essentially forfeit a business' ability to leverage the DEED grant. As such, even though we aren't the grantor or the grantee, the City will have to play an important role in this program specifically related to site identification and the development approval process.

Development Potential/Redevelopment Strategy

The Hardman Triangle Redevelopment Plan ([click for link to the Plan document](#)), through an intensive market study and evaluation of the site, suggests that the Hardman Triangle could potentially accommodate up to 20,000 square feet of commercial development and between 650 – 800 residential units over the next 10 – 12 years. The EDA controls about 9.5 acres of land in the district (generally, sites “C”, “D” and “E” in the graphic to the left). Site “D” (which is basically the 125 – 135 Grand Avenue properties) is viewed by staff as the key site within the district to establish the tone of development for the rest of the Hardman Triangle. Situated at the “100% corner” of Grand Avenue and Concord Street, in the ideal this site would attract a significant commercial presence at street level.

In the time since the Plan’s approval, Staff has continued in attempts to keep this site on the radar of our contacts in the development community, keeping in mind the Council’s previous suggestion that a “master-planned” approach to future development within the Hardman Triangle was preferable. Obviously, with only about half of the total acreage within the Triangle under our control, additional land acquisition will be key to full implementation of the strategy. Staff will be prepared to provide



updates and answer any follow-ups Council may have on the redevelopment strategy at Monday's worksession.

Finally, as the Council will recall we were engaged in preliminary development discussion with a commercial developer for the property located at 110 Bridgepoint Court (just south of the Burger King) earlier this year, who was proposing a multi-tenant office/warehouse/showroom development on the site. That developer recently stepped away, however we continue to receive occasional inquiries about the site for commercial development. Staff hopes to re-connect with Council on the 110 Bridgepoint Court site so that we are prepared to respond should these discussions continue to evolve.